

<b>OREGON ACCOUNTING MANUAL</b>	
<b>SUBJECT:</b> Accounting and Reporting	<b>Number:</b> 15.05.00
<b>DIVISION:</b> Chief Financial Office	<b>Effective date:</b> July 1, 2012
<b>Chapter:</b> Accounting and Financial Reporting	
<b>Part:</b> GAAP Hierarchy	
<b>Section:</b>	
<b>APPROVED:</b> George Naughton, Chief Financial Officer	Signature on file

**PURPOSE:** The purpose of this policy is to identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements presented in conformity with generally accepted accounting principles (GAAP).

**AUTHORITY:** [ORS 293.590](#)  
 GASB Statement No. 34  
 GASB Statement No. 55  
 GASB Statement No. 62

**APPLICABILITY:** This policy applies to all state agencies included in the State’s annual financial statements, except for those agencies specifically exempted by OAM Policy 01.05.00.

**DEFINITIONS:** The GAAP Hierarchy governs what constitutes GAAP for all state agencies. It lists the order of priority of pronouncements, that a state agency should look to for accounting and financial reporting guidance.

**POLICY:**

101. Agency management must ensure the proper accounting and reporting of agency operations in accordance with GAAP.
102. With regard to state and local governments, the sources of GAAP, categorized in descending order of authority are as follows:
  - a. Officially established accounting principles - Governmental Accounting Standards Board (GASB) Statements and Interpretations,
  - b. GASB Technical Bulletins, and, if specifically made applicable to state and local governments by the American Institute of Certified Public Accountants (AICPA) and cleared by the Governmental Accounting Standards Board (GASB)<sup>1</sup> AICPA Industry Audit and Accounting Guides and AICPA Statements of Position.

<sup>1</sup> Presume that such pronouncements specifically made applicable to state and local governments have been cleared by the GASB unless the pronouncement indicates otherwise.

- c. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.
  - d. Implementation guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in state government.
  - e. Other sources as noted in paragraph 105 below.
103. If a pronouncement in category (a) does not specify the accounting treatment for a transaction or other event, look to the other categories for guidance and follow the accounting treatment specified by the accounting principle from the source in the highest category—for example, follow category (b) treatment over category (c) treatment.
  104. If the accounting treatment for a transaction is not specified by a pronouncement or established in practice as described in categories (a)–(d), consider accounting principles for similar transactions within those categories and other accounting literature. Do not follow the accounting treatment specified in accounting principles for similar transactions in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or indicate not to apply the accounting treatment by analogy.
  105. Other accounting literature includes, for example:
    - GASB Concepts Statements
    - The pronouncements referred to in categories (a)-(d) of the GAAP Hierarchy for nongovernmental entities if not specifically made applicable to state and local governmental entities by the GASB
    - FASB Concept Statements
    - Federal Accounting Standards Advisory Board (FASAB) Statements, Interpretations, Technical Bulletins, and Concepts Statements
    - AICPA Issues Papers
    - International Public Sector Accounting Standards of the International Public Sector Accounting Standards Board or International Financial Reporting Standards of the International Accounting Standards Board or pronouncements of other professional associations or regulatory agencies
    - Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids
    - accounting textbooks, handbooks, and articles

The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. For example, GASB Concepts Statements would normally be more influential than other sources in this category.