



Making the Transition to GASB's Codification from the Original Pronouncements

By Michele Mark Levine

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Since the inception of the Governmental Accounting Standards Board (GASB) in June 1984, the GASB has issued 87 pronouncements, more than two thirds of which have included changes to its earlier pronouncements. Fully 80 percent of all GASB pronouncements have been changed by at least one subsequent pronouncement, and a dozen have been changed by ten or more that followed. In fact, one GASB pronouncement has a list of more than 100 changes made to it by later standards!¹

It may be a point of pride for battle-tested government accountants to refer to older GASB statements by number; think of GASB Statement No. 14, *The Financial Reporting Entity*, or GASB Statement No 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, each of which fundamentally altered government financial statements and left permanent impressions on the minds of practitioners at the time. However, those numbers are shorthand references that are meaningless in and of themselves, and their continued usage might actually be a barrier to finding and understanding current rules, especially for those newer to the field.

Moreover, GASB's standalone and comprehensive Implementation Guides have grown to include literally hundreds of questions and answers that offer clarification and guidance on vir-

tually all aspects of generally accepted accounting principles (GAAP). Once the GASB statement has been identified and consulted, one must still search the Implementation Guides for relevant guidance.

USING THE CODIFICATION

All of this means that while using GASB's Original Pronouncements: *Governmental Accounting and Financial Reporting Standards* may be fine for historical research. In order to ascertain the current GAAP governing a specific topic, you probably should be looking somewhere else. That "somewhere else" is GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, organized by topic and with all relevant questions and answers from the Implementation Guides, as well as non-authoritative exhibits, included in each section.

The Codification is organized into five major topics, equivalent to chapters in a book:² I) *General Principles*, II) *Financial Reporting*, III) *Measurement*, IV) *Specific Balance Sheet and Operating Statement Items*, and V) *Stand-Alone Reporting for Specialized Units and Activities*. The Codification's sections are numbered within each chapter, and, unlike pronouncement numbers, Codification section (Cod Sec) identifiers continue to be useful references, regardless of how many times the underlying GASB standards change.

In chapters I through III, which comprise Volume 1, sections are identified by four-digit numbers followed by decimal points. The first digit represents the chapter; for example, sections in *General Principles* start with the number 1000. The next 3 digits represent sections within each chapter; for example, *The Hierarchy of GAAP, Summary Statement of Principles*, and *GAAP and Legal Compliance* are numbered 1000, 1100, and 1200, respectively, within the chapter on *General Principles*. Following the decimal point are paragraph numbers. Codification paragraphs generally correspond one-for-one to paragraphs in GASB statements, as they stand after subsequent amendments (although the paragraph numbers do not match). Each paragraph in the Codification is followed by a parenthetical reference to the original and to amending standards from which they are taken.

In Volume 2 of the Codification, chapters IV and V, sections are identified by both letters and numbers. In chapter IV, *Specific Balance Sheet and Operating Statement Items*, each section is identified by a single capital letter followed by a number; while in chapter V, *Stand-Alone Reporting for Specialized Units and Activities*, each section is identified by a capital and a lowercase letter followed by a number. In both cases, the letters generally correspond to the name of the subject addressed, and the section numbers are again followed by decimal points and then by sequential paragraph numbers.

The arrangement of the sections in the Codification helps users identify where to look for guidance based on the topic, and the alpha/numeric numbering convention quickly distinguishes general from specific guidance.

UPDATED Q&A AND EXHIBITS

At least as valuable as the organization of the topics in the Codification is what appears immediately following the GASB standard language within each section. The inclusion of both the *updated questions and answers* from GASB IGs, which are Category B GAAP,³ and the *extensive non-authoritative exhibits* used to illustrate new standards, updated to reflect all subsequent changes to the standards, is what makes the Codification exceptionally useful, and often a better choice for technical research.

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Two cases in point:

1. No fewer than half a dozen subsequent standards have amended GASB Statement No. 14's original guidance on determining what entities should be reported as component units of a primary government and whether they should be reported as discretely presented or blended.
 - If starting with GASB Statement No. 14, one would need to look at each subsequent standard to determine what was changed and whether and how it affects the assessment of a specific potential component unit by a specific government.
 - Cod Sec 2100.119-141 contains current GAAP on the identification

of component units and 2600.113 contains the criteria that should now be used to determine whether a component unit should be blended or discretely presented.⁴ Each of those sections also contains all related implementation guidance as currently applicable.

2. GASB Statement No. 34 contains extensive exhibits illustrating virtually all parts of a Comprehensive Annual Financial Report.

- While the reporting model has not changed significantly since GASB 34 was issued in June 1999, many standards have made changes that render the exhibits obsolete. These include changes to the names of financial statements and elements thereof, such as deferred inflows and outflows, net position (versus net assets), and fund balance classifications, and the change to immediate recognition of certain previously deferred items such as debt issuance costs that appear in the original illustrations. In GASB's most recently issued *Original Pronouncements: Governmental Accounting and Financial Reporting Standards*,⁶ the original exhibits are shown with the outdated portions shaded for identification.
- Cod Sec 2200.902 contains a completely revised and updated set of exhibits. Cod Sec 2200.701-768 contains all the current, relevant implementation guidance.

HELP FROM THE ORIGINAL PRONOUNCEMENTS

If you're someone who thinks of GAAP only in terms of GASB statement numbers, it may be difficult to make this transition. However, here

is where your old friend, Original Pronouncements, may be most helpful. When new GASB standards are first issued, they contain an appendix with “Codification Instructions” which allows early implementers to see exactly how and where the Codification will change once the statements are integrated into the Codification. Included within the Original Pronouncements, before the summary of each GASB statement, is a brief history containing a list of all prior standards that are affected by the pronouncement, and a list of all subsequent standards that have affected it. There, immediately before the summary of the standard itself, is the key: a “Primary Codification Section Reference.” Of course, there are a few standards for which the

primary Cod Sec is listed as “Throughout,” which is exactly why it’s time to make a new friend.

CONCLUSIONS

GFOA will make a gradual transition toward use of the Codification rather than Original Pronouncement references in publications and training materials. The GASB publishes a new Codification each year. If your government does not subscribe to receive materials from the GASB, you can download PDFs of each pronouncement and you can get *free* online access to most features of GASB’s Governmental Accounting Research System (GARS), which includes the Codification (gars.gasb.org). ■

Notes

1. For this article, references to GASB standards include those standards promulgated by predecessor standard setters that GASB has incorporated into GAAP through its own standards, as they have been amended.
2. The Codification does not refer to chapters but uses roman numerals as topical groupings of sections. For simplicity, this article refers to each grouping as a chapter.
3. Cod Sec 1000.101.
4. Cod Sec 2600.113 contains the criteria for blending component units; all others are discretely presented.
5. Stay tuned as the GASB has embarked on a project to re-examine the reporting model, for which a Preliminary Views document is expected to be issued in the third quarter of 2018.
6. 2017-2018 edition.

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