



## Discussion Memorandum

**April 2, 2026**

**Comments Due: August 31, 2026**

an analysis of issues related to

# The Structure for Communicating Generally Accepted Accounting Principles for State and Local Governments

**Project No. 40**

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**Governmental Accounting Standards Board**

# THE STRUCTURE FOR COMMUNICATING GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR STATE AND LOCAL GOVERNMENTS

## Written Comments

**Deadline for submitting written comments:** August 31, 2026

**Requirements for written comments:** We invite your comments on the issues addressed in this Discussion Memorandum and specifically those addressed in the questions presented. Respondents are encouraged to give their views only after reading the entire text of this Discussion Memorandum. Because the GASB has not yet developed tentative views on these issues, it is important that you comment on any aspects with which you agree, as well as any with which you disagree. To facilitate our analysis of comments, it would be helpful if you explain the reasons for your views, including alternatives that you believe the GASB should consider.

A Discussion Memorandum is a staff document designed to seek comments at a relatively early stage of a project, before the GASB has reached a consensus view. This Discussion Memorandum is part of the GASB's pre-agenda research on its structure for communicating generally accepted accounting principles. This Discussion Memorandum does not present any preliminary views of the Board; rather, it will contribute to the Board's considerations related to whether a project to move to a single-authority structure should be initiated. If such a project is initiated, stakeholders would have additional opportunities to provide feedback about what a single-authority structure would entail and how it would be operationalized.

Comments should be addressed to the Director of Research and Technical Activities, Project No. 40, and emailed to [director@gasb.org](mailto:director@gasb.org). Comments also may be submitted through an [electronic input form](#).

## Other Information

**Public hearing or forum.** A public hearing or forum on the issues addressed in this Discussion Memorandum has not been scheduled.

**Public files.** Written comments will become part of the GASB's public file and are posted on the GASB's website.

This Discussion Memorandum may be downloaded from the GASB's website at [www.gasb.org](http://www.gasb.org).

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# CONTENTS

Page  
Numbers

Chapter 1—Overview and Questions ..... 1  
Chapter 2—Source for a Single-Authority GAAP Structure ..... 6  
Chapter 3—Content Organization in a Single-Authority Codification ..... 8  
Chapter 4—Communicating Changes to Accounting and Financial  
Reporting Requirements in a Single-Authority Codification ..... 17  
Chapter 5—Nonauthoritative Content in a Single-Authority Codification..... 20

## CHAPTER 1—OVERVIEW AND QUESTIONS

1. The Governmental Accounting Standards Board (GASB) is issuing this Discussion Memorandum as part of its pre-agenda research project related to the structure and approach for communicating generally accepted accounting principles (GAAP) for state and local governments (the GAAP Structure pre-agenda research project).

### Objective of the GAAP Structure Pre-Agenda Research Project

2. The objective of the GAAP Structure pre-agenda research project is to evaluate the effectiveness of the GASB's current dual-authority approach for communicating GAAP for state and local governments and to consider whether a single-authority structure should be pursued and, if so, how it would be operationalized.

### Project Background

3. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the GAAP hierarchy, which sets forth what constitutes GAAP for all state and local governmental entities and identifies authoritative sources of literature. As described in paragraph 4 of that Statement, GASB Statements (and GASB Interpretations issued prior to the issuance of Statement 76) comprise Category A authoritative GAAP, and GASB Technical Bulletins, GASB Implementation Guides, and AICPA literature cleared by the GASB comprise Category B authoritative GAAP. Both Category A and Category B GAAP are incorporated into the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when incorporated, Category A and Category B GAAP retain that authoritative status. As a result, the GAAP structure for governmental accounting standards is "dual authority"; that is, there are two sources, each with equal authoritative status—the stand-alone original pronouncements and the Codification—in which authoritative GAAP resides.<sup>1</sup>

4. This pre-agenda research project—evaluating the GASB's GAAP structure—is not intended to reexamine the GAAP hierarchy; that is, the conclusions reached in Statement 76 regarding the two levels of authoritative GAAP are not being reconsidered at this time. Rather, the purpose is to evaluate the mechanisms through which GAAP is communicated and consider whether a dual-authority structure remains appropriate.

5. The issue of the GASB's dual-authority structure has been raised by stakeholders as part of their feedback on other GASB due process documents. Some stakeholders have suggested that the GASB move to a single source of GAAP, similar to the *FASB Accounting*

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<sup>1</sup>The GASB's *Original Pronouncements* presents stand-alone original pronouncements as a collection and denote amendments and supersessions through the use of bars and shading. The GASB's *Comprehensive Implementation Guide* presents implementation guidance from Implementation Guides by topic. For purposes of this Discussion Memorandum, neither the Original Pronouncements collection nor the Comprehensive Implementation Guide is considered a distinct source of GAAP.

*Standards Codification*<sup>®</sup>. Furthermore, as more standards are issued and as the GASB reexamines and amends existing standards, both using and maintaining a dual-authority structure becomes more complex.

6. Pre-agenda research on the GASB's GAAP structure began in August 2023 and was approved to be conducted in phases, as necessary. The objective of the first phase of this pre-agenda research was to evaluate the effectiveness of the GASB's current dual-authority approach for communicating GAAP for state and local governments. Research activities related to the first phase were completed between August 2023 and March 2024. Those activities focused primarily on determining how stakeholders engage with GASB literature and how, internally, a dual-authority structure is maintained. The activities within the first phase included:

- a. Outreach with stakeholders to assess how they interact with the GASB's literature, including which aspects they find valuable and which they find challenging with respect to the current GAAP structure.
- b. An assessment of internal procedures, processes, and resources necessary to maintain a dual-authority structure.

7. At its April 2024 meeting, the Board reviewed results of the first phase of the pre-agenda research. The findings from the first phase highlighted certain challenges with the existing dual-authority structure, some of which potentially could be alleviated with a different structure. For example:

- a. Results from a survey—in which 683 respondents indicated that they use at least one of the following: (1) individually published, stand-alone original pronouncements; (2) the Original Pronouncements collection; or (3) the Codification—suggested a general reliance on the individually published, stand-alone original pronouncements. Approximately 40 percent indicated that they use only the individually published, stand-alone original pronouncements. These findings are concerning because they may suggest that stakeholders who primarily rely on individually published, stand-alone original pronouncements either may be unaware of changes to other previously issued original pronouncements or may be using incomplete or superseded guidance.
- b. Follow-up interviews with certain auditors or preparers who completed the survey indicated that there is little to no focus on the identified amendments to other previously issued original pronouncements or Codification Instructions as presented in an Exposure Draft or a final pronouncement. These findings are concerning because they suggest that stakeholders may be unaware of proposed or approved changes to existing literature.
- c. Some preparers of government financial statements who participated in the interviews expressed a view that new requirements primarily are referred to only at implementation (by using a stand-alone pronouncement), as opposed to on an ongoing basis. A GAAP structure that potentially contributes to a more discrete view of standards may obscure the interrelationships that exist across original pronouncements.

- d. Related to a potential discrete view of standards, interviewees further indicated difficulties associated with transitioning to the Codification from the stand-alone original pronouncements, including understanding how the requirements in a stand-alone original pronouncement are incorporated into the Codification. This highlights difficulties with communicating how stand-alone content translates into the codified content in an understandable manner in a dual-authority structure.
- e. From an internal perspective, maintaining two sources in which authoritative GAAP resides can be cumbersome and requires a thorough understanding of the evolution of the literature, which only becomes more difficult and resource intensive as more standards are developed.

Many of the interviewees acknowledged the advantages of the Codification relative to other publications due to its comprehensive nature.

- 8. After considering those results, the Board determined that a second phase of research intended to explore a single-authority structure, including whether and how it could be operationalized, should be conducted. The second phase of research activities include:
  - a. Researching other standard-setters' structures
  - b. Identifying alternatives for the components that comprise a potential single-authority structure
  - c. Obtaining broad stakeholder feedback through a due process document that explores a potential single-authority structure.

The main research question for the second phase is whether a single-authority structure should be pursued and, if so, what that structure should entail.

- 9. As part of the GAAP Structure pre-agenda research, a consultative group composed of 16 appointed individuals has provided feedback on issues related to the structure of GAAP for state and local governments. In addition, further feedback has been received from members of the Governmental Accounting Standards Advisory Council at its meetings.

## **Objective of This Discussion Memorandum and Next Steps**

- 10. The objective of this Discussion Memorandum is to consider a potential single-authority structure, including its various components, in order to solicit comments from constituents about such a structure or potential alternatives the GASB should consider. Respondent comments will be considered by the staff in its development of a research memorandum that presents the results of the activities of the GAAP Structure pre-agenda research. Respondent comments on this Discussion Memorandum, in combination with the results of other research activities, will contribute to the Board's considerations related to whether a project to move to a single-authority structure should be initiated. If such a project is initiated, stakeholders would have additional opportunities to provide feedback about what a single-authority structure would entail and how it would be operationalized.

## Questions

The GASB invites your comments on all aspects of this Discussion Memorandum and specifically the questions presented, all of which are introduced below. Questions 1–8, which are directly related to specific chapters, also are presented at the end of the applicable chapter. To facilitate respondent feedback on the issues addressed in this Discussion Memorandum, respondents are encouraged to (1) read the entire text of this Discussion Memorandum before responding and (2) access and explore the existing Codification at <https://gars.gasb.org/>.

1. Chapter 2 of this Discussion Memorandum introduces an approach to a GAAP structure that would employ a codification as the single source (referred to as a *single-authority codification*). Chapters 3–5 discuss other aspects of and considerations for how a single-authority codification would be operationalized. Would you support a single-authority structure with a codification as the source? Please indicate why or why not, including any alternatives you would support the GASB considering.

Questions 2–8 in this Discussion Memorandum relate to topics addressed in Chapters 3–5 regarding how a single-authority codification would be operationalized. Respondents are encouraged to provide feedback on these questions regardless of their answer to Question 1.

2. Chapter 3 of this Discussion Memorandum discusses the overall approach to content organization in the existing Codification. The questions that follow are intended to seek feedback on any modifications to that organization that should be considered for purposes of a single-authority codification. Please indicate the factors relevant to your answers.
  - a. How do you believe content should be grouped at the highest level? Do you support organizing content into the existing five Parts (Parts I–V of the Codification) as the highest level of content organization, or are there modifications or alternatives that you would support the GASB considering? Potential changes could include adding or removing Parts or grouping the information in a manner different than Parts.
  - b. Within each Part of the existing Codification, are there Sections you would support adding, removing, or moving to a different Part? If yes, please describe.
  - c. Within each Section of the existing Codification, is there content that you believe would be better placed in a different Section, whether that different Section is an existing Section or a potential new Section? If yes, please describe.
  - d. What feedback do you have regarding the duplication of content in multiple Parts and Sections? Do you support a content organization approach that repeats content in each relevant Section? Please indicate why or why not.

- e. When looking for guidance in the Codification, do you typically browse by using the Parts and Sections titles or do you typically use the search function?
  - f. In addition to your feedback on Questions 2a–2e, what other challenges, if any, do you encounter with the overall content organization of the existing Codification?
3. Chapter 3 of this Discussion Memorandum discusses the organization of Category A GAAP within the Standards Subsection of the existing Codification. What feedback do you have regarding how Category A GAAP is organized within a topical grouping?
  4. Chapter 3 of this Discussion Memorandum discusses the integration of Category B GAAP. What degree of integration of Category B GAAP with Category A GAAP would you support? Please explain the factors relevant to your answer.
  5. Chapter 3 of this Discussion Memorandum discusses paragraph numbering. What feedback do you have regarding a static numbering system?
  6. Chapter 4 of this Discussion Memorandum discusses communicating changes to a single-authority codification. Would you support the use of a nonauthoritative, stand-alone document (as described in Chapter 4) in combination with pending content to communicate changes to GAAP? Please indicate why or why not, including any alternatives you would support the GASB considering.
  7. Chapter 5 of this Discussion Memorandum discusses nonauthoritative summary and background information and a basis for conclusions. Would you support including that nonauthoritative content in a nonauthoritative, stand-alone document used to communicate changes to GAAP? Please indicate why or why not, including any alternatives you would support the GASB considering.
  8. Chapter 5 of this Discussion Memorandum discusses nonauthoritative illustrations. Would you support the incorporation of nonauthoritative illustrations into a single-authority codification? Please indicate why or why not, including any alternatives you would support the GASB considering.
    - a. If you support the incorporation of nonauthoritative illustrations into a single-authority codification, what degree of integration of those illustrations would you support? Please explain the factors relevant to your answer.
  9. What other feedback, if any, do you have regarding the GASB's GAAP structure?

## CHAPTER 2—SOURCE FOR A SINGLE-AUTHORITY GAAP STRUCTURE

1. This chapter considers a codification as the potential source for a single-authority GAAP structure.

### Single-Authority Source

2. As discussed in Chapter 1, the sources of GAAP in the existing dual-authority structure are the (a) original pronouncements and (b) Codification. Specifically, GAAP is issued in an original pronouncement. Those original pronouncements include Codification Instructions, which indicate how GAAP should be incorporated into the Codification. Consequently, GAAP exists in the original pronouncements and the Codification, both with equal authoritative status. In other words, each GAAP requirement has two sources, the original pronouncements and the Codification.

3. This chapter considers a single-authority approach to a GAAP structure that would employ a codification as the single source of GAAP (referred to as a *single-authority codification*). A single-authority codification would present all authoritative GAAP (and, potentially, certain related content) and would be the only source for authoritative GAAP. A single-authority codification approach would eliminate the issuance of authoritative original pronouncements.<sup>2</sup>

4. A single-authority codification approach would have implications for and could result in changes to how content is organized, how changes to GAAP are communicated, and how nonauthoritative content is provided. Those aspects are discussed further in Chapters 3, 4, and 5, respectively.

### Reasons to Consider a Single-Authority Codification

5. Overall, any GAAP structure considered by the GASB should reflect that GAAP is an evolving body of literature such that the structure itself facilitates an ability to (a) understand and apply GAAP and (b) maintain the GASB's body of literature in an effective manner.

6. A single-authority codification potentially better supports the current state of the body of literature and standard setting. New requirements that are issued often address topics for which there are already GAAP requirements and, therefore, either amend or add to existing requirements. A single-authority codification that incorporates the new literature directly with existing literature, instead of discretely in an original pronouncement with subsequent incorporation into a codification, may serve to address some of the challenges with the dual-authority structure indicated by the research in the first phase (as described

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<sup>2</sup>Consistent with the elimination of the stand-alone original pronouncements, the Original Pronouncements collection and the Comprehensive Implementation Guide also would be eliminated in a single-authority codification.

in Chapter 1). Broadly, a single-authority codification may facilitate a better understanding of GAAP and enhance the accessibility of GAAP to all current and future users of GASB literature. Furthermore, a single-authority codification may reduce complexity associated with developing and understanding accounting and financial reporting standards. A single-authority codification also would eliminate the potential for conflicts between two sources of GAAP and reduce costs associated with maintaining two sets of authoritative literature.

## **Question**

Question 1 in this Discussion Memorandum is directly related to this chapter. As noted in Chapter 1, to facilitate respondent feedback on the issues addressed in this Discussion Memorandum, respondents are encouraged to (1) read the entire text of this Discussion Memorandum before responding and (2) access and explore the existing Codification at <https://qars.gasb.org/>.

1. Chapter 2 of this Discussion Memorandum introduces an approach to a GAAP structure that would employ a codification as the single source (single-authority codification). Chapters 3–5 discuss other aspects of and considerations for how a single-authority codification would be operationalized. Would you support a single-authority structure with a codification as the source? Please indicate why or why not, including any alternatives you would support the GASB considering.

## **CHAPTER 3—CONTENT ORGANIZATION IN A SINGLE-AUTHORITY CODIFICATION**

1. This chapter focuses on content organization in the existing Codification and intends to seek feedback on any modifications or alternatives that should be considered for purposes of a single-authority codification. Specifically, this chapter first presents a discussion about the overall approach to the organization of content and then presents discussions about the organization of content at lower levels, including how Category A GAAP is organized, the integration of Category B GAAP with Category A GAAP, and paragraph numbering. Respondents to this Discussion Memorandum should note that the Board has neither decided to pursue a single-authority structure nor decided that a codification should be the source if a single-authority structure is pursued. However, understanding stakeholders' views on content organization within a single-authority codification will support further analysis of the range of options.

### **Overall Approach to Content Organization**

2. The Codification, which was originally developed in 1984, broadly groups information using two levels: Parts and Sections. GAAP is organized topically into Sections, which then are aggregated into Parts, which is the highest level of information grouping. The Parts and Sections of the Codification have evolved over time with the development of new GAAP. The Parts and Sections of the existing Codification are organized as follows:

Part I—General Principles (Sections 1000–1800)

Part II—Financial Reporting (Sections 2100–2900)

Part III—Measurement (Section 3100)

Part IV—Specific Balance Sheet and Operating Statement Items (Sections A10–U50)

Part V—Stand-Alone Reporting—Specialized Units and Activities (Sections Bn5–Ut5).

3. Parts I–III consist of Sections that are organized numerically and cover topics of general interest and accounting and financial reporting. Parts I and II group information into general principles and financial reporting topics and are based on the 12 basic principles of accounting and financial reporting established by National Council on Governmental Accounting (NCGA) Statement 1, *Governmental Accounting and Financial Reporting Principles*. Part III contains a Section specific to measurement. Parts IV and V consist of Sections that are organized alphanumerically in an encyclopedia format and cover topics on specific balance sheet and operating statement items and specialized units and activities, respectively.

4. The Parts and their respective Sections are detailed in Exhibit A as follows:

## **Exhibit A: Organization of the Existing Codification**

### **Part I: General Principles**

- 1000 The Hierarchy of Generally Accepted Accounting Principles
- 1100 Summary Statement of Principles
- 1200 Generally Accepted Accounting Principles and Legal Compliance
- 1300 Fund Accounting
- 1400 Reporting Capital Assets
- 1500 Reporting Liabilities
- 1600 Basis of Accounting
- 1700 The Budget and Budgetary Accounting
- 1800 Classification and Terminology

### **Part II: Financial Reporting**

- 2100 Defining the Financial Reporting Entity
- 2200 Annual Comprehensive Financial Report
- 2250 Additional Financial Reporting Considerations
- 2300 Notes to Financial Statements
- 2400 Budgetary Reporting
- 2450 Cash Flows Statements
- 2500 Segment Information
- 2600 Reporting Entity and Component Unit Presentation and Disclosure
- 2700 Supplemental and Special-Purpose Reporting
- 2800 Statistical Section
- 2900 Interim Financial Reporting

### **Part III: Measurement**

- 3100 Fair Value Measurement

### **Part IV: Specific Balance Sheet and Operating Statement Items**

- A10 Certain Asset Retirement Obligations
- A90 Availability Payment Arrangements
- B50 Bond, Tax, and Revenue Anticipation Notes
- C20 Cash Deposits with Financial Institutions
- C50 Claims and Judgments
- C55 Common Stock—Cost Method
- C60 Compensated Absences
- C65 Conduit Debt Obligations
- C75 Construction-Type Contracts—Long-Term
- D20 Debt Extinguishments and Troubled Debt Restructuring
- D25 Deferred Compensation Plans (IRC Section 457)
- D30 Demand Bonds

|     |   |
|-----|---|
| D40 | Derivative Instruments  |
| E70 | Escheat Property  |
| F30 | Financial Guarantees  |
| F70 | Foreign Currency Transactions   |
| I30 | Interest Costs—Imputation   |
| I40 | Inventory   |
| I50 | Investments   |
| I55 | Investments—Reverse Repurchase Agreements   |
| I60 | Investments—Securities Lending  |
| I70 | Irrevocable Split-Interest Agreements   |
| J50 | Accounting for Participation in Joint Ventures and Jointly Governed Organizations   |
| L10 | Landfill Closure and Postclosure Care Costs   |
| L20 | Leases  |
| L30 | Lending Activities  |
| N50 | Nonexchange Transactions  |
| N70 | Nonmonetary Transactions  |
| P20 | Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit  |
| P21 | Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution                                   |
| P22 | Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit                                    |
| P23 | Reporting Assets Accumulated for Defined Benefit Pensions Not Provided through Trusts That Meet Specified Criteria                                    |
| P24 | Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution                               |
| P40 | Pollution Remediation Obligations   |
| P50 | Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit               |
| P51 | Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution          |
| P52 | Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit           |
| P53 | Reporting Assets Accumulated for Defined Benefit Postemployment Benefits Other Than Pensions Not Provided through Trusts That Meet Specified Criteria |
| P54 | Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution      |
| P70 | Property Taxes  |
| P80 | Proprietary Fund Accounting and Financial Reporting   |
| P90 | Public-Private and Public-Public Partnerships   |
| R30 | Real Estate   |

|     |   |
|-----|---|
| R50 | Research and Development Arrangements   |
| S20 | Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues |
| S40 | Special Assessments   |
| S80 | Subscription-Based Information Technology Arrangements  |
| T10 | Tax Abatements  |
| T25 | Termination Benefits  |
| T50 | Tobacco Settlement Recognition  |
| U50 | Unemployment Compensation Benefit Plans   |

**Part V: Stand-Alone Reporting—Specialized Units and Activities**

|      |   |
|------|---|
| Bn5  | Bankruptcies  |
| Br10 | Broadcasters  |
| Ca5  | Cable Television Systems  |
| Co5  | Colleges and Universities   |
| Co10 | Combinations and Disposals of Operations  |
| Ho5  | Hospitals and Other Healthcare Providers  |
| In3  | Insurance Entities—Other Than Public Entity Risk Pools  |
| In5  | Investment Pools (External)   |
| Pe5  | Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Benefit  |
| Pe6  | Pension Plans Administered through Trusts That Meet Specified Criteria—Defined Contribution   |
| Po20 | Public Entity Risk Pools  |
| Po50 | Postemployment Benefit Plans (Other Than Pension Plans) Administered through Trusts That Meet Specified Criteria—Defined Benefit      |
| Po51 | Postemployment Benefit Plans (Other Than Pension Plans) Administered through Trusts That Meet Specified Criteria—Defined Contribution |
| Re10 | Regulated Operations  |
| Sp20 | Special-Purpose Governments   |
| Ut5  | Utilities   |

5. Content may be duplicated in multiple Parts and Sections based on its relevance or for convenience and completeness of content within a Part or Section. In some circumstances, certain content is applicable to more than one Section or Part. For example, some content is included in both Part I, Section 1800, “Classification and Terminology,” and Part II, Section 2200, “Annual Comprehensive Financial Report.” In other cases, content may be included from a broad perspective in one Section and from a narrower perspective in another. For example, some of the content in Section 2200, which represents a broad perspective, also is presented in the more narrowly focused Section P80, “Proprietary Fund Accounting and Financial Reporting.” Similarly, many of the Sections in Part V, which are narrowly focused on stand-alone reporting, repeat certain content that is included in the broader Sections of Parts I and II.

6. Considerations relevant to contemplating the overall approach that should be taken to organize the content include, but are not necessarily limited to, the following:

- Ease of finding guidance, including whether the approach to content organization impacts, positively or negatively, the amount of time or effort it takes to navigate the content to find relevant guidance
- Ease of understanding guidance and relationships between requirements, including the amount of time or effort it takes to identify all relevant requirements
- Ease for new users of learning how to navigate the content, including the time and effort it takes to explain to others how to navigate the content and identify relevant guidance
- Whether guidance is duplicated in multiple areas or only presented once, including the extent to which the duplication of content impacts, positively or negatively, the ability to identify and understand relevant guidance.

Stakeholders may weigh considerations differently or take into account other factors in evaluating the overall approach to content organization.

## **Organization of Content within a Topical Grouping**

7. The discussion that follows is based on an overall approach to content organization that groups content by topic in some manner and focuses on content organization at a lower level, that is, within a topical grouping. It is important to note that an overall approach that is topic-based has not been decided and that any overall content organization approach that may be pursued may further affect how content is organized at lower levels.

8. The existing Codification uses a system of Subsections and numbered paragraphs within each Section to organize authoritative GAAP and certain nonauthoritative content (primarily illustrations). The standardized Subsections and paragraphs within each Section of the Codification are presented in Exhibit B as follows:

## Exhibit B: Organization within Each Section of the Existing Codification

| Subsection                           | Numbered Paragraphs  | Content Type                                       |
|--------------------------------------|----------------------|--|
| References                           | —                    | Original Pronouncement Sources                     |
| Standards                            | Paragraphs .101–.499 | Category A GAAP                                    |
| Definitions                          | Paragraph .501       | Category A GAAP                                    |
| GASB Technical Bulletins             | Paragraphs .601–.699 | Category B GAAP                                    |
| GASB Implementation Guides           | Paragraphs .701–.799 | Category B GAAP                                    |
| AICPA Literature Cleared by the GASB | Paragraphs .801–.899 | Category B GAAP                                    |
| Nonauthoritative Discussion          | Paragraphs .901–.999 | Nonauthoritative Content (primarily illustrations) |

9. In each Section, Subsections are utilized only when applicable. For example, if there are no Technical Bulletins relevant to a Section, the Technical Bulletin Subsection would not be utilized. The numbered paragraphs in the Subsections, referenced above, are standardized. For example, a reference to paragraph .706 indicates that the referenced literature is implementation guidance.

### Organization of Category A GAAP

10. In the existing Codification, the Standards Subsection contains Category A GAAP that originates primarily from GASB Statements. Many Statements organize Category A GAAP in a similar manner and use the same headings; for example, scope and applicability, followed by recognition and measurement, notes to financial statements, and so forth. The organization of Category A GAAP in a Standards Subsection generally mirrors how the content is organized in the associated Statements, including the headings that are used. Therefore, although there is no specific organization that every Standards Subsection follows, Category A GAAP often is organized similarly across the Standards Subsections (although not in all cases).

11. Considerations relevant to contemplating how Category A GAAP should be organized within a topical grouping include, but are not necessarily limited to, the following:

- Ease of finding requirements within a topical grouping, including whether the approach to organizing Category A GAAP within a topical grouping impacts, positively or negatively, the amount of time or effort it takes to navigate the content to find relevant requirements

- Ease of gaining a comprehensive understanding of the requirements for a particular topic, including understanding the necessary context for a given requirement
- Ease for new users of learning how to navigate the content within a topical grouping, including the time and effort it takes to explain to others how to navigate the content and understand relevant requirements.

Stakeholders may weigh considerations differently or may take into account other factors in evaluating the organization of Category A GAAP within a topical grouping.

## **Integrating Category B GAAP**

12. In the existing Codification, Category B GAAP (including implementation guidance) is placed in the applicable Subsection within the relevant Section(s), which is intended to integrate Category B GAAP with Category A GAAP at a topical grouping level. (See Exhibit B.)

13. An alternative to integration at the topical grouping level would be to integrate Category B GAAP more closely with Category A GAAP, such as at a heading or paragraph level of the related Category A GAAP. For example, paragraphs .706-1–.706-6 of Section 2200 (which reside in the GASB Implementation Guides Subsection) could instead be directly placed alongside or referenced by link in the corresponding Category A GAAP paragraphs, paragraphs .112–.114 of Section 2200.

14. Considerations relevant to contemplating whether Category B GAAP should be integrated more closely with Category A GAAP include, but are not necessarily limited to, the following:

- If integrated more closely with Category A GAAP, at what level should that integration occur (for example, headings, subheadings, or paragraphs)?
  - Would that closer integration be through direct placement (alongside Category A GAAP) or by link?
- How would a closer integration, including either directly or by link, affect the ability to find and review all relevant literature associated with a transaction or topic?
- How would a closer integration, including either directly or by link, affect the ability to clearly understand authoritative GAAP?
- How would a closer integration affect the duplication of literature or the volume of literature in a topical grouping?
- How important is it to be able to differentiate between Category A and Category B GAAP?
  - What would be the mechanism, if any, for identifying Category B GAAP if it is integrated more closely with Category A GAAP?

Stakeholders may weigh considerations differently or may take into account other factors in evaluating the integration of Category B GAAP with Category A GAAP.

## Paragraph Numbering

15. As discussed in the Integrating Category B GAAP section of this chapter, the existing Codification uses paragraph numbers to identify various Subsections (for example, Standards, Definitions, Technical Bulletins, and Implementation Guides). Under the current approach to incorporating content into the Codification, when new content is inserted or existing content is removed, paragraphs are renumbered within the affected Subsection. (Note that within the Implementation Guides Subsection, headings also are numbered and subsequently renumbered for the insertion of new headings or removal of existing headings.) As a result, the paragraph numbers in the existing Codification are not static and may change over time based on the insertion or removal of content within a Subsection.

16. In contrast, as part of a single-authority codification, a static paragraph numbering system would be used because requirements would have only one reference—the single-authority codification (as opposed to the dual-authority structure in which the static reference is the stand-alone original pronouncement). Generally, a static numbering system would use an approach in which content is added or removed without impacting existing paragraph numbers. For example, if new content is added between two existing paragraphs (such as between paragraphs .105 and .106 within a Section), an alphanumeric system could be used in which a letter would be added to the paragraph number associated with the new content (for example, the new paragraph would be .105A).

## Questions

Questions 2–5 in this Discussion Memorandum are directly related to this chapter. As noted in Chapter 1, to facilitate respondent feedback on the issues addressed in this Discussion Memorandum, respondents are encouraged to (1) read the entire text of this Discussion Memorandum before responding and (2) access and explore the existing Codification at <https://gars.gasb.org/>.

2. Chapter 3 of this Discussion Memorandum discusses the overall approach to content organization in the existing Codification. The questions that follow are intended to seek feedback on any modifications to that organization that should be considered for purposes of a single-authority codification. Please indicate the factors relevant to your answers.
  - a. How do you believe content should be grouped at the highest level? Do you support organizing content into the existing five Parts (Parts I–V of the Codification) as the highest level of content organization, or are there modifications or alternatives that you would support the GASB considering? Potential changes could include adding or removing Parts or grouping the information in a manner different than Parts.
  - b. Within each Part of the existing Codification, are there Sections you would support adding, removing, or moving to a different Part? If yes, please describe.

- c. Within each Section of the existing Codification, is there content that you believe would be better placed in a different Section, whether that different Section is an existing Section or a potential new Section? If yes, please describe.
  - d. What feedback do you have regarding the duplication of content in multiple Parts and Sections? Do you support a content organization approach that repeats content in each relevant Section? Please indicate why or why not.
  - e. When looking for guidance in the Codification, do you typically browse by using the Parts and Sections titles or do you typically use the search function?
  - f. In addition to your feedback on Questions 2a–2e, what other challenges, if any, do you encounter with the overall content organization of the existing Codification?
3. Chapter 3 of this Discussion Memorandum discusses the organization of Category A GAAP within the Standards Subsection of the existing Codification. What feedback do you have regarding how Category A GAAP is organized within a topical grouping?
  4. Chapter 3 of this Discussion Memorandum discusses the integration of Category B GAAP. What degree of integration of Category B GAAP with Category A GAAP would you support? Please explain the factors relevant to your answer.
  5. Chapter 3 of this Discussion Memorandum discusses paragraph numbering. What feedback do you have regarding a static numbering system?

## **CHAPTER 4—COMMUNICATING CHANGES TO ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS IN A SINGLE-AUTHORITY CODIFICATION**

1. This chapter considers how changes to authoritative GAAP would be communicated in a single-authority codification. It discusses both how (a) new GAAP would be incorporated into a single-authority codification and (b) amendments to existing GAAP would be reflected in that structure.

### **Changes to Authoritative Requirements in a Single-Authority Codification**

2. In considering the topic discussed in this chapter, it is important to note that, although the GASB currently has a codification, the process for updating the existing Codification is in the context of a dual-authority structure. Specifically, in the existing dual-authority structure, changes to GAAP occur through the issuance of original pronouncements, which either establish new GAAP or amend or supersede existing GAAP. When the requirements become effective, those changes are reflected in Sections of the Codification as outlined in the Codification Instructions within an original pronouncement. The changes to GAAP are considered to be made within the original pronouncement and then integrated into the Codification. In other words, the original pronouncement serves as both an authoritative source and a mechanism to communicate changes to the Codification, which reflects the effects of the issuance of authoritative GAAP in an original pronouncement.

3. In contrast, when changes are made to GAAP in a single-authority codification, the changes would be made directly to the codification; that is, the codification would be the originating and only authoritative source. The result of a single-authority codification would be that any mechanism (for example, a document) that communicates changes to that codification would be nonauthoritative (as opposed to the current structure, in which original pronouncements serve as the mechanism to communicate changes and the originating authoritative source).

4. This chapter discusses the use of a nonauthoritative, stand-alone document, in combination with pending content, to communicate changes to a single-authority codification. Both new requirements and changes to existing requirements would be considered *amendments* to the single-authority codification. Amendments to the single-authority codification can take various forms:

- a. Insertion of new authoritative content
- b. Deletion of existing authoritative content
- c. Modifications to existing authoritative content.

5. A nonauthoritative, stand-alone document would present each specific amendment to a single-authority codification. Depending on the nature of the amendments, various mechanisms would be used to communicate the change. For example, excerpts from the

single-authority codification would be reproduced in the stand-alone document, and changes would be shown through in-line markup (insertions shown with underline and deletions shown with strikethrough). Surrounding content would be provided for context, as necessary, even if that content is not being modified. As another example, for entirely new content, the stand-alone document may denote that all content is new and, as a result, not utilize any in-line markup. In other words, there would be flexibility in how amendments to a single-authority codification would be communicated within a nonauthoritative, stand-alone document to accommodate the various types of amendments. As discussed in Chapter 3, the paragraph numbering of content in a single-authority codification would be static, and those static paragraph numbers would be reflected when presenting amendments to GAAP in a nonauthoritative, stand-alone document that communicates changes.

6. Upon approval<sup>3</sup> of the changes to GAAP, those changes, presented in a nonauthoritative, stand-alone document, also would be presented in the single-authority codification as pending content—that is, the approved, but not yet effective, GAAP would be denoted in some manner as pending content and shown in a single-authority codification in addition to existing GAAP.

7. There would be certain similarities between a stand-alone document and an original pronouncement (including the inclusion of summary and background information and a basis for conclusions, as discussed further in Chapter 5). However, it is important to note that the stand-alone document would not be authoritative in any capacity; rather, it would be the mechanism through which changes to a single-authority codification would be communicated. A nonauthoritative, stand-alone document would not contain Codification Instructions; rather, the document itself would function as those instructions by explicitly displaying the changes to existing GAAP (as described more fully in paragraph 5 of this chapter). If a single-authority codification is pursued, all existing authoritative original pronouncements would no longer retain their authoritative status.

8. Proposed changes to authoritative GAAP would be exposed for stakeholder feedback in a format similar to the final nonauthoritative, stand-alone document that is described in paragraph 5 of this chapter.

9. Considerations relevant to contemplating how changes to GAAP in a single-authority codification would be communicated include, but are not necessarily limited to, the following:

- Would the amendments to a single-authority codification be understandable?
  - How effectively would a nonauthoritative, stand-alone document, in combination with pending content, communicate approved changes to GAAP?
  - How would a nonauthoritative document that employs markup affect readability and understandability of changes to GAAP?

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<sup>3</sup>For purposes of this chapter, approved changes to GAAP include those that are approved or cleared by the Board.

- How, if at all, would the type of amendment to a single-authority codification—insertions, deletions, or modifications to existing authoritative content—affect how that amendment should be communicated?
- What would be the effects, if any, on the ability of stakeholders to provide feedback on proposed changes to GAAP?

Stakeholders may weigh considerations differently or may take into account other factors in evaluating how changes to GAAP in a single-authority codification would be communicated.

## **Question**

Question 6 in this Discussion Memorandum is directly related to this chapter. As noted in Chapter 1, to facilitate respondent feedback on the issues addressed in this Discussion Memorandum, respondents are encouraged to (1) read the entire text of this Discussion Memorandum before responding and (2) access and explore the existing Codification at <https://gars.gasb.org/>.

6. Chapter 4 of this Discussion Memorandum discusses communicating changes to a single-authority codification. Would you support the use of a nonauthoritative, stand-alone document (as described in Chapter 4) in combination with pending content to communicate changes to GAAP? Please indicate why or why not, including any alternatives you would support the GASB considering.

## **CHAPTER 5—NONAUTHORITATIVE CONTENT IN A SINGLE-AUTHORITY CODIFICATION**

1. Nonauthoritative content includes summary and background information, a basis for conclusions, and illustrations. This chapter discusses whether and, if so, how that content should be incorporated into a single-authority codification.

### **Summary and Background Information and Basis for Conclusions**

2. As discussed in Chapter 4, a nonauthoritative, stand-alone document used to communicate changes to GAAP also would include summary and background information and a basis for conclusions.

3. If a single-authority structure is pursued, summary and background information and a basis for conclusions may not be included in a single-authority codification. This approach is similar to the current structure in which that type of content is included in an original pronouncement but not incorporated into the Codification.

4. In addition to the nonauthoritative nature of summary and background information and bases for conclusions, an approach that includes that type of content only in a nonauthoritative, stand-alone document also is supported by the static nature of that content; that is, summary and background information and bases for conclusions are not updated after their initial publication. Background information typically presents historical information about the topic and project that led to the pronouncement, and a basis for conclusions presents the Board's view at a point in time and reflects considerations made during the Board's project deliberations that led to changes to GAAP.

5. Considerations relevant to contemplating how summary and background information and a basis for conclusions would be communicated in a single-authority codification include, but are not necessarily limited to, the following:

- How are summary and background information and a basis for conclusions used?
- What would be the effects, if any, on a stakeholder's understanding of summary and background information and a basis for conclusions?
- What would be the effects, if any, on a stakeholder's ability to understand which content from one or more bases for conclusions is relevant to particular requirements in a single-authority codification?

Stakeholders may weigh considerations differently or may take into account other factors in evaluating how summary and background information and a basis for conclusions would be communicated in a single-authority codification.

## Illustrations

6. In the existing Codification, illustrations are included in the Nonauthoritative Discussion Subsection within each Section, effectively integrating this nonauthoritative content at the topic level. (See Exhibit B.) Illustrations are updated as necessary when affected by changes to authoritative GAAP; there is no required due process associated with changes to content included in a Nonauthoritative Discussion Subsection.

7. If a single-authority structure is pursued, consideration would be given to whether (a) illustrations, given that they are nonauthoritative, should be incorporated into a single-authority codification and (b) if incorporated, the degree to which integration is appropriate.

8. Regarding whether illustrations should be incorporated into a single-authority codification, although nonauthoritative in nature, they are intended to provide a useful tool for stakeholders to better understand and apply GAAP. As a result, illustrations change and are updated over time, following updates to related authoritative GAAP. In this way, illustrations are not static in nature and may be viewed differently from other nonauthoritative content. Given their purpose, an advantage of having illustrations incorporated into a single-authority codification is that they would be available alongside (to a certain degree, as discussed in paragraph 9 of this chapter) the related authoritative content. Incorporating illustrations also would maintain the existing approach with respect to their presence in the Codification.

9. Regarding the degree of integration of illustrations if incorporated, currently nonauthoritative illustrations are integrated at the topic level in the existing Codification through the use of a Subsection (as described in paragraph 6 of this chapter).

10. Considerations relevant to contemplating whether nonauthoritative illustrations should be incorporated into a single-authority codification or, if incorporated, integrated more closely with authoritative GAAP within a single-authority codification include, but are not necessarily limited to, the following:

- How important is it for a user of a single-authority codification to be able to differentiate between authoritative and nonauthoritative content?
  - Is the existing use of a Subsection to differentiate nonauthoritative content sufficient?
- If integrated more closely with authoritative GAAP, at what level should that integration occur (for example, headings, subheadings, or paragraphs within the authoritative Subsections)?
  - Would it be feasible to integrate existing nonauthoritative content at that level?
  - Would that closer integration be through direct placement or by link?
  - What would be the mechanism, if any, to identify nonauthoritative content?
- How would a closer degree of integration, including either directly or by link, affect the following:
  - The ability to find and review all relevant literature associated with a transaction or topic?

- The ability to clearly understand authoritative GAAP?
- How would a closer degree of integration affect the duplication of nonauthoritative content or the volume of content?

Stakeholders may weigh considerations differently or may take into account other factors in evaluating the incorporation and integration of illustrations in a single-authority codification.

## Questions

Questions 7 and 8 in this Discussion Memorandum are directly related to this chapter. As noted in Chapter 1, to facilitate respondent feedback on the issues addressed in this Discussion Memorandum, respondents are encouraged to (1) read the entire text of this Discussion Memorandum before responding and (2) access and explore the existing Codification at <https://qars.gasb.org/>.

7. Chapter 5 of this Discussion Memorandum discusses nonauthoritative summary and background information and a basis for conclusions. Would you support including that nonauthoritative content in a nonauthoritative, stand-alone document used to communicate changes to GAAP? Please indicate why or why not, including any alternatives you would support the GASB considering.
8. Chapter 5 of this Discussion Memorandum discusses nonauthoritative illustrations. Would you support the incorporation of nonauthoritative illustrations into a single-authority codification? Please indicate why or why not, including any alternatives you would support the GASB considering.
  - a. If you support the incorporation of nonauthoritative illustrations into a single-authority codification, what degree of integration of those illustrations would you support? Please explain the factors relevant to your answer.