
NO. 1300-001 | APRIL 28, 2005

Financial Accounting Series

EXPOSURE DRAFT

Proposed Statement of Financial Accounting Standards

The Hierarchy of Generally Accepted Accounting Principles

This Exposure Draft of a proposed Statement of Financial Accounting Standards is issued by the Board for public comment. Written comments should be addressed to:

Technical Director
File Reference No. 1300-001

Comment Deadline: June 27, 2005



Financial Accounting Standards Board
of the Financial Accounting Foundation

Responses from interested parties wishing to comment on the Exposure Draft must be *received* in writing by June 27, 2005. Interested parties should submit their comments by email to director@fasb.org, File Reference No. **1300-001**. Those without email may send their comments to “Technical Director—File Reference No. **1300-001**,” at the address at the bottom of this page. Responses should *not* be sent by fax.

All comments received by the FASB are considered public information. Those comments will be posted to the FASB’s website and will be included in the project’s public record.

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<p style="text-align: center;">Notice for Recipients of This Exposure Draft</p>

This proposed Statement would identify the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (hereinafter referred to as the GAAP hierarchy). The GAAP hierarchy is currently presented in American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

The FASB is responsible for identifying the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with GAAP. The Board believes that the GAAP hierarchy should be directed specifically to enterprises because it is the enterprise (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with the GAAP hierarchy. Accordingly, the Board concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB and decided to issue this proposed Statement.

The Board decided to carry forward the GAAP hierarchy as set forth in SAS 69, subject to certain modifications that are not expected to result in a change in current practice. Those modifications are:

1. To carry forward the categorization of the sources of accounting principles by document type as presented in paragraph .10 of SAS 69, and not by their characteristics as presented in paragraph .05 of SAS 69
2. To expand the sources of category (a) to include accounting principles that are issued after being subjected to the FASB's due process
3. To present FASB Staff Positions and FASB Statement 133 Implementation Issues, which are not addressed in SAS 69, as sources of category (a) accounting principles.

While the Board expects that this proposed Statement would not result in a change in current practice, the Board decided to coordinate the effective date of this proposed Statement with the effective date of AICPA and Public Company Accounting Oversight Board literature that will be amended as a result of this proposed Statement.

The Board considered making certain improvements to the GAAP hierarchy set forth in SAS 69, such as reducing the complexity of the hierarchy and elevating the ranking of FASB Concepts Statements, but decided not to make those improvements at this time. The Board expects to address the complexity of the GAAP hierarchy at the conclusion of its codification and retrieval project. The codification and retrieval project will integrate GAAP and thereby provide enterprises with an all-inclusive body of authoritative literature. That single authoritative codification of GAAP will obviate the need to determine the relative authority of accounting literature, since the literature will be either (1) included in the codification and, therefore, authoritative or (2) excluded from the codification and, therefore, nonauthoritative. The Board expects to address the role of the

FASB Concepts Statements in its conceptual framework project. The Board acknowledges that its Concepts Statements meet the characteristics of category (a) accounting principles, even though the Concepts Statements currently explicitly state that they do not constitute GAAP. The Board also observes that the Securities and Exchange Commission recommended that the FASB's conceptual framework be designated as authoritative literature once improvements to the framework have been completed. The Board further observes that the International Accounting Standards Board (IASB) accords its conceptual guidance a higher standing in its hierarchy than that which the present GAAP hierarchy accords the guidance in the FASB Concepts Statements. Because the FASB's and the IASB's goal is to converge their concepts and standards, the Board acknowledges that it will need to consider whether and how to converge the hierarchy for its accounting literature with that of the IASB as part of the conceptual framework project that the Board is conducting jointly with the IASB.

The Board invites individuals and organizations to send written comments on all matters in this proposed Statement. Comments are requested from those who agree with the provisions of this proposed Statement as well as from those who do not.

Comments are most helpful if they identify the specific paragraph or group of paragraphs to which they relate, and clearly explain the problem or question. Those who disagree with provisions of this proposed Statement are asked to describe their suggested alternatives, supported by specific reasoning.

Summary

This proposed Statement would identify the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (hereinafter referred to as the GAAP hierarchy).

Reason for Issuing This Proposed Statement

This proposed Statement is the result of a broader effort by the Board to improve the quality of financial accounting standards and the standard-setting process. The Board believes that improving the GAAP hierarchy, as set forth in American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, is an important element of improving the quality of accounting standards and the standard-setting process. In particular, the SAS 69 GAAP hierarchy has been criticized because (1) it is directed to the auditor rather than the enterprise, (2) it is complex, and (3) it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process.

The Board is responsible for identifying the sources of accounting principles and providing enterprises with a framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP. The Board believes that the GAAP hierarchy should be directed to enterprises because it is the enterprise (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Accordingly, the Board concluded that the GAAP hierarchy should reside in the accounting literature established by the FASB and decided to issue this proposed Statement. The Board expects to address (1) the complexity of the GAAP hierarchy in its codification and retrieval project, which will integrate GAAP literature into a single authoritative codification, and (2) the role of FASB Concepts Statements in its conceptual framework project.

Differences between This Proposed Statement and Current Practice

This proposed Statement would not result in a change in current practice.

The Effective Date of This Proposed Statement

This proposed Statement would be effective for fiscal periods beginning after September 15, 2005.

Proposed Statement of Financial Accounting Standards

The Hierarchy of Generally Accepted Accounting Principles

April 28, 2005

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Proposed Statement of Financial Accounting Standards

The Hierarchy of Generally Accepted Accounting Principles

April 28, 2005

INTRODUCTION

1. This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (hereinafter referred to as the GAAP hierarchy).

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Scope

2. This Statement applies to financial statements of nongovernmental enterprises that are presented in conformity with GAAP.

The GAAP Hierarchy

3. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

- a. AICPA Accounting Research Bulletins and Accounting Principles Board Opinions that are not superseded by action of the FASB, FASB Statements of Financial Accounting Standards and Interpretations, FASB Statement 133 Implementation Issues, and FASB Staff Positions.¹
- b. FASB Technical Bulletins and, if cleared² by the FASB, AICPA Industry Audit and Accounting Guides and Statements of Position.
- c. AICPA Accounting Standards Executive Committee Practice Bulletins that have been cleared by the FASB and consensus positions of the FASB Emerging Issues Task Force (EITF).
- d. Implementation guides (Q&As) published by the FASB staff, AICPA accounting interpretations, and practices that are widely recognized and prevalent either generally or in the industry.

4. If the accounting treatment for a transaction or event is not specified by a pronouncement in category (a), an enterprise shall consider whether the accounting

¹Rules and interpretive releases of the Securities and Exchange Commission (SEC) are sources of category (a) accounting principles for SEC registrants. In addition, the SEC staff issues Staff Accounting Bulletins that represent practices followed by the staff in administering SEC disclosure requirements.

²For purposes of interpreting category (b) and category (c), the word *cleared* means that the FASB does not object to the pronouncement's issuance.

treatment is specified by an accounting principle from a source in another category. In such cases, if categories (b)–(d) contain accounting principles that specify accounting treatments for a transaction or event, then the enterprise shall 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).

5. If the accounting treatment for a transaction or event is not specified by a pronouncement described in categories (a)–(d), an enterprise shall consider accounting principles for similar transactions or events and other accounting literature.³ Other accounting literature includes, for example, FASB Concepts Statements; AICPA Issues Papers; International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB);⁴ pronouncements of other professional associations or regulatory agencies; Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids; and 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, FASB Concepts Statements would normally be more influential than other sources in this category.

6. An enterprise shall not represent that its financial statements are presented in accordance with GAAP if its selection of accounting principles departs from the GAAP hierarchy set forth in this Statement and that departure has a material impact on its financial statements.

Effective Date

7. This Statement shall be effective for fiscal periods beginning after September 15, 2005.

³An enterprise shall not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or event or indicate that the accounting treatment should not be applied by analogy.

⁴Paragraph 5 of International Accounting Standard (IAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, states that International Financial Reporting Standards are Standards and Interpretations adopted by the IASB, which comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

Appendix A

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

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Appendix A

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

Introduction

A1. This appendix summarizes considerations that Board members deemed significant in reaching the conclusions in this Statement. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

Background Information

A2. In July 2003, the SEC issued the *Study Pursuant to Section 108(d) of the Sarbanes-Oxley Act of 2002 on the Adoption by the United States Financial Reporting System of a Principles-Based Accounting System* (the Study). Consistent with the recommendations presented in the Study, the FASB has undertaken a number of initiatives aimed at improving the quality of standards and the standard-setting process, including improving the conceptual framework, codifying existing accounting literature, transitioning to a single standard-setter regime, and converging FASB and IASB standards.

A3. In the Study, the SEC also recommended that the FASB improve the GAAP hierarchy as presented in SAS 69. The SAS 69 GAAP hierarchy has drawn criticism because (a) it is directed to the auditor rather than the enterprise, (b) it is complex, and (c) it ranks FASB Concepts Statements, which are subject to the same level of due process as FASB Statements, below industry practices that are widely recognized as generally accepted but are not subject to due process.

A4. In response to the Study, the FASB issued *FASB Response to SEC Study on the Adoption of a Principles-Based Accounting System*. In that response, the Board stated that issuing the GAAP hierarchy as a FASB standard, recategorizing the existing GAAP hierarchy into two levels of accounting literature (authoritative and nonauthoritative), and elevating the conceptual framework within the GAAP hierarchy are key objectives of achieving the FASB's goal of improving the quality of accounting standards and the standard-setting process.

The GAAP Hierarchy

A5. The Board is responsible for identifying the sources of accounting principles and providing enterprises with a framework for selecting accounting principles for financial statements that are presented in conformity with GAAP. Furthermore, the GAAP hierarchy set forth by the AICPA in SAS 69 was directed to the auditor despite the fact that it is the enterprise, and not its auditor, that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Therefore, the Board decided to issue this Statement and direct the GAAP hierarchy to the enterprise. The Board discussed its long-range plans to (a) reduce the number of levels of accounting literature under the GAAP hierarchy to just two (authoritative and

nonauthoritative) and (b) address the role of the FASB Concepts Statements in the GAAP hierarchy. The Board observed that immediately recategorizing existing accounting literature into two levels would reduce the complexity of the GAAP hierarchy but would not resolve the potential inconsistencies among the sources that establish GAAP that, in part, necessitated the GAAP hierarchy as set forth in SAS 69. The Board expects to address those inconsistencies at the conclusion of its codification and retrieval project, which will integrate GAAP into a single authoritative codification. Also, the Board expects to address the role of the FASB Concepts Statements in its conceptual framework project. Accordingly, the Board decided to carry forward the GAAP hierarchy as set forth in SAS 69, subject to certain modifications that are not expected to result in a change in current practice.

A6. The first modification relates to the presentation of the GAAP hierarchy. In particular, SAS 69 presents the sources of accounting principles categorized in two ways, according to certain characteristics (paragraph .05) and according to document type (paragraph .10). To simplify the application of the GAAP hierarchy, this Statement presents the sources of accounting principles categorized according to document type. In keeping with its decision not to change current practice, the Board decided to carry forward the categorization of the document types that is presented in SAS 69 without reconsideration.

A7. The second modification relates to the sources of accounting principles included in category (a) of the GAAP hierarchy. The Board decided that its due process is the essential characteristic of category (a) accounting principles. Therefore, the Board decided to expand category (a) to include all sources of accounting principles that are issued after being (a) deliberated by the Board or its designee in a public forum,⁵ (b) exposed to the public for comment, and (c) approved by the Board. The Board did not reconsider the characteristics of categories (b)–(d) or the sources of accounting principles available if the accounting treatment for a transaction or event is not specified by a pronouncement described in categories (a)–(d). The Board acknowledges that certain EITF consensuses have been issued after being subjected to the Board’s due process; however, the Board decided to carry forward the categorization of EITF consensuses as presented in SAS 69.

A8. The third modification relates to the issuance of certain types of documents that are not addressed in SAS 69; specifically, FASB Staff Positions and Statement 133 Implementation Issues. The Board decided that FASB Staff Positions and Statement 133 Implementation Issues meet the characteristics of category (a).

Departures from the GAAP Hierarchy

A9. In certain circumstances, Rule 203 of the AICPA’s *Code of Professional Conduct* and IAS 1, *Presentation of Financial Statements*, allow for departures from the GAAP hierarchy and the IASB’s version of the GAAP hierarchy, respectively. Rule 203

⁵A designee of the Board would include bodies of accountants organized by the FASB that deliberate accounting issues in public forums for the purpose of establishing accounting principles or describing existing accounting practices that are generally accepted.

prohibits an AICPA member from expressing an opinion that financial statements are presented in conformity with GAAP if those statements contain a departure from GAAP, unless the member can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. Similarly, IAS 1 emphasizes that the application of IFRSs is presumed to result in financial statements that achieve a fair presentation; however, in the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard or an Interpretation would be so misleading that it would conflict with the objective of financial statements, the enterprise shall depart from the requirement unless departure is prohibited by the relevant regulatory framework.

A10. In light of Rule 203 and the FASB's and the IASB's goal to converge their concepts and standards, the Board discussed whether an enterprise should have the ability to depart from the GAAP hierarchy in the unusual instances in which selection of an accounting policy in accordance with the GAAP hierarchy results in financial statements that are, in management's judgment, misleading. The Board believes that the selection of accounting principles in accordance with the GAAP hierarchy results in relevant and reliable financial information. Therefore, an enterprise cannot represent that its financial statements are presented in accordance with GAAP if its selection of accounting principles departs from the GAAP hierarchy set forth in this Statement and that departure has a material impact on the financial statements.

Effective Date

A11. The Board decided that this Statement should be effective for fiscal periods beginning after September 15, 2005. While the Board expects that this Statement will not result in a change in current practice, the Board decided to coordinate the effective date of this Statement with the effective date of AICPA and Public Company Accounting Oversight Board literature that will be amended as a result of this Statement.

Benefits and Costs

A12. The mission of the FASB is to establish and improve standards of financial accounting and reporting for the guidance and education of the public, including preparers, auditors, and users of financial information. In fulfilling that mission, the Board endeavors to determine that a proposed standard will fill a significant need and that the costs imposed to meet that standard, as compared with other alternatives, are justified in relation to the overall benefits of the resulting information. Although the costs to implement a new standard may not be borne evenly, investors and creditors—both present and potential—and other users of financial information benefit from improvements in financial reporting, thereby facilitating the functioning of markets for capital and credit and the efficient allocation of resources in the economy.

A13. The Board does not anticipate any change in financial reporting to result from the issuance of this Statement because this Statement does not change the GAAP hierarchy presented in SAS 69. The Board acknowledges that the categorization of the sources of accounting principles only according to document type and not according to the

characteristics of the process used to issue the document will require the Board to amend this Statement in the event that it issues a new type of document. However, the Board believes that the benefits of simplification for its constituents exceed the costs of maintaining this Statement. The Board believes that this Statement will not impose any costs on its constituents.

Appendix B

AMENDMENTS TO EXISTING PRONOUNCEMENTS

B1. APB Opinion No. 20, *Accounting Changes*, is amended as follows:

- a. Paragraph 4, as amended by FASB Statement No. 111, *Rescission of FASB Statement No. 32 and Technical Corrections*:

This Opinion does not change the policy of the Board that its Opinions, unless otherwise stated, are not intended to be retroactive. Each Statement and Interpretation of the Financial Accounting Standards Board (FASB), Opinion of the Accounting Principles Board, and AICPA Accounting Research Bulletin specifies its effective date and the manner of reporting a change to conform with the conclusions of that pronouncement. Other pronouncements of the FASB or other designated bodies as described in categories (b)–(d) of FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards (SAS) No. 69, *The Meaning of “Present Fairly in Conformity With Generally Accepted Accounting Principles” in the Independent Auditor’s Report*~~, may also prescribe the manner of reporting a change in accounting principle. Accordingly, the provisions of this Opinion do not apply to changes made in conformity with such pronouncements issued in the past or in the future.

- b. Paragraph 16, as amended by Statement 111:

The presumption that an entity should not change an accounting principle may be overcome only if the enterprise justifies the use of an alternative acceptable accounting principle on the basis that it is preferable. However, a method of accounting that was previously adopted for a type of transaction or event which is being terminated or which was a single, nonrecurring event in the past should not be changed. For example, the method of accounting should not be changed for a tax or tax credit which is being discontinued or for preoperating costs relating to a specific plant. The Board does not intend to imply, however, that a change in the estimated period to be benefited for a deferred cost (if justified by the facts) should not be recognized as a change in accounting estimate. The issuance of a new pronouncement by the FASB or by other designated bodies as described in categories (a)–(d) of Statement 1XXSAS–69 that creates a new accounting principle, interprets an existing principle, expresses a preference for an accounting principle, or rejects a specific principle *may require* an entity to adopt a change in accounting principle. The issuance of such a pronouncement is considered to constitute sufficient support for making a change in accounting principle provided that the hierarchy established by Statement 1XXSAS–69 is followed. The burden of justifying other changes rests with the entity proposing the change.

B2. Statement 111 is amended as follows:

a. Paragraph 7:

This Statement amends Opinion 20 as follows:

a. The second and third sentences of paragraph 4 are replaced by the following:

Each Statement and Interpretation of the Financial Accounting Standards Board (FASB), Opinion of the Accounting Principles Board, and AICPA Accounting Research Bulletin specifies its effective date and the manner of reporting a change to conform with the conclusions of that pronouncement. Other pronouncements of the FASB or other designated bodies as described in categories (b)–(d) of FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards (SAS) No. 69, *The Meaning of “Present Fairly in Conformity With Generally Accepted Accounting Principles” in the Independent Auditor’s Report*~~, may also prescribe the manner of reporting a change in accounting principle.

b. Footnote 5 is deleted and the penultimate sentence of paragraph 16 is replaced by the following:

The issuance of a new pronouncement by the FASB or by other designated bodies as described in categories (a)–(d) of Statement 1XX~~SAS 69~~ that creates a new accounting principle, interprets an existing principle, expresses a preference for an accounting principle, or rejects a specific principle *may require* an entity to adopt a change in accounting principle. The issuance of such a pronouncement is considered to constitute sufficient support for making a change in accounting principle provided that the hierarchy established by Statement 1XX~~SAS 69~~ is followed.

B3. FASB Statement No. 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, is amended as follows:

a. Footnote 1 to paragraph 5:

The AICPA’s SOP establishes the accounting for those participating life insurance contracts of mutual life insurance enterprises that meet the conditions in paragraph 5 of this Statement. Because the accounting for those contracts is not specified in any of the officially established accounting principles in category (a) of FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards No. 69, *The Meaning of “Present Fairly in Conformity With Generally Accepted Accounting Principles” in the Independent Auditor’s Report*~~, SAS 69 recognizes the SOP as generally accepted accounting principles (category (b)) for those contracts.

B4. FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, is amended as follows:

a. Paragraph D1:

This appendix addresses the impact of this Statement on the consensuses reached on EITF Issues relating to disclosures about pension and other postretirement benefits. This appendix does not address the impact of this Statement on other authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report.*~~

B5. FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, is amended as follows:

a. Paragraph C3:

The remainder of this appendix discusses the impact of the provisions of this Statement on the consensuses reached on EITF Issues and the responses to Statement 133 Implementation Issues through March 31, 2003. This appendix does not address the impact of this Statement on other authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report.*~~

B6. FASB Interpretation No. 40, *Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises*, is amended as follows:

a. Paragraph 3:

The phrase *generally accepted accounting principles* embraces a number of sources of established accounting principles, in addition to pronouncements of the FASB, that are generally accepted in the United States. Those sources are identified in FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report*, which provides the framework for auditors to judge the "fairness" of the overall presentation of financial statements intended to be in conformity with generally accepted accounting principles.~~

B7. FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, is amended as follows:

a. Paragraph B1:

This appendix discusses the impact of the provisions of this Interpretation on the consensuses reached through October 25, 2002 on EITF Issues. This appendix does not address the impact of this Interpretation on other authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 1XX, *The Hierarchy of Generally Accepted Accounting Principles*~~AICPA Statement on Auditing Standards No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles" in the Independent Auditor's Report.*~~