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Statement of Financial Accounting Standards No. 162

The Hierarchy of Generally Accepted
Accounting Principles



Financial Accounting Standards Board
of the Financial Accounting Foundation

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Summary

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

Why Is the FASB Issuing This Statement and When Is It Effective?

The Board is responsible for identifying the sources of accounting principles and providing entities with a framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy, as set forth in the 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*, has been criticized because (1) it is directed to the auditor rather than the entity, (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 believes that the GAAP hierarchy should be directed to entities because it is the entity (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 is issuing this Statement to achieve that result.

This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

How Will This Statement Change Current Practice?

The Board does not expect that this Statement will result in a change in current practice. However, transition provisions have been provided in the unusual circumstance that the application of the provisions of this Statement results in a change in practice.

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May 2008



Financial Accounting Standards Board
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May 2008

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Statement of Financial Accounting Standards No. 162

The Hierarchy of Generally Accepted Accounting Principles

May 2008

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 entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy).

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Scope

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

The GAAP Hierarchy

3. The sources of accounting principles¹ that are generally accepted are categorized in descending order of authority as follows:

- a. FASB Statements of Financial Accounting Standards and Interpretations, FASB Statement 133 Implementation Issues, FASB Staff Positions, and American Institute of Certified Public Accountants (AICPA) Accounting Research Bulle-

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 and utilizes EITF D-Topics and Observer comments in EITF Issues to publicly announce its views on certain accounting issues for SEC registrants.

tins and Accounting Principles Board Opinions that are not superseded by actions of the FASB

- 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, consensus positions of the FASB Emerging Issues Task Force (EITF), and the Topics discussed in Appendix D of *EITF Abstracts* (EITF D-Topics)³
- d. Implementation guides (Q&As) published by the FASB staff, AICPA Accounting Interpretations, AICPA Industry Audit and Accounting Guides and Statements of Position not cleared by the FASB, 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 entity shall consider whether the accounting 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 entity 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) treatment.

5. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in categories (a)–(d), an entity shall first consider accounting principles for similar transactions or events within categories (a)–(d) and then other accounting literature. An entity 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. 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

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

³The FASB staff has utilized EITF D-Topics to publicly announce its views on certain accounting issues. These FASB staff announcements are considered category (c) accounting principles.

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

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.

Effective Date and Transition

6. This Statement shall be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

7. An entity that has and continues to follow an accounting treatment in category (c) or category (d) as of March 15, 1992, need not change to an accounting treatment in a higher category ((b) or (c)) if its effective date was before March 15, 1992. For example, a nongovernmental entity that followed a prevalent industry practice (category (d)) as of March 15, 1992, need not change to an accounting treatment included in a pronouncement in category (b) or category (c) (such as an accounting principle in a cleared AICPA Statement of Position or Accounting Standards Executive Committee Practice Bulletin) whose effective date is before March 15, 1992. For pronouncements whose effective date is after March 15, 1992, and for entities initially applying an accounting principle after March 15, 1992 (except for EITF consensus positions issued before March 16, 1992, which become effective in the hierarchy for initial application of an accounting principle after March 15, 1993), an entity shall follow this Statement.

8. Any effect of applying the provisions of this Statement shall be reported as a change in accounting principle in accordance with FASB Statement No. 154, *Accounting Changes and Error Corrections*. An entity shall follow the disclosure requirements of that Statement, and additionally, disclose the accounting principles that were used before and after the application of the provisions of this Statement and the reason why applying this Statement resulted in a change in accounting principle.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
George J. Batavick
G. Michael Crooch
Thomas J. Linsmeier
Leslie F. Seidman
Lawrence W. Smith
Donald M. Young

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 entity, (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 that 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 an 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.

A5. In April 2005, the Board issued an Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles*, for a 60-day comment period. Thirty-two organizations and individuals commented on the Exposure Draft. The Board considered those comments during its redeliberations of the issues addressed by the Exposure Draft in a number of subsequent public Board meetings. Upon conclusion of its redeliberations, the Board posted to its website a “near-final” version of this Statement to allow constituents the opportunity to review that version.

The GAAP Hierarchy

A6. The Board is responsible for identifying the sources of accounting principles and providing entities 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, although it is the entity, 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 entity. Respondents to the Exposure Draft were supportive of the Board’s decision. The Board also 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 the sources of accounting principles in categories (a)–(d) of the GAAP hierarchy 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.

A7. 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.

A8. 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, with one exception, 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, (b) exposed to the public for comment, and (c) approved by the Board. (A designee of the Board includes 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.) Some respondents to the Exposure Draft noted, and the Board acknowledged, 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. Notwithstanding, the Board reasoned that this decision reduces the complexities of implementing the provisions of this Statement and is consistent with the EITF 20-year self review in which a majority of Task Force members indicated that EITF consensuses should remain interpretative and, therefore, should not be elevated in the GAAP hierarchy. 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 or practice described in categories (a)–(d).

A9. The third modification relates to the issuance of certain types of documents that are not addressed in SAS 69; specifically, FASB Staff Positions, Statement 133 Implementation Issues, and EITF D-Topics. The Board decided that FASB Staff Positions and Statement 133 Implementation Issues meet the characteristics of category (a). Additionally, the Board decided that to reduce complexity, FASB staff announcements contained in EITF D-Topics should have the same authority as EITF consensuses (that is, category (c)). Since most constituents already view EITF D-Topics as category (c), this decision would minimize the effect on current practice.

Departures from the GAAP Hierarchy

A10. 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 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 entity should depart from the requirement unless departure is prohibited by the relevant regulatory framework.

A11. In light of Rule 203 and the FASB's and the IASB's goal to converge their concepts and standards, the Board considered whether an entity 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 Exposure Draft did not include any such provision. Some respondents were supportive of not including a provision to allow GAAP departures in limited circumstances, while others stated that a provision similar to Rule 203 should be included in this Statement. Upon redeliberation, the Board noted that Rule 203 differs from the fair presentation guidance in IAS 1 in that it is directed to the auditor rather than the preparer of financial statements. The Board further noted that the Rule 203 exception has rarely been invoked in practice and would likely not be accepted by the SEC for public registrants. Additionally, public registrants already have an obligation to enhance the clarity of misleading financial information in accordance with SEC Rule 12b-20. To be consistent with the primary objective of this Statement (that is, to move the GAAP hierarchy from the auditing literature to the accounting literature), the Board believes that including guidance directed at the auditor in the accounting literature would create unneeded complexity.

A12. The Board believes that the selection of accounting principles in accordance with the GAAP hierarchy results in relevant and reliable financial information. Therefore, an entity 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 effect on its financial statements.

Effective Date and Transition

A13. The Board decided that this Statement should be effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. While

the Board expects that this Statement will not result in a change in current practice, the Board decided to include transition provisions that are consistent with Statement 154 in the unusual instance that the application of the provisions of this Statement results in a change in practice. To reduce complexity, the Board decided to make the effective date of this Statement identical with the effective date of AICPA and PCAOB literature that will be amended as a result of this Statement.

A14. The Board considered whether the grandfathering provision originally included in SAS 69 related to EITF consensuses and AICPA Statements of Position should be carried forward to this Statement. Under that provision, an entity that was following an industry practice as of March 15, 1992 (category *(d)* in the GAAP hierarchy that was amended by SAS 69) did not have to change to an accounting treatment included in a pronouncement in category *(b)* or category *(c)* whose effective date was before March 15, 1992. The Exposure Draft proposed removing the grandfathering provision. During redeliberations, a number of constituents informed the Board that they had relied on the grandfathering provision. The Board concluded that it did not intend to change any accounting requirements with the issuance of this Statement. Accordingly, the Board decided to retain the grandfathering transition provision from SAS 69.

Benefits and Costs

A15. The mission of the FASB is to establish and improve standards of financial accounting and reporting to provide information that is useful to users of financial statements (present and potential investors, creditors, and other capital market participants) in making rational investment, credit, and similar resource allocation decisions. In fulfilling that mission, the Board endeavors to determine that a standard will fill a significant need and that the costs imposed to apply 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, 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.

A16. The Board does not anticipate any significant change in financial reporting to result from the issuance of this Statement. 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. 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. 162, *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 Statement 162 recognizes the SOP as generally accepted accounting principles (category (b)) for those contracts.

B2. 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 consensus 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. 162, *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*.

B3. FASB Statement No. 141 (revised 2007), *Business Combinations*, is amended as follows:

a. Paragraph F1:

This appendix addresses the impact of this Statement on authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*~~. [Note: Only the sections that have been amended are shown in this appendix.]

B4. 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. 162, *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. 154, *Accounting Changes and Error Corrections*, is amended as follows:

a. Paragraph 2(b) and its related footnote 1:

Accounting pronouncement—a source of generally accepted accounting principles (GAAP) in the United States, including FASB Statements of Financial Accounting Standards, FASB Interpretations, FASB Staff Positions, FASB Statement 133 Implementation Issues, Emerging Issues Task Force Consensuses, other pronouncements of the FASB or other designated bodies, or other forms of GAAP as described in categories (a)–(c) of FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*~~of AICPA Statement on Auditing Standards (SAS) No. 69, *The Meaning of*~~

~~Present Fairly in Conformity With Generally Accepted Accounting Principles, as codified in the AICPA Codification of Statements on Auditing Standards, AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.[†] AICPA accounting interpretations and implementation guides (“Q & A’s”) issued by the FASB staff, as described in category (d) of Statement 162~~SAS-69~~, also are considered accounting pronouncements for the purpose of applying this Statement.~~

~~[†]The Board’s technical agenda includes a project that could result in the issuance of a Statement of Financial Accounting Standards that 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 GAAP. The Board issued an Exposure Draft of that proposed Statement in April 2005.~~

B6. FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, is amended as follows:

a. Paragraph B1:

This appendix addresses the impact of the provisions of this Statement on the consensus reached on EITF Issues and the responses to Statement 133 Implementation Issues through December 14, 2005. 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 as discussed in FASB Statement No. 162, *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*.~~

B7. FASB Statement No. 156, *Accounting for Servicing of Financial Assets*, is amended as follows:

a. Paragraph B1:

This appendix addresses the effect of this Statement on authoritative accounting literature included in categories (b)–(d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*.~~ Any authoritative literature affected by the issuance of Statement 156 solely

due to the replacement of the term *retained interests* with the term *interests that continue to be held by a transferor* has been excluded from this appendix.

B8. FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, is amended as follows:

a. Paragraph G1:

This appendix addresses the impact of this Statement on authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*~~.

B9. FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, is amended as follows:

a. Paragraph D1:

This appendix addresses the impact of this Statement on authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*~~. **[Note: Only the sections that have been amended are shown in this appendix.]**

B10. FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, is amended as follows:

a. Paragraph B1:

This appendix addresses the effect of this Statement on authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*~~.

B11. 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. 162, *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.

B12. 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. 162, *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*~~.

B13. FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, is amended as follows:

a. Paragraph C1 and its related footnote 3:

This appendix addresses the impact of this Interpretation on authoritative accounting literature included in categories (a), (c), and (d) in the GAAP hierarchy discussed in FASB Statement No. 162, *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*.³

³On April 28, 2005, the FASB issued the Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles*, which carries forward the GAAP hierarchy in SAS 69 with certain modifications.