

GASB “101” – An Introduction to How the GASB Issues New Statements

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As a public accounting firm specializing in governmental accounting and auditing, we often share articles on accounting pronouncements issued by the [Governmental Accounting Standards Board \(GASB\)](#). Whenever a new GASB statement is issued, we often hear comments from our clients and, as you can imagine, some are favorable while others may be less positive.

One question we get all the time is who is the GASB and why do they keep making changes? This seems like an appropriate time to answer that question and explain how the process works. The first part of the question is easy. The GASB is an independent organization that establishes accounting and reporting standards for governments. The GASB employs staff and is governed by a seven-member board.

The second part of the question requires a bit more discussion on the process. Before the GASB makes any changes such as issuing new standards or implementation guides, they follow a multi-step approach that begins with first identifying an accounting or financial reporting issue that affects state and local governments. The GASB then conducts research to gather information and feedback from various parties, such as preparers, auditors, users, and regulators of governmental financial statements. Based on the research, if the GASB concludes a change may be needed, they issue an exposure draft or preliminary views document. These documents propose new standards or guidance and include invitations for public comment. This is where you come in. During the comment phases, you can use your knowledge and experiences in practice to respond to the proposed document. The GASB has made it very easy to submit comments, and you can do so [directly on their website](#). The comment phase is important because based on the comment responses received, the GASB may revise proposals accordingly.

Currently, two major projects are working their way through the process to becoming a statement: the first is Financial Reporting Entity and the second is Revenue and Expense Recognition. While these two projects have already been through the public comment period, they continue to go through deliberations at the GASB. Although it will still be a few years before any implementation, it would benefit you to stay informed on their status and the impact they will have on your government.

The Financial Reporting Model is a reexamination of several statements, and those of you who remember implementing GASB Statement No. 34 over two decades ago will recall the impact it had on the preparation of financial statements. The overall objective of this reexamination is to make improvements to enhance the effectiveness of the financial reporting model for decision-making and to address certain concerns that have arisen due to other pronouncements that have been issued since GASB Statement No. 34.

The overall objective of the Revenue and Expense Recognition project is to provide governments with a principles-based approach to recording revenues and expenses. During GASB's preliminary research, it became evident that there were certain transactions entered into by governments that were not addressed in any GASB literature, which prompted this project.

There are two other major projects currently in initial deliberations at the GASB: (1) Going Concern Uncertainties and Severe Financial Stress and (2) Infrastructure Assets.

While you may not think of yourself as a governmental accounting guru, by [keeping yourself informed about the GASB and its technical agenda](#), you can stay abreast of invitation to comment periods. Providing comments will allow you to help shape the future of governmental accounting and reporting.

Related articles:

- [GASB Statement 101 – Compensated Absences](#)
- [GASB 94: P3s and APAs is Effective – Don't Miss It!](#)
- [GASB 87 Leases – Year 2 Trials and Tribulations](#)

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