

A GUIDE TO GASB DUE PROCESS DOCUMENTS



A staple of standards setting—by the Governmental Accounting Standards Board (GASB) and similar entities—is the release of proposals for public comment. Those comments are examined closely, and revisions are made to address major and common concerns, leading to either a final pronouncement or another proposal, depending on the extent of the revisions. The more fundamental, complex, or controversial a subject, the more times the GASB will seek public feedback before issuing final standards. There is no limit to the number of times the input of preparers, auditors, and users of financial statements can be sought, although three rounds of public exposure are typical for the most challenging projects.

When developing generally accepted accounting principles (GAAP), the GASB has four types of “due process documents” at its disposal for seeking public feedback. They begin with the Discussion Memorandum and the Invitation to Comment—purely exploratory documents from the GASB staff intended to obtain stakeholder views on an accounting issue before considering how to craft standards to solve it—and they round out with the Preliminary Views and the Exposure Draft—proposals detailing the Board members’ solutions. This CRI resource will help you tell one type of GASB proposal from another.

Name	Purpose	Type	Examples
<u>Discussion Memorandum (DM)</u>	To seek input on fundamental issues or new subjects not previously covered by GASB standards.	A DM is a staff document issued at the direction of the chair, but generally with input from the other Board members. The most neutral of GASB documents, DMs contain no preliminary positions or recommendations.	The GASB published 10 DMs in its first 8 years, addressing foundational topics that led to landmark pronouncements such as Statement 14 on the reporting entity and Statement 34 on the reporting model. It has not issued one since 1993.
<u>Invitation to Comment (ITC)</u>	To obtain input on underlying issues before beginning to develop potential standards. ITCs typically are the first due process document issued in projects dealing with the most fundamental, complex, or controversial topics.	A staff document cleared by the Board, ITCs outline major issues or competing approaches, but do not contain positions or preferences of the Board. They are usually followed by two more rounds of public comment: a PV and an ED.	An ITC was the first due process document in past projects on <u>pensions</u> (resulting in Statements 67 and 68), the <u>financial reporting model</u> (Statement 103), and the current project on <u>revenue and expense recognition</u> .
<u>Preliminary Views (PV)</u>	To seek feedback on what the Board thinks is the correct answer to an accounting problem before fully developing detailed requirements. Likely to be used when the GASB anticipates stakeholders will be sharply divided in their opinions.	A Board document that it votes to issue (requiring a majority of the members).	Two PVs have been issued in the past year: one on <u>infrastructure assets</u> in late 2024 and another on <u>severe financial stress and probable dissolution</u> in spring 2025.
<u>Exposure Draft (ED)</u>	An ED is the final due process document issued before developing final standards—and often the only one released for narrow technical issues. It closely resembles a final Statement or other pronouncement in both structure and content. By the time an ED is issued, the Board is confident it has identified the appropriate solution to the accounting issue; otherwise, it would have issued a PV document instead.	A Board document that it votes to issue (requiring a majority of the members). The contents of an ED are not yet set in stone: The Board may decide to issue a Revised Exposure Draft if it makes substantial changes based on stakeholder feedback. Usually, though, an ED is the GASB saying, “Speak now or forever hold your peace.”	Every GASB pronouncement has had an ED; it is the bare minimum for acceptable due process. Most recently, the GASB issued EDs on <u>subsequent events</u> and <u>implementation guidance</u> in late 2024.

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