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Letter of Comment No: 23
File Reference: 1300-001
Date Received: 6-27-05

Grant Thornton 

June 27, 2005

Technical Director
Financial Accounting Standards Board
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File Reference No. 1300-001

We are pleased to respond to the proposed FASB Statement, *The Hierarchy of Generally Accepted Accounting Principles*. We support the Board's decision to include the GAAP hierarchy in the accounting literature. We have the following comments that may help preparers and auditors better understand and apply the Statement.

Scope

The proposed Statement applies to financial statements of nongovernmental enterprises that are presented in conformity with GAAP. The introduction to FASB Concepts Statement No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, identifies business enterprises and nonbusiness organizations as two different categories of entities, as follows:

This Statement establishes the objectives of general purpose external financial reporting by nonbusiness organizations. Those objectives, together with the objectives set forth in FASB Concepts Statement No. 1, *Objectives of Financial Reporting by Business Enterprises*, will serve as the foundation of the conceptual framework the Board is developing for financial accounting and reporting. Based on its review of the similarities and differences between those two sets of objectives, the Board has concluded that it is not necessary to develop an independent conceptual framework for any particular category of entities (e.g., nonbusiness organizations or business enterprises). Rather, its goal is to develop an integrated conceptual framework that has relevance to all entities and that provides appropriate consideration of any different reporting objectives and concepts that may apply to only certain types of entities.

We believe that the final Statement should state that the GAAP hierarchy applies to nongovernmental entities rather than enterprises, to clarify that the hierarchy also applies to not-for-profit organizations. We recommend that the Board consider changing the references in the proposed Statement from enterprises to entities.

Other accounting literature

Paragraph 5 of the proposed Statement includes examples of other accounting literature that an entity should consider if the accounting treatment for a transaction or event is not specified in a pronouncement included in categories (a) – (d) of the GAAP hierarchy. Footnote 1 of the proposed Statement states that rules and interpretive releases of the Securities and Exchange Commission are sources of category (a) accounting principles for SEC registrants. These rules and interpretative releases may include guidance that is appropriate for nonpublic entities in situations in which specific guidance is not included in categories (a) – (d) of the GAAP hierarchy. Accordingly, we recommend that the Board include SEC rules and interpretive releases as another example of other accounting literature for nonpublic entities.

The EITF Agenda Committee Report includes a discussion of issues and proposed accounting alternatives that the agenda committee considers for inclusion on the EITF agenda. Although an issue may not be included on the EITF agenda, the discussion of that issue in the Agenda Committee Report may include suggested guidance that is not specified in a pronouncement included in categories (a) – (d) of the GAAP hierarchy and not apparent to those not familiar with the EITF process. An issue included in the May 4, 2005 Agenda Committee Report, “Whether leasehold improvements are assets of the lessor or the lessee when the improvements are funded by the lessor,” is an example of this situation. We believe these issues represent other accounting literature that the Board may want to consider including in paragraph 5 of the proposed Statement. Also, as the FASB staff and SEC Observer noted at the June EITF meeting, the discussion of the leasehold improvements issue in the May 2005 Agenda Committee Report included an appropriate list of indicators. We are interested in learning to what extent the Agenda Committee Reports are retrievable in the future by the FASB’s constituents.

We appreciate the opportunity to comment on the proposed Statement and would be pleased to discuss our comments with Board members or the FASB staff. Please direct your questions or comments to Joseph Graziano at (732) 516-5560.

Very truly yours,

/s/ Grant Thornton LLP