

## **AFTERNOON SESSION B, HANDOUT 4**

### **AUTHORITATIVE PRONOUNCEMENTS APPLICABLE TO THE STATE OF SOUTH CAROLINA'S PRIMARY GOVERNMENT**

All GASB pronouncements apply to governmental and business-type activities reported in the State of South Carolina's Comprehensive Annual Financial Report (CAFR). New enterprise funds (for example, higher education institutions and the Employment Security Benefits Fund) should be aware that certain GASB pronouncements that did not apply to them in the past now will apply. In addition, the following paragraphs discuss pronouncements that apply to governmental and business-type activities.

Paragraph 17 of GASB 34 requires that governmental and business-type activities adopt all of the following if issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board (FASB) Statements (No. 1 through No. 102).
- b. FASB Interpretations (No. 1 through No. 38).
- c. Accounting Principles Board (APB) Opinions.
- d. Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Entities generally should not adopt pronouncements of these organizations issued after November 30, 1989, because the State has elected not to adopt those pronouncements for its business-type activities. That is, the State's business-type activities have elected not to adopt Paragraph 7 of GASB 20. [NOTE: Certain discretely presented component units previously have elected to adopt that paragraph, and they should continue to report in that manner.]

Note that Footnote 13 of GASB 34 states the following exception with respect to adoption of APB Opinion No. 20: "Changes in accounting principles, addressed in APB Opinion No. 20, *Accounting Changes*, as amended, should be reported as restatements of beginning net assets/fund equity, not as a separately identified cumulative effect in the current-period statement of activities or proprietary fund statement of revenues, expenses, and changes in fund net assets."

Paragraph 146 of GASB 34 allows prospective (rather than retroactive) application of certain of these pronouncements:

- a. APB Opinion No. 12, *Omnibus Opinion-1967*.

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- b. APB Opinion No. 21, *Interest on Receivables and Payables*.
- c. FASB Statement No. 23, an amendment of FASB Statement No. 13, which requires deferral and amortization of the difference between the reacquisition price and the net carrying amount of old debt in debt-refunding transactions.

[NOTE: Although Paragraph 146 of GASB 34 required governmental activities to implement FASB Statement No. 34, *Capitalization of Interest Cost*, as amended, the GASB 34 Omnibus exposure draft would eliminate that requirement.]

Some other particularly important pronouncements that State of South Carolina governmental and business-type activities must adopt include the following:

- a. APB Opinion No. 22, *Disclosure of Accounting Policies*, which requires the presentation of a summary of significant accounting policies.
- b. APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* relating to extraordinary items.
- c. FASB Statement No. 5, *Accounting for Contingencies*, guidance on recognizing loss liabilities.
- d. FASB Statement No. 6, *Classification of Short-Term Obligations Expected to be Refinanced*, in connection with the proper classification of bond anticipation notes.
- e. FASB Statement No. 13, *Accounting for Leases*, as amended and interpreted.
- f. FASB Statement No. 74, *Accounting for Special Termination Benefits Paid to Employees*, as amended by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. [NOTE: FASB 74 remains in effect for state governments, even though it was superseded in the private sector by FASB Statement No. 88.]