



Bulletin: OCFO 24-01

Date: February 23, 2024

To: USDA Agencies and Staff Offices

Subject: Voluntary Changes in Accounting Principles

PURPOSE

The purpose of this bulletin is to provide guidance for voluntary changes in accounting principles. This bulletin will serve as interim guidance for voluntary changes in accounting principles while a Departmental Regulation is finalized.

DEFINITIONS

Change in Accounting Principle. A change from one Generally Accepted Accounting Principle (GAAP) to another GAAP when there are two or more GAAP apply or when the accounting principle formerly used is no longer generally accepted. A change in the method of applying an accounting principle also is considered a change in accounting principle. A principle specifies how to account for a class of transactions, events, or elements (e.g., assets) in the financial statements. A method is the mechanism for executing that principle, which may be specified by the relevant standard or at the discretion of the entity to achieve the principle. The following is an example.

Principle	Method
Inventory is measured at the lower of cost and either market or net realizable value (depending on the inventory valuation method chosen).	An entity chooses to measure cost using First In First Out (FIFO) as its inventory valuation method.

BACKGROUND

GAAP for Federal entities includes the hierarchy of accounting principles described in Statement of Federal Financial Accounting Standards 34 (SFFAS 34), *The Hierarchy of GAAP*, including the *Application of Standards Issued by the Financial Accounting Standards Board (FASB)*.

Entity management is responsible for selecting the accounting principles necessary for fair presentation of the entity’s financial statements, which includes ensuring compliance with the GAAP hierarchy. With respect to budgetary accounting, management should refer to SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, paragraph 78, which provides that, “Recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circulars A-11 and A-34.”

Changes in accounting principles should be reported in accordance with SFFAS 21, *Reporting*

Corrections of Errors, and Changes in Accounting Principles.

RESPONSIBILITIES

Agencies and staff offices will be responsible for justifying voluntary changes in accounting principles. This should be accomplished by:

- (1) Developing an assessment containing:
 - (a) A description of existing GAAP as described in SFFAS 34
 - (b) A description of alternative GAAP as described in SFFAS 34, and
 - (c) Basis for determination that alternative GAAP is preferable to existing accounting principle, i.e., new principle constitutes an improvement in financial reporting,
- (2) Performing an analysis of effects on relevant balances, and
- (3) Designing of controls prior to the implementation of a change.

The Chief Financial Officer (CFO) will be responsible for approving voluntary changes in accounting principles requested by agencies and staff offices.

POLICY

For voluntary changes in accounting principle when the effect of the change is more than 10% and \$100 million in the financial statements, agencies and staff offices will request approval, in writing, from the USDA CFO prior to implementing a change.

Prior to implementing a change, agencies and staff offices will request the Office of Inspector General (OIG) to review and for consideration in providing comments on the Agency's justification for the change to an alternative principle as preferable under the circumstances.

Agencies and staff offices will design controls prior to the implementation of a change to ensure compliance with GAAP.

INQUIRIES

Questions concerning this bulletin should be directed to APCRD@USDA.GOV

EFFECTIVE DATE

This bulletin is effective immediately.

/s/

Lynn Moaney
Deputy Chief Financial Officer