

Are two sets of gaap really needed for colleges and universities

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Universities and colleges are mandated with educating the America's upcoming generations, serving the society, and conducting research. Mandated with such very vital roles there is need for colleges and universities to have a very high degree of accountability as well as provide comprehensible financial information to the interested stakeholders. In the past both public universities and private institution used similar model and style in financial reporting before adoption of the "not for profit agenda" by the FASB. The FASB addressed different financial statement items such as depreciation, investments, reporting style, and contributions. This resulted in difference in accounting procedures and financial reporting models adopted by the private institutions as compared to the public institutions which followed fund-based reporting. Later with the introduction of GASB in 1984, public institutions abandoned fund-based reporting to adopt the GASB guidance to conform to federal government directive. This has led to difference in the comparability of the financial statements where to institutions uses different rules and procedures in financial reporting (Hoyle, et al 831).

The user of independent university and colleges are mainly rating agencies, donors, students, parents and federal agencies. The FASB provides for recognition of contribution, pledges, impairments and investments. These disclosures are important to the stakeholders in making decisions. On the other hand GASB does not allow for contributed services, trusts, capitalization of software and pledges, are not necessary since the stakeholders are interested in such disclosures. Therefore, the two set of GAAPs does not allow comparability between the public university and independent institutions (Ruppel 563). As delineated above both the FASB and GASB

occasion disparity in display, disclosure, measurement and recognition thus challenging the comparability of financial statement. This occasions difficulties in ascertaining the transparency in financial reporting between the two similar institutions.

Although both public and private universities and colleges objectives are similar, they differ on interested stakeholders who may require different disclosures to be made in the financial statements. Therefore, the financial statement and the disclosures should be tailor made to meet the need of the stakeholders.

In conclusion, if the two boards could harmonize the measurements, display, disclosure and recognition of the financial reporting model and style. This would enhance transparency, accountability, comparability of the financial statements.

Works Cited

Hoyle, Joe, Thomas Schaefer and Timothy Douppnik. Advanced Accounting. New York: McGraw-Hill/Irwin, 2003.

Ruppel, Warren. Wiley GAAP for Governments 2012: Interpretation and Application of Generally Accepted Accounting Principles for State and Local Governments. Upper SaddleRiver: John Wiley & Sons, 2012.