



# ■ Public Company Financial Executive Briefing ■ **FASB Accounting Standards Codification**

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The FASB Accounting Standards Codification is expected to become the single source of authoritative U.S. GAAP applicable to all non-governmental entities for annual or interim periods ending after September 15, 2009.

When it becomes effective, **the Codification will supersede existing FASB, AICPA, and EITF pronouncements and related literature** (i.e., all codified literature will carry the same level of authority and non-codified GAAP literature will become non-authoritative). The Codification will also include relevant portions of authoritative SEC content relating to matters within the basic financial statements, which will be

considered sources of authoritative GAAP for SEC registrants.

When effective, the FASB will no longer issue Statements, Interpretations, Staff Positions, or EITF abstracts. Irrespective of how they would have been issued under the current structure, all changes to GAAP will take only the form of Codification Updates.

The FASB Accounting Standards Codification™ is now available at the FASB's Codification website <http://asc.fasb.org>. Developed as a comprehensive and integrated arrangement of all authoritative non-governmental U.S. GAAP literature, the

FASB Accounting Standards Codification™ is topically organized by subject area. Also on the website is a useful tutorial on how to use the Codification website and tools.

It is critical that all users and preparers of financial statements make themselves familiar with all of the workings of the new Codification. Even though the FASB Codification is designed to make it much easier to research accounting issues, the transition to use of the Codification will require some advance training. To this end, the FASB offers a free online tutorial at <http://asc.fasb.org>. I encourage all users and preparers of financial statements to take the tutorial.

## Related New Guidance

In connection with the go live date for the Codification, the FASB is issuing a replacement for SFAS 162, Hierarchy of Generally Accepted Accounting Principles, and adopting the Codification. Like the codification, the proposed SFAS would apply to the financial statements of non-governmental entities purporting to be presented in accordance with U.S. Generally Accepted Accounting Principles.

The new guidance establishes a new hierarchy for GAAP, the codification being the only authoritative standard:

### ***If the guidance for a transaction or event is not specified within the Codification:***

[1] Accounting principles contained within authoritative GAAP for similar transactions or events would have to be considered first and, if not applicable (or not available),

[2] The guidance in non-authoritative sources would then be considered (unless the treatment in authoritative GAAP for similar transactions or events if such treatment explicitly prohibits its application to the transaction or event in question or states that such guidance may not be applied by analogy).

### ***Sources of non-authoritative guidance and literature would include:***

[1] Practices that are widely recognized and prevalent either generally or within the industry in which the entity operates, (2) FASB Concepts Statements, (3) AICPA Issues Papers, (4) International Financial Reporting Standards (i.e. IFRS), (5) pronouncements of other professional associations or regulatory agencies, (6) AICPA TIS Inquiries and Replies, and (7) accounting textbooks, handbooks, and articles.

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## Related New Guidance *(continued)*

[2] FASB Concepts Statements would normally be considered more influential than any other non-authoritative source.

[3] The appropriateness of one or more other non-authoritative sources of guidance would depend on the relevance to the circumstances in question.

In rare instances, certain other guidance not included in the Codification may be grandfathered in the new Codification. A careful study of the rare circumstances should be conducted if they may impact your company.

## Effective Date

As proposed, the new hierarchy would be effective, after September 15, 2009 (i.e., when the Codification is officially launched).

However, because the Codification contains certain guidance from Section 5100, "Revenue Recognition" of the AICPA Technical Inquiry Service which may not have been previously followed by some non-public entities (and thus may result in an accounting change for such entities), initial adoption of the guidance in Section 5100 would be applied prospectively for

revenue arrangements entered into or materially modified in fiscal years (and interim periods within such years) beginning on or after December 15, 2009.

The effect of applying the provisions of the proposed would be accounted for, as applicable, as a change in accounting principle or correction of an error.

## FOR FURTHER INFORMATION, PLEASE CONTACT ONE OF THE FOLLOWING:

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