

FASB Accounting Standards Codification: What It Means For the CFO, the Organization and the Financial Reporting Process

On July 1, 2009, the Financial Accounting Standards Board (FASB) launches the FASB *Accounting Standards Codification*™ (ASC) as authoritative. At that time, it will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). FASB ASC will supersede all existing, non-SEC accounting and reporting standards for nongovernmental entities. Once launched, all other nongrandfathered, non-SEC accounting literature not included in FASB ASC will become nonauthoritative.

The FASB ASC will significantly change the structure of accounting standards and you and your business need to be ready when it becomes effective. As part of a larger AICPA initiative to educate CPAs about FASB ASC, the Institute offers this Business Brief to help you prepare for July 1.

FASB *Accounting Standards Codification*™ (ASC) represents a major shift in the organization and presentation of U.S. generally accepted accounting principles (GAAP) and is a major restructuring of accounting and reporting standards. FASB ASC is designed to simplify user access to all authoritative U.S. GAAP by providing the authoritative literature in a topically organized structure. FASB ASC disassembled and reassembled thousands of nongovernmental accounting pronouncements (including those of FASB, the Emerging Issues Task Force, and the AICPA) to organize them under approximately 90 topics and include all accounting standards issued by a standard setter within levels A–D of the current U.S. GAAP hierarchy. FASB ASC also includes relevant portions of authoritative content issued by the SEC, as well as selected SEC staff interpretations and administrative guidance issued by the SEC. However, FASB ASC is not the official source of SEC guidance and does not contain the entire population of SEC rules, regulations, interpretive releases and staff guidance. Moreover, FASB ASC does not include governmental accounting standards. FASB ASC is not intended to change U.S. GAAP.

FASB ASC aims to:

- Reduce the amount of time and effort required to solve an accounting research issue.
- Mitigate the risk of noncompliance with standards through improved usability of the literature.
- Provide accurate information with real-time updates as new standards are released.
- Assist FASB with the research and convergence efforts required during the standard setting process.
- Become the authoritative source of literature for the completed XBRL taxonomy.

FASB ASC means big changes for your organization and will affect the way you perform accounting research and how you reference accounting literature in your day-to-day work. This change affects financial statement preparers in both private and public companies. “Public companies in particular are going to have to pay attention to the July 1 adoption date and make sure they review all of their footnotes and accounting policies for the proper referencing to FASB ASC rather than the original FASB standard or other GAAP source,” said Doug Nesbit, Senior Project Consultant for SALO, LLC in Minneapolis, Minn., and member of the AICPA’s Business and Industry Executive Committee.

In preparation for the July 1 launch, you’ll want to ensure that your organization is prepared. Here are some steps you can take to get up to speed:

FOR MORE INFORMATION

To help you and your staff be prepared when the codification launches on July 1, 2009, the AICPA has actively followed the codification project and offers several resources:

- **AICPA’s FASB ASC Web site:** includes a summary of the project as well as resources to help you learn what you need to know about the codification. See also <http://www.aicpa.org/Professional+Resources/Accounting+and+Auditing/FASB+Accounting+Standards+Codification/>
- **AICPA webcast:** *Understanding FASB’s Accounting Standards Codification* This Webcast is available on demand and can also be found through links in the above-mentioned AICPA’s FASB ASC Web site.
- **Financial Reporting Alert:** *FASB Codification Developments — 2008: Strengthening Financial Management and Reporting* is also available at http://www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/Accounting/FinancialReporting/PRDOVR-PC-029209/PC-029209.jsp

Finally, the AICPA encourages you and your staff to access the **codification Web site** at <http://asc.fasb.org> and go through the Tutorial that is available once you have registered on the site.

- At a minimum, make sure your organization is knowledgeable on the FASB ASC. After familiarizing yourself, you can help make your team and organization aware by presenting the AICPA's "Where Will You Be When GAAP Is Codified," a presentation designed for CPAs to share with their organizations to prepare them for the July 1, 2009 launch. Click [here](#) or visit http://www.aicpa.org/download/fasb/AICPAs_FASB_ASC_Presentation.ppt to access the presentation.
- Recommend that your organization conduct impact studies on what this change means to accounting policies and disclosures for financial reporting, if they have not done so already.
- Ensure your organization is referencing FASB ASC in all its policies and procedures documentation—for example, company policy documentation regarding determination of levels within the fair value hierarchy of FASB ASC 820, *Fair Value Measurements and Disclosures* (instead of FASB Statement No. 157).
- Determine which are your first set of financial statements that will need to reflect FASB ASC. The FASB ASC will be effective for interim and annual periods ending after September 15, 2009, which means that preparers must begin to use FASB ASC for periods that begin on or about July 1, 2009.
- As a result of the topically organized codification, some companies may discover they have been improperly accounting for certain transactions. FASB has indicated in the replacement FASB Statement No. 162 exposure draft that this should be accounted for as a change in accounting principle or correction of an error, as applicable (in accordance with FASB Statement No. 154, *Accounting Changes and Error Corrections*).
- The AICPA Technical Inquiry Service Section 5100 on software revenue recognition has been elevated to authoritative guidance in FASB ASC. FASB has included specific provisions for first-time application of this guidance in the replacement FASB Statement No. 162 exposure draft, including a post-July 1 effective date.

The key to getting your team on board surrounding FASB ASC is education. "Moving to the codification is going to involve a mindset change for everyone," said Jim Morrison, CFO of Teknor Apex Company in Pawtucket, R.I., and member of the AICPA's Business and Industry Executive Committee. In the end, the codification brings simplification for your organization. "The great advantage of the codification is that when you go to research an accounting issue you will know that everything related to that issue will be in one place," said Mr. Morrison.

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