

NEWS FLASH

FASB Accounting Standards Codification to Launch on July 1, 2009

On June 3, 2009, the Financial Accounting Standards Board (FASB) approved the FASB Accounting Standards Codification (ASC) which will, after its launch on July 1, 2009, become the single source of authoritative, nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The new ASC signifies a major shift in the organization and presentation of GAAP, and is expected to ease research for preparers, auditors, and users of financial statements by providing a more efficient, user-friendly method of searching for up-to-date solutions.

According to FASB, "The Codification reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. It also includes relevant Securities and Exchange Commission (SEC) guidance that follows the same topical structure in separate sections in the codification."

ASC affects both public and private companies, bringing big change to your organization and affecting how you perform accounting research and reference accounting literature on a daily basis. Several important changes will occur when the Codification launches. Among these are:

The Codification will become the single source of authoritative U.S. accounting and reporting standards, other than SEC guidance, for non-governmental entities. All accounting literature not included in the Codification, with the exception of SEC guidance and grandfathered guidance, will become non-authoritative. There will be two levels of U.S. GAAP: authoritative and non-authoritative.

The Codification will supersede existing FASB, AICPA, EITF, and related literature, and those standards will no longer need to be updated or maintained by the FASB. The superseded standards will still be available for reference in an archive. Also archived for reference will be "grandfathered" U.S. GAAP, which includes guidance for transactions not covered by newer standards that were applied prospectively to transactions occurring after a particular date.

References to GAAP guidance will change. When the Codification goes live on July 1, 2009, all existing standards that were used to create the Codification will become superseded. For example, it will no longer be proper to refer to SFAS No. 133 or to Fin 48. Instead, references to standards will consist solely of the numbers used in the Codification's structural organization (for example, FIN 48, Paragraph 21 becomes FASB ASC 740-10-50-15).

There will be changes in how standards are issued. The FASB will no longer issue FASB Statements, FASB Staff Positions (FSPs), FASB Interpretations (FINs), or Emerging Issues Task Force (EITF) Abstracts. All changes to GAAP will be through Codification Updates. The FASB will no longer consider new standards as authoritative in their own right. Instead, the new standards will serve only to update the Codification and provide the historical basis for conclusions of a new standard. As updates are made, they will be numbered so that updates can be tracked. For example, for 2009, the updates will be numbered 2009-01, 2009-02, 2009-03, etc.

The Codification is effective for interim and annual periods ending after September 15, 2009 (third quarter 2009 financial statements for calendar year end companies). All references to pre-codification GAAP citations in financial statements will need to be updated to reflect the Codification references.