

Countdown to Codification Alert

Alert #3, 5-15-09

A series of weekly tips on preparing for the transition to the FASB Codification

CODIFICATION QUESTION OF THE WEEK

How will new standards be incorporated into the Codification after it is approved by the FASB?

New standards will be composed of two items: the standard (similar to existing standards including the Basis for Conclusions) and an appendix containing Codification Update instructions. The title of the combined set of standard and instructions will be "Codification Update YYYY-XX," where YYYY is the year and XX is the sequential number for each Update. For example, the combined numbers would be 2009-301, 2009-302, etc. All authoritative GAAP issued by the FASB will be issued in this format, regardless of the form in which such guidance may have been issued previously (for example, EITF Abstracts, FASB Staff Positions, FASB Statements, and FASB Interpretations).

The FASB will organize the content of new standards using the same Section headings as those used in the Codification. The Codification Update Instructions are similar to the Amendments sections of current FASB standards. They will display marked changes to the pertinent sections of the Codification.

Following the FASB Board's approval of the Codification as the single source of non-SEC authoritative accounting and reporting standards, 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 basis for conclusions for the standard.

The Codification Updates will be available at the Codification website. Also, as the FASB develops new standards, all exposure documents will include the proposed Codification Update Instructions for constituent review. It is the intention of the FASB to update the Codification system concurrent with the release of a Codification Update.

DON'T BE CAUGHT-OFF GUARD! GET READY FOR THE CODIFICATION!

The FASB is expected to institute a major change in the way accounting standards are organized. The *FASB Accounting Standards Codification*TM is expected to

become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). After final approval by the FASB only one level of authoritative GAAP will exist, other than guidance issued by the Securities and Exchange Commission (SEC). All other literature will be non-authoritative.

While 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. These weekly “Countdown to Codification” alerts are designed to provide tips to make that transition easier.

The FASB offers a free online tutorial at <http://asc.fasb.org>. A recorded instructional webcast—*The Move to Codification of US GAAP*, first presented live on March 13, 2008—also is available at http://www.fasb.org/fasb_webcast_series/index.shtml. In addition, Codification training opportunities are offered through professional accounting organizations such as the American Institute of Certified Public Accountants (AICPA).