

In June 2009, the Financial Accounting Standards Board approved FASB No. 168 *The FASB Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. On July 1, 2009, the *FASB Accounting Standards Codification* became the single authoritative source of nongovernmental U.S. GAAP (other than guidance issued by the SEC). The online Codification doesn't change GAAP, but it restructures the way it is organized. It replaces the current hierarchy of FASs, EITFs, SOPs, FINs, and other levels of guidance into a single numerical hierarchy. The goal is to make information easier to find, and in turn, make it easier to comply with the accounting standards. Any guidance not included in the Codification will be considered non-authoritative. The Codification does not impact Governmental Accounting Standards, or non-GAAP methodologies such as Other Comprehensive Basis of Accounting (OCBOA), income tax basis reporting, or cash basis reporting.

The Codification is the result of a major 5-year project involving more than 200 people from multiple entities. The Codification structure is significantly different from the structure of previous standards.

## Effective date

Preparers must begin using the Codification for periods that begin on or about July 1, 2009, because the Codification will be effective for interim

and annual periods ending after September 15, 2009.

## Topics

Topics represent a collection of related guidance. The Topics correlate very closely to standards issued by the International Accounting Standards Board (IASB). The Topics reside in five main areas as follows:

1. **General Principles** (Topic Codes 105–199). These Topics relate to broad conceptual matters. Topics include Generally Accepted Accounting Principles.
2. **Presentation** (Topic Codes 205–299). These Topics relate only to presentation matters and do not address recognition, measurement, and derecognition matters. Topics include Income Statement, Balance Sheet, Earnings per Share, and so forth.
3. **Financial Statement Accounts** (Topic Codes 305–700). The Codification organizes Topics in a financial statement order including Assets, Liabilities, Equity, Revenue, and Expenses. Topics include Receivables, Revenue Recognition, Inventory, and so forth.
4. **Broad Transactions** (Topic Codes 805–899). These Topics relate to multiple financial statement accounts and are generally transaction-oriented. Topics include Business Combinations, Derivatives, Nonmonetary Transactions, and so forth.

5. **Industry** (Topic Codes 905–999). These Topics relate to accounting that is unique to an industry or type of activity. Topics include Airlines, Software, Real Estate, and so forth.

### Each Topic is broken down into Sections

The Sections of each Subtopic are as follows: XXX-YY-ZZ where XXX = Topic, YY = Subtopic, ZZ = Section

XXX-YY-00 Status  
XXX-YY-05 Overview and Background  
XXX-YY-10 Objectives  
XXX-YY-15 Scope and Scope Exceptions  
XXX-YY-20 Glossary  
XXX-YY-25 Recognition  
XXX-YY-30 Initial Measurement  
XXX-YY-35 Subsequent Measurement  
XXX-YY-40 Derecognition  
XXX-YY-45 Other Presentation Matters  
XXX-YY-50 Disclosure  
XXX-YY-55 Implementation Guidance and Illustrations  
XXX-YY-60 Relationships  
XXX-YY-65 Transition and Open Effective Date Information  
XXX-YY-70 Grandfathered Guidance  
XXX-YY-75 XBRL Definitions

### How the Codification will affect you

As of July 1, 2009, FASB will no longer issue statements, interpretations, staff positions, or EITF abstracts. All changes to GAAP will be issued in the form of Codification updates. New standards will be organized under the same section headings as those used in the Codification.

- The Codification does not change current GAAP, with exception of nonpublic nongovernmental entities that must now use AICPA Technical Inquiry Service Section 5100 *Revenue Recognition*, paragraphs 38-76.
- Financial statement disclosures will need to be updated to replace references to specific existing standards with references to the Codifications topics or subtopics.
- Going forward, accounting guides may not be approved by FASB and, therefore, would be considered non-authoritative. Previously issued guides have been included in the Codification. For example, the “Audit and Accounting Guide on Federal Government Contractors” is now Topic 912

## Referencing accounting standards going forward

### Periods ending before September 15, 2009

- There is no requirement to make reference to specific accounting standards in financial statement disclosures, although it may be difficult to avoid references when disclosing the adoption of new standards. Entities may continue to make reference to pre-Codification standards when referencing GAAP for periods ending prior to the effective date of the Codification.
- Entities may choose to provide references to both current GAAP and the Codification when preparing financial statements with a period end before the effective date. Entities may want to avoid only referencing the Codification because the basis for preparing these financial statements would be pre-Codification GAAP.
- Periods ending after September 15, 2009
- For periods ending after September 15, 2009, references to pre-Codification GAAP should be replaced with references to the Codification.

- For comparative financial statements, entities may choose to provide references to both the Codification and pre-Codification GAAP because the basis of the prior year financial statements was pre-Codification GAAP. This presentation may make financial statements verbose, so consider referencing only the Codification.

### Where to find help

<http://asc.fasb.org> provides tutorials, answers to frequently asked questions, cross references, and the new hierarchy available for free with a basic registration. Access to additional research materials is available with a subscription.

You can also contact any member of the Beason and Nalley Audit and Advisory Services team if you have any questions.