

# Keeping Up with the FASB Codification

Since becoming the official source of U.S. GAAP in July 2009, the FASB *Accounting Standards Codification*™ has been updated nine times, and the FASB is currently considering three more updates. If you've been struggling to keep up with these changes, you're not alone.

**U**.S. Generally Accepted Accounting Principles (U.S. GAAP) are continually updated by the Financial Accounting Standards Board (FASB). Updates to U.S. GAAP didn't cease when the FASB formally adopted its *Accounting Standards Codification*™ on July 1, 2009, but the way in which updates to U.S. GAAP are communicated and implemented changed significantly.

Professionals who practice, teach, or research accounting in accordance with U.S. GAAP need to be aware of how the FASB's update process differs in the "Codification Era." In this month's column, I'll describe the new update process and summarize the outcomes of that process to date. I'll also explain how you can stay abreast of Codification updates as they are proposed and adopted.

## Codification Refresher

The Codification profoundly changed the way that U.S. GAAP

is documented, referenced, and accessed. As a result of the Codification, U.S. GAAP is now a single body of standards that are organized in a topical manner. Additionally, the traditional hierarchy of authoritativeness among standards has been eliminated.

The FASB is now the sole setter of authoritative GAAP for non-governmental U.S. reporting entities other than Securities & Exchange Commission (SEC) registrants. The SEC recognizes the FASB's financial accounting and reporting standards as "generally accepted" for purposes of the federal securities laws, but the SEC retains the statutory authority to set additional or alternative standards that apply only to SEC registrants. Therefore, both the FASB and the SEC are authoritative setters of financial accounting and reporting standards for SEC registrants.

The Codification includes all authoritative FASB guidance and relevant portions of authoritative guidance from the SEC. Keep in mind that the SEC guidance included in the Codification doesn't apply to all entities; it's merely included as a convenience to users of the Codification and is kept separately from the FASB's

guidance. For SEC registrants only, SEC guidance takes precedence over FASB guidance if the two sources of guidance conflict.

## An Updated Update Process

The FASB has modified its standards-setting process to focus on updating and maintaining the Codification content. In contrast to its past practice of issuing different kinds of pronouncements to update U.S. GAAP (statements, interpretations, staff positions, abstracts, etc.), the FASB now updates U.S. GAAP through only one type of pronouncement—an "Accounting Standards Update" (ASU). Each ASU is numbered sequentially within each calendar year (i.e., 2009-01, 2009-02, . . . 2010-01, 2010-02, . . .).

Unlike traditional FASB pronouncements, ASUs themselves aren't authoritative. Rather, they specify how the authoritative Codification standards are to be updated. Each newly issued ASU contains an appendix or section with new or revised Codification language. Once the FASB issues an ASU, the Codification publishing team updates a central database so that all users of the Codification online research system see the update immediately and



simultaneously.

The FASB also issues ASUs to update the SEC content that the FASB has chosen to include in the Codification. Updates to SEC guidance in the Codification don't originate with the FASB—the FASB simply “passes through” updates that have been promulgated by the SEC, typically with a slight time lag.

## Updates So Far

The new process for updating U.S. GAAP has so far resulted in the issuance of these ASUs:

- ◆ **2009-01:** Amendments Based on Statement of Financial Accounting Standards No. 168—The FASB *Accounting Standards Codification*<sup>™</sup> and the Hierarchy of Generally Accepted Accounting Principles (June 30, 2009).
- ◆ **2009-02:** Amendments to Various Topics for Technical Corrections (June 30, 2009).
- ◆ **2009-03:** Amendments to Various Topics Containing SEC Staff Accounting Bulletins (August 24, 2009).
- ◆ **2009-04:** Accounting for Redeemable Equity Instruments (August 26, 2009).
- ◆ **2009-05:** Measuring Liabilities at Fair Value (August 27, 2009).
- ◆ **2009-06:** Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities (September 2, 2009).
- ◆ **2009-07:** Technical Corrections to SEC Paragraphs (September 15, 2009).
- ◆ **2009-08:** Earnings per Share (September 16, 2009).
- ◆ **2009-09:** Accounting for

Bruce Pounder will present the “Codification Tips and Tricks” session at the Ohio Society of CPAs’ Columbus Accounting Show on October 29, 2009.

For more information, visit [www.ohioscpa.com/Content/OASCO.aspx](http://www.ohioscpa.com/Content/OASCO.aspx).

Investments—Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees (September 17, 2009). Four of these ASUs (Nos. 2009-01, 2009-02, 2009-05, and 2009-06) update FASB guidance, and the other five (Nos. 2009-03, 2009-04, 2009-07, 2009-08, and 2009-09) update the SEC guidance that the FASB has chosen to include in the Codification.

In addition to the adopted updates summarized above, the FASB has issued exposure drafts (EDs) of three proposed updates:

1. “Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification” (issued August 28, 2009; comments were due September 28, 2009).

2. “Improving Disclosures about Fair Value Measurements” (issued August 28, 2009; comments are due October 12, 2009).
3. “Oil and Gas Reserve Estimation and Disclosures” (issued September 15, 2009; comments are due October 15, 2009).

## Keeping Up with Updates

How can accounting professionals keep up with updates to the Codification? The first step is to become a registered user of the Codification online research system at <http://asc.fasb.org>. A “Basic View” of the Codification is available for free, and advanced research functionality is available through a fee-based “Professional View” subscription. (Note that accounting faculty and students can obtain a Professional View subscription at no cost).

The online research system has several features that enable users to know what updates have been adopted or proposed:

- ◆ What’s New,
- ◆ Accounting Standards Updates,
- ◆ Exposure Drafts, and
- ◆ The Status section of each subtopic.

The “What’s New” feature lists recent ASUs, going back up to one year. Alternative views of the list are available; for example, recent ASUs may be sorted by date of issue or mapped to the Codification areas, topics, subtopics, sections, and subsections that they affected. Recent EDs are also included in the “Date” view.

The “Accounting Standards Updates” feature lists, in reverse chronological order, all ASUs ever

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issued. This feature is available only to Professional View subscribers.

The “Exposure Drafts” feature lists EDs of proposed ASUs (along with pre-Codification EDs) that are currently outstanding.

Finally, each subtopic’s Status section includes references and links to the specific Codification content that was affected by one or more ASUs as well as references and links to the ASUs themselves.

The FASB can be expected to update U.S. GAAP in many significant ways for years to come. Now that you have a basic understanding of the new process by which the Codification is updated, you’ll be much better equipped to keep up with the changes. **SF**

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