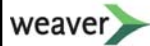


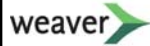
Codification - The Impact on the Financial Statement Process

May 4, 2010



Learning Objectives

- Understand the structure of FASB Accounting Standards Codification (ASC)
- Distinguish between authoritative and non-authoritative guidance
- Understand the ongoing standard setting process



Agenda

- Codification Defined
- Codification Content
- Impact of SEC Content and PCAOB Standards on ASC
- Codification Structure
- Impact of Financial Statement Preparation and Disclosure
- Ongoing Standard Setting Process



Codification Defined

- The FASB Accounting Standards Codification™ is the single source of authoritative U.S. GAAP, except for SEC guidance (excludes governmental accounting)
- Eliminates GAAP hierarchy and replaces it with authoritative and non-authoritative guidance
- Organized into a topical format
- Attempt to reduce the complexity of accounting standards and to facilitate international convergence



Codification Defined – Cont'd

- Incorporates SEC rules and interpretive releases as authoritative for SEC registrants
- Not intended to change US GAAP
- Supersedes existing sources of GAAP
 - Any prior sources of US GAAP not included or grandfathered are not considered authoritative
- Only affects US non-governmental accounting standards



Codification Content

- Standards included in levels a-d of the previous US GAAP hierarchy
- FASB, EITF, DIG, APB, and AICPA guidance
- Certain guidance that was not previously considered authoritative GAAP has been included in the codification and made authoritative



Codification Content – Cont'd

- AICPA Technical Inquiry Services guidance for software revenue recognition has been elevated for non-SEC registrants (Section 5100 paragraphs 38-76)
- Cross references to pre-codification standards



Codification Content – Cont'd

- Excluded:
 - Content deemed redundant or non-authoritative
 - Guidance for non-US GAAP such as OCBOA
 - Governmental accounting standards
 - Standards that were outdated or superseded on December 31, 2008
 - Grandfathered material such as pooling of interests



Impact of SEC Content and PCAOB Standards on ASC

- SEC Guidance
 - Included in the codification for purposes of convenience
 - Guidance included in the codification is not complete
 - SEC continues to have authority for updating and amending SEC accounting guidance
 - Guidance preceded by an "S"
 - SEC sections include the full text of the relevant guidance
 - The full population of SEC rules, regulations, interpretive releases and staff guidance is not included in the Codification
 - Reference should always be made to the specific SEC rules and not the Codification



Codification Structure

- Areas
 - Topics
 - Subtopics
 - Sections
 - » Subsections



Codification Structure – Cont'd

- Areas
 - Groupings of topics to allow for ease of use and are not part of the numerical referencing system
 - Topical organization of information
- Topics
 - Broad categorization of related content and correlate with IFRS / IAS standards
 - Example: The Liability “Area” includes “Topics” such as Deferred Revenue, Contingencies, and Debt (ASC 405)



Codification Structure – Cont'd

- Sub-Topics
 - Subsets of topics
 - General distinguished by type or scope
 - Example: A subtopic of the Liability topic is Extinguishment of Liabilities (ASC 405-20)
- Sections
 - Relate to the nature of the content in the sub-topic
 - Numbering is consistent throughout the Codification: Section 15 is always Scope, section 50 is always Disclosure
 - Sections correlate with IFRS / IAS sections

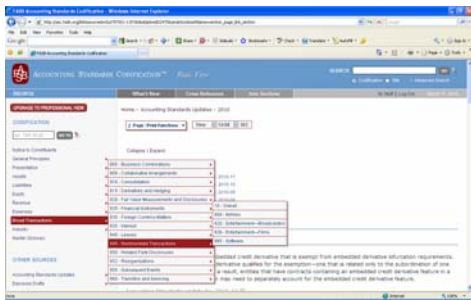


Codification Structure – Cont'd

- Subsections
 - Further segregates information into specific areas
 - Example: Lessees is a subsection of the Leases topic (840)
 - Example Codification Reference: 840-20-50-1 is the reference for the first paragraph under operating lease (20) disclosures (50)

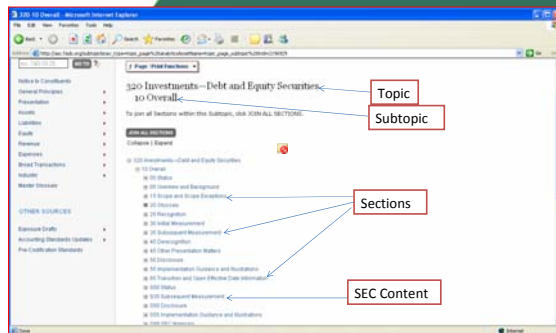


Codification Structure – Cont'd





Codification Structure – Cont'd





Access and Registration

- Access through RIA, ARM, etc.
- Registration options
 - Professional view (paid access) allows for greatest functionality and options.
 - Academic view allows free access to the professional view for accounting program faculty and students.
 - Basic view (free access) available to everyone with limited functionality but access to all relevant guidance.
 - www.asc.fasb.org



Impact on Financial Statement Preparation and Disclosure

- Accounting guidance referencing
 - Referencing convention is to refer to the “FASB ASC” followed by the topic, subtopic, section, and paragraph
 - Example: FASB ASC 840-20-50-1 for specific disclosure requirements related to operating leases from the lessee’s standpoint
 - All legacy financial statement references should be updated to reflect the new Codification
 - Accounting policy documents should be updated to properly reflect the new Codification



Ongoing Standard Setting

- Codification updates will be made through Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board
- ASUs will include:
 - Background information
 - Basis for conclusions
 - Update instructions
- ASUs are not authoritative upon release
- ASUs are accessible through the FASB website
- ASUs are numbered using a sequential identifier based on the year issued (e.g. 2010-01)



Ongoing Standard Setting

- There are no changes to FASB due process
- Guidance will continue to be open for comment in the same manner as pre-codification guidance through exposure drafts
- Exposure drafts contain all proposed amendments to the Codification
- EITF will deliberate issues on its agenda and reach consensus-for-exposure in the same manner



Q&A

Questions?



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