



FASB Codification of GAAP

September 24, 2009 – 3:00pm Eastern

We'll be starting soon

If you experience any technical difficulties,
please contact **888.228.4388** or support@learnlive.com

Awarding CPE for this session

In general

Respond to **all** polling questions

Group participation will **not**
receive CPE

The rule

Respond to at least **75%** of the
polling questions to pass with
full credit

You have to be logged in individually
to receive credit

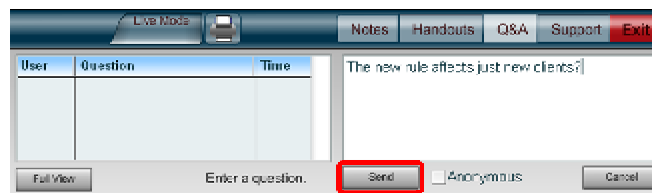
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Addressing your questions through Q&A

Step 1

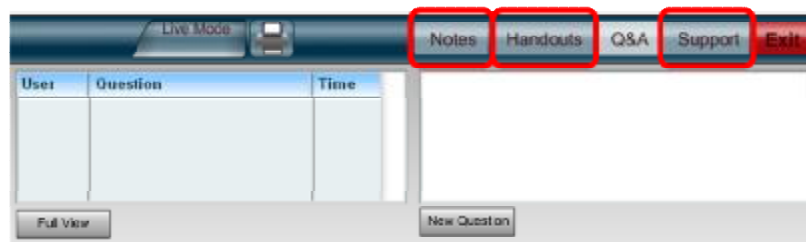


Step 2



If you experience any technical difficulties,
please contact **888.228.4388** or support@learnlive.com

Other helpful features you can use



If you experience any technical difficulties,
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Welcome



Lynne Triplett

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Consulting Group
Chicago



Ryan Brady

Manager, Accounting
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Chicago

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Learning objectives

- Describe the FASB's objectives in developing the Codification
- Describe what is included in and excluded from the Codification, and how it is structured
- Describe how the Codification facilitates research
- Describe what actions you should take as a result of the Codification



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Agenda

- What is the Codification?
 - Purpose
 - Content
 - Structure
- What does the Codification launch mean to you?
 - Research
 - Updating documentation



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Description

- The *FASB Accounting Standards Codification*[™] (“Codification”) is the single source of authoritative nongovernmental U.S. GAAP, except for SEC guidance
- It is included in a topical online research system
- It eliminated levels a through d GAAP and replaced with authoritative and nonauthoritative
- SEC rules and interpretive releases are also authoritative GAAP for SEC registrants

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Why FASB developed the Codification

- To address weaknesses identified in previous GAAP structure
 - U.S. GAAP was unwieldy, difficult to understand, and difficult to use
 - Appropriate authoritative guidance was difficult to retrieve under previous structure, with numerous authoritative standards from various standard-setters
- To simplify standard-setting process and align with FASB's objectives

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Benefits of the Codification

- All non-SEC authoritative guidance in one place
- Updates and additions to guidance will be incorporated into appropriate topics rather than by standard setter
- Users can have more confidence that all authoritative guidance has been reviewed or considered in researching an accounting matter

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Statement 168

- FASB Statement 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, established the Codification as the sole source of authoritative nongovernmental U.S. GAAP
- Statement 168 supersedes Statement 162, which defined the U.S. GAAP hierarchy prior to the Codification (Levels a through d)
- Statement 168 was the last numbered Statement that the FASB will issue

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Effective date and transition

- The Codification was **launched** on July 1, 2009
- The Codification is **effective** for financial statements for interim and annual periods ending after September 15, 2009



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Effective date and transition

- Significant transitional issues are not expected, except if a nonpublic entity is adopting the AICPA TIS guidance on software revenue recognition
- Transition and effective date guidance is provided for nonpublic entities adopting AICPA TIS on software revenue recognition



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Changes

- Codification was **not** intended to change U.S. GAAP
- Language from the original pronouncements was edited for consistency and certain words were changed (for example, “should” and “must” were replaced with “shall”)
- If you believe that adoption of the Codification requires a change in accounting policy, consult with your accountants



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Guidance included in the Codification

- Standards included in Levels a – d of the previous U.S. GAAP hierarchy
- Guidance from the FASB, EITF, Derivative Implementation Group, Accounting Principles Board, and AICPA
- Certain guidance that was not previously considered authoritative GAAP has been included in the Codification and thus made authoritative



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Guidance included in the Codification

- SEC guidance is included in the Codification for convenience
- SEC guidance presented in the Codification is not complete
- SEC continues to have authority for updating and amending SEC accounting guidance



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Guidance included in the Codification

AICPA Technical Inquiry Service (TIS) guidance for software revenue recognition (Section 5100 paragraphs 38-76) has been elevated for non-SEC registrants



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Guidance excluded from the Codification

- Governmental accounting standards
- Standards that were outdated or superseded as of December 31, 2008
- Grandfathered material
- Guidance for non-GAAP matters such as cash or income tax basis accounting



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Ongoing standard setting process

- The Codification will be updated by Accounting Standards Updates (ASUs) issued by the FASB
- These will include:
 - Background
 - Basis for conclusions
 - Update instructions
- ASUs are not authoritative in their own right
- ASUs may be accessed via the FASB website
- ASUs are numbered by the year and a sequential identifier (for example, 2009-01)

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Ongoing standard setting process

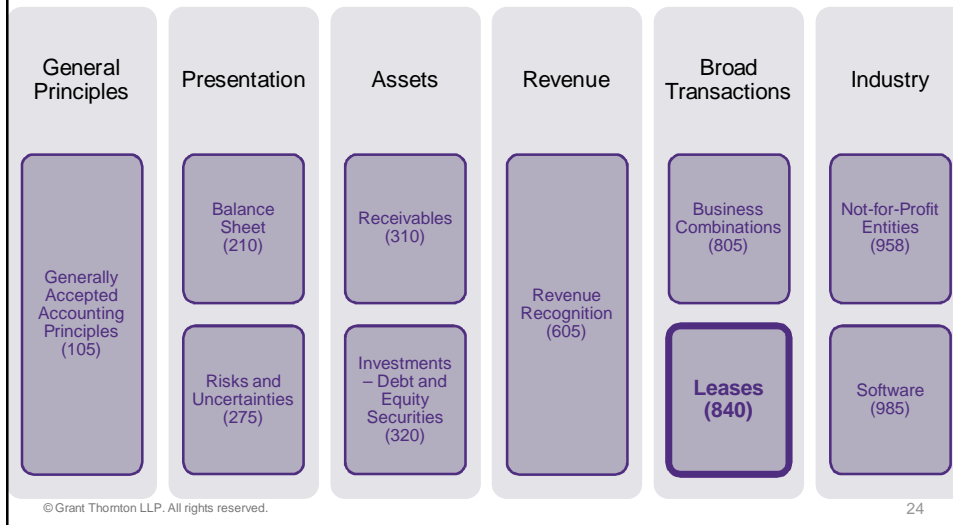
- No change to FASB due process
- Guidance will continue to be exposed for comment in the same manner as prior to the launch of the Codification
- EITF will continue to deliberate issues on its agenda and reach consensus-for-exposure
- Regardless of the standard-setter that exposes the guidance for comment (FASB, EITF), it will be incorporated into the Codification via an ASU

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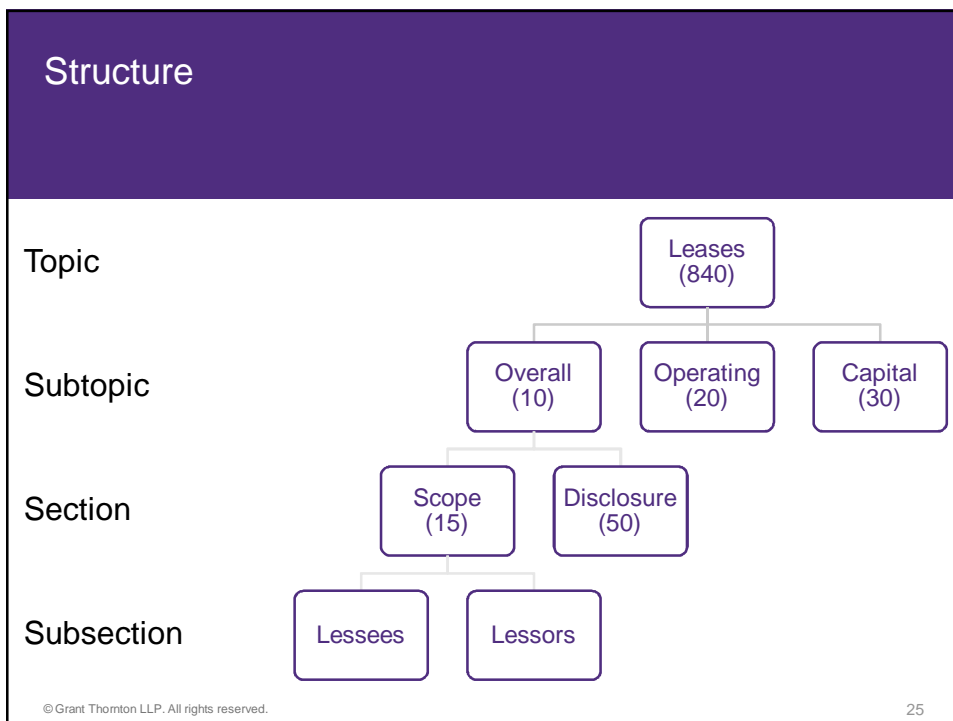
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Structure

Areas and Topics



Structure



Structure

Sections

Section	Name
00	Status
05	Background
10	Objectives
15	Scope
20	Glossary
25	Recognition

Section	Name
30	Initial Measurement
35	Subsequent Measurement
50	Disclosure
55	Implementation
65	Transition

Agenda

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Codification changes



- How you reference accounting guidance
- How you research accounting issues

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Referencing

To reference guidance from the Codification, the convention is to refer to “FASB ASC” followed by the topic, subtopic, section, and paragraph(s)

Guidance	Reference
Leases - Topic	FASB ASC 840
Operating leases - Subtopic	FASB ASC 840-20
Lessees subsections in operating leases subtopic	FASB ASC 840-20, “Lessees” subsections
Disclosure requirements section in operating leases subtopic	FASB ASC 840-20-50
Specific disclosure requirements at the paragraph level	FASB ASC 840-20-50-1 through 50-2

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Accessing the Codification



FASB
basic view



FASB
professional view



Printed
version

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Research

The screenshot displays the Accounting Standards Codification website. At the top, there is a navigation bar with the title "ACCOUNTING STANDARDS CODIFICATION™" and a search box. Below the navigation bar, there are several tabs: "Home", "What's New", "Using Research", and "Job Section". The main content area is divided into three columns. The left column contains a sidebar menu with options like "UPDATE TO PROFESSIONAL VIEW", "CODIFICATION", "Notice to Constituents", "Providing feedback", "Research model", and "OTHER SOURCES". The middle column features three main sections: "Notice to Constituents", "Providing feedback", and "Research model". The right column contains a section titled "Tutorial, help, and features" with sub-sections for "Tutorial and help", "Join Sections", and "Cross Reference".

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Research

Accounting Standards Codification™ *Rule View*

SEARCH

UPDATE TO PROFESSIONAL VIEW

CODIFICATION

Home - Cross Reference

Cross Reference

Use this feature to cross reference between the original standards and the Codification. Insert information about a standard to identify the Codification Section that contains the content. Alternatively, insert information about the Codification to identify the standard that populated that portion of the Codification. Click here for help with or to view a tutorial on the Cross Reference feature. NOTE: The report only includes content contained in published Topics. Click here to view the details of the standard type acronym.

By Standard: Standard Type: [ASC] Standard Number: [012] or By Codification: Topic: [] Subtopic: [] Section: [] Paragraph: []

GENERATE REPORT GENERATE OVER

Sort your results by Standard Type or by Topic

Standard Type	Standard Number	Paragraph Label	Response	Topic	Subtopic	Section	Paragraph
ASC	012	3	13.1.1.1	999	00	00	
ASC	012	3	70.1.1.2.1.1	0000			

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Research

Accounting Standards Codification™ *Rule View*

SEARCH

UPDATE TO PROFESSIONAL VIEW

CODIFICATION

Home - Cross Reference

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By Standard: Standard Type: [ASC] Standard Number: [012] or By Codification: Topic: [] Subtopic: [] Section: [] Paragraph: []

GENERATE REPORT GENERATE OVER

Sort your results by Standard Type or by Topic

PAGES: 1 | 2 »

Standard Type	Standard Number	Paragraph Label	Response	Topic	Subtopic	Section	Paragraph
ASC	012	3	13.1.1.1	999	00	00	0000
ASC	012	3	70.1.1.2.1.1	0000			

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Research

The screenshot shows the Accounting Standards Codification (ASC) website. The header includes the logo and navigation links like 'What's New', 'Cross References', and 'Full Sections'. The main content area displays the title '840 Leases to Overall 05 Overview and Background' and a 'Table of Contents' with subtopics: '05 Overall', '05-1 Overview and Background', '05-2 Capital Leases', '05-3 Operating Leases', and '05-4 Sale-Leaseback Transactions'. A 'General Note' is visible at the bottom of the page.

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Research

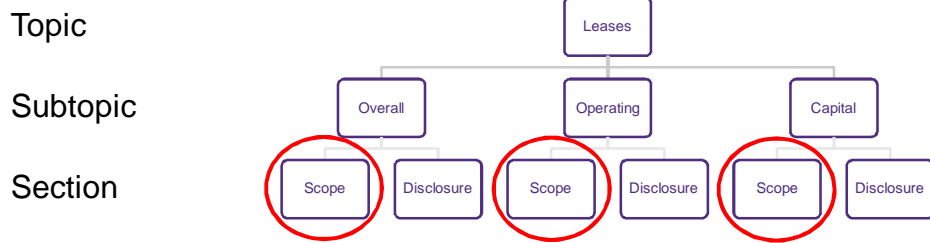
The screenshot shows the Accounting Standards Codification (ASC) website. The header includes the logo and navigation links like 'What's New', 'Cross References', and 'Full Sections'. The main content area displays the title '05-1 The Leases Topic includes the following Subtopics:' and a list of subtopics: 'a. Overall', 'b. Capital Leases', 'c. Operating Leases', and 'd. Sale-Leaseback Transactions'. A 'General Note' is visible at the bottom of the page.

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Research

Joining sections

Example: Join “Scope” sections under the “Leases” topic



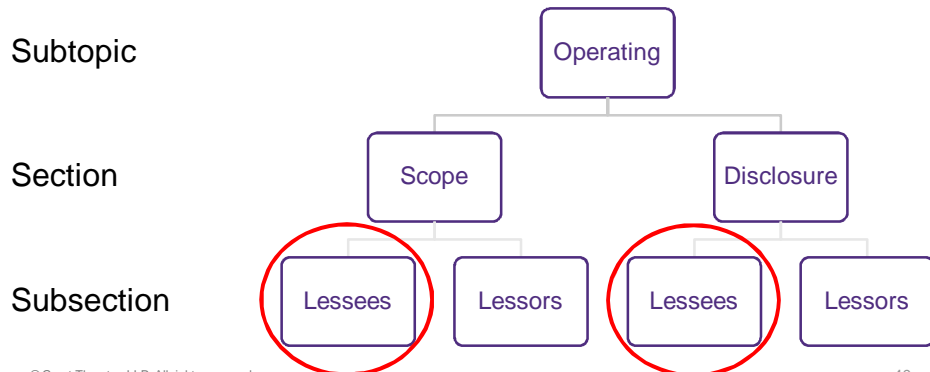
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Research

Combining subsections

Example: Combine “Lessees” subsections under the “Operating” subtopic



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Actions you need to take



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- Obtain access and become familiar with the Codification
- Update references in accounting policies and disclosures
- Discuss anticipated changes with auditors
 - Evaluate whether it is an error or a change resulting from change to literature

Updating policies and disclosures

- Accounting policy documentation should be updated to replace legacy references to authoritative literature
- Financial statement disclosures must be updated to replace legacy references to authoritative literature
 - Plain English
 - Codification references

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Disclosures - original

Since September 1, 2005, the Company has recorded compensation expense for its employee stock options and share purchase rights in accordance with the provisions of **Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Share-Based Payment” (“SFAS No. 123R”)**. Compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant-date fair value of those awards expected to ultimately vest (with limited exceptions). Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

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Disclosures – revised, plain English

Compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant-date fair value of those awards expected to ultimately vest (with limited exceptions). Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

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Disclosures – revised, Codification references

Since September 1, 2005, the Company has recorded compensation expense for its employee stock options and share purchase rights in accordance with the provisions of **FASB ASC 718, *Compensation – Stock Compensation***. Compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant-date fair value of those awards expected to ultimately vest (with limited exceptions). Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Accounting changes

- If an accounting change results from adopting the Codification, it should be accounted-for as a change in accounting principle or correction of an error under ASC 250, *Accounting Changes and Error Corrections*
- We don't expect that there will be changes in accounting principles due to the Codification, outside of those related to nonpublic entities' adoption of portions of AICPA TIS 5100

Summary



Questions?

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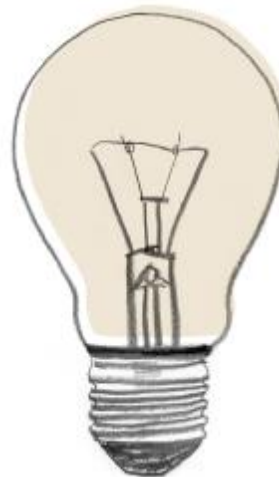


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Resources

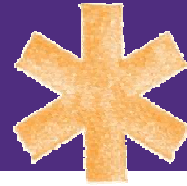
- Grant Thornton *On the Horizon* bulletins (May 4 - July 20)
- Grant Thornton New Developments Summary 2009-27
- FASB Notice to Constituents
- FASB and AICPA websites



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Wrap up



- Launch of Codification marks a significant shift in how we research and reference accounting guidance
- Access Codification and become familiar with its functionality
- Begin referencing accounting guidance using the Codification referencing scheme
- Discuss Codification with your auditors

Any final questions or comments?

Please type in your questions at any time.





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Note: Group participation will not receive CPE

Download today's slides as a reference resource

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