

# The New Code

As of July 1, FASB's Accounting Standards Codification became the sole source of authoritative U.S. generally accepted accounting principles. This article explores two of the practical implications of this change: 1.) How we think about and refer to authoritative literature; and 2.) How to research issues as a part of our daily work.

## The New Way of Thinking

We have all talked with clients and colleagues about SFAS 13 to describe accounting for leases, or SFAS 5 to describe accounting for contingent gains and losses, and have made references to this literature when preparing or attesting to footnote disclosures. In the Codification, however, accounting for leases is described in Topic 840 and accounting for contingent gains and losses is described in Topic 450. Accordingly, we will need to start thinking about Codification Topics instead of SFAS, FIN, EITF, ARB or APB numbers.

Each Topic incorporates all authoritative literature on a subject and is updated for all amendments in real time. We can go to a Topic within the Codification and not worry that some EITF consensus we may not be aware of has changed the literature. And I can stop writing update notes in my dog-eared copy of SFAS 133.

As we become accustomed to referring to the new Codification Topics, Subtopics, Sections and Subsections, we will be able to find our favorite SFAS by using the "By Standard" search option. You can review how to do this by reading "Countdown to Codification Alert No. 9," available on FASB's website, [www.fasb.org](http://www.fasb.org). This and other alerts give you great practical tips on using the Codification. However, this feature, like many described in this article, is only accessible when using the Codification's Professional View mode, and does not exist within the Basic View (see Figure 1).

The Codification structure we will eventually become familiar with is XXX-YY-ZZ-PP, where XXX is the Topic, YY is the



Topics incorporate authoritative literature on a subject and are updated ... in real time.

Subtopic, ZZ is the Section and PP is the Paragraph.

For example, the portion of SFAS 5 that describes initial measurement of contingent losses is located at 450-20-30-1 of the Codification. As paragraphs of the Codification are updated in the future—either by direct action of the FASB, authorized FASB staff pronouncements or ratified consensuses of the EITF—Accounting Standard Updates will be circulated. Each ASU—numbered in each year such as 2009-11—will include an introductory summary, actual Codification updates and, if necessary, bases for conclusions. The summary and bases

## Using and Applying FASB's New System of Standards

for conclusions will be accessible through the Codification, but will not be a part of it.

The Codification also offers links to proposed changes to the section you are reading. If you want to see what changes are being proposed, click "Related Exposure Draft." If you are interested in what recent additions have been made, click "What's New" to see additions sorted by date, topic or document type. There are also Codification Updates that represent technical corrections to the Codification, but do not amend GAAP.

Access to the Codification through FASB's website is free. However, most of the ease-of-use features described in this article are only available by subscribing to the Professional View, which costs \$810 annually for single (one-at-a-time) users, and allows up to nine registered users per license. Access for concurrent users is also available for an additional fee. It's available to academicians at no additional charge.

The Professional View has several added search and ease-of-use-features that frequent users will find helpful. Similar ease-of-use features are also available through Codification access services, such as the Accounting Research Manager.

Topics are broken down by presentation (such as Balance Sheet), accounts (such as Revenue), broad transactions (such as Business Combinations) and industries (such as Real Estate). Subtopics further break down Topics. For example, Capital and Operating leases are Subtopics of the Topic, Leases.

Sections cover the same subjects in all Topics and Subtopics. For example, Section 10 always provides Objectives for each Topic or Subtopic. Section 30, as in the contingent liability example above, always provides Initial Measurement guidance. A helpful feature is Section 75, which provides XBRL definitions for the Topic or Subtopic. Another helpful feature is Section 20, which provides a glossary of terms used in the Topic or Subtopic.

If you are like me and like to read the narrative of an entire Topic or Subtopic at one time, you can click "Join All Sections" to

see all guidance within the Topic or Subtopic at one time. This feature also can be used to print all Codification guidance for a particular Topic or Subtopic.

Subsections further break down a Section. All sections contain a Subsection identified as General, and other Subsections exist for a limited number of Sections. Note that Subsections are not numbered. Accordingly, as in the example above for initial measurement of contingent losses, there is a Topic–Subtopic–Section–Paragraph reference, but no reference to the General Subsection, since it's not numbered.

Where applicable, separate Sections exist for each Subtopic that contains relevant guidance issued by the SEC. These Sections are generally preceded by the letter "S" and identified as SEC material. However, be aware that the Codification does not include reference to all SEC rules and regulations, including managements' discussion and analysis.

### **Research Using the Codification**

There are two basic ways to conduct research in the Codification. One is to drill down through the Topics and Subtopics from the contents bar. Another is to use the search feature that permits users to enter the specific Topic, Subtopic and

Section by numerical code. The second methodology is available only when using the Professional View.

Below are examples of how to research specific guidance applicable to a vendor's accounting for volume sales rebates offered to customers using both methodologies.

The first methodology allows the user to access GAAP by using the table of contents, or drill-down menu, scrolling to the subject Revenue and selecting Topic 605, Revenue Recognition. From the drill-down menu, then select Subtopic 50, Customer Payments and Incentives, to access links to relevant guidance. Consider utilizing the "Expand" feature within the drill-down menu. This should allow you to search through guidance more efficiently and alleviate some of the frustrations of not being able to join Sections under the Basic View.

Within the expanded drill-down menu, click the Section relevant to this issue (i.e., 25: Recognition) to access all paragraphs within the particular Section.

Keep in mind that guidance from multiple Sections may be applicable to your issue. In this particular example 605-50-55-63, Example 15: Volume Discounts, may also be useful. Therefore, the incremental functionality of combining

relevant sections offered by the Professional View or other premium services can become extremely useful.

As a general rule, until you can recall Codification sections from memory, I suggest you take advantage of the drill-down search methodology. This will facilitate your understanding of the Codification's basic format and enhance your ability to access relevant guidance.

The second methodology is using the search features. For example, you may know that EITF 01-9 includes guidance on your issue. Using the Cross Reference tab within the Codification allows you to obtain all relevant information by entering the applicable pre-Codification standard. This can save you time and eliminates the need to sift through the large catalogs of information presented in the drill-down menus.

Once you obtain the Codification reference for EITF 01-9, enter the relevant Codification address information into the search field. For example, to access the information cited above pertaining to Contingent Sales Incentives, enter 605-50-25 in the search field and you will be directed to all guidance within that particular Section. Once inside the Section, scroll down to the relevant paragraphs pertaining to Contingent Sales Incentives.

## The New Code

### Professional View Versus Basic View

Significant differences exist between the Basic View and Professional View (or other premium services offering access to the Codification). Figure 1 provides a summary of five major functions not available within the Basic View.

While the occasional user may not require these incremental functionalities, a user needing more frequent access to GAAP will want them.

Take advantage of the free online Codification tutorial at [www.asc.fasb.org](http://www.asc.fasb.org). There is also a recorded webcast on FASB's website. Soon you will find yourself as familiar with Topic numbers as you are with SFAS or APB numbers, and you will have confidence that you have captured and reviewed all relevant GAAP for a particular subject. ■

**Stuart H. Harden, CPA, CFF** is the managing director of the litigation consulting and forensic accounting group at Hemming Morse, Inc. You can reach him at [hardens@hemming.com](mailto:hardens@hemming.com).

**Matt Lombardi, CPA** is a director in the litigation consulting and forensic accounting group at HMI. You can reach him at [lombardim@hemming.com](mailto:lombardim@hemming.com).

# a professional view

Figure 1

Incremental Functionalities	Advantages
Combining and/or Joining Sections	Allows for more efficient gathering of complete information relevant to a particular subject matter through the combining of all pertinent sections and subtopics onto one screen or printout.
Printing, Extracting and E-mailing	Provides users basic functions to extract key information on an as needed basis, including e-mailing, cut and pasting, and printing US GAAP.
Word Searching Capabilities	Allows users the ability to locate relevant guidance by using key words or phrases.
Coding Searches	Facilitates quicker access to relevant Codification sections.
Archiving Features	Permits the retention of content no longer available within the Codification, facilitating reference to time specific guidance you or your client may require.