FASB Codification

On July 1, 2009, the Financial Accounting Standards Board (FASB) instituted a major change in the way accounting standards are organized. On that date, the FASB Accounting Standards Codification (FASB Codification) became the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). Now, only one level of authoritative U.S. GAAP exists, other than guidance issued by the Securities and Exchange Commission (SEC).

The FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which dictates the change to the GAAP hierarchy. Statement No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Following the issuance of Statement No. 168, the FASB will not issue new accounting standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will not be authoritative in their own right but will serve to update the Codification, provide background information about the guidance, and provide the bases for conclusions on changes to the Codification. The FASB Accounting Standards Codification becomes the single source of authoritative U.S. accounting and reporting standards applicable to nongovernmental entities. Previously, if an accountant were trying to determine how to account for an item, there were many places to look, including, FASB Statements, Staff Positions, Interpretations, Technical Bulletins, AICPA Statements of Position, Accounting Principles Board Opinions, and Emerging Issues Task Force abstracts, among others. This made it difficult to find the proper accounting treatment, or to know even if you were looking in the right place. The codification has grouped all of this guidance together and included it in one place, sorted by topic. Instead of citing accounting standards, as accountants did in the past, like FAS 5, Accounting for Contingencies, companies will reference the Codification topic of contingencies, FASB ASC 450.