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**FASB codification developments 2008: strengthening financial management and reporting; Financial Reporting Alert**

Financial Accounting Standards Board

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Strengthening Financial Management and Reporting
Notice to Readers

This Financial Reporting Alert is intended to provide accountants practicing in business and industry with a better understanding of the FASB Accounting Standards Codification™, outline the structure of the codification, as well as to provide some case studies on how to navigate the FASB Accounting Standards Codification™ Research System and perform accounting research.

This document has not been approved, disapproved, or otherwise acted upon by a senior technical committee of the AICPA.

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How This Alert Helps You

This alert is intended to help you better understand the FASB Accounting Standards Codification™, as well as navigate the FASB Accounting Standards Codification™ Research System to perform research. Case studies and screen shots are provided for your convenience.

This Financial Reporting Alert (alert) is designed to be used by members of an entity’s financial management and audit committee to understand the FASB Accounting Standards Codification™ (codification) and how to navigate the FASB Accounting Standards Codification™ Research System (codification research system) and perform accounting research.

To help you understand relevant industry, economic, and regulatory factors affecting your financial management and reporting, the AICPA also offers industry and topic specific alerts. These alerts can be obtained by calling the AICPA at (888) 777-7077 or visiting www.cpa2biz.com.
FASB Accounting Standards Codification™ Overview

This section provides an overview of the codification project, including the scope of the project, guidance affected, transition information, new terminology used in the codification, special features, the verification process, as well as how FASB plans to issue updates to the codification.

Purpose of the Codification

The codification, which was released on January 15, 2008, disassembled and reassembled thousands of accounting pronouncements (including those of the Financial Accounting Standards Board [FASB], Emerging Issues Task Force [EITF], and the AICPA) to organize them under approximately 90 topics. The codification is not intended to change U.S. generally accepted accounting principles (GAAP); rather, it is part of FASB’s efforts to reduce the complexity of accounting standards and also to facilitate international convergence. Among other things, the codification project aims to

- reduce the amount of time and effort required to solve an accounting research issue.
- mitigate the risk of noncompliance with standards through improved usability of the literature.
- provide accurate information with real-time updates as new standards are released.
- assist FASB with the research and convergence efforts required during the standard-setting process.
- become the authoritative source of literature for the completed Extensible Business Reporting Language (XBRL) taxonomy.
- clarify that guidance not contained in the codification is not considered authoritative.

With the release of the codification, FASB launched an Internet-based research system—the FASB Accounting Standards Codification™ Research System, at http://asc.fasb.org, which includes a cross reference report to identify where current standards reside in the codification.

The FASB Accounting Standards Codification™ Research System features a notice to constituents, which explains the scope, structure, and usage of consistent terminology of the codification. Users are encouraged to read this notice, and many find it useful to print it as a ready reference to the codification. Not only does it answer many questions about the
codification, it also includes content matters for which FASB is requesting constituent feedback. The notice to constituents can be accessed after registering for the codification. Users can register for the codification at http://asc.fasb.org, or by linking to the Web site from the FASB Web site at www.fasb.org. Access to the codification is currently free during the verification period. Following are several of the key points included in the notice to constituents.

**Codification Scope**

Some important matters regarding what is included and not included in the codification follow:

- Current GAAP is ranked on a hierarchy of authority, referred to as *levels A–D* and other accounting literature. The codification includes all authoritative (that is, levels A–D) GAAP issued by a standard setter. Once the codification is effective, it will eliminate the current U.S. GAAP hierarchy (for nongovernmental entities), integrating U.S. GAAP into a single authoritative codification. There will be only two levels: authoritative (in the codification) and nonauthoritative (not in the codification).

- The codification provides GAAP guidance only. It does not include guidance for non-GAAP matters such as other comprehensive bases of accounting (OCBOA) including cash basis, income tax basis, and regulatory accounting principles.

- The codification includes relevant authoritative content issued by the Securities and Exchange Commission (SEC) and select SEC staff interpretation and administrative guidance. An “S” precedes the SEC section codes in the codification.

- The codification does not include standards for state and local governments.

- The source of the standards used to create the codification is the as-amended versions as provided by the standard setter. Therefore, the codification does not identify documents that solely amend other standards.

- After completing a one-year verification period, FASB is expected to formally approve the codification as the single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the SEC. At that time, the codification will supersede all then-existing, non-SEC accounting and reporting standards for nongovernmental entities. Once effective, all other nongrandfathered, non-SEC accounting literature not included in the codification will become nonauthoritative.

- FASB currently expects to approve the codification as authoritative in April 2009.
Literature Included in the Codification

The following is a list of literature included in the codification. It is important to note that some of the following guidance was formerly in the level A–D GAAP hierarchy, and some was not. By being incorporated into the codification, it effectively makes this literature authoritative.

- FASB statements, interpretations, technical bulletins, staff positions, staff implementation guides, and Statement No. 138 examples
- EITF abstracts and appendix D
- Derivative Implementation Group Issues
- Accounting Principles Board Opinions
- Accounting Research Bulletins
- Accounting interpretations
- AICPA Statements of Position, Practice Bulletins, incremental accounting guidance from Audit and Accounting Guides, and Technical Inquiry Service questions and answers (for software revenue recognition only)
- Select SEC guidance

Information That Is Not Included in the Codification

The codification excludes nonessential material such as redundant summaries of existing standards, historical content, discussions of previous practice, summaries of constituent feedback, and similar content.

FASB excluded grandfathered material in the first release of the codification; this material will be added in a special grandfathered section under the relevant topics. An example of grandfathered material includes accounting for pensions described in FASB Statement No. 87, *Employers’ Accounting for Pensions*. Other grandfathered items are identified in the notice to constituents.

The codification excludes certain content that is currently required but will be outdated or superseded by December 31, 2008, FASB’s target effective date in authoring the codification. The codification eliminates transition guidance for all guidance that is fully effective as of December 31, 2008. Entities that are applying GAAP for the first time may need to access the original standards to determine relevant transition guidance.
The notice to constituents identifies several specific content matters including related party disclosures, fair value option, and measurement and transition for pensions that constituents should read carefully.

As of June 2008, there were two topics not yet reflected in the codification. They are business combinations and the insurance industry.

**Cross Reference Feature**

The codification includes a cross reference feature that allows users to identify where current standards reside in the codification or the source material that populates a specific location. This feature is especially useful in helping new users understand the codification’s structure and transition from the current state of GAAP into the restructured GAAP. It is important to note, however, that certain standards that served to amend other literature may not appear in the codification cross reference by the standard number.

For example, FASB Statement No. 151, *Inventory Costs*, was an amendment of Accounting Research Bulletin (ARB) No. 43, chapter 4, *Inventory Pricing*. In the cross reference feature, users will not see FASB Statement No. 151; rather, the amended material is reflected in ARB No. 43.

Users should be aware of this when reviewing the codification because some standards may appear to be missing, but are, in fact, incorporated into the standard(s) that they revised or updated. Readers should note that the “printer-friendly with sources” feature (described in detail later in this alert) is not expected to be retained once the codification becomes effective. This alert will provide you with case studies on how to effectively use the cross reference and printer-friendly with sources features.

**Codification Structure**

The codification uses a topical structure in which guidance is organized into areas, topics, subtopics, sections, and subsections, as shown in the following.
Areas are the broadest category in the codification and represent a grouping of topics.

Topics are the broadest categorization of related content and correlate with the International Accounting Standards and International Financial Reporting Standards.

Subtopics represent subsets of a topic and are generally distinguished by type or scope.

Sections indicate the nature of the content such as recognition, measurement, or disclosure. The sections’ structure correlates with the International Accounting Standards and International Financial Reporting Standards.

Subsections allow further segregation and navigation of content.

Topics, subtopics, and sections are numerically referenced. This effectively organizes the content without regard to the original standard setter or standard from which the content was derived. An example of the numerical referencing is FASB ASC (Accounting Standards Codification) 305-10-05, in which 305 is the cash topic, 10 represents the overall subtopic, and 05 represents the overview and background section. This standard numerical referencing will be used throughout this alert.
FASB has grouped the topics by area in order to facilitate navigating the system. These areas are presentation, assets, liabilities, equity, revenue, expenses, broad transactions, and industry.

The areas are further divided into approximately 90 topics. For example, there are five topics listed under the expense area: cost of sales and services, compensation, other expenses, research and development, and income taxes.

The topics are then further divided into subtopics. Under the topic of compensation, for example, there are four subtopics: general, nonretirement postemployment benefits, retirement benefits, and stock compensation.

We will provide further examples of how to navigate through the codification later in this alert.

**Codification Terminology**

In order to standardize and clarify terminology in the existing standards, the codification

- uses the term *shall* throughout the standards sections to refer to a requirement.
- eliminates the use of generic qualifying terms, such as *usually, ordinarily, generally,* and similar terms to avoid ambiguity.
- uses the term *entity* throughout rather than using *company, organization, enterprise, firm, preparer,* and the like. Because the term *entity* is used, the term *intra-entity* is used as the replacement for *intercompany.* The terms *intra-entity* and *intercompany* are to be used interchangeably.
- eliminates references to audit guidance. FASB made every effort to eliminate such references and asks that if users find such references, that they submit comments.
using the content feedback feature of the online codification research system. We will discuss how to provide feedback later in this alert.

**Importance of Verification and Review**

FASB has noted that the codification project team’s intention was to retain existing GAAP. However, combining disparate sections of standards into a codified format introduces the possibility of unintentional changes to existing standards. In some cases, FASB either paraphrased or added connecting or bridging language where they considered it necessary.

Therefore, FASB released the codification for a one-year verification period. During this verification period, users can access the codification and begin using the system and verifying its content. Users are encouraged to provide feedback electronically through the codification. FASB has included a page with instructions on how to submit your comments, as well as a tutorial at http://asc.fasb.org/feedback_content.

One objective of the verification period is for users to identify any errors in the codification that resulted from any unintentional changes. It is recommended that those who are familiar with certain standards use the cross reference feature to review the information to ensure that it is consistent with the intent of the original standard.

Users should be aware of the editorial guidelines and style adopted in the codification, as explained in the notice to constituents. Some terms have been changed for consistency, such as the standard use of the verb *shall* to refer to a requirement. Users should be alert for any use of *shall* that may have inadvertently elevated suggested treatment to a requirement.

Other matters to consider during verification in an assessment of whether GAAP was inadvertently changed include the following:

- Certain nonessential material, such as historical content and discussions of prior practice, has been eliminated.
- Conversely, certain information, such as in basis for conclusions, has been retained as essential.
- Those with interest in certain industries should review the incremental industry guidance included in the codification. This can be accessed by going to the cross reference feature, selecting **AAG** (for Audit and Accounting Guide), and then selecting the appropriate AICPA Audit and Accounting Guide. The tool will then list all instances of incremental GAAP from that particular guide that was included in the codification. Similarly, those with interest in the software industry should care-
fully review the Technical Inquiry Service questions and answers for software revenue recognition included in the codification.

Once the codification is effective, it will eliminate the U.S. GAAP hierarchy (for non-governmental entities); all U.S. GAAP will be integrated into the single authoritative codification. It is entirely possible that a preparer or practitioner felt that a departure from a level B–D pronouncement could be justified under the circumstances (see paragraph .07 of AU sec. 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles [AICPA, Professional Standards, vol. 1]). Anyone in such a position should carefully review that content in the codification because such departure would no longer be permitted under Rule 203 of the AICPA Code of Professional Conduct.

In addition, in May 2008, FASB issued FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). Additional information can be found in “The Hierarchy of Generally Accepted Accounting Principles” section of this alert.

Similarly, a preparer or practitioner may have not followed a requirement because it was worded as one that “generally” or “usually” should be followed. The codification eliminates all such generic qualifying terms as ambiguous. Accordingly, you should be alert to those situations.

Users should refer to the “Request for feedback” section of the codification home page. Comments are submitted electronically at the paragraph level in the codification. No comment letters need be prepared or submitted. FASB has automated the comment process and made it simple and direct. The codification notice to constituents includes requests from FASB to specifically provide feedback on a number of issues. See appendix A of the notice to constituents for these issues.

FASB has noted that the intent of the verification is not to debate the underlying requirements of GAAP, but to verify that the codification appropriately captures them. After completing the one-year verification period, FASB is expected to formally approve the codification as the single source of non-SEC authoritative accounting and reporting standards. The codification will supersede all then-existing, non-SEC accounting and reporting standards.
Issuance of New Standards

Once the codification becomes authoritative, FASB will no longer consider new standards authoritative in their own right. Instead, new standards will serve only to update the codification and provide the historical basis for conclusions of a new standard.

New standards will include the standard and an appendix of codification update instructions. This combination will be Codification Update YY-XX, where YY is the last two digits of the year and XX is the sequential number for each update or example (09-01, 09-02, etc.). The codification will include an archive feature, which will allow users to view the contents of the codification at points in time.

For further information on the codification, to access the notice to constituents, and to provide feedback on the codification, visit http://asc.fasb.org free of charge and provide feedback to FASB on the codification. The codification research system includes general information on how to use the online research system and special features such as cross reference reports, which show where current standards reside in the codification. At www.fasb.org/project/codification&retrieval_project.shtml you will find the codification’s Project Updates page, which encourages visitors to register and access the codification. Special attention should be paid to FASB’s reconciliation of conflicts in existing GAAP and any unintentional changes to GAAP.
Codification Updates

This section provides a list of changes that have occurred since the initial release of the codification and explains how further updates will be reflected.

From the initial release of the codification on January 15, 2008 through June 2008, the following two updates have been made:

- FASB released select portions of the SEC and SEC staff content into the codification for reference by public companies.
- A technical correction has been made under the “goodwill” and “general intangibles other than goodwill” subtopics.

Readers should refer to the “Codification Updates” section of the codification for updates made since the date of this publication. A link to this section appears in the left navigation of the Web site under the heading “Other Sources.”
Navigating the Codification

This section provides three case studies intended to navigate you through the codification and allow you to perform efficient and effective research. Screen shots are also provided to show you what you will see in the codification.

The following are three case studies that will walk you through how to navigate the various features in the codification research system. You might also find appendix A, “Codification Terminology and Acronyms,” helpful when navigating through the codification because many references throughout the codification have been represented by acronyms. In some cases, we will show you how to locate topics in the codification based on their issuance name by FASB, SEC, or AICPA (for example, FASB Statement No. 87). However, this is only to familiarize you with the topical structure of the codification. The printer-friendly with sources feature, which identifies the old standards in the codified text, is expected to be removed from the codification research system after the codification becomes effective. Once you are familiar with the codification, navigating it using the topically organized structure is the intended way to initiate research and retrieve information.

Case Study #1—Forgiveness of Debt by Owner

This case study demonstrates use of the following features in the codification:

- The cross reference feature
- The search feature
- The printer-friendly with sources feature
- The topical structure

This case study also explores some common issues you may encounter when doing research in the codification, including

- locating footnotes from the original source standards.
- understanding the separation of original content into codification sections.

Facts: The owner of a thinly capitalized company decides to forgive debt owed to him by his company. He asks if the company can recognize a gain on forgiveness as income. Currently, APB Opinion No. 26, *Early Extinguishment of Debt*, indicates that such a gain may
be, in essence, a capital transaction. The following is the exact cite in paragraph 20 of APB Opinion No. 26 and its associated footnote:

20. Disposition of amounts. A difference between the reacquisition price and the net carrying amount of the extinguished debt should be recognized currently in income of the period of extinguishment as losses or gains and identified as a separate item.1 Gains and losses should not be amortized to future periods.

1. If upon extinguishment of debt, the parties also exchange unstated (or stated) rights or privileges, the portion of the consideration exchanged allocable to such unstated (or stated) rights or privileges should be given appropriate accounting recognition. Moreover, extinguishment transactions between related entities may be in essence capital transactions.

You recall that there is guidance on this in an APB opinion, and you identify the footnote in APB Opinion No. 26, referred to previously. Now you want to find this information in the codification. Access the codification research system at http://asc.fasb.org.
Log In

Already having registered on the site, you log in:
After log in, you are returned to the home page. Select the grey Cross Reference tab near the top of the page as indicated in the following screen shot.
Using the Cross Reference Feature to Search by Standard

On the cross reference page, under By Standard, you see **Standard Type** and **Standard Number** (see the following screen shot). The **Standard Type** is an acronym. Appendix A of this alert provides a list of acronyms used in the codification.
Using the drop down boxes, select APB as the standard type and 26 for the standard number.
Click Generate Report, and you will see the following:

In the preceding screen shot, notice that the first column of the report is Standard Type, followed by three columns with the original standard information. The fifth column is Topic, followed by three columns with the location of the content in the codification.

This report provides all of the locations where APB Opinion No. 26 was included in the codification. For each paragraph of APB Opinion No. 26, it provides the topic, subtopic, section, and paragraph number where that guidance is now located in the codification.

You will notice that paragraph 20 of APB Opinion No. 26 has been codified in parts into the codification and appears on four lines of the cross reference report. Looking to the far right column, which shows the new codification paragraphs, you will see that paragraph 20 has been mapped to two places in the codification: FASB ASC 470-50-40-2 and FASB ASC 850-10-60-3.
By selecting each codification paragraph, you determine that FASB ASC 470-50-40-2 is the reference for which you are searching.

Clicking paragraph 40-2 in the report will bring you to the following screen. Note the text in the following exhibit, highlighted in green at the top of the screen. The codification will automatically highlight the information from the section and paragraph that you select.

You will notice what was previously a footnote in the original standard is now part of the text of the codification. The contents of footnotes in existing standards are not presented in the codification as footnotes, but have been incorporated into the codification text. Thus, in cross referencing a footnote, you look for the paragraph that referenced the footnote—in this case, paragraph 20 of APB Opinion No. 26.
Using the Printer-Friendly With Sources Feature

Let's assume you've found this codification reference (FASB ASC 470-50-40-2) without knowing the source and you wish to know the original source. To trace this reference back to the source, select the Page Functions drop down menu (shown in the following screen shot) and select Printer-Friendly with sources. (Note: the printer-friendly with sources function is available only during the verification period.)
As you can see in the following screen shot, Printer-Friendly with sources also identifies APB Opinion No. 26, paragraph 20 as the source of FASB ASC 470-50-40-2.

470 Debt
50 Modifications and Extinguishments
40 Derecognition

General

> Extinguishments of Debt

40-1 As indicated in paragraph 470-50-15-4, the general guidance for the extinguishment of liabilities is contained in Topic 850 and defines transactions that the debtor shall recognize as an extinguishment of a liability.

40-2 [A difference between the reacquisition price and the net carrying amount of the extinguished debt shall be recognized currently in income of the period of extinguishment as losses or gains and identified as a separate item. [APB 26, paragraph 20, sequence 44.2.11] Gains and losses shall not be amortized to future periods. [APB 26, paragraph 20, sequence 44.2.23] If upon extinguishment of debt the parties also exchange unstated (or stated) rights or privileges, the portion of the consideration exchanged allocable to such unstated (or stated) rights or privileges shall be given appropriate accounting recognition. Moreover, extinguishment transactions between related entities may be in essence capital transactions. [APB 26, paragraph 20, sequence 45]]

40-3 [In an early extinguishment of debt through exchange for common or preferred stock, the reacquisition price of the extinguished debt shall be determined by the value of the common or preferred stock issued or the value of the debt—whichever is more clearly evident. [ITB 80-01, paragraph 4, sequence 15.2.2.2.2.2.2]]

> Extinguishment of Convertible Debt
Going back to the results page of your original search for APB No. 26, if you had selected FASB ASC 850-10-60-3 by clicking 60-3 in the codification paragraph column, rather than 40-2, you would see the following screen, which has a link back to FASB ASC 470-50-40-2. This is known as a Relationship link, and if you click it, you will land at the page of FASB ASC 470-50-40-2.
Using the Cross Reference Feature to Search by Codification

Alternatively, if you knew where APB Opinion No. 26 paragraph 20 was codified, you could use the Cross Reference feature and search by codification rather than source standard. You would simply enter the codification section reference number, 470-50-40-2 into the appropriate fields under By Codification and click Generate Report.
This report will show you that the source of this information is APB Opinion No. 26, paragraph 20.
Using the Search Feature

Let's assume that you are not familiar with the footnote in APB Opinion No. 26 and just want to search the codification for any guidance on the subject, debt extinguishment. Being a novice to the codification, you start with the Search function in the upper right-hand corner by entering “debt forgiveness and related parties,” as shown in the following example.

Once you have selected “Go,” you realize the search term was too broad and, therefore, yields no results. However, you are redirected to the Advanced Search page to begin narrowing your search. What this demonstrates is that, generally, you should start on the Advanced Search page and use the search narrowing features thereon.
If you only change the search from “all” to “any word,” the results will probably still be too broad.
You change the search to “any word” and narrow the Area Type to Liabilities, as seen in the following screen shot.
When you click submit, you see the following results.

![Image of search results](image1)

Though more than 100 citations appear, the first is very relevant. (Note that search results are provided by codification section [not by paragraph] and identify all the searched terms in the section.)

The “Tutorials and Help” section of the codification (which you can access in the right column of the codification home page) explains further how to narrow searches to achieve desired results.

**Navigating the Codification Using Its Topical Structure**

As you are learning the structure of the codification, the search function can assist you in understanding how content is codified and organized. However, the intended way to find information in the codification is by navigating through the topical structure.
For example, if you were looking for the *broad transactional* discussion on *related parties*, you might select the **Broad Transaction** area in the left navigation and then select the **Related Party** topic and the **Overall** subtopic, as the following screen shot shows.
Alternatively, you might have started your research in the Liabilities area and navigated to the Debt topic and the Modifications and Extinguishments subtopic.
Let’s assume that you began your search by entering “debt extinguishment” in the search field and selecting “exact phrase” under the that field; further assume you selected Broad Transactions from the Area Type drop menu, because you knew that the Related Party Disclosures topic was within that topical area. (Note: Putting your search term(s) in quotation marks will produce the same results as selecting “exact phrase.”)
Click Submit and you will see the following screen. Notice the reference to FASB ASC 470-50-40-2 in the search result.

As you can see, because the codification presents material by topic, subtopic, and section, many times standards are divided and codified under appropriate topical sections. It might seem a bit difficult at first to navigate to the content you need, but the structure is designed to improve the efficiency of your research. Your research should become easier the more familiar you become with the codification structure.

**Case Study #2—Disclosure of Contingencies by a Not-For-Profit Entity**

This case study demonstrates use of the Join Sections and Go To features.

**Facts:** Let’s presume that you want to identify all disclosures required for contingencies by a not-for-profit entity.

**Using the Join Sections Feature**

The Join Sections feature allows you to find multiple sections on any given subject and merge them into one page.
To use this feature, click the Join Sections tab, located just above Registration, help, and features.
On the Join Sections page, use the drop menu next to Topic to locate Contingencies, under the broad area of liabilities.
From the Section drop menu, select **Disclosure** and in the Options drop menus, select **Include Intersection Subtopics and FASB only**. If you wanted applicable SEC material as well, you could select **All** instead of **FASB only** in the bottom Options drop menu. (See the following screen shot.) Then click **GET SECTIONS**.
Once the results appear, click the box next to the sections you want to join. In this case, they are the general disclosures and the industry specific disclosures for not-for-profit entities, as the following screen shot shows.
When you click **Join Sections**, you will see the following screen.

---

### 450 Contingencies

#### 20 Loss Contingencies

#### 450-20-50 Disclosure

**General**

- **Accruals for Loss Contingencies**

**50-1** Disclosure of the nature of an accrual made pursuant to the provisions of paragraph 450-20-26-5, and in some circumstances the amount accrued, may be necessary for the financial statements not to be misleading.

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### 958 Not-for-Profit Entities

#### 450 Contingencies

#### 958-450-50 Disclosure

**General**

- **50-1** In conformity with Section 450-20-50, the notes to financial statements may have to include information about loss contingencies.

- **50-2** For example, noncompliance with donor-imposed restrictions shall be disclosed if either of the following is true:
  a. There is a reasonable possibility that a material contingent liability has been incurred at the date of the financial statements.
  b. There is at least a reasonable possibility that the noncompliance could lead to a material loss of revenue or could cause an entity to be unable to continue as a going concern.

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Notice that the joined sections in the two preceding screen shot begin with general disclosures and conclude with the industry specific disclosures as you scroll down the screen. This is true for the entire structure of the codification.

**Using the Join All Sections Feature**

The Join All Sections feature is very similar to the Join Sections feature in that it allows you to merge sections onto one screen. The difference is that the Join All Sections feature is available at the subtopic level to join all the sections of a given subtopic.

To demonstrate this feature, let’s assume you know the codification reference of a specific topic, subtopic, section, or paragraph number. Enter 450-20 in the “Go To” search field to the left of your screen.

Click the Go To button and the following screen will be the result.
You can view one section at a time by clicking the link in the list of sections. For example, if you click “Overview and Background,” you will see only that section of subtopic 20.

Alternately, you can view all the subsections on one screen by clicking Join All Sections.

**Case Study #3—Searching for Superseded or Outdated Standards**

As stated previously in this alert, the FASB codification includes guidance that is effective as of December 31, 2008. Standards that are superseded after December 31, 2008 will be included in the appropriate Archive section of the codification.

When information has been archived within the codification, you will see an archive tab, as the following screen shot demonstrates. (To recreate this screen, use the Go To feature to find FASB ASC 470-50-40.)
To further demonstrate the Archive feature, let’s consider FASB Statement No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and SFAS No. 3, which was issued in May 2005.

Because this statement replaced both APB Opinion No. 20 and FASB Statement No. 3, you will not be able to locate either APB Opinion No. 20 or FASB Statement No. 3 in the cross reference feature, as the following screen shots demonstrate.
In this case, if you did not know that FASB Statement No. 154 replaced FASB Statement No. 3, or you simply could not recall the FASB statement number, you could use the Search feature instead.
You might search for the term *accounting changes* and find the following. (Note: To achieve the exact results in the screen shot, use the search field in the upper right of your screen and put quotation marks around the search term.)

You can see from the results that topic number 250 in the codification is the Accounting Changes and Error Corrections topic.
Knowing this, you can use the By Codification fields of the cross reference feature to search for a specific section. Searching for FASB ASC 250-10-05 will result in references to both FASB Statement No. 154 as well as APB Opinion No. 9. See the Standards fields in the results table of the following screen shot.
Other Considerations and Research Issues

Researching EITF Issues

There is another consideration when using the cross reference feature to search for EITF issues. The EITF did not use paragraph numbers in its early issues, and no EITF issue paragraph numbers are included in the codification. Thus, the content of EITF issues is identified only by the broad categories within the issues—Issue and Discussion, for example. Because of this, identifying specific content from an EITF issue may require more searching. The following is an example of using the cross reference feature to search for content in EITF Issue 01-13, *Income Statement Display of Business Interruption Insurance*.

Let’s assume you wish to locate the following paragraph from EITF Issue 01-13, *Income Statement Display of Business Interruption Insurance Recoveries*:

7. The Task Force reached a consensus that an entity may choose how to classify BI insurance recoveries in the statement of operations, as long as that classification is not contrary to existing generally accepted accounting principles. For example, in order to classify BI insurance recoveries as an extraordinary item, the requirements of Opinion 30 with respect to extraordinary item classification must be met. The Task Force reached a consensus that the following information should be disclosed in the notes to the financial statements in the period(s) in which BI insurance recoveries are recognized:

a. The nature of the event resulting in business interruption losses

b. The aggregate amount of BI insurance recoveries recognized during the period and the line item(s) in the statement of operations in which those recoveries are classified (including amounts reported as an extraordinary item pursuant to Opinion 30).

You know from experience that paragraph 7 is the only paragraph in EITF 01-13 in its Discussion section. To see all of the original content as it is mapped in the codification, find the rows with “Discussion” in the Paragraph/Label column in the left side of the results table.
Then click each link in the Paragraph column on the right side of those same rows. See the screen shot below.

Paragraph 7 of EITF 01-13 also is an example of the separation of original content into different codification Sections. The next three screens show three of the locations in the codification where paragraph 7 was codified.
That paragraph included *classification* guidance (shown in FASB ASC 225-30-45-1, which follows), *disclosure* guidance (in FASB ASC 225-30-50-1, shown as well), and a *relationship* (that is, cross reference) in FASB ASC 450-30-60-2 and 60-3 (the Contingencies Topic). The following screenshot shows paragraph 7’s classification guidance in FASB ASC 225-30-45-1.
The next screen shot shows the codification of the disclosure guidance originally in paragraph 7 in FASB ASC 225-30-50-1.
The final screen shot of this series of three shows a Relationship link between FASB ASC 450-30-60-2 and FASB ASC 450-30-60-3.
Glossary Information

Note from the following results screen for EITF 01-13 that the Topic Gross Margin has the word *term* in the far right paragraph column, which indicates that an entry is in the codification glossary.
Mousing over Gross Margin displays the definition from the master glossary in a pop up. Clicking either Gross Margin or term takes you to that definition in the master glossary. The definition is taken from footnote 1 of EITF 01-13.
The Hierarchy of Generally Accepted Accounting Principles

In May 2008, FASB issued FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. The GAAP hierarchy existed in the auditing literature in Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. However, FASB decided the hierarchy should reside in the accounting literature and thus issued this statement. FASB Statement No. 162 carries forward the existing GAAP hierarchy in SAS No. 69 with certain modifications that FASB does not expect will result in changes to current practice.

FASB Statement No. 162 does not carry forward the exception permitted in ET section 203, *Accounting Principles*, of the AICPA’s Code of Professional Conduct (AICPA, *Professional Standards*, vol. 2), that allows departures from the GAAP hierarchy if the member can demonstrate that, due to unusual circumstances, the financial statements would otherwise have been misleading. Therefore, an entity cannot represent that its financial statements are presented in accordance with GAAP if its selection of accounting principles departs from the GAAP hierarchy set forth in FASB Statement No. 162, and that departure has a material effect on its financial statements. This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy).

This statement applies to financial statements of nongovernmental entities that are presented in conformity with GAAP and will be effective 60 days following the SEC approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (AICPA, *PCAOB Standards and Related Rules*, PCAOB Standards, As Amended). The effective dates of the AICPA, PCAOB, and FASB standards will coincide.
Resource Central

*Discover additional tools to increase your ability to serve your organization’s financial reporting needs.*

The following are various resources that practitioners may find beneficial.

**Publications**

You may find the following publications useful with respect to recent accounting developments:

- *Accounting Trends & Techniques, 61st Edition* (product no. 009899kk)
- AICPA Audit and Accounting Guides (industry and topic specific)
- Financial Reporting Alert *Current Accounting Issues and Risks—2008* (product no. 029208)
- Financial Reporting Alert *Not-for-Profit Organizations—2008* (product no. 029207)
- AICPA Checklists and Illustrative Financial Statements (industry specific)
- *Checklist and Illustrative Financial Statements for Corporations* (product no. 008938kk)

AICPA literature will be updated to reflect the codification once the codification has been approved. The AICPA will continue to provide guidance in our Audit and Accounting Guides to serve as a bridge for the profession in navigating the change to the codification.

**AICPA reSOURCE: Accounting and Auditing Literature**

The AICPA has created your core accounting and auditing library online. AICPA reSOURCE is now customizable to suit your preferences and needs. Or, if you prefer to have access to the entire library, that is available too. Get access—anytime, anywhere—to the AICPA’s latest *Professional Standards, Technical Practice Aids, Audit and Accounting Guides* (more than 20), *Audit Risk Alerts* (more than 15), *Financial Reporting Alerts*, and *Accounting Trends & Techniques*. To subscribe to this essential online service for accounting professionals, go to www.cpa2biz.com.
Continuing Professional Education

The AICPA offers a number of continuing professional education (CPE) courses that are valuable to CPAs working in industry and public practice, including the following:

- **AICPA’s Annual Accounting and Auditing Update Workshop** (2008–2009 Edition) (product no. 736184kk [text] or 187192kk [DVD]). Whether you are in industry or public practice, this course keeps you current and informed and shows you how to apply the most recent standards.

- **SEC Reporting** (product no. 736775kk [text] or 186756kk [DVD]). Confidently comply with the latest SEC reporting requirements with this comprehensive course. It clarifies new, difficult, and important reporting and disclosure requirements while giving you examples and tips for ensuring compliance.

Visit www.cpa2biz.com for a complete list of CPE courses.

Online CPE

AICPA CPExpress (formerly AICPA InfoBytes), offered exclusively through CPA2Biz.com, is AICPA’s flagship online learning product. AICPA CPExpress now offers a free trial subscription to the entire product for up to 30 days. AICPA members pay $149 for a new subscription and $119 for the annual renewal. Nonmembers pay $369 for each. Divided into 1-credit and 2-credit courses that are available 24 hours a day, 7 days a week, AICPA CPExpress offers hundreds of hours of learning in a wide variety of topics. Some courses on CPExpress that relate specifically to the codification include the following:

- **The FASB Accounting Standards Codification: A New Era in GAAP**
- **2008 Qrtly Update-A&Z#1 (Wntr): FASB Codification; SFAS 141(R); AICPA, ASB, ARSC, PCAOB activities**

To register or learn more, visit www.cpa2biz.com.

Webcasts

Stay plugged in to what is happening and earn CPE credit right from your desktop. AICPA Webcasts are high quality, two-hour CPE programs that bring you the latest topics from the profession’s leading experts. Broadcast live, they allow you to interact with the presenters and join in the discussion. If you cannot make the live event, each webcast is archived and available on CD-ROM. The AICPA offered a FASB Standards Codification webcast on May 15, 2008 that has since been archived. A link to this webcast can be found
on the AICPA’s Web site at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/GAAP+Codification/.

Conferences

The AICPA sponsors, along with the Certified Management Accountants Canada and the Chartered Institute of Management Accountants, the International Financial Executives Leadership Forum. The next forum is scheduled to be held in Washington DC, in September 2008. For further information about the conference or to register, call (888) 777-7077 or visit www.cpa2biz.com.

The AICPA sponsors a Controllers Workshop in the summer and fall of each year. The Controllers Workshop is a two-day conference developed by controllers for controllers. Controllers, accounting and financial managers, treasurers, CFOs, and CEOs are all encouraged to attend. The 2008 Controllers Workshops will take place July 17–18, 2008, and November 13–14, 2008. For further information about the conference, call (888) 777-7077 or visit www.cpa2biz.com.

Look for optional codification sessions in upcoming AICPA conferences.

Member Service Center

To order AICPA products, receive information about AICPA activities, and find help on your membership questions, call the AICPA Service Operations Center at (888) 777-7077.

Hotlines

Accounting and Auditing Technical Hotline

Do you have a complex technical question about GAAP, other comprehensive bases of accounting, or other technical matters? If so, use the AICPA’s Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. Beginning January 14, 2008, hotline hours were extended so that the hotline is now available from 9 a.m. to 8 p.m. on weekdays. You can reach the Technical Hotline at (877) 242-7212 or at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Accounting+and+Auditing+Technical+Help/.
Ethics Hotline

In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA’s Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. You can reach the Ethics Hotline at (888) 777-7077.

Services for AICPA Members in Business, Industry, and Government

The AICPA provides a number of services directed at its members in business and industry. Included in those are the following centers and services: the Financial Management Center, the Audit Committee Effectiveness Center, and the Audit Committee Matching System. These centers and services can be accessed by visiting http://fmcenter.aicpa.org.

In addition, a new page that provides links to resources to help you understand and participate in the GAAP Codification verification period is now available at http://fmcenter.aicpa.org/Resources/Traditional/Financial+Accounting+and+Reporting/GAAP+Codification.htm.

AICPA Financial Management Center

The Financial Management Center serves CPAs working in business, industry, and government and is designed to provide financial managers and executives with tools and resources to move organizations forward.

Audit Committee Effectiveness Center

Realizing that financial statement integrity and reliability depends upon balancing the pressures of multiple stakeholders, including management, regulators, investors, and the public interest, this center provides guidance and tools to make audit committee best practices actionable. Several audit committee toolkits are offered through this center including public company, not-for-profit, and government toolkits.

Audit Committee Matching System

The Audit Committee Matching System was designed to provide members with opportunities to serve on boards of directors and as a public service to provide a list of qualified, credentialed candidates to serve on boards of directors and presumably the audit committees of those boards.

* * * *
Any comments that you have about this alert would be appreciated. You may e-mail these comments to killuzzi@aicpa.org or write to:

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APPENDIX A

Codification Terminology and Acronyms

Many acronyms are used in the codification cross reference feature; therefore, we have included the following listing to assist you in using the tool.

**Standard Types**

AAG  AICPA Audit and Accounting Guide
AIN  AICPA Interpretations
APB  APB Opinions
ARB  Accounting Research Bulletins
CFRR  Codification of Financial Reporting Releases
DIG  FASB Derivative Implementation Group Issues
EITF  Emerging Issues Task Force
FAS  FASB Statements
FIN  FASB Interpretations
FSP  FASB Staff Positions
FTB  FASB Technical Bulletins
IR  SEC Interpretive Release
PB  AICPA Practice Bulletins
QA  FASB Staff Implementation Guides
SAB  SEC Staff Accounting Bulletin
SOP  AICPA Statement of Position
SX  SEC Regulation S-X
TIS  AICPA Technical Inquiry Service questions and answers (only for software revenue recognition)

**AICPA Audit and Accounting Guides**

AIR  Airlines
APC  Agriculture Producers and Agriculture Cooperatives
BRD  Brokers and Dealers in Securities
CAS  Casinos
CIR  Common Interest Realty Associations
CON  Construction Contractors
DEP  Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies

EBP  Employee Benefit Plans
FGC  Federal Government Contractors
HCO  Health Care Organizations
INV  Investment Companies
NPO  Not-for-Profit Organizations
OGP  Entities with Oil and Gas Producing Activities