



Financial Reporting

Subject:

FASB Accounting Standards Codification

Effective July 1, 2009, the FASB Accounting Standards Codification™ is approved by the Financial Accounting Standards Board (“FASB”) as the single official source of authoritative, nongovernmental U.S. Generally Accepted Accounting Principles (GAAP), superseding existing FASB, AICPA, EITF, and related literature. After that date, only one level of authoritative GAAP will exist, plus the guidance issued by the SEC. All other literature will be non-authoritative.

On June 3, 2009, the FASB voted to approve the FASB Accounting Standards Codification as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). Scheduled to officially launch on July 1, 2009, the Codification will be effective for interim and annual periods ending after September 15, 2009, which means preparers must begin to use the Codification for periods that begin on or about July 1, 2009. All existing accounting standard documents are superseded. All other accounting literature not included in the Codification will be considered nonauthoritative.

FASB Accounting Standards Codification Does Not Change GAAP

The Codification does not change GAAP; instead, it introduces a new structure — an online research system that is organized quite differently from what most of you may be accustomed to. The Codification reorganizes

the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics, and displays all topics using a consistent structure. Also included is relevant SEC guidance that follows the same topical structure used in the Codification.

Recommended Action Steps

This new structure may take some getting used to and will require certain action steps, including education and communication, among other things.

At a minimum, we suggest that companies do the following:

1. Education – Educate yourselves on how the Codification is set up and how it may be used efficiently and effectively for research and reference purposes.

Below is a list of education resources, including an **MFA Web Seminar on Wednesday, June 24, 2009, 1pm-2pm.**

Should you have any questions regarding the FASB Accounting Standards Codification, please contact:

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a. MFA Web Seminar: *Preparing for FASB Accounting Standards Codification*. Link to register:

<https://www2.gotomeeting.com/register/732854282>

b. FASB free online Codification tutorial

<http://asc.fasb.org>

c. FASB recorded webcast

http://www.fasb.org/fasb_webcast_series/index.shtml

d. “FASB Codification: Answers to Commonly Asked Questions”

http://www.fasb.org/cod_project/Cod_overview_12-08.pdf

2. Preparation – We encourage you to register for and begin using the FASB Codification in order to familiarize yourself with the layout and accessibility of information to enhance your research skills and abilities. Refer to: <http://asc.fasb.org/home>.

3. Assessment – We encourage you to review your financial statements and other company documents that may contain references to current technical authoritative literature and determine how

those references will need to be changed as of July 1, 2009 to correspond to the FASB Codification.

4. Communication – While no authoritative disclosure guidance has been issued with regard to financial reporting requirements and Codification references, we recommend that companies begin making plans to transition to referencing the FASB Codification within financial statements as early as possible.

For example, calendar year-end companies should consider preparing users of their financial statements by electing to include dual references to (a) applicable FASB, EITF or AICPA accounting standards; and (b) the new codification references, parenthetically, in their second quarter Form 10-Qs for comparability. For quarters ending after June 30, 2009, quarterly Form 10-Qs would be expected to contain FASB Codification references, but it may be good practice to continue to provide parenthetical references to “old” authoritative literature until users of financial statements are comfortable with the new FASB codification structure. The following are examples of disclosure language that may be considered:

Example 1:

<i>Accounting for Long-Term Contracts</i>	Under Current Literature (pre-July 1, 2009)	Under FASB Codification (as of July 1, 2009)
<i>Disclosure Language</i>	... the Company currently accounts for revenue recognition of its long-term contracts under the percentage-of-completion method in accordance with provisions of AICPA Statement of Position No. 81-1, <i>Accounting for Performance of Construction-Type and Certain Production-Type Contracts</i> (FASB ASC ¹ 605-35-25)...	... the Company currently accounts for revenue recognition of its long-term contracts under the percentage-of-completion method in accordance with provisions of FASB ASC ¹ 605-35-25 (<i>Prior authoritative literature: SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts</i>) ...
<i>Reference</i>	AICPA SOP 81-1	FASB ASC 605-35-25

¹ The initial reference could state “FASB Accounting Standards Codification (ASC) XXX-XX-XX-XX” to denote, as appropriate, ASC topic, sub-topic, section, and paragraph.

Material Discussed in this Financial Reporting is meant to provide general information and should not be acted on without obtaining professional advice tailored to your firm’s individual needs. The information in this Financial Reporting is for general guidance only and is not a substitute for professional advice.

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