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PUBLIC COMPANY

# ADVISER

## The Codification

As of July 1, GAAP as we know it has ceased to exist. Gone are the pronouncements of the FASB and EITF, APBs, ARBs and SOPs? Also gone.

So what does that leave us with? A single codification of U.S. GAAP. Any non-grandfathered, non-SEC accounting literature that is excluded from the codification will be considered non-authoritative. Simultaneous with the codification effective date, the existing GAAP hierarchy also has gone away.

Formally known as the FASB Accounting Standards Codification ("ASC"), the ASC is a complete restructuring of U.S. accounting and reporting standards. Rather than issuing pronouncements in some numerical sequence, ASC will be organized by

topic. All existing standards have been dissected and reassembled.

**FORMAT**

The ASC is organized into Topics, Sub-topics, Sections and Sub-sections (or paragraphs). Topics will be categorized into four groups.

- > Presentation – balance sheet, income statements
- > Financial Statement Accounts – assets, liabilities
- > Broad Transactions – business combinations, leases
- > Industry-Specific Guidance – real estate, software

Sub-topics relate to each topic. For example, under the topic "leases" there are three sub-topics: overall, operating leases and capital leases.

Under the sub-topics are sections. Leases have "scope" and "disclosure" sections under each of the sub-topics. Other sections could include "recognition" or "disclosure."

Finally, the sub-sections. Under each "leases" section, there will be sub-sections for "lessees" and "lessors". (See Figure 1.)

**REFERENCING**

Using receivables as an example, a complete reference would be FASB ASC 310-10-15-2. The topic reference is 310, the "overall" sub-topic is 10, the "scope" section is 15 and the "section" is 2.

The above example should be used in referencing technical literature within financial statements for periods ending after September 15, 2009.

**SEC**

The ASC will also include certain technical literature issued by the SEC, including Regulation S-X, Financial and Accounting Series Releases and Staff Accounting Bulletins.

All SEC-specific rules will include an "S" to distinguish its source. **h**

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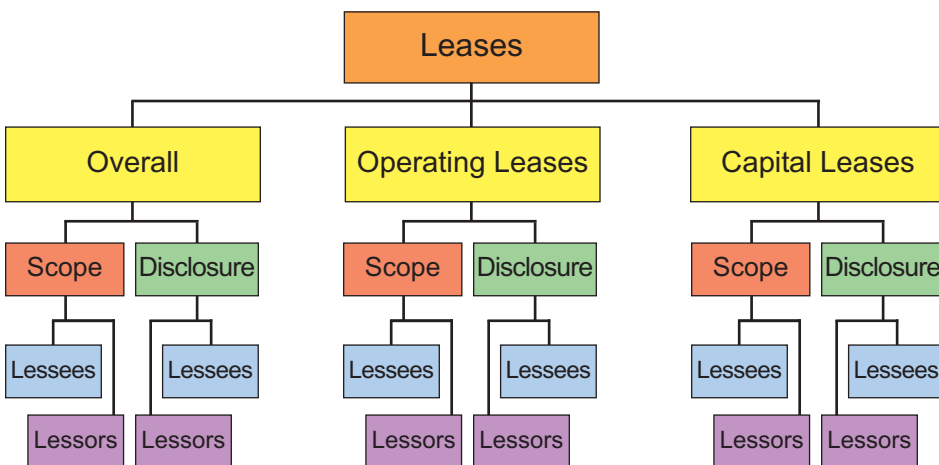


Figure 1: Illustration of Hierarchy

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