

# **L·B·B BRIEFS** FOR SMALLER REPORTING COMPANIES

## **FASB Ratifies July 1 Launch for Codification of U.S. GAAP**

The FASB will stay on schedule with its pending July 1 launch of the Accounting Standards Codification, the five members of the board decided at their June 3 weekly meeting. The decision means that the Codification will be effective for reporting periods that end on or after September 15, which will be the third quarter for most publicly traded companies in the U.S.

The meeting was in all likelihood the last public discussion the board will hold on the Codification prior to the rollout. It also marks another departure for the FASB: the proposal approved at the meeting in Exposure Draft No. 1690-100, *The Hierarchy of Generally Accepted Accounting Principles*, will be released as SFAS No. 168, thus becoming the last piece of accounting literature numbered as a FASB Statement of Financial Accounting Standards.

## **FASB's Codification Countdown Alert Describes Handling of SEC Accounting Rules**

The FASB's fifth Countdown to Codification Alert describes how SEC accounting guidance will be incorporated into the new hierarchy for U.S. GAAP after July 1, 2009. The May 29 Alert (Countdown to Codification Alert—Alert # 5, 5-29-2009) says relevant portions of authoritative content issued by the SEC and selected SEC staff interpretations and administrative guidance are in the GAAP Codification for reference purposes. The SEC content includes Regulation S-X ( 17 CFR 210.1-01 et seq.), Financial Reporting Releases (FRR)/Accounting Series Releases (ASR), Interpretive Releases (IR), and SEC staff guidance in Staff Accounting Bulletins (SAB), EITF Topic D, and SEC Staff Observer comments. Further, the SEC content is topically organized like all other GAAP requirements, but the FASB decided to present it separately so that accounting practitioners can distinguish between the SEC requirements and other authoritative U.S. GAAP.

The Codification does not replace or affect requirements or guidance issued by the SEC or its staff for public companies in their filings with the SEC, the FASB said. The FASB also noted that the SEC frequently reminds public companies and investors that interpretations and no-action letters issued by the staff are not official agency rules.

## **Recognition and Measurement for Pre-Acquisition Contingencies**

Issued on April 1, FASB Staff Position (FSP) No. FAS 141(R)-1 , *Accounting for Assets and Liabilities Assumed in a Business Combination That Arise from Contingencies*, provides guidance concerning pre-acquisition contingencies, which should be applied for all assets and liabilities assumed in a business combination arising from contingencies that would be within the scope of SFAS No. 5 ( FASB ASC 450-10 ), *Accounting for Contingencies*, were they not acquired or assumed as part of a business combination, except for those assets and liabilities for which SFAS No. 141(R) ( FASB ASC 805-10 ), *Business Combinations*, provides specific accounting treatments.

Specific guidelines for initial recognition and measurement and subsequent measurement and accounting can be found in Section D3 of the *Handbook of SEC Accounting and Disclosure*.

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