

Speaking The New Lingo—A US GAAP Codification Primer

<https://www.soa.org/sections/financial-reporting/financial-reporting-newsletter/2023/july/fr-2023-07-van-dam/>

By Douglas S. Van Dam

The Financial Reporter, July 2023

There is a new acronym you need to know. ASC stands for Accounting Standards Codification. My goal in this article is to give a little background on ASC and to give a very basic tutorial for speaking the new lingo.

In 2004 the FASB undertook a project to replace the U.S. GAAP hierarchy, which included accounting guidance from FASB, AICPA, EITF, and others, with a single authoritative Codification. Codification, which was effective 9/15/2009, replaces the hierarchy, where certain sources were considered more authoritative than others, with a single level. If it is in the Codification, it is authoritative, and if it is not in the Codification, it is not authoritative. An exception to this is pronouncements from the SEC. SEC rules may be considered authoritative and Codification may reference SEC rules, but they are typically not reproduced in ASC and they may be updated outside of the process the FASB has put into place for updating the ASC.

A goal of Codification was that it would exactly replicate the guidance that existed on July 1, 2009. In that respect, it isn't new, it is just a reorganization of current materials. This was a large project that combined the 168 FAS statements with thousands of other authoritative statements and produced one large document with roughly 90 Topics.

GAAP Topic Codes

Topics represent a collection of related guidance. There are five main groupings for Topics:

1. General Principles (Topic Codes 105-199)
2. Presentation (Topic Codes 205-299)
3. Financial Statement Accounts (Topic Codes 305-799)
4. Broad Transactions (Topic Codes 805-899)
5. Industry Specific (Topic Codes 905-999)

Within Topics are Sub-Topics and within Sub-Topics are Sections. The Sections follow a consistent numbering system. For example, Section 20 is always the Glossary. Those that work with the ASC regularly will also notice a pattern in the Sub-Topics. Two-digit Sub-Topics will vary by the Topic, but three-digit Sub-Topics will correspond to the Topic with the same number. For example:

225 [Income Statement] 944-225 [Financial Services Insurance-Income Statement] 944-20-20 [Financial Services Insurance-Insurance Activities-Glossary]

Sections where the number is preceded by an "S" reference SEC material.

As changes are made in the standards, there will be Accounting Standard Updates issued. The numbering system for the Updates will be the year followed by sequential number of the update for that year. The

Update will be a transient document that includes background, the update to Codification, and provides the basis for conclusions. The Updates are not in themselves authoritative. As Codification is updated, both the current paragraph and the updated paragraph will be in the Codification during the transition period. Once the new paragraph is fully effective the outdated guidance will be removed.

Accessing Codification

Due to the volume of materials in ASC, it is anticipated that the primary method for accessing the information in ASC will be electronic. It is available at asc.fasb.org. Most of you will work for companies with a subscription to the professional view. There is a basic view, which is available for free, but it is fairly inefficient to use. A single user license for a year of professional view is \$850. There are also multi-user licenses available.

Even using the basic view at asc.fasb.org you can get a good feel for how Codification is organized. In my opinion FASB did succeed in making things easier to find. You can review the Topic names or, if you know the old standard and you want to know the new Topic, you can use the cross-reference tool. Due to the reorganization of the material, there is not necessarily a one-to-one or many-to-one mapping from old to new. Below are some rough descriptions of where to find things.

Codification mapping

For insurance actuaries, Topic 944 Financial Services Insurance incorporates a long list of old standards, including FAS 60, 97, 113, 120, 163, SOP94-5, 95-1, 03-1, 05-1, DIG B7, B8, G04, Practice Bulletins 8, 15, EITF D-034 and D-035.

For pension actuaries, it appears that much of their material has been combined into Topic 715 Compensation-Retirement. This topic includes in the cross-reference FAS 87, 88, 106, 132, 158 and EITF 91-7. There is also Topic 712 Compensation-Nonretirement Post Employment Benefits with cross-references to prior standards FAS 88 and 112.

Other Topics that you might previously have referred to by the FAS number include:

Topic	Prior FAS Incorporated Into Topic
310 Receivables	FAS 91
320 Investments-Debt and Equity Securities	FAS115, EITF D-41
350 Intangibles-Goodwill and Other	FAS 142
450 Contingencies	FAS 5
805 Business Combinations	FAS 141
815 Derivatives and Hedging	FAS 133, 138, 149, and 155
820 Fair Value Measurements and Disclosure	FAS 157
825 Financial Instruments	FAS 159