FASB Accounting Standards Codification™ Notice to Constituents (v 1.05)

FASB Accounting Standards Codification™

Welcome to the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (Codification).

The Codification is the result of a major four-year project involving over 200 people from multiple entities. The Codification structure is significantly different from the structure of existing accounting standards. This Notice to Constituents provides information you should read to obtain a good understanding of the Codification history, content, structure, and future consequences.

Goals

Codification

The FASB's primary goal in developing the Codification is to simplify user access to all authoritative U.S. generally accepted accounting principles (GAAP) by providing all the authoritative literature related to a particular Topic in one place. The term authoritative includes all non-governmental level A–D GAAP that has been issued by a standard setter. The Codification does not codify all GAAP since the GAAP hierarchy also includes items such as practice, textbooks, articles, and other similar content. A later section in this Notice to Constituents identifies the documents included or excluded from the Codification. As described more fully in the section titled Codification source content, for ease of reference by public companies, the Codification also includes relevant authoritative content issued by the Securities and Exchange Commission (SEC), as well as selected SEC staff interpretations and administrative guidance.

The Codification is a major restructuring of accounting and reporting standards. While the content may reside in new locations within the Codification, the FASB's intent in creating the Codification is that the content accurately represents existing standards. Accordingly, authors were instructed to change as few words as possible when authoring their Topics.

As of July 1, 2009, the FASB expects 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. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become nonauthoritative.

Following the FASB Board's approval of the Codification as the single source of non-SEC authoritative accounting and reporting standards, the FASB will no longer consider new standards as authoritative in their own right. Instead, the new standards will serve only to provide background information about the issue, update the Codification, and provide the basis for conclusions regarding the change in the Codification.

Verification period and feedback

The FASB provided constituents with a one-year period between January 15, 2008 and January 15, 2009 to verify that the Codification accurately reflects current standards. The primary goals of the verification period were to acquaint constituents with the new structure and to obtain feedback regarding any issues with the Codification content before it became authoritative.

The Codification project team’s intention was to retain existing GAAP. Throughout the process, authors and reviewers were sensitive to this goal. However, combining disparate standards into a codified format introduces the possibility of unintentional changes to existing standards. One objective of the verification period was for constituents to identify any errors in the Codification that resulted from any unintentional changes.

The Codification will not be authoritative until approved by the FASB as of July 1, 2009 (as noted previously). Prior to becoming authoritative, content has changed, and will continue to change, based on new standards and user feedback. The FASB asked constituents to use the

Codification during the verification period when performing research, while understanding that the content will not be authoritative until approved.

In addition to developing the Codification, the FASB developed the FASB Accounting Standards Codification™ Research System (Codification Research System). Using the Codification Research System as the primary research tool will achieve two major purposes:

a. It will streamline the research process.
b. It will allow users to verify whether the content accurately represents existing standards by comparing the results with the results from current literature. Refer to the heading titled Using the Codification Research System before the Codification is authoritative that describes the steps to verify content.

The verification period differed from an Exposure Draft because, unlike an Exposure Draft, the content in the Codification is a reconfiguration of current GAAP. Therefore, the intent of verification period was not to debate the underlying requirements of GAAP, but rather to verify that the Codification appropriately captures them. While the FASB recognizes that different people will have different preferences regarding style and structure, it is not practical to expect the FASB to address preference changes. However, it was important to communicate cases where the authored content does not accurately reflect current GAAP.

While the deadline for verification feedback was January 15, 2009, the FASB will retain the electronic feedback feature in the Codification Research System to allow users the ability to provide ongoing feedback. The objectives of such feedback prior to July 1, 2009 include (1) identification of any fatal flaws in the codification (a fatal flaw being defined as an error in codifying the requirements of the existing literature or an error in the functionality of the system) and (2) communicate questions or concerns with the GAAP requirements. The latter objective will become the major objective of feedback after July 1, 2009.

Exposure draft and new standard

The FASB plans to issue an exposure draft as the due process mechanism for approving the Codification. The final standard approved and issued by the FASB, as a result of deliberating the comments received on the exposure draft, will include the final effective date of the Codification.

Using the Codification Research System before the Codification is authoritative

The FASB strongly encourages use of the Codification Research System for research. Until the Codification is authoritative, the web-based online research tool is freely available to users. The Codification Research System home page includes a link to a web-based tutorial that describes how to use the system.

The benefit of performing research using the Codification is that users will be able to identify all related content in one location much more easily than by using current literature. However, users must keep in mind that the Codification has not yet been approved as authoritative. Therefore, the FASB suggests the following steps when conducting research:

a. Navigate to the relevant content by browsing the Topics, Subtopics, and related tables of contents. For very specific items (for example, guidance about inducements), use the Search feature.
b. After finding the relevant content, access the Page Functions button at the top of the document and select Printer-Friendly with Sources. This printer-friendly version will display the source of each fragment from current GAAP.
c. Use the Printer-Friendly with Sources version to identify the related guidance and access that guidance in your existing literature resources. The source information includes the same standard information as is contained in the Cross-reference report (as described under the heading titled Cross-reference report), including the standard type, standard number, paragraph reference, and sequence number. The information will follow the related content in the format of [<< {Standard type} {Standard number}, {Paragraph reference}, {Sequence number}].
d. Verify that the results included on the Printer-Friendly with Sources accurately reflect current standards.
e. If you find any exceptions, locate the relevant paragraph in the Codification Research System and select the Submit Feedback button that follows the paragraph.
f. Enter and submit your feedback.

Codification source content

Population of codified standards

Standards issued by standard setters other than the SEC

The Codification includes all level A–D GAAP issued by a standard setter. It does not include standards for state and local governments. The source of the standards is the as-amended versions as provided by the standard setter. Therefore, the Codification does not identify documents that solely amend other standards. For example, FASB Statement No. 149 is an amendment of FASB Statement No. 133, so the content of Statement No. 149 is included through the as-amended version of Statement No. 133.

The Codification includes the following literature issued by various standard setters that apply to all entities (other than governmental entities):

a. Financial Accounting Standards Board (FASB)
   i. Statements (FAS)
   ii. Interpretations (FIN)
   iii. Technical Bulletins (FTB)
   iv. Staff Positions (FSP)
   v. Staff Implementation Guides (Q&A)
   vi. Statement No. 138 Examples
b. Emerging Issues Task Force (EITF)
   i. Abstracts
   ii. Topic D
c. Derivative Implementation Group (DIG) Issues
d. Accounting Principles Board (APB) Opinions
e. Accounting Research Bulletins (ARB)
f. Accounting Interpretations (AIN)
g. American Institute of Certified Public Accountants (AICPA)
   i. Statements of Position (SOP)
   ii. Audit and Accounting Guides (AAG)—only incremental accounting guidance
   iii. Practice Bulletins (PB), including the Notices to Practitioners elevated to Practice Bulletin status by Practice Bulletin 1
   iv. Technical Inquiry Service (TIS)—only for Software Revenue Recognition

Standards issued by the SEC

To increase the utility of the Codification for public companies, relevant portions of authoritative content issued by the SEC and selected SEC staff interpretations and administrative guidance have been included for reference in the Codification, such as:

a. Regulation S-X (SX)
b. Financial Reporting Releases (FRR)/Accounting Series Releases (ASR)

c. Interpretive Releases (IR)
d. SEC Staff guidance in
    i. Staff Accounting Bulletins (SAB)
    ii. EITF Topic D and SEC Staff Observer comments.

The section titled Securities and Exchange Commission (SEC) Sections provides technical information on how SEC content is presented. The inclusion of SEC content is intended to improve the usefulness of the Codification for public companies.

The SEC Sections do not contain the entire population of SEC rules, regulations, interpretive releases, and staff guidance. For example, the Codification does not include all content related to matters outside of the basic financial statements, such as Management's Discussion and Analysis (MD&A), or to auditing or independence matters.

Content in the SEC Sections is expected to change over time pursuant to the SEC and its staff's normal procedures for making changes to SEC rules, regulations, interpretations, and staff guidance. The SEC and its staff's normal update procedures are not changed by the inclusion of SEC content in the Codification and, accordingly, there may be delays between SEC and staff changes and updates to the Codification.

The Codification does not replace or affect guidance issued by the SEC or its staff for public companies in their filings with the SEC. Further, SEC staff guidance does not constitute rules or interpretations of the SEC, nor does such guidance bear official Commission approval.

If you find any discrepancies between the SEC content as presented in the Codification and the underlying SEC content, we ask that you use the content feedback feature of the online Codification Research System to submit your comments.

Essential and nonessential content

Standards documents typically contain two classes of content:

a. Essential standards and implementation guidance
b. Nonessential material.

The goal of the Codification was to capture and codify the essential standards and implementation guidance. 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. Generally, the nonessential material is located in the document summary, basis for conclusions, and similar appendixes. In almost all cases, the standard setter does not amend nonessential content when it amends a related standard, so the nonessential content becomes outdated.

During the Codification project, the Codification team classified content as essential or nonessential. In some cases, the team deemed certain content from the standards section as nonessential and, therefore, the Codification excludes such content. In other cases, Basis for Conclusions or similar appendices contained content deemed essential and, therefore, the Codification includes that content. Users can identify the essential material and the sources of such information with either the special Printer-Friendly with Sources version or the Cross-reference report described under the heading titled Cross-reference report.

Certain items included in the Codification

Content included in the Codification but not included in the existing authoritative standards

The majority of content in the Codification represents content codified from existing authoritative accounting and reporting standards. However, certain items are included in the Codification that are not yet included in current authoritative standards. Appendix A—Specific Requests for Feedback summarizes matters for which the FASB requested feedback.

Certain items excluded from the Codification

Standards to be outdated or superseded by December 31, 2008

The FASB used December 31, 2008, as the target effective date for purposes of authoring.

Grandfathered material

The FASB excluded grandfathered material in the first release of the Codification. Instead, users need to access the relevant standards for such grandfathered items.

The following list provides some examples of grandfathered material not included in the Codification:

a. Pooling of interests in a business combination (originally addressed by APB 16) described in paragraph B217 of FAS 141
b. Qualifying special-purpose entities (originally addressed by FAS 125) described in paragraphs 25 and 341 of FAS 140
c. Pension transition assets or obligations described in paragraph 77 of FAS 87
d. Employee Stock Ownership Plan (ESOP) shares (originally addressed by SOP 76-3) purchased by, and held as of, December 31, 1992 as described in paragraphs 97 and 102 of SOP 93-6
e. Loans restructured in a troubled debt restructuring before the effective date of FAS 114 described in paragraph 24 of FAS 118
f. Stock compensation for nonpublic and other entities (originally addressed by FAS 123 or APB 25) described in paragraph 83 of FAS 123(R)
g. Investment company investments acquired prior to March 28, 2002, or those acquired after March 27, 2002, pursuant to an irrevocable binding commitment that existed prior to March 28, 2002 described in paragraph 1.05 of the Investment Company Audit and Accounting Guide.

After the Codification becomes authoritative and in the event that a newly issued standard contains grandfathered material, the content will reside in a special grandfathered Section of the relevant Topics.

Non-GAAP

The FASB concluded that the Codification represents authoritative GAAP. Therefore, the Codification does not include guidance for non-GAAP matters such as:

a. Other Comprehensive Basis of Accounting (OCBOA)
b. Cash Basis
c. Income Tax Basis
d. Regulatory Accounting Principles (RAP)

Governmental accounting standards

The Codification does not include governmental accounting standards.

Standards issued after June 1, 2007

In order to complete the authoring and review of the Codification content, the Codification team suspended the processing of new standards issued after June 1, 2007. With the exception of FAS 141(R), *Business Combinations*, all standards issued after June 1, 2007 are processed as Codification Update Instructions after the release of the Codification for its verification period.

Cross-reference report

The Codification includes a Cross-reference report that allows users to identify where current standards reside in the Codification, or the source material that populates a specific location. The report displays a detailed list of all content included in the Codification together with the specific location(s) within the Codification.

The Cross-reference report identifies the source of all content included in the Codification.

a. If the Cross-reference report lists the source of the content, then the FASB deems the content as essential material.
b. If the Cross-reference report does not list the source of the content from existing authoritative literature, then the FASB deems the content as nonessential.

For each piece of standards content used in the Codification, the Report includes the following information:

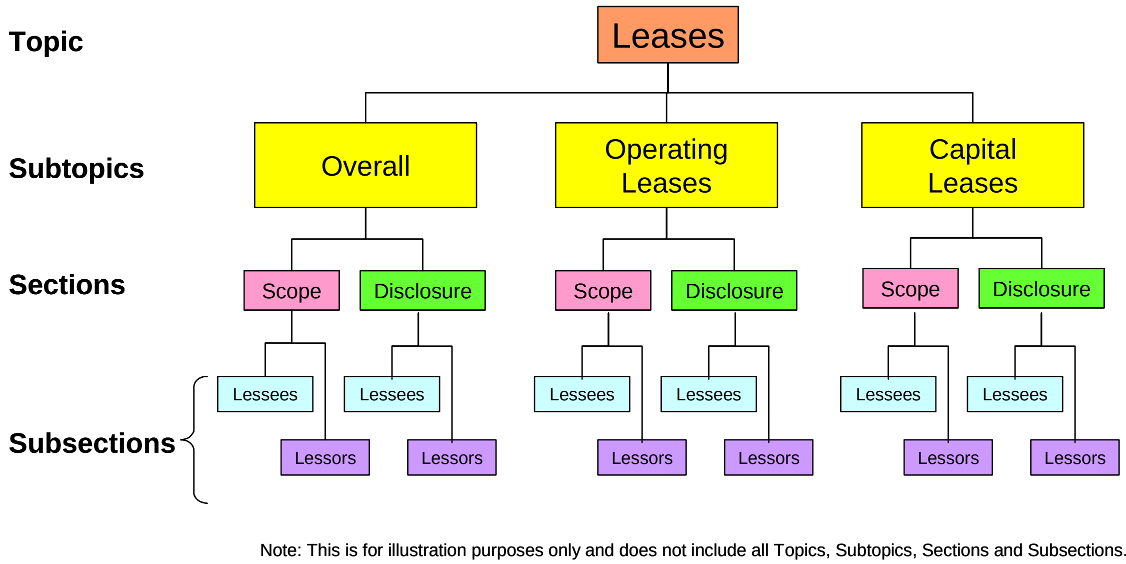
a. *Standards*. Standard type, number, paragraph, and sequence number. Refer to Appendix C for a discussion of sequence numbers.
b. *Codification*. Topic, Subtopic, Section, and paragraph.

Codification structure, content, and styles

Topical structure

Illustration of the hierarchy

The following figure provides the terminology and a visual representation using a partial hierarchy of the Leases Topic.



Topics

Topics represent a collection of related guidance. For example, Leases is a Topic. The Topics correlate very closely to standards issued by the International Accounting Standards Board.

The Topics reside in four main areas as follows:

a. Presentation (Topic Codes 205 – 299). These Topics relate only to presentation matters and do not address recognition, measurement, and derecognition matters. Topics include Income Statement, Balance Sheet, Earnings per Share, and so forth.

b. Financial Statement Accounts (Topic Codes 305 – 700). The Codification organizes Topics in a financial statement order including Assets, Liabilities, Equity, Revenue, and Expenses. Topics include Receivables, Revenue Recognition, Inventory, and so forth.

c. Broad Transactions (Topic codes 805 – 899). These Topics relate to multiple financial statement accounts and are generally transaction-oriented. Topics include Business Combinations, Derivatives, Nonmonetary Transactions, and so forth.

d. Industries (Topic codes 905 – 999). These Topics relate to accounting that is unique to an industry or type of activity. Topics include Airlines, Software, Real Estate, and so forth.

Industry and broad transaction topics

The Codification team applied the following filtering approach for identifying the Codification Topics that should contain specific content:

a. The first filter related to industry content. If a piece of content related solely to a single industry, the Codification team authored the content in that particular industry.
b. The second filter related to broad transactions. If a piece of content did not relate to a single industry and it related a broad transaction, the Codification team authored the content in that broad transaction.
c. For all other content that did not meet the industry or broad transaction filters, the Codification team authored the content in either a financial statement account Topic or presentation Topic.

One of the goals of the Codification was to eliminate redundant content, which can result in confusion and is difficult to maintain over time. Instead of proliferating redundancy by including general guidance in the industry Topics, the FASB concluded that industry Topics should contain only incremental industry-specific guidance. The entities within the scope of the industry must follow the industry-specific guidance and all other relevant guidance contained in other Topics that does not conflict with the industry guidance.

To provide consistency, the Codification segregates industry Topics into Subtopics that mirror the general Topic structure. This provides multiple ways to access the content—by industry Topic or by general Topic.

Subtopics

Subtopics represent subsets of a Topic and are generally distinguished by type or by scope. For example, Operating Leases and Capital Leases are two Subtopics of the Leases Topic distinguished by type of lease. Each Topic contains an Overall Subtopic that generally represents the pervasive guidance for the Topic. Each additional Subtopic represents incremental or unique guidance not contained in the Overall Subtopic. In some cases, the Overall Subtopic represents overall guidance. In other cases, the Overall Subtopic may not contain overall guidance, but instead may represent miscellaneous content that does not fit into another Subtopic.

Subtopics unique to a Topic use classification numbers between 00 and 99. In addition, Topics—primarily Industry Topics—may contain Subtopics that mirror the general Topics. For example, the general Receivables Topic is 310, the general Inventory Topic is 330, and the Agriculture Topic is 905. The Agriculture Topic may include Subtopics for Receivables, Inventory, and so forth. The Subtopic classification number is the classification number of the related Topic. In this case:

a. Agriculture—Receivables is 905-310.
b. Agriculture—Inventory is 905-330.

For additional details, refer to the discussion under the heading titled Overlapping or intersecting content.

Sections

Sections represent the nature of the content in a Subtopic such as Recognition, Measurement, Disclosure, and so forth. Every Subtopic uses the same Sections, unless there is no content for a particular Section. See the discussion under the heading titled Joining and combining content for a discussion of how you can join sections for multiple subtopics (such as the Disclosure Sections for all Subtopics within the Revenue Recognition Topic).

Similar to Topics, Sections correlate very closely with Sections of individual International Accounting Standards.

The Sections of each Subtopic are as follows:

XXX-YY-ZZ where XXX = Topic, YY = Subtopic, ZZ = Section

XXX-YY-00	Status
XXX-YY-05	Overview and Background
XXX-YY-10	Objectives
XXX-YY-15	Scope and Scope Exceptions
XXX-YY-20	Topical Definitions—Glossary
XXX-YY-25	Recognition
XXX-YY-30	Initial Measurement
XXX-YY-35	Subsequent Measurement
XXX-YY-40	Derecognition
XXX-YY-45	Other Presentation Matters
XXX-YY-50	Disclosure
XXX-YY-55	Implementation Guidance and Illustrations
XXX-YY-60	Relationships
XXX-YY-65	Transition and Open Effective Date Information
XXX-YY-70	Links to Grandfathered Material
XXX-YY-75	XBRL Definitions

The following is a description of the Sections:

XXX-YY-00 Status

This Section includes references to the post-Codification standards that affect the Subtopic. It is comparable to the status section currently contained in the FASB Statements (and other standards) in *Original Pronouncements*. For example, the Section includes information similar to the following:

1. Paragraph 25-6 added by Codification Update 10-03.
2. Paragraph 35-7 modified by Codification Update 09-02.
3. Paragraph 50-3 superseded by Codification Update 09-23.

XXX-YY-05 Overview and Background

This Section provides a general overview and background regarding the Subtopic. It does not provide historical background of the standard setter, due process, or similar items. It may contain certain material generally considered useful to a user to understand the typical situations required by the standard. This material comes primarily from the Introduction section of the standard or, in some cases, the Basis for Conclusions. This Section does not summarize the requirements of the Subtopic.

XXX-YY-10 Objectives

When available, the Objectives Section states the high-level objectives of the Subtopic, but does not discuss the main principles of the Subtopic.

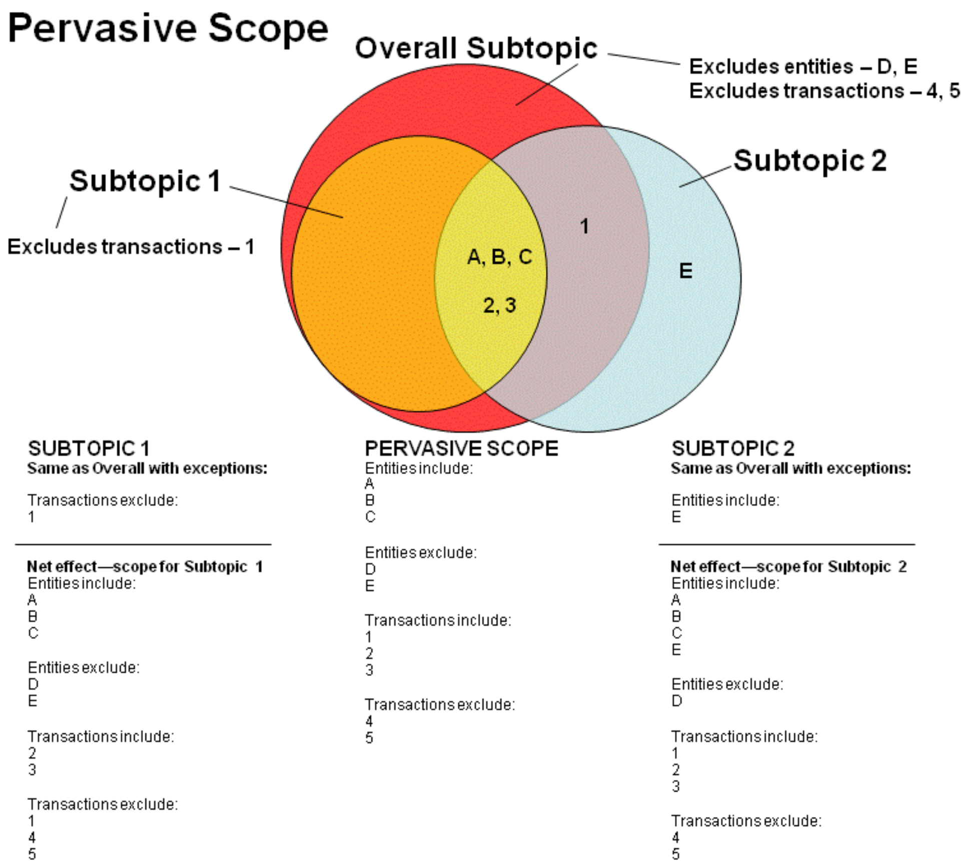
XXX-YY-15 Scope and Scope Exceptions

This Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. It does not contain actual accounting or reporting guidance (for example, subsequent measurement).

In many cases, the underlying standards did not provide scope language related to entities. During the Codification process, the FASB concluded that unless otherwise indicated, the content applies to all entities.

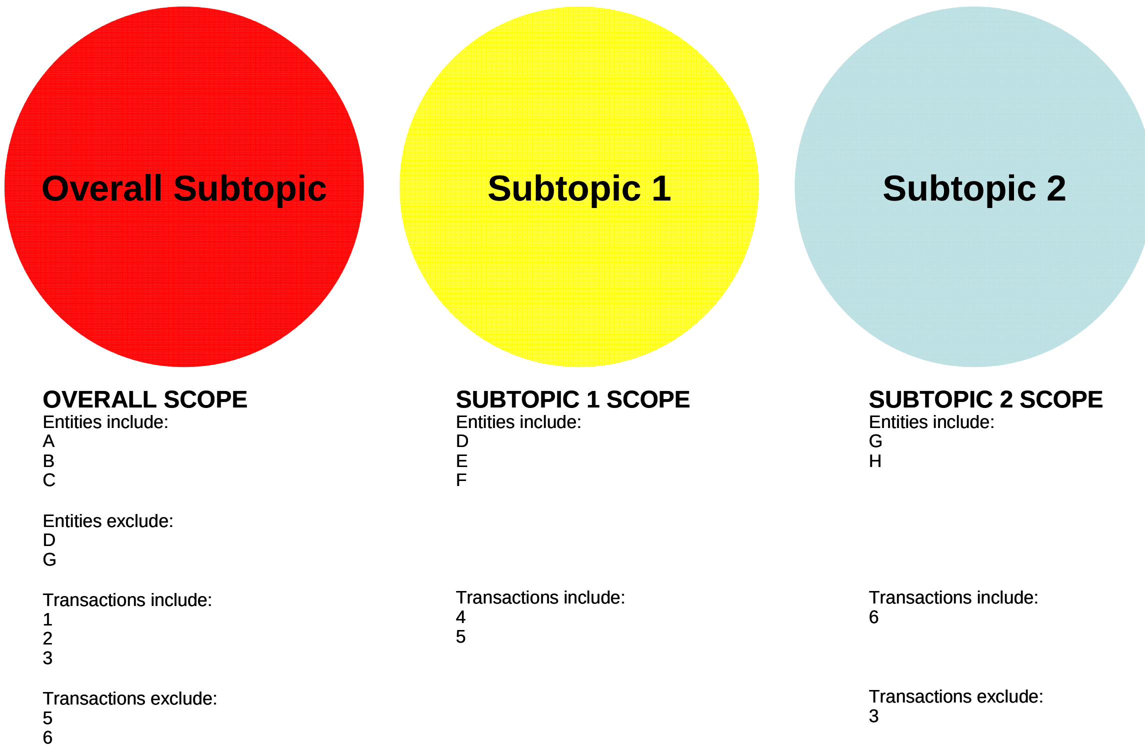
In cases where a Topic contains multiple Subtopics, the Overall Subtopic typically contains the pervasive scope for the entire Topic, including the other Subtopics. The remaining Subtopics then refer to the Overall Subtopic and address the specific exceptions from the pervasive Overall Scope. Users must be aware that the Overall Scope Section is not a summary, but instead represents the scope for the Overall Subtopic and the baseline for the other Subtopics, which may include different scope inclusions or exclusions.

The following figure illustrates the concept of pervasive scope:



Certain Topics represent a combination of disparate Subtopics with differing scopes. In these cases, a pervasive scope is not used. An example is the Other Expenses Topic. The figure below illustrates the concept of independent scopes:

Independent Scopes



In many circumstances, guidance codified in a Subtopic may apply equally to all items within the Subtopic's scope. However, certain codified guidance within the Subtopic may apply only to a subset of items (such as restricted scope guidance). In those circumstances, the restricted scope language was placed with the restricted scope guidance. For example, if a certain measurement standard was allowed only for a specific transaction, then the restricted scope would appear only in the corresponding measurement Section together with the specific measurement requirement.

As described in the discussion under the heading titled Overlapping or intersecting content, the majority of Industry Subtopics intersect with General Topics. In these cases, users must be cognizant of the Industry Topic scope and the related General Topic scope.

XXX-YY-20 Glossary

This Section contains all the glossary terms used in the Subtopic. In many cases, the terms originated from the Glossary of the original standard. In other cases, the term was embedded in the text of the original standard.

XXX-YY-25 Recognition

This Section addresses the criteria, timing, and location (within the financial statements) for recognizing a particular item.

XXX-YY-30 Initial Measurement

This Section addresses the criteria and amounts used to measure a particular item at date of recognition. In many cases, this Section may be empty because the initial standards did not include initial measurement.

XXX-YY-35 Subsequent Measurement

This Section relates almost exclusively to assets, liabilities, and equity. It addresses the criteria and amounts used to measure a particular asset, liability, or equity item subsequent to the date of recognition (for example, impairment, fair value changes, depreciation, amortization, and similar items).

XXX-YY-40 Derecognition

This Section relates almost exclusively to assets, liabilities, and equity. It addresses the criteria, the basis to be relieved (for example, the method to determine the amount), and the timing to be used when derecognizing a particular asset, liability, or equity item for purposes of determining gain or loss, if any.

XXX-YY-45 Other Presentation Matters

This Section includes other presentation matters related to the Subtopic. Some examples include:

1. Specific balance sheet classification
2. Specific cash flow requirements
3. Specific effect on earnings per share.

XXX-YY-50 Disclosure

This Section contains specific disclosure requirements for a Subtopic. It does not include general disclosure requirements that may reside in the Notes to Financial Statement Topic and other general presentation Topics. This Section may include references to general disclosure requirements that encompass the items addressed by the Subtopic. For example, the Receivables Subtopic contains a link to the general financial instrument disclosure requirements that relate to receivables.

XXX-YY-55 Implementation Guidance and Illustrations

This Section contains implementation guidance and illustrations, which are an integral part of the standards. The Codification separates implementation guidance and illustrations from the main body of the standards, but provides references and links in both directions.

This Section provides guidance relating to the standards in simplified and generalized situations. Applying the standards to actual situations requires judgment and the implementation guidance and illustrations are intended to aid in making those judgments. The implementation guidance and illustrations assume that all items addressed are material to the entity. Because the implementation guidance and illustrations cannot address all possible variations, users must consider carefully the facts and circumstances in actual situations when applying the provisions of the Subtopic.

XXX-YY-60 Relationships

This Section includes references to other Subtopics that may contain guidance related to the Subtopic. The references point to content in another Topic that is either the object of the other Topic or in which the material otherwise relates to the particular Topic. For example, the Income Taxes Topic may have discussions of LIFO reserves as the object of an illustration or example. In this case, the Relationships Section of the Inventory Topic would refer to the LIFO material in the relevant Income Taxes Subtopic.

The relationships provide simple references to the relevant content, but do not include a complete description of the relationship. In addition, the Section does not contain requirements.

While the goal is to include as many relevant relationships as possible, users should not assume that the lists are exhaustive.

XXX-YY-65 Transition and Open Effective Date Information

This Section contains references to paragraphs within the Subtopic that have open transition guidance.

The transition guidance will appear in an emphasized manner in the text of the standards Sections. After the transition period lapses, the Codification Research System will remove the outdated guidance and the emphasis on the new content.

[NOTE: The Codification was written with an assumed effective date of December 31, 2008. As a result, transition and open effective date guidance for dates prior to December 31, 2008 is not in the Codification (despite the fact that the effective date may not have occurred yet) because of its imminent removal as authoritative content. As such, there is no transition or effective date information in the Codification for such guidance. Users can search the original standards.**]**

XXX-YY-70 Links to Grandfathered Material

This Section contains descriptions, references, and transition periods for post-December 31, 2008, grandfathered standards. For all pre-December 31, 2008, grandfathered literature, we will include a notice indicating that the Codification represents standards as of December 31, 2008, and there is no transition or effective date guidance in the Codification for older standards. Users must access the original standards for the guidance.

XXX-YY-75 XBRL Definitions

This Section is expected to contain the related XBRL definitions for the Subtopic or relevant links to the definitions.

Securities and Exchange Commission (SEC) Sections

As noted in the section titled Standards issued by the SEC, SEC content is included for reference to improve the usefulness of the Codification for public companies. The system attempts to embed relevant SEC content for reference in the same Topics and Subtopics as all other content. The goal was to place SEC content within applicable Sections, using unique SEC Section codes to distinguish the content. An "S" precedes the SEC Section codes.

SEC content has developed through different mechanisms and is not as easily codified using the same model as the non-SEC content without modifying existing rules, regulations, and so forth. Instead, all original SEC content remains essentially intact in the S99-SEC Materials Sections, except that SEC observer comments made at EITF meetings are no longer shown with the related material from EITF issues, some comments have been edited for appropriate context. The other SEC Sections contain links to the relevant content within the S99-SEC Materials Sections.

The SEC Sections do not contain the entire population of SEC rules, regulations, interpretive releases and staff guidance. For example, the Codification does not include all content related to matters outside of the basic financial statements, such as Management's Discussion and Analysis (MD&A), or to auditing or independence matters.

Content in the SEC Sections is expected to change over time pursuant to the SEC and its staff's normal procedures for making changes to SEC rules, regulations, interpretations, and staff guidance. The SEC and its staff's normal update procedures are not changed by inclusion of SEC content to the Codification and, accordingly, there may be delays between SEC and staff changes and updates to the Codification.

The Codification does not replace or affect guidance issued by the SEC or its staff for public companies in their filings with the SEC. Further, SEC staff guidance does not constitute rules or interpretations of the SEC nor does such guidance bear official SEC approval.

Since many entities are not SEC registrants, the online Codification Research System will allow users the option of including or excluding SEC content from their views. The Codification Research System will display the SEC content in a separate sections following non-SEC content.

Subsections

Subsections are a further segregation of a Section and, except for the General Section, occur in a limited number of cases. Each Section has at least one General Subsection. A Section may contain additional Subsections as a means of filtering content related to multiple Sections of the same Subtopic (refer to the discussion under the heading titled Joining and combining content for more details). Unlike a Section, a Subsection is not numbered. A Subsection differs from a paragraph heading because the Codification research system provides a feature to combine all Subsection content for a Topic, for example, the Receivables—Overall Subtopic includes Subsections for Acquisition, Development, and Construction Arrangements. This allows a user to combine all content related to acquisition, development, and construction arrangements.

Paragraph groups

Paragraph groups represent a series of related paragraphs under the same paragraph heading. The Topic structure allows paragraph groups to be subordinated to other paragraph groups because of dependencies. As a result, the paragraph groups are presented in a hierarchy. Within the

Codification, one or more ">" symbols precede each paragraph group heading. The number of ">" symbols identifies the hierarchy among paragraph groups. For example, the following illustrates the hierarchy of the paragraph group headings:

a. > Statement of Financial Position Classification of Income Tax Accounts
b. > > Deferred Tax Accounts
c. > > > Deferred Tax Accounts Related to an Asset or Liability.

Paragraphs

Paragraphs contain multipart numbers. The first part represents the Section and the second part represents the sequential paragraph number. Paragraph numbers restart at the beginning of each Section.

To ensure accurate links, paragraph numbers will not change over time. The content of a paragraph may be amended, but the paragraph number will remain constant.

New paragraphs will be added using a letter extension. For example, a new paragraph inserted between paragraphs 50-5 and 50-6 would be 50-5A.

Classification codes

The FASB developed a hybrid classification system specifically for the Codification.

The following is the structure of the classification system:

XXX-YY-ZZ-PP where XXX = Topic, YY = Subtopic, ZZ = Section, PP = Paragraph

In the case of SEC content, an "S" precedes the Section number.

For example, the classification codes for Leases are as follows:

840 = Leases (Topic)
- 840-10 = Overall (Subtopic)
  - 840-10-15 = Scope (Section)
  - 840-10-50 = Disclosure (Section)
- 840-20 = Operating Leases (Subtopic)
  - 840-20-15 = Scope (Section)
  - 840-20-50 = Disclosure (Section)
- 840-30 = Capital Leases (Subtopic)
  - 840-30-15 = Scope (Section)
  - 840-30-50 = Disclosure (Section)

Joining and combining content

By using consistent Sections, users can access functions within the Codification Research System to combine similar types of content. For example, in the online Codification Research System, users can combine all Disclosure Sections for a Topic without the need to access each individual Subtopic. In fact, the functionality of the system enables users to produce a comprehensive listing of all authoritative GAAP disclosures sorted by Topic. Over time, as familiarity with the Codification Research System advances, we expect users will increasingly employ the Section organization to streamline research efforts.

In a similar fashion, as indicated in the discussion under the heading titled Subsections, the system allows users to combine subsections. Unlike the Join Section feature, the Combine Subsection feature combines the Subsections based on the Subsection title.

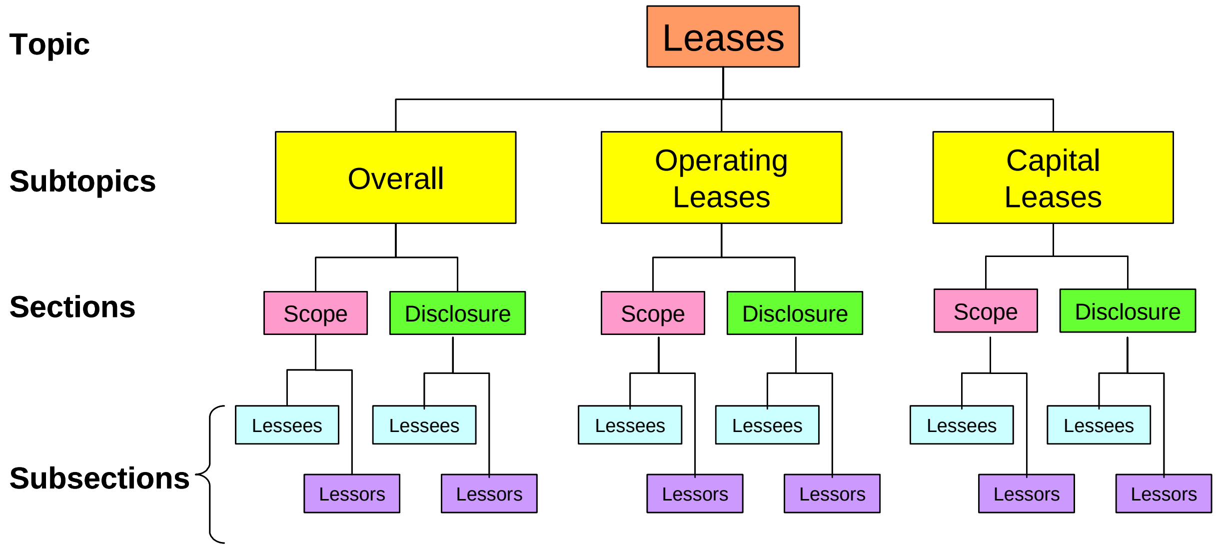
Referencing the Codification

As noted in the previous two sections of this Notice, the approach for referencing Codification content differs significantly from the approach for referencing current accounting standards. References to the Codification follow an established pattern, while references to current accounting standards are represented by text that varies by type of standard.

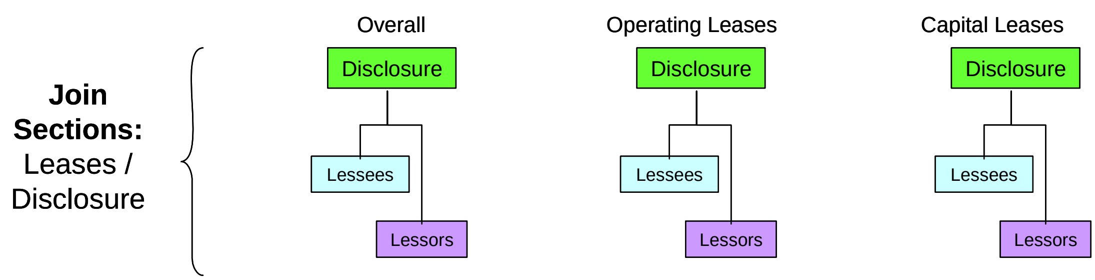
For purposes of establishing a consistent referencing approach for items such as working papers, articles, textbooks, and other similar items, the FASB suggests the following approach for referencing Codification content from outside of the Codification:

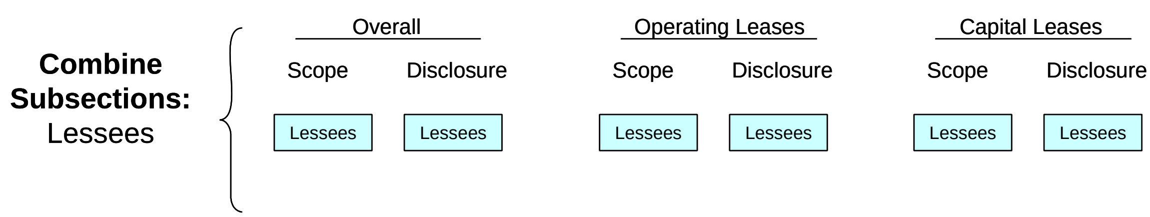
a. FASB ASC {Codification reference}, for example:
    i. Topics – FASB ASC 310 to access the Receivables Topic
    ii. Subtopics – FASB ASC 310-10 to access the Overall Subtopic of Topic 310
    iii. Sections – FASB ASC 310-10-15 to access the Scope Section of Subtopic 310-10
    iv. Paragraph – FASB ASC 310-10-15-2 to access paragraph 2 of Section 310-10-15

The Leases Topic figure provides a visual illustration of two features of the online Codification Research System—Join Sections and Combine Subsections.



Note: This is for illustration purposes only and does not include all Topics, Subtopics, Sections and Subsections.





Note: The above are for illustration purposes only and do not include all Sections and Subsections.

Other content issues

Overlapping or intersecting content

As noted in the industry discussion under the heading titled Topics, most Industry Subtopics mirror the Topic structure both in title and classification code, and the content resides in the Industry Topic. The use of a consistent code allows the FASB to create one version of the content that resides in a single location but allows users to access the same content from multiple locations in the navigation structure. For example, a user can access the system from the perspective of the agriculture industry looking for inventory content. Alternatively, the user could access inventory and find the agriculture industry content. In this case, Topic 330 represents Inventory and Topic 905 represents Agriculture.

The classification code 905-330 represents Agriculture/Inventory. As noted above, industry content resides in the Industry Topic; therefore, it is included in 905-330. When browsing Topic 330, users will see Subtopic 905—Agriculture. That represents an intersection link to the content in Subtopic 905-330.

In the case of overlapping or intersecting content, users must be cognizant of the industry scope and the scope of the general Topic. To continue the previous example, the user of Subtopic 905-330 (Agriculture/Inventory) must be cognizant of the scopes for Agriculture (Topic 905) and Inventory (Topic 330).

Editorial standards, style, and other observations

Modular writing

One of the goals during the authoring process was to apply a modular (or standalone) writing style. Applying a modular writing style provides the ability to join Sections and combine Subsections without the necessity of accessing an entire Topic. In order to accomplish modular writing, authors developed navigation or bridging language to help set any necessary context.

Entity vs. other forms

Over the years, standards have used numerous terms to describe an entity, such as "company," "organization," "enterprise," "firm," "preparer," and so forth. To provide consistency, the FASB adopted the term "entity" as the appropriate term. As a result, entity replaces all previous uses of comparable terms.

Intra-entity vs. intercompany

Because the FASB adopted the term "entity" as the common term throughout the Codification, the FASB adopted the term "intra-entity" as the replacement for "intercompany." The FASB has provided a definition for "intra-entity" and intends for the terms "intra-entity" and "intercompany" to be interchangeable. However, because there was no definition of the term "intercompany," it is likely that the definition may not exactly match the original use. In such cases, the Codification team developed language to address perceived differences.

Bold type to set off principles

The FASB is working directly with the International Accounting Standards Board (IASB) when developing joint standards. The IASB uses boldface text to set off principles. The FASB solicited feedback about adopting the same approach, and constituents responded positively. However, until the issuance of FAS 141(R), the FASB had not implemented the boldface approach. For purposes of the Codification, the FASB concluded that adopting a boldface approach to all the codified content would not be possible until the Board reconsiders and amends the content.

The Codification will, however, contain bold text to set off principles as the FASB releases major standards, starting with the Business Combinations Topic.

Comparable terms—"shall" and "should"

Similar to the multiple terms used to refer to an entity, standards have used various words or phrases to refer to a requirement, such as "should," "shall," "is required to," "must," and others. The FASB believes such terms represent the same concept—the requirement to apply a standard.

To establish consistency, the Codification uses the term "shall" throughout the standards Sections. The Implementation Guidance and Illustrations Sections typically address example scenarios, and the words "would" and "should" are used to indicate that these represent hypothetical situations. See the discussion under the heading titled Sections for a discussion of the Implementation Guidance and Illustrations Section.

Removal of the generic qualifying terms

Over time, standards have used generic qualifying terms, such as usually, ordinarily, generally, and similar terms, which add ambiguity to the Standards. The Codification eliminates such terminology.

Use of acronyms

The only acronyms within the body of the Codification are CD, CUSIP, EPS, FDIC, FIFO, FNMA, FHLMC, GAAP, GNMA, IRS, LIBOR, LIFO, LOCOM, MD&A, NFP, SEC, and VIE.

Upon first use of an acronym in each Subsection, the phrase is spelled out in its entirety, followed by the acronym. For example:

> …generally accepted accounting principles (GAAP)…

Other acronyms are included in the Glossary, with a reference to their corresponding spelled-out terms.

Footnotes

The Codification does not contain footnotes. As deemed appropriate, the Codification incorporates the text of footnotes into the body text.

List formats

The Codification team implemented a plain-English standard by splitting paragraphs with embedded lists and creating list items. The creation of these lists are observable using the Cross-reference report that displays sequence numbers with extensive splitting noted by decimal places.

Since the introductory language for lists was inconsistent, the Codification team implemented the following approach related to lists:

a. If a list contains only two items then the following text is used, as applicable:
   i. …both of the following (criteria/conditions) are met:
   ii. …either of the following (criteria/conditions) is met:
   iii. …any of the following (criteria/conditions) are met: [meaning it can be one or both]
b. If a list contains three or more list items then the following text is used, as applicable:
   i. …all of the following (criteria/conditions):
   ii. …any of the following (criteria/conditions): [meaning it can be one or more]
   iii. …any one of the following (criteria/conditions): [meaning it can only be one]

In the case of simple examples, the phrase "but are not limited to" could be included or excluded without issue. However, where a standard provides an open-ended list, a change could potentially alter the meaning. Due to the different nuances, there is no defined standard for nonexhaustive lists, and any of the following could be used:

a. include
b. include the following
c. include, but are not limited to
d. include, among others.

Glossary

Throughout the Codification process, glossary terms were identified either in the glossary or within the actual text of the standards. In many cases, a glossary term relates specifically to a particular Subtopic or Topic. However, the Codification lists all the terms in a Master Glossary, which includes links to the Topics, Subtopics, Sections, and paragraphs where the term is used.

Each Subtopic includes a Glossary Section with the terms used in that Subtopic. The standards Sections indicate glossary references at the first occurrence of a term in every Subsection.

Specific content matters

Related Party Disclosures Topic

The Topic contains only related party disclosures. Guidance on related party transactions is included within the relevant Topics.

Fair Value Option

The fair value option standards included in the Financial Instruments Topic allow entities the option of applying fair value to selected transactions. As a result, it is likely that an entity could apply either fair value or a different method of measurement for similar items. To incorporate the fair value guidance in all corresponding Topics would result in significant redundancies and confusion. Instead, each relevant Topic of the Codification includes a notice to inform users of the fair value option and a link to the appropriate Section of the Codification.

Transition for Pensions

The Codification uses an assumed effective date of December 31, 2008, for purposes of authoring content. Because the FASB issued the pension literature from Financial Accounting Standard 158 (FAS 158) during the Codification process, the Codification Team integrated the as-amended literature into the Codification. As a result, including the as-amended FAS 158 content in the Compensation—Retirement Benefits Topic excludes the pre-FAS 158 literature that may be applicable to certain entities due to the extended effective date. The Transition Section of the Compensation—Retirement Benefits Topic describes the transition matters. [**Note:** After the release of the Codification, new standards with a post-December 31, 2008 effective date will result in the amended paragraphs to display both the current literature and the new literature.]

Fair Value Measurement Topic

The source of the Fair Value Measurement Topic is primarily Financial Accounting Standard No. 157 (FAS 157).

FAS 157 included amendments to various FASB-issued guidance. However, the amendments only covered certain FASB-issued guidance. Amendments were not included for EITF Abstracts, FASB Question and Answers, and AICPA literature. Therefore, fair value guidance from those sources of literature may not properly reflect the effect of FAS 157. As of January 15, 2009, the FASB staff was in process of identifying all such literature and expects to provide update instructions. Upon completion by the FASB staff, the Codification will be updated to reflect the amendments.

The Codification team used the literature as amended by FAS 157. On November 14, 2007, after completing the majority of the Codification authoring and review process, the FASB provided a one-year deferral for the implementation of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in financial statements on a recurring basis (at least annually). Given the length of the verification period, the deferred guidance remains in the Codification.

General Codification matters

Materiality

Over the years, various standards have included language stating that a standard is applicable if an item is material. Retaining such individual materiality references in the Codification could lead users to believe that materiality applies to one set of standards, but not another. To provide greater consistency, the Codification excludes individual materiality references. Instead, the Codification solely provides the standards of accounting and reporting.

Use of standards by analogy

In many cases, entities apply accounting literature by analogy. Some authoritative EITF standards stated: "Do not use by analogy." In those cases, the language was carried over to the Codification to inform users.

Laws, rules, and regulations

Some codified (non-SEC) standards make reference to laws, rules, regulations (Acts), and other standards issued by entities other than the FASB. In cases where such content was included in the Codification, users must be aware that the Codification team did not evaluate whether such regulations, laws, or similar items are still current. In many cases, the team inserted text similar to the following paragraph. However, in cases where such text was not included, users must be aware that the FASB does not take responsibility for the current state of such items.

> Any references to various laws, rules, or regulations established by others shall not be considered definitive interpretations of such laws, rules, and regulations for any purpose. Laws, rules, and regulations may change over time and the standard FASB process will not update the Codification for such changes. Therefore, users must evaluate the current laws, rules, or regulations to ensure that the prescribed accounting continues to correlate with the laws, rules and regulations.

If you find any discrepancies between the content in the Codification and current laws and regulations, we ask that you use the content feedback feature of the online Codification Research System to submit your comments.

Transition guidance for first-time adopters of GAAP

The Codification eliminates transition guidance for all guidance that is fully effective as of December 31, 2008. However, entities that need to apply GAAP for the first time may need to access the original standards to determine the relevant transition guidance. This is especially true for cases when there are long transition periods.

Audit guidance

The Codification team made every effort to eliminate references to audit guidance. If you find references to audit guidance, we ask that you use the content feedback feature of the online Codification Research System to submit your comments.

Ongoing standard-setting process

Expected date to become authoritative

The FASB currently expects to approve, and make the Codification authoritative as of July 1, 2009. Upon becoming authoritative, the Codification will supersede all existing non-SEC standards. The FASB will no longer amend then-existing standards as is done before the FASB approves the Codification. At that time, the Codification Research System will include the superseded standards for archive purposes.

Ongoing standard-setting process

New standards will be composed of two items, the standard and an appendix of Codification Update Instructions. The title of the combined set of standard and instructions 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. For example, the combined numbers would be 09-01, 09-02, etc. All authoritative GAAP issued by the FASB will be issued in this format, regardless of the form in which such guidance may have been issued previously (for example, EITF Abstracts, FASB Staff Positions, FASB Statements, FASB Interpretations, and so forth).

The FASB will organize the contents of new standards using the same Section headings as those used in the Codification. The contents of the Codification Update Instructions will include marked changes. However, the Codification will not display marked changes in the body of the Codification, other than in an archived version of the Codification Update Instructions.

Upon release, the actual standard will not be authoritative. A standard is a transient document to initiate the Board's process of creating Codification Update Instructions. The Codification Update Instructions will be the source used to update the Codification and the instructions will be available on the website. As the FASB and SEC amend existing Codification paragraphs, both the current paragraph and the updated paragraph will reside in the Codification until such time that the new guidance is completely effective. During that period, the online Codification Research System will emphasize the newly amended paragraph as Pending Text and will provide a link to the related transition guidance. When the newly amended paragraph is fully effective, the outdated guidance will be removed from the paragraph and the amended paragraph will remain.

When the process is fully operational, the Codification Research System will be updated concurrent with the release of a new standard.

Feedback

The FASB asks for your feedback on the Codification system and content. The online Codification Research System allows users to submit content feedback at the paragraph level. Once submitted, the content feedback will be analyzed and processed, as necessary. In the event that the feedback requires in a change to the Codification, the revision will be made in a Codification Update.

The FASB requests the following types of feedback:

a. Overall, non-content-related matters
    i. Please use the feedback link on the home page. In particular, we would like feedback that addresses Codification Research System functionality and performance.
b. Content-related matters
    i. Please access the most relevant paragraph to provide the feedback and use the paragraph level feedback feature to submit your comments. In particular, we would like feedback that addresses:
        1) Fatal errors of any type
        2) Questions or concerns with GAAP requirements.

Appendix A—Specific Requests for Feedback

Amendments to existing standards reflected only in the Codification

During the Codification process, the Codification team identified various technical accounting issues that required resolution. Certain issues were resolved through informal meetings with the Codification team, the FASB staff, and the FASB Board members without the need for a public Board meeting. Other issues required resolution by the Board.

Issues addressed at the July 18, 2007 public Board meeting

At its July 18, 2007 meeting, the Board discussed ten issues that could affect the application of GAAP by certain entities.

Of the ten issues, four issues will be resolved through the issuance of two FASB Staff Positions ("FSP") as described in the paragraphs that follow. Since FSPs are already subject to extensive due process, the FASB requested feedback on those two FSPs through the normal exposure process. For the remaining six issues, the Board decided to modify the Codification content without amending the existing standards and to use the verification period as the exposure process for the modifications.

The full details of the background and the decisions of the July 18, 2007 Board meeting are included at the FASB web site as follows:

a) July 18, 2007 Board Meeting Handout - http://www.fasb.org/board_handouts/07-18-07.pdf
b) July 18, 2007 Meeting minutes - http://www.fasb.org/board_meeting_minutes/07-18-07_Codification.pdf
c) July 26, 2007 Action Alert 07-30 - http://www.fasb.org/action/aa072607.shtml

The following describes each item addressed by the Board:

a) Appropriation of retained earnings for general purpose contingencies

   i) Summary

      (1) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

   ii) Explanation of the proposed change as reflected in the Codification:

      (1) The Board agreed to eliminate the reference to general-purpose contingency reserves found in paragraph 28(b) of APB Opinion No. 9, *Reporting the Results of Operations*, and agreed that the guidance on the presentation of appropriation of retained earnings should be included in the Equity Topic of the Codification, rather than in the Contingencies Topic.

      (2) Amend Opinion 9, paragraph 28(b) as follows:

         (a) "(b) transfers to and from accounts properly designated as appropriated retained earnings ~~(such as general purpose contingency reserves or provisions for replacement costs of fixed assets.")~~ and"

(3) Amend FASB Statement No. 5, *Accounting for Contingencies*, paragraph 15 as follows:

(a) "15. ~~Some enterprises have classified a portion of retained earnings as "appropriated" for loss contingencies. In some cases, the appropriation has been shown outside the stockholders' equity section of the balance sheet.~~ Appropriation of retained earnings is permitted, ~~not prohibited by this Statement~~ provided that it is shown within the ~~stockholders'~~ shareholders' equity section of the balance sheet and is clearly identified as an appropriation of retained earnings. Costs or losses shall not be charged to an appropriation of retained earnings, and no part of the appropriation shall be transferred to income."

iii) How this change is reflected in the Codification:

(1) The Board agreed that the guidance on the presentation of appropriation of retained earnings should be included in the Equity Topic of the Codification, rather than in the Contingencies Topic.

(2) The revised Opinion 9, paragraph 28(b) is included in the Equity/Overall Subtopic.

(3) The revised Statement No. 5, paragraph 15 is included in the Equity/Overall Subtopic.

b) General revenue recognition guidance

(1) Summary

(a) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

(2) Explanation of the proposed change as reflected in the Codification:

(a) The Board agreed to amend Accounting Research Bulletins (ARB) No. 43, Chapter 1A, "Prior Opinions—Rules Adopted by Membership," paragraph 1, because the manner in which it was written is unclear and outdated. The Board agreed to retain the second sentence of paragraph 1 and amend it to incorporate language contained in FASB Concepts Statement No. 5 (CON 5), paragraph 83. The Board agreed to amend APB 10, paragraph 12 due to the interaction with ARB 43, Chapter 1A, paragraph 1.

(b) Amend ARB 43 Chapter 1A, paragraph 1 as follows:

~~1. Unrealized profit should not be credited to income account of the corporation either directly or indirectly, through the medium of charging against such unrealized profits amounts which would ordinarily fall to be charged against income account. Profit is deemed to be realized when a sale in the ordinary course of business is effected,~~ Revenue and gains generally are not recognized until being realized or realizable and until earned. Accordingly, unless the circumstances are such that the collection of the sale price is not reasonably assured, the use of the installment method is not acceptable. ~~In the absence of the circumstances referred to above or other specific~~ Other guidance, such as in

FASB Statement No. 66, *Accounting for Sales of Real Estate*, provides specific guidance on the installment method ~~is not acceptable~~. ~~An exception to the general rule may be made in respect of inventories in industries (such as packing-house industry) in which owing to the impossibility of determining costs it is a trade custom to take inventories at net selling prices, which may exceed cost.~~

(c) Amend ARB 43, Chapter 1A, paragraph 1 (above) by appending the following marked content from CON 5, paragraph 83:

~~83. Further guidance for recognition of revenues and gains is intended to provide an acceptable level of assurance of the existence and amounts of revenues and gains before they are recognized~~. The recognition of revenues and gains of an entity ~~enterprise~~ during a period ~~are generally measured by the exchange values of the assets (goods or services) or liabilities involved, and recognition~~ involves consideration of two factors ~~(a) being realized or realizable and (b) being earned,~~ with sometimes one and sometimes the other being the more important consideration.

a. Being realized or realizable. Revenues and gains generally are not recognized until realized or realizable. ~~50~~ Revenues and gains are realized when products (goods or services), merchandise, or other assets are exchanged for cash or claims to cash. Revenues and gains are realizable when related assets received or held are readily convertible to known amounts of cash or claims to cash. Readily convertible assets have (i) interchangeable (fungible) units and (ii) quoted prices available in an active market that can rapidly absorb the quantity held by the entity without significantly affecting the price.

b. Being earned. Revenues are not recognized until earned. An entity's revenue-earning activities involve delivering or producing goods, rendering services, or other activities that constitute its ongoing major or central operations, ~~51~~ and revenues are considered to have been earned when the entity has substantially accomplished what it must do to be entitled to the benefits represented by the revenues. Gains commonly result from transactions and other events that involve no "earning process," and for recognizing gains, being earned is generally less significant than being realized or realizable.

(d) Amend APB 10, paragraph 12 as follows:

~~12. Chapter 1A of ARB No. 43, paragraph 1, states that "Profit is deemed to be realized when a sale in the ordinary course of business is effected, unless the circumstances are such that the collection of the sale price is not reasonably assured." The Board reaffirms this statement; it believes that revenues~~ Revenue should ordinarily be accounted for at the time a transaction is completed, with appropriate provision for uncollectible accounts. Accordingly, it concludes that, in the absence of the circumstances FN8 referred to above, the installment method of recognizing revenue is not acceptable.

(3) How this change is reflected in the Codification:

(a) The amended ARB 43, Chapter 1A, paragraph 1 is included in the Revenue Recognition/Overall Subtopic.

c) Claims of subcontractors for terminated government contracts.

(1) Summary

(a) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

(2) Explanation of the proposed change as reflected in the Codification:

(a) The Board agreed to eliminate the special treatment afforded to claims of subcontractors included in ARB 43, Chapter 11C, "Government Contracts—Cost-Plus-Fixed-Fee Contracts," paragraphs 24–30 because it is outdated and believed not to be followed in practice and since subcontractor claims are addressed by paragraph 3.42 of the AICPA Audit and Accounting Guide, Federal Government Contractors (as of May 1, 2007), which requires application of FASB Statement No. 5, Accounting for Contingencies.

(b) Delete paragraphs 24 – 30 of ARB 43, Ch.11C:

~~24. The term subcontractor's claims as used in connection with terminated contracts refers to those obligations of a contractor to a subcontractor which arise from the subcontractor's costs incurred through transactions which were related to the contract terminated but did not result in the transfer of billable materials or services to the contractor before termination. Other obligations of a contractor to a subcontractor, arising through transactions by which materials or services of the subcontractor are furnished or supplied to the contractor, are considered to be liabilities incurred in the ordinary course of business and are not included in the term claims of subcontractors.~~

~~25. The termination articles provide that, following the termination of a contract, the contractor shall settle, with the approval or ratification of the contracting officer when necessary, all claims of subcontractors arising out of the termination; and that the contractor shall be paid, as part of his settlement, the cost of settling and paying claims arising out of the stoppage of work under subcontracts affected by the termination. While a contractor ordinarily is liable to his subcontractors or suppliers for such obligations, the amounts due them are an element in his termination claim and often are not paid to them until after his claim has been settled. He often has no control over the filing of subcontractors' claims and may not know their amount until some time after the termination date or even until some time after he has filed and received payment for his own claim.~~

~~26. The possibility that a contractor may suffer loss through failure to recover the amount of his liability on subcontractors' claims arises principally from overcommitments, errors in ordering, and similar causes. Provision should be made in his accounts for losses of this character which are known or believed to be probable.~~

~~27. Although the principle that liabilities may not be offset against assets in the financial statements is generally approved by accountants, there is no general agreement as to the accounting treatment to be accorded subcontractors' claims which are expected to be fully recoverable. To the extent that a subcontractor's claim is considered to be unrecoverable no difference of opinion exists; the liability should be recorded and provision made for any contemplated loss. The difference of opinion relates to those subcontractors' claims which are deemed to be fully recoverable.~~

~~28. Some accountants believe that the effect of the various acts and regulations is to establish a relationship between the claims of subcontractors and the resulting right of the contractor under his own termination claim which differs from an ordinary commercial relationship and justifies their omission from the accounts. Recoverable subcontractors' claims are thus said to be in the nature of contingent liabilities, which are customarily omitted from the accounts except where a loss is expected. Contingent liabilities may be disclosed in the financial statements without recording them as assets and liabilities, and even when they are recorded it is customary accounting practice to show them on the balance sheet as deductions from the related contingent assets so that no effect upon financial ratios and relationships results.~~

~~29. Other accountants believe that the nature of an obligation to a subcontractor is that of an ordinary liability, even though it may arise through the termination of a war or defense contract, and that the contractor's termination claim receivable, although related to the subcontractor's claim, is to be accounted for independently as an asset. This group believes that all subcontractors' claims, to the extent that they are reasonably ascertainable, should be recorded in the accounts and displayed in the contractor's balance sheet as current liabilities, and that the amounts recoverable by the contractor should be included in his termination claim receivable. To the extent that the amounts of subcontractors' claims are not reasonably determinable, disclosure by footnote or otherwise in the financial statements is believed to be adequate.~~

~~30. Because of the merits and prevalence of these alternative views, the committee expresses no preference for either treatment and considers either to be acceptable.~~

(3) How this change is reflected in the Codification:

(a) AICPA Audit and Accounting Guide, *Federal Government Contractors*, paragraph 3.42 is authored in the Contractors-Federal Government/Contract Costs Subtopic.

d) Claims Accounting for losses and combining contracts related to long-term construction-type contracts.

(1) Summary

(a) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

(2) Explanation of the proposed change as reflected in the Codification:

(a) Paragraphs 6 and 11 of ARB No. 45, *Long-Term Construction-Type Contracts*, provide guidance related to the accounting for losses and combining contracts for long-term construction type-contracts. The Board agreed to include the guidance for accounting for losses and combining contracts currently found in paragraphs 6 and 11 as a general principle applicable to both the percentage-of-completion method and the completed contract method to be authored together with the guidance in AICPA Statement of Position (SOP) 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*.

(b) Amend ARB 45, paragraph 6 to eliminate the redundancy with SOP 81-1, paragraph 85 as follows:

6. ~~When the current estimate of total contract costs indicates a loss, in most circumstances provision should be made for the loss on the entire contract.~~ If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for loss.

(c) Amend ARB 45, paragraph 11 as follows:

11. Although the completed-contract method does not permit the recording of any income prior to completion, provision should be made for expected losses. ~~in accordance with the well established practice of making provision for foreseeable losses. If there is a close relationship between profitable and unprofitable contracts, such as in the case of contracts which are parts of the same project, the group may be treated as a unit in determining the necessity for a provision for losses.~~

(3) How this change is reflected in the Codification:

(a) This guidance will be included in the Revenue Recognition/Construction-Type and Production-Type Contracts Subtopic.

e) Definition of proven and probable reserves for extractive industries

(1) Summary

(a) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

(2) Explanation of the proposed change as reflected in the Codification:

(a) The Board agreed to replace the definitions of proved and probable reserves found in FASB Statement No. 89, Financial Reporting and Changing Prices, with the definitions from SEC Industry Guide 7, included in EITF Issue No. 04-3, "Mining

Assets: Impairment and Business Combinations." Conforming the definitions eliminates the inconsistency with the definitions in SEC Industry Guide 7.

(b) Amend FAS 89, paragraph 44 as follows:

~~Proved~~ Proven reserves - ~~In extractive industries other than oil and gas, the estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical, and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved recovery methods.~~Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling, and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well-established.

Probable mineral reserves - ~~In extractive industries other than oil and gas, the estimated quantities of commercially recoverable reserves that are less well defined than proved.~~Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

(3) How this change is reflected in the Codification:

(a) The Topical Definitions Section of the Changing Prices Topic includes the amended definitions.

f) Use of the term retrospective for changes in estimates for real estate time-sharing transactions.

(1) Summary

(a) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

(2) Explanation of the proposed change as reflected in the Codification:

(a) The Board agreed to eliminate the use of the term retrospective in the context of accounting for a change in estimate in SOP 04-2, *Accounting for Real Estate Time-Sharing Transactions*, paragraphs 15, 41 and B-4 to be consistent with the accounting for a change in estimate under FASB Statement No. 154, *Accounting Changes and Error Corrections*.

(b) Amend SOP 04-2, paragraph 15 as follows:

A change in the delineation of a project or its phases that results from a significant change in facts and circumstances related to the project's development—for example, significant revisions in sales prices or discount programs, construction contract price or inflation changes, temporary construction delays, design changes, or a decision by the seller to increase significantly the proportion of luxury versus standard units in a project—should be accounted for as a change in accounting estimate ~~on a retrospective basis~~ in accordance with FASB Statement No.154, *Accounting Changes and Error Corrections*, using a current-period adjustment as discussed in paragraph .41 of this SOP. A change in the delineation of a project or its phases without a significant change in facts and circumstances related to the project's development should be accounted for as a change in the method of applying an accounting principle under FASB Statement No. 154, *Accounting Changes and Error Corrections* ~~Accounting Principles Board (APB) Opinion No. 20, Accounting Changes, that is, by a cumulative effect of a change in accounting principle.~~ An example of this latter change would be a decision to divide the same development of a project into more or fewer phases, which would be a change only in how the project is accounted for rather than a change in the nature (that is, the facts and circumstances) of the project itself.

(c) Amend SOP 04-2, paragraph 41 as follows:

The relative sales value method is similar to a "gross profit" method and is used to allocate inventory cost and determine cost of sales in conjunction with a sale. Under the relative sales value method, cost of sales is calculated as a percentage of net sales using a cost-of-sales percentage—the ratio of total estimated cost (including costs to complete, if any) to total estimated time-sharing revenue. At least quarterly, both estimates should be recalculated. fn 7 The estimate of total revenue (actual to-date plus expected future revenue) should incorporate factors such as incurred or estimated uncollectibles, changes in sales prices or sales mix, repossession of intervals that the seller may or may not be able to resell, effects of upgrade programs, and past or expected sales incentives to sell slow-moving inventory units. The cost-of-sales percentage should be similarly recalculated each time estimated revenue or cost is adjusted, using the new estimate of total revenue and total cost (including costs to complete, if any). The effects of changes in estimate should be accounted for in each period ~~on a retrospective basis~~ using a current-period adjustment, that is, the time-share seller should account for a change in estimate in the period of change so that the balance sheet at the end of the period of change and the accounting in subsequent periods are as they would have been if the revised estimates had been the original estimates. The effects of changes in estimate should be disclosed in accordance with paragraph 22 of FASB Statement No. 154 ~~33 of APB Opinion No. 20~~. See Appendix B [paragraph .68] for illustrations of the relative sales value method; Examples 2 and 4 of that appendix illustrate changes in estimate. The inventory balance reported in the balance sheet, plus estimated costs to complete that inventory, if any, represents a pool of costs that will be charged against future revenue.

(d) Amend SOP 04-2, paragraph B-4 as follows:

Estimates of future improvement costs should be reviewed at least quarterly. Changes in those estimates should be accounted for in the period of change by an amount necessary to record balance sheet accounts at the amounts they would have been recorded if the revised estimates had been the original estimates ~~applied on a retrospective basis~~. That is, if cost estimates are revised, the relationship of the costs incurred (from project inception to date) to the adjusted total estimated cost of the project should be recalculated for purposes of recognition of revenue and cost of sales for prior performance as well as for performance that takes place in future periods. If the adjusted total estimated cost of the project exceeds the total expected revenue, the total anticipated loss should be charged to income if it meets the criteria in paragraph 8 of FASB Statement No. 5, *Accounting for Contingencies*. If anticipated losses on time-sharing intervals sold are recognized, the seller should evaluate the unsold time-share intervals for impairment under FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

(3) How this change is reflected in the Codification:

(a) The Real-Estate Time Sharing Activities Topic includes the amended language in the following Subtopics:

(i) Accounting Changes and Error Corrections

(ii) Inventory

(iii) Revenue Recognition

(b) Any other references to retrospective used in this context will be revised to be consistent with FAS 154.

As indicated above, the FASB is addressing four of the issues raised at the July 18, 2007 Board meeting in two separate FSPs, as described below. When available, please refer to each FSP for details.

a) Not-for-Profit matters

i) The proposed FASB Staff Position, SOP 94-3 and AAG HCO-a, *Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations*, was released on September 27, 2007. The comment period ended November 30, 2007. The Board expects to issue a final document during the first quarter of 2008. The Appendix of the proposed FSP includes the proposed amendments to existing pronouncements. Please refer to the Appendix for details of the proposed changes, which include:

(1) Temporary control exception to consolidation of not-for-profit organizations.

(2) Leasing transactions by not-for-profit organizations involving special-purpose entity lessor.

(3) Other investments held by not-for-profit organizations.

ii) Upon completion of the FSP, the FASB will update the Codification.

b) Transfers of real estate in exchange for nonmonetary assets other than real estate

i) Summary

(1) Please refer to http://www.fasb.org/board_handouts/07-18-07.pdf for the Board Meeting Handout.

ii) Explanation of the proposed change:

(1) The Board agreed to issue an FSP to address the issues described below. However, the FASB has not yet issued the FSP for exposure. A preliminary summary of the July 18, 2007 Board decisions are included below. These descriptions are subject to modification when the FASB exposes the proposed FSP for comment, which is expected to be sometime during first or second quarter 2008.

(a) The Board agreed to eliminate the scope exception included in paragraph 3(c) of EITF Issue No. 01-2, “Interpretations of APB Opinion No. 29.” That scope exception excludes “transfers of real estate in exchange for nonmonetary assets **other than real estate** (the recognition of profit from the exchange is addressed in FASB Statement No. 66)…”

(b) The Board agreed that exchanges of real estate in exchange for nonmonetary assets other than real estate should be accounted for under APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, rather than under FASB Statement No. 66, *Accounting for Sales of Real Estate*, and would result in an immediate recognition of gain or loss in the amount of the difference in fair values because transactions of this nature would most likely always meet the commercial substance criteria under Opinion 29.

iii) The FASB has not yet exposed the FSP for comment; therefore, the potential changes are not yet included in the Codification.

Issues addressed without a Board meeting

As mentioned in the opening paragraph, the following issues were resolved through discussions with individual Board members.

a) Differences between GAAP and Regulatory Accounting Principles (RAP)

i) Summary of change reflected in the Codification:

(1) As indicated in the discussion under the headings titled Non-GAAP and Laws, Rules, and Regulations, the Codification will not include specific references to regulatory or statutory rules.

ii) Explanation of the proposed change as reflected in the Codification

(1) All text related to regulatory accounting matters was superseded.

iii) How this change is reflected in the Codification:

(1) Any content related to regulatory accounting matters was excluded from the Codification. For example, EITF Issue No. 85-44, "Differences between Loan Loss Allowances for GAAP and RAP," is excluded from the Codification.

b) Disclosure of Long-Term Obligations

i) Summary of change reflected in the Codification:

(1) FASB Statement No. 47, *Disclosure of Long-Term Obligations*, Appendix C, Examples 2 and 3: "Illustrations of the Application of this Statement to Common

Arrangements" are excluded from the Codification. The examples are deemed no longer technically necessary and have the potential to contradict the requirements of EITF Issue No. 01-08, "Determining Whether an Arrangement Contains a Lease," which was issued subsequent to the issuance of Statement No. 47.

ii) Explanation of the proposed change as reflected in the Codification:

(1) Delete Statement No. 47, Appendix C, Examples 2 and 3 as follows:

~~Example 2~~

~~27. C Company has entered into a throughput agreement with a natural gas pipeline providing that C will provide specified quantities of natural gas (representing a portion of capacity) for transportation through the pipeline each period while the debt used to finance the pipeline remains outstanding. The tariff approved by the Federal Energy Regulatory Commission contains two portions, a demand charge and a commodity charge. The demand charge is computed to cover debt service, depreciation, and certain expected expenses. The commodity charge is intended to cover other expenses and provide a return on the pipeline company's investment. C Company must pay the demand charge based on the contracted quantity regardless of actual quantities shipped, while the commodity charge is applied to actual quantities shipped. Accordingly, the demand charge multiplied by the contracted quantity represents a fixed and determinable payment.~~

~~28. C's disclosure might be as follows:~~

~~C Company has signed an agreement providing for the availability of needed pipeline transportation capacity through 1990. Under that agreement, the company must make specified minimum payments monthly. The aggregate amount of such required payments at December 31, 19X1 is as follows (in thousands):~~

~~19X2~~	~~$ 5,000~~
~~19X3~~	~~5,000~~
~~19X4~~	~~5,000~~
~~19X5~~	~~4,000~~
~~19X6~~	~~4,000~~
~~Later years~~	~~26,000~~
~~Total~~	~~49,000~~
~~Less: Amount representing interest~~	~~(9,000)~~
~~Total at present value~~	~~$40,000~~

~~In addition, the company is required to pay additional amounts depending on actual quantities shipped under the agreement. The company's total payments under the agreement were (in thousands) $6,000 in 19W9 and $5,500 both in 19X0 and in 19X1.~~

~~Example 3~~

~~29. A subsidiary of F Company has entered into a take-or-pay contract with an ammonia plant. F's subsidiary is obligated to purchase 50 percent of the planned capacity production of the plant each period while the debt used to finance the plant remains outstanding. The monthly payment equals the sum of 50 percent of raw material costs, operating expenses, depreciation, interest on the debt used to finance the plant, and a return on the owner's equity investment.~~

~~30. F's disclosure might be as follows:~~

~~To assure a long-term supply, one of the company's subsidiaries has contracted to purchase half the output of an ammonia plant through the year 2005 and to make minimum annual payments as follows, whether or not it is able to take delivery (in thousands):~~

~~19X2 through 19X6 ($6,000 per annum) $ 30,000~~

~~Later years 120,000~~

~~Total 150,000~~

~~Less: Amount representing interest (65,000)~~

~~Total at present value $ 85,000~~

~~In addition, the subsidiary must reimburse the owner of the plant for a proportional share of raw material costs and operating expenses of the plant. The subsidiary's total purchases under the agreement were (in thousands) $7,000, $7,100, and $7,200 in 19W9, 19X0, and 19X1, respectively.~~

iii) How the change is reflected in the Codification:

(1) Statement No. 47 is included in the Commitments/Overall Subtopic, and EITF Issue No. 01-8 is included in the Leases/Overall Subtopic. The deleted Statement No. 47 examples are excluded from the Codification.

c) Use of “highly correlated” in EITF Issue No. 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock"

i) Summary of change reflected in the Codification:

(1) The term “highly correlated” used in EITF Issue No. 02-14 will be revised to state “vary directly” rather than "be highly correlated" because, as EITF Issue No. 02-14 footnote 5 indicates, the term “be highly correlated” differs from the definition in FASB Statement No. 133, and the phrase "vary directly" is aimed at capturing the essence used in the Issue.

ii) Explanation of the proposed change as reflected in the Codification:

(1) Amend paragraph 7 as follows:

7. If an investment's subordination characteristics and risks and rewards of ownership are substantially similar to the common stock of the investee and the investment does not require the investee to transfer substantive value to the

investor in a manner in which the common shareholders do not participate similarly, then the investment is in-substance common stock. If the determination about whether the investment is substantially similar to common stock cannot be reached based solely on the evaluation under paragraph 6, the investor should also analyze whether the future changes in the fair value of the investment are expected to **vary directly** ~~**be highly correlated FN5**~~ with the changes in the fair value of the common stock. If the changes in the fair value of the investment are not expected to ~~**be highly correlated**~~ **vary directly** with the changes in the fair value of the common stock, then the investment is not in-substance common stock.

(2) Delete footnote 5 as follows:

~~**Footnote 5—The term "highly correlated" does not have the same meaning in this Issue as the one used in Statement 133 to evaluate hedge effectiveness. The FASB staff believes that the way in which the term is used in this Issue represents a higher level of correlation than the way in which it is used in Statement 133.**~~

(3) Amend Example 3, footnote 7 as follows:

Footnote 7—This comparison of fair values is different from the paragraph 7 evaluation that is performed (if necessary) to determine whether the future changes in fair value of the investment are expected to ~~**be highly correlated**~~ **vary directly** with the changes in the fair value of the entity's common stock.

(4) Amend Example 4, footnote 8 as follows:

Footnote 8—This comparison of fair values is different from the paragraph 7 evaluation that is performed (if necessary) to determine whether the future changes in fair value of the investment are expected to ~~**be highly correlated**~~ **vary directly** with the changes in the fair value of the entity's common stock.

iii) How this change is reflected in the Codification:

(1) EITF 02-14 paragraph 7 and footnotes 7 and 8 are included in the Investments – Equity Method and Joint Ventures / Overall Subtopic.

Going concern and subsequent events

At the September 19, 2007 FASB Board meeting, the Board decided to include going concern (liquidation basis of accounting) and the subsequent events projects in the Codification. The project will move the related content from audit literature to accounting literature. The FASB staff will include the draft Codification wording from the perspective of the preparer rather than the auditor.

In October 2008, the FASB issued proposed statements on Going Concern and Subsequent Events. The Board will redeliberate the requirements in response to comments received from constituents with the objective of issuing final standards (and related Codification Update Instructions) prior to the Codification becoming authoritative.

Appendix B—Project Background and Codification process

Project background

Events leading to the project

Authoritative U.S. GAAP is a proliferation of thousands of standards established by a variety of standard setters over the last 50-plus years. The standards lack a consistent and logical structure. Additionally, there has been an explosive increase in financial reporting guidance over the past 20 years compounding the difficulties encountered in using GAAP for those involved in financial reporting.

Constituents and the Financial Accounting Standards Advisory Council (FASAC) voiced their concern. In response to those concerns, the FASB launched a project to address the issues. The focus of the project was to codify and simplify authoritative GAAP. Among other things, the project aimed to:

a. Reduce the amount of time and effort required to solve an accounting research issue
b. Mitigate the risk of noncompliance with standards through improved usability of the literature
c. Provide accurate information with real-time updates as new standards are released
d. Assist the FASB with the research and convergence efforts required during the standard setting process
e. Become the authoritative source of literature for the completed XBRL taxonomy
f. Make clear that guidance not contained in the Codification is not considered to be authoritative.

Compelling reasons to pursue a Codification

There were three major reasons to pursue a Codification:

a. First, the vast majority of constituents believed that the current structure of GAAP is unwieldy, difficult to understand, and difficult to use. In addition, due to the dispersed nature of GAAP, constituents believed that they may be missing relevant literature when they perform research. They believed that it takes excessive levels of research to gain comfort that they have adequately researched an issue. The volume, complexity, and lack of integration made it difficult for professionals to stay up-to-date and to train staff. These issues increase financial reporting risks and create inefficiencies that lead to increased costs. The mission of the FASB is to improve the standards of financial accounting and reporting for issuers, auditors, and users of financial information. The FASB determined that it should take action to address the weaknesses in current authoritative GAAP literature. The Codification addresses numerous weaknesses.
b. Second, the Codification would simplify several aspects of the FASB's standard-setting process. Integrating all related literature into one location allows the FASB to more easily:
    i. Integrate the new conceptual framework when completed
    ii. Adopt a more principles-based or objectives-based model

iii. Identify differences and converge with standards issued by the IASB
iv. Identify all relevant guidance for new projects
v. Identify outdated literature for removal
vi. Identify internal inconsistencies between different pieces of literature that may address related matters.

c. Third, the disorganized state of authoritative U.S. GAAP literature is the result of fifty years of effort by multiple standard-setting entities. Each of these standard-setting entities issues, or has issued, sequential numbered standards with different sequencing and in different documents. With over two thousand such standards, the sequential numbering does not facilitate easy research or retrieval. Simply providing the text of standards in an electronic database also does not significantly ease retrieval. Instead, it forces constituents to locate guidance with text searches or browsing multiple documents. Designing a database with ease of retrieval in mind will significantly simplify and improve the efficacy of electronic research by constituents.

Project approval

In September 2004, the Trustees of the Financial Accounting Foundation approved the project.

Codification process

Planning

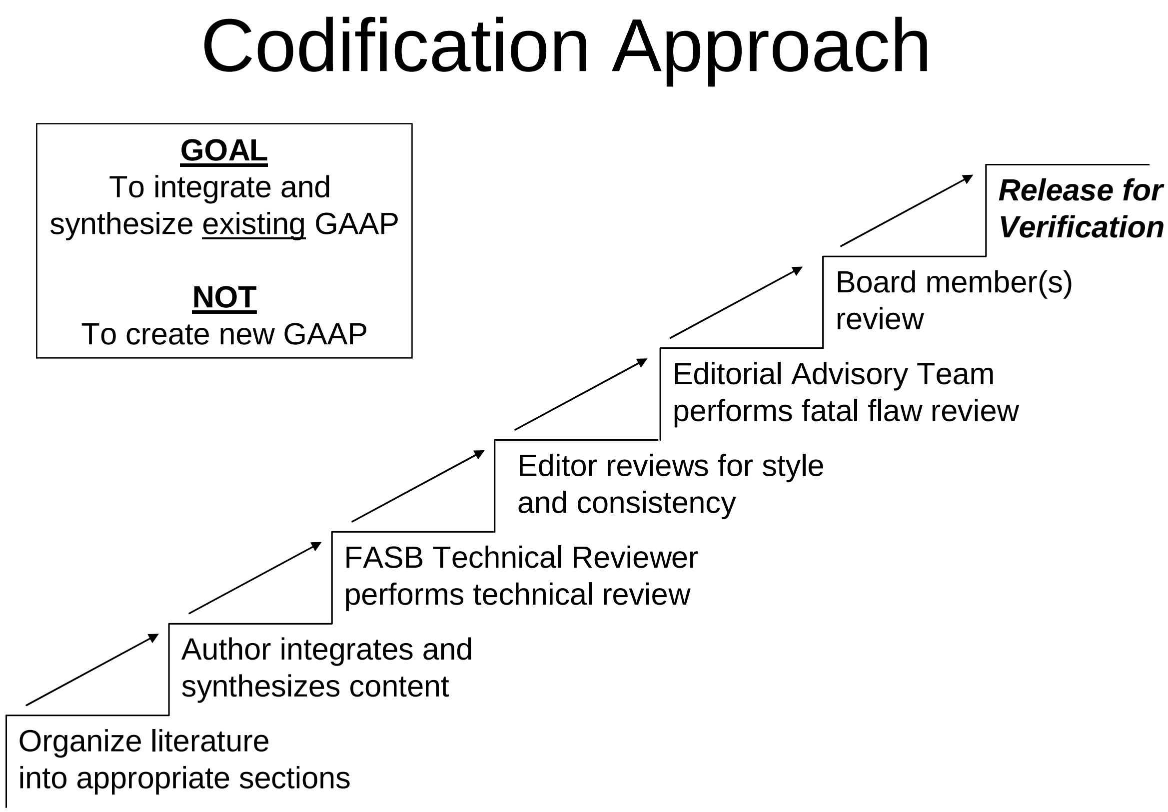
Initial design

The initial design phase started with the FASB's concept of codifying authoritative literature. Using that concept, the project team interviewed and surveyed numerous stakeholders. A survey about U.S. GAAP obtained over 1,400 respondents with the following results:

a. 80% believed U.S. GAAP is confusing.
b. 85% believed the required level of research is excessive.
c. 87% believed a Codification would make GAAP more understandable.
d. 96% believed a Codification would simplify retrieval when performing research.
e. 95% believed the FASB should pursue a Codification.

Using the various sources of feedback, the project architect developed a more detailed vision of the concept, including a proposed process, Topic structure, classification system, and estimated project costs and timing.

The following image was used to illustrate the major steps of the planned Codification process.



Prototype and Codification tracking system

After the FAF Trustees approved the proposed plan, a prototype Topic was developed and verified that the outcome met expectations and that the project estimates were reasonable. The prototype included all expected content for the Topic, including both SEC and non-SEC content.

During the prototype phase, the FASB evaluated the use of a plain-English format for the Codification. Pre-Codification standards contain a high level of passive voice. While the ideal plain-English format uses active voice, attempting to eliminate passive voice from existing standards would have been a huge undertaking and would have introduced a greater likelihood of unintentional changes to GAAP. While the FASB agreed to implement many plain-English standards in the Codification, an important decision was made to retain the content as close to the original format as possible, other than to include bridging language to weave disparate content into a cohesive whole.

During this phase, the FASB developed a more detailed structure for Topics, Subtopics, and Sections. The project team submitted the developed structure for constituent feedback, including responses from members of EITF, AcSEC, FEI, and others. The results of that feedback indicated that 97% of respondents believed the developed Topic structure was an improvement over existing GAAP.

After obtaining the feedback results, the project team engaged an outside system development firm to develop a Codification tracking system modeled according to the current standards and the topic structure. The system included mapping and authoring functionality, numerous controls, and various reports to manage and track the Codification process. The system housed the Topics and the thousands of standards, links, annotations, and escalation issues.

Research system

The scope of the project was to create the Codification and to develop an electronic end-user research and feedback system. The project team surveyed constituents to capture information about their current research requirements and their expected use over the coming five years. Following are some of the high-level results from the 3,200-plus respondents:

a. Over 90% expect to access the content electronically rather than by hard copy.
b. The primary navigation techniques requested by respondents are as follows, in order of priority:
    i. Browse by Topic
    ii. Search
    iii. Go To (quick access to a specific location).
c. Over 97% indicated that copy, paste, and print are important features.

Individuals and entities involved in the development of the Codification

The Codification project involved hundreds of individuals making it impossible to list each person. The level of involvement varied from individuals working full-time or part-time to those who reviewed individual Topics:

a. Core project team
    i. Project architect—responsible for overall design, integration, and related items
    ii. Project management—responsible for the administration and completion of the Codification and system development processes
    iii. Technical accounting reviewers—responsible for reviewing content assigned from standards to Topics, the structure of Topics, and related items
    iv. Editorial team—responsible for reviewing Codification content for style and consistency
    v. Production team—responsible for processing the content, evaluating completion points, and related items.
b. Codifiers—responsible for mapping content from standards or authoring Topics. Individuals retained on a consulting basis with the following backgrounds:
    i. Professional writers of accounting guidance
    ii. Partners and directors at professional service firms
    iii. Recently retired public accounting firm partners
    iv. University professors
    v. Recently retired chief financial officers and consultants.
c. Reviewers—responsible for reviewing the newly created Topic for technical accuracy:
    i. FASB Staff reviewers—FASB staff assigned by expertise to review individual Topics

   ii. Editorial Advisory Team reviewers—public accounting firms and members of various financial and accounting organizations with expertise in specific Topics
   iii. FASB Board—individual Board members responsible for reviewing assigned Topics.

d. Computer systems:
   i. Codification tracking system development firm—responsible for developing the Codification tracking system used to codify the content.
   ii. Application development firm—responsible for developing the content management, workflow, and web delivery applications
   iii. FAF Technology Staff—responsible for ensuring linkage between the FAF and the hosted environment.

Creation

The project team engaged a software firm to develop a Codification tracking system. This system housed all the content and provided a critical controlled environment to track the status of all open workflow tasks. The system provided persistent and comprehensive tracking to ensure that authors and reviewers could identify all changes to the literature throughout the process.

Below is a description of some steps in the process:

a. Premapping:
   i. As a system-based control mechanism, the Codification team classified sections of each standard with default settings as mappable or nonmappable. A codifier could subsequently change the default classification, but when doing so the change created a system alert and a management report indicating that the codifier used the content differently than expected.

b. Mapping:
   i. After populating the tracking system with all the as-amended content as discussed under the heading titled Population of codified standards {bold highlighted text to be linked}, the first step was to use the system to map (or assign) standard fragments (that is, paragraphs, sentences, tables, and so forth) to the relevant Subsection within the Codification structure. Individuals were assigned standards based on their expertise and were responsible for ensuring that all relevant fragments were mapped.
   ii. In the event that a codifier changed the default status of a fragment, a technical reviewer evaluated the system alerts. If the technical reviewer disagreed, then the item would revert to its default status. If the technical reviewer agreed, then the item advanced to the FASB staff for review to ensure the reasonableness of the content use or nonuse. For example, the default setting for the basis for conclusions was nonmappable. If a codifier determined it was important to use a particular paragraph from the basis, the system would generate an alert that the codifier used the content. If the technical reviewer agreed, then the FASB staff would review the paragraph. If all parties agreed, then the codifier would use the content in the manner requested.

iii. When mapping content, a codifier applied a filtering process to the content as follows:

1) If the content related solely to one industry Topic, the codifier mapped the content to that industry Topic.
2) If the content related to a broad Topic, the codifier mapped the content to that broad Topic.
3) If the content did not relate to an industry or broad Topic, the codifier mapped the content to a general presentation or financial statement Topic.

iv. Throughout the mapping process, the Codification team added defined terms to the Glossary Section. This happened for defined terms in the Glossary of a standard and for any defined terms in the body of a standard.

v. The team evaluated the effective date of content based on the designated December 31, 2008, effective date. Transition guidance related to fully effective standards was not included in the Codification.

vi. When a standard was completely mapped, a technical reviewer evaluated the mapping to determine the accuracy and appropriateness.

vii. The Topic author then reviewed the mapped content to ensure it was complete and included in the appropriate location.

c. Authoring

i. Following mapping approval, the author began to position the content in the Topic based on a previously prepared and approved outline. The author was then able to make necessary changes to the content, such as creating lists, modifying links, applying standard styles, and weaving content with bridging language. All such changes were marked in the tracking system.

d. Reviewing

i. Once the author completed the authoring process, the Topic advanced through various review steps. The reviewers obtained marked and clean versions of a Topic. The marked version identified all changes made to the content. The reviewer would provide review comments for the author. After each review, the author would assess the review comments and make appropriate changes. The review process continued through each of the review steps.

e. Converting

i. After the Topic successfully passed the various review steps, it then received a final review to ensure completion of various control steps. Once done, the Codification team moved the Topic into the content management system and added links and glossary terms.

Appendix C—Sequence numbers

Discussion of sequence numbers

The Cross-reference report and the Printer-friendly with sources web page both refer to sequence numbers.

As part of the Codification process, the content tracking system assigned sequence numbers to each object in a standard that was followed by a paragraph mark, including a single line of content, a paragraph heading, a paragraph, a table, and so forth. The sequence numbers for each standard began at the number 1 and increased in increments of 1. Once assigned, the sequence numbers represent the sequential or relative order of the original content from the beginning of the document. In some cases, such as early EITF Issues, standards do not contain paragraph numbers. Therefore, sequence numbers are the only gauge to measure relative position in such standards.

During the authoring process, Codification team members may have split content into smaller fragments for various reasons. For example, authors implemented a plain-English standard to create lists rather than retain the content in a sentence structure. Authors also split content based on the nature of the content. As the Codification team split content into two pieces, the system extended the sequence numbers with decimal places to indicate the relative position of each fragment after the split. The system added a decimal position for each split. Assuming that a paragraph was split once, the system would add ".1" to the resulting fragment before the split point and a ".2" to the resulting fragment after the split point. In many cases, the fragments can be lengthy for long lists. To illustrate the approach, assume that an author split a paragraph into three fragments and the original sequence number was 30.

a. After first split
    1) 30.1 (first fragment)
    2) 30.2 (second fragment)
b. To split the first fragment results in
    1) 30.1.1 (first fragment—first fragment of the original first fragment)
    2) 30.1.2 (second fragment—second fragment of the original first fragment)
    3) 30.2 (third fragment—previously the second fragment).