



# Accounting Standards Codification®

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## Notice to Constituents (v 4.4) About the Codification

# FASB Accounting Standards Codification®

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### About the Codification

**Notice to Constituent version numbers** - The Notice to Constituents contains a version number indicating the degree of change within a particular version. Versions ending with ".0" represent substantive changes to the text, whereas versions ending with a number other than zero represent editorial or clerical corrections.

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## **FASB Accounting Standards Codification®**

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

The FASB *Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied to nongovernmental entities. The Codification is effective for interim and annual periods ending after September 15, 2009. All previous level (a)-(d) US GAAP standards issued by a standard setter are superseded. Level (a)-(d) US GAAP refers to the previous accounting hierarchy. All other accounting literature not included in the Codification will be considered nonauthoritative. See Codification Topic 105, Generally Accepted Accounting Principles, for additional details.

The Codification is the result of a major 5-year project involving more than 200 people from multiple entities. The Codification structure is significantly different from the structure of previous standards. This Notice to Constituents provides information that will help in obtaining a good understanding of the Codification structure, content, style, and history.

## Codification Goals

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The FASB had three primary goals in developing the Codification:

1. Simplify user access by codifying all authoritative US GAAP in one spot.
2. Ensure that the codified content accurately represented authoritative US GAAP as of July 1, 2009.
3. Create a codification research system that is up to date for the released results of standard-setting activity.

Simplifying user access to all authoritative US GAAP required a structural overhaul that changed from a standards-based model (with thousands of individual standards) to a topically based model (with roughly 90 topics). As discussed in the section of this Notice titled [Content Matters](#), the authoritative version of the Codification released on July 1, 2009, includes all level (a)-(d) US GAAP standards issued by a standard setter. The Codification does not codify nonauthoritative US GAAP such as practice, textbooks, articles, and other similar content.

Codifying the vast amount of previous standards was a combination of art and science. As a means of ensuring that the codified content accurately represents standards as of July 1, 2009, the FASB instituted several levels of review and also used a monitoring system to track all activity. However, as discussed at a meeting of the FASB, combining disparate standards into a codified format introduces the possibility of unintentional changes. The Board believes that the level of unintentional changes will be limited, but the FASB staff will evaluate any such assertions by users and advise the Board as necessary.

In addition to developing the Codification, the FASB developed the *FASB Accounting Standards Codification*<sup>®</sup> Research System (Codification Research System) to streamline the research process. The FASB's intent is to update the Codification Research System concurrent with the release of the results of standard-setting activities (Accounting Standards Updates as discussed later in this Notice) to ensure that users have the benefit of the most current content.

Among other things, the Codification is expected to:

1. Reduce the amount of time and effort required to solve an accounting research issue
2. Mitigate the risk of noncompliance through improved usability of the literature
3. Provide accurate information with real-time updates as Accounting Standards Updates are released
4. Assist the FASB with the research and convergence efforts.

## Codification Research System

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As mentioned previously, the FASB developed the *FASB Accounting Standards Codification*<sup>®</sup> Research System (Codification Research System) to streamline the research process. The Codification Research System has numerous features to assist subscribers with research, and the home page includes a link to an online 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 researching the thousands of previous standards. The FASB suggests the following steps when conducting research:

1. Browse the topical structure and related tables of contents. Because all related content is organized topically, users should be able to identify most content by topical browsing. Based on direct feedback, more than ninety percent of users responded that they know the topic that they need to research.
2. Subscribers should use the text search feature only for very specific items (for example, guidance about inducements). Text search is based on specific language. Deviations from a selected search expression will lead to certain relevant content being excluded from search results. The Codification Research System does incorporate certain tools to help overcome the issue, but searching will always be constrained.

## Content Matters

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### Population of codified standards as of July 1, 2009

#### Standards issued by standard setters other than the SEC

The Codification includes all authoritative literature (defined as level (a)–(d) US GAAP of the previous US GAAP hierarchy) issued by a standard setter. It does not include standards for state and local governments. The source of the standards was 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, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, is an amendment of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, so the content of Statement 149 is included through the as-amended version of Statement 133.

As of July 1, 2009, the Codification was composed of the following literature issued by various standard setters:

1. Financial Accounting Standards Board (FASB)
  - a. Statements (FAS)
  - b. Interpretations (FIN)
  - c. Technical Bulletins (FTB)
  - d. Staff Positions (FSP)
  - e. Staff Implementation Guides (Q&A)
  - f. Statement No. 138 Examples.
2. Emerging Issues Task Force (EITF)
  - a. Abstracts
  - b. Topic D.
3. Derivative Implementation Group (DIG) Issues
4. Accounting Principles Board (APB) Opinions
5. Accounting Research Bulletins (ARB)
6. Accounting Interpretations (AIN)
7. American Institute of Certified Public Accountants (AICPA)
  - a. Statements of Position (SOP)
  - b. Audit and Accounting Guides (AAG)—only incremental accounting guidance
  - c. Practice Bulletins (PB), including the Notices to Practitioners elevated to Practice Bulletin status by Practice Bulletin 1
  - d. 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:

1. Regulation S-X (SX)
2. Financial Reporting Releases (FRR)/Accounting Series Releases (ASR)
3. Interpretive Releases (IR)
4. SEC Staff guidance in:
  - a. Staff Accounting Bulletins (SAB)
  - b. 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 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 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 in accordance with the SEC's normal procedures for making changes to SEC rules, regulations, interpretive releases, and staff guidance. The SEC's normal update procedures are not changed by the inclusion of SEC content in the Codification, and, accordingly, there may be delays between the release of the SEC's 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. Furthermore, the content labeled as 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, please use the content feedback feature of the online Codification Research System to submit your comments.

## Essential and nonessential content

Standards documents before July 1, 2009, typically contained two classes of content:

1. Essential standards and implementation guidance
2. Nonessential material.

The goal of the Codification was to capture and codify the essential standards and implementation guidance as of July 1, 2009. 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 was located in the document summary, basis for conclusions, and similar appendixes. In almost all cases, when a standard was amended, the standard setter did not amend nonessential content when it amended the related standard, so the nonessential content became outdated.

In some cases, certain content from the standards section of a standard was deemed nonessential and, therefore, the Codification excludes such content. In other cases, the basis for conclusions or similar appendixes contained content deemed useful to understanding the standard, and, therefore, the Codification includes that content. Users can identify the essential material and the sources of such information with either the Printer-Friendly with Sources or the Cross Reference report described in the following section.

## Cross-referencing between standards and the Codification

The Codification includes a Cross Reference report that allows users to identify where previous standards reside in the Codification, or the standards contained in a specific location in the Codification. The report displays a detailed list of all content included in the Codification together with the specific location(s) within the Codification.

1. If the Cross Reference report lists the source of the content, then the FASB deemed the content as authoritative material for purposes of the Codification.
2. If the Cross Reference report does not list the source of the content from existing authoritative literature, then the FASB deemed it as superseded or nonessential. Although, in a limited number of cases, the source for authoritative content does not appear because the FASB replaced the content with content from other standards. Refer to [Appendix C](#) for a list of content previously considered level A GAAP that the FASB replaced with other content.

For each piece of standards content used in the Codification, the Cross Reference report includes the following information:

1. *Standards*. Standard type, number, paragraph, and sequence number. See Appendix B for a discussion of sequence numbers.
2. *Codification*. Topic, Subtopic, Section, and paragraph.

## Grandfathered content excluded from the Codification as of July 1, 2009

### General

The authoritative release of the Codification as of July 1, 2009 excludes grandfathered material. Users need to access the relevant standards for such grandfathered items. See the items below and Codification Section 105-10-70 for a discussion of grandfathered material.

### Business Combinations

Topic 805, Business Combinations, was created using only FASB Statement No. 141(R), *Business Combinations (revised)*, and related content. It excluded content from FASB Statement No. 141, *Business Combinations*, and related standards. To maintain a consistent presentation, Topic 805 presents all content as pending content even though some content applies to business combinations before the effective date of Statement 141(R). See Codification paragraph 805-10-65-1 for the effective date. Accordingly, for business combinations applicable before the effective date in Codification paragraph 805-10-65-1, users need to access Statement 141 and any other relevant standards.

### Income Taxes

The FASB used December 31, 2008, as the target effective date for purposes of authoring the Codification. FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, was originally effective for fiscal years beginning after December 31, 2006. As a result, the Codification included Interpretation 48 and its related amendments and excluded certain content that was superseded by Interpretation 48. After the original issuance of Interpretation 48, the FASB issued three FASB Staff Positions to defer the effective date for certain nonpublic entities. The FASB issued FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, that extends the effective date for fiscal years beginning after December 31, 2008. As a result, the Codification excludes content that was amended or superseded by FIN 48. Accordingly, nonpublic entities electing the deferral must access FASB Statement No. 109, *Accounting for Income Taxes*, and related standards that existed before the issuance of Interpretation 48. See Codification paragraph 740-10-65-1 for additional details.

### Pensions

As indicated in Codification paragraph 715-20-65-1, during the Codification process, the FASB issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, and FASB Staff Position No. FAS 158-1, *Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides*. Because those standards were effective beginning in 2006, the amended content was integrated into the Codification. However, the transition period had various phases such that different aspects were effective at different times. As a result of the extended effective date, Topic 715 (Compensation—Retirement Benefits) excludes pre-Statement 158 literature that may be applicable to certain entities.

## **Transition guidance for first-time adopters of US GAAP**

The Codification eliminates transition guidance for all guidance that is fully effective as of December 31, 2008. However, entities that need to apply US 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.

## **Non-GAAP**

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

1. Other Comprehensive Basis of Accounting (OCBOA)
2. Cash Basis
3. Income Tax Basis
4. Regulatory Accounting Principles (RAP).

## **Governmental accounting standards**

The Codification does not include governmental accounting standards.

## **Audit guidance**

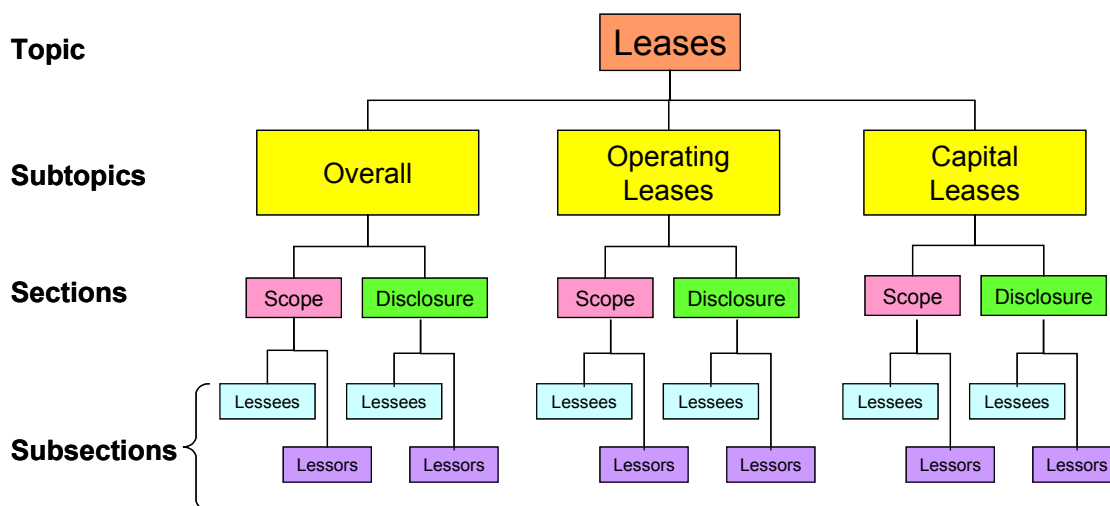
The Codification eliminated references to audit guidance.

## Structure and Style Matters

### Topical structure

#### Illustration of the hierarchy

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



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

### 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 (IASB).

The Topics reside in five main areas as follows:

1. General Principles (Topic Codes 105–199). These Topics relate to broad conceptual matters. Topics include Generally Accepted Accounting Principles.
2. 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.
3. Financial Statement Accounts (Topic Codes 305–799). 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.
4. 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.
5. Industry (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 following approach was applied for placing content into the Codification Topics:

1. First filter—Industry content. If a piece of content related solely to a single industry, the content was placed in that particular industry.
2. Second filter—Broad transaction content. If a piece of content did not relate to a single industry and it related to a broad transaction, the content was placed in that broad transaction.
3. For all other content that did not meet the industry or broad transaction filters, the content was authored in a general Topic.

One of the goals of the Codification was to eliminate redundant content, which can result in user confusion and is difficult to maintain over time. Instead of proliferating redundancy by including general guidance in the Industry Topics, Industry Topics only contain 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:

1. Agriculture—Receivables is 905-310.
2. Agriculture—Inventory is 905-330.

For additional details, see the discussion under the heading titled [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. If there is no content for a Section then the Section will not display. 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 Financial Reporting 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	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	Grandfathered Guidance
XXX-YY-75	XBRL Elements

The following is a description of the Sections:

XXX-YY-00      Status

This Section includes references to the Accounting Standards Updates that affect the Subtopic. For example, the Section includes information similar to the following:

1. Paragraph 310-10-25-6 added by Accounting Standards Update 2010-003.
2. Paragraph 360-10-35-7 modified by Accounting Standards Update 2009-002.
3. Paragraph 810-10-50-3 superseded by Accounting Standards Update 2009-023.

XXX-YY-05      Overview and Background

This Section provides a general overview and background on 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 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

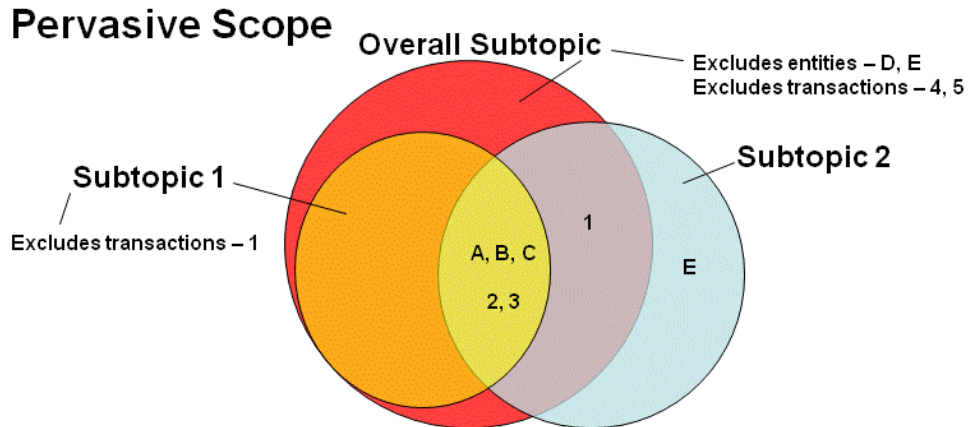
This Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. It does not contain actual accounting or reporting guidance (for example, subsequent measurement).

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:



**SUBTOPIC 1**  
Same as Overall with exceptions:

Transactions exclude:  
1

---

**Net effect—scope for Subtopic 1**  
Entities include:

A  
B  
C

Entities exclude:  
D  
E

Transactions include:  
2  
3

Transactions exclude:  
1  
4  
5

**PERVASIVE SCOPE**

Entities include:  
A  
B  
C

Entities exclude:  
D  
E

Transactions include:  
1  
2  
3

Transactions exclude:  
4  
5

**SUBTOPIC 2**

Same as Overall with exceptions:

Entities include:  
E

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**Net effect—scope for Subtopic 2**  
Entities include:

A  
B  
C  
E

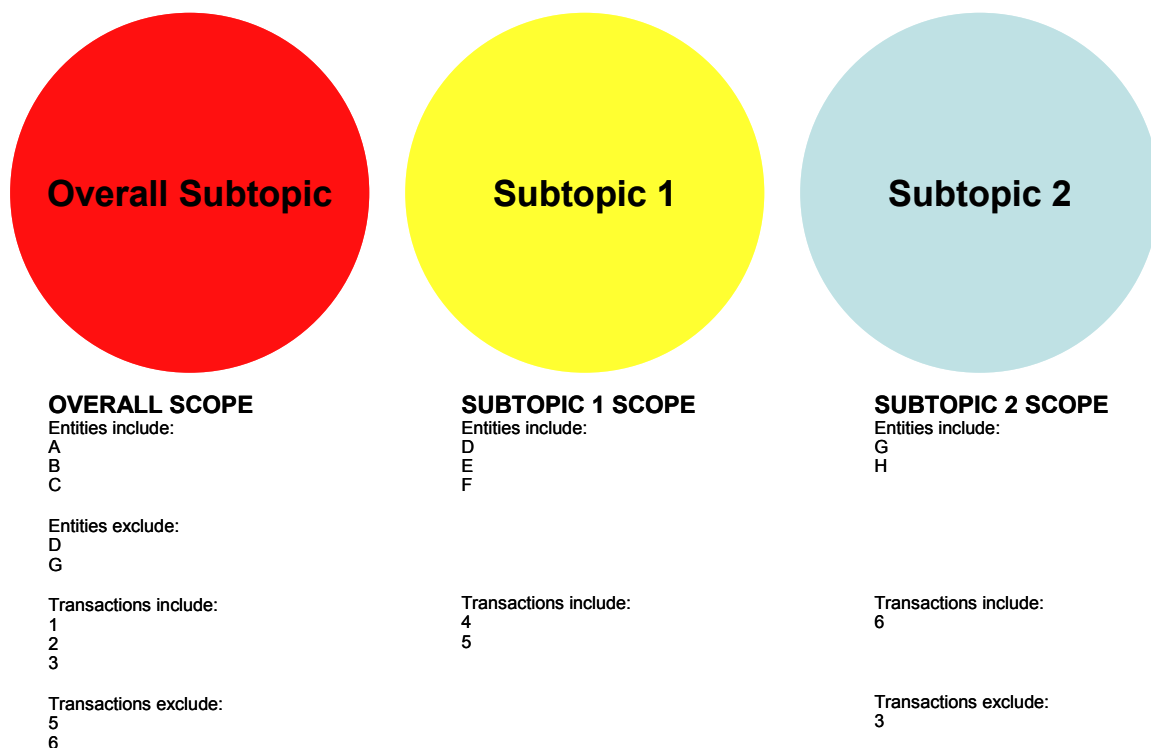
Entities exclude:  
D

Transactions include:  
1  
2  
3

Transactions exclude:  
4  
5

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 [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 derived from definitional text embedded in the original standard.

The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

**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 method to determine the amount of basis, 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 the object of the other Topic or 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 before 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 Grandfathered Guidance

This Section contains descriptions, references, and transition periods for content grandfathered after July 1, 2009, by an Accounting Standards Update. See Codification Section 105-10-70 and the grandfathered content section of this Notice for more information about grandfathered materials.

## XXX-YY-75 XBRL Elements

This Section contains the related XBRL Elements for the Subtopic.

## 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, and some Observer comments have been edited for appropriate context. The other SEC Sections contain links to the relevant content within the S99-SEC Materials Sections.

The Codification Research System will display the SEC content in separate Section following non-SEC content.

## Subsections

Subsections are a further segregation of a Section and, except for the General Subsection, 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 (see 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:

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

## Paragraphs

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 and Scope Exceptions (Section)

840-10-50 = Disclosure (Section)

840-20 = Operating Leases (Subtopic)

840-20-15 = Scope and Scope Exceptions (Section)

840-20-50 = Disclosure (Section)

840-30 = Capital Leases (Subtopic)

840-30-15 = Scope and Scope Exceptions (Section)

840-30-50 = Disclosure (Section)

## Referencing the Codification in footnotes and other documents

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

### Broad references in footnotes

While the FASB does not provide guidance in how specific requirements of GAAP are referred to in footnotes of financial statements, it notes that prior to the issuance of the Codification it was not unusual for footnotes to refer to specific standard numbers (for example, "as required by Statement 133). Since these references are no longer the source of GAAP, such references will change. The FASB encourages the use of plain English to describe broad Topic references in the future. For example, to refer to the requirements of the Derivatives and Hedging Topic, we suggest a reference similar to "as required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification."

## Detailed references in other documents

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 the Codification:

1. FASB ASC {Codification reference}, for example:
  - a. Topics—FASB ASC Topic 310 [, Receivables]
  - b. Subtopics—FASB ASC Subtopic 310-10 [, Receivables – Overall]
  - c. Sections—FASB ASC Section 310-10-15 [, Receivables – Overall – Scope]
  - d. Paragraph—FASB ASC paragraph 310-10-15-2
  - e. Subparagraph—FASB ASC subparagraph 310-10-15-2(a).

## Content-related structure and style matters

### Intersecting content

As noted in the industry discussion under the heading titled [Topics](#), Industry Subtopics mirror the general 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, Codification Topic 330 represents Inventory and Codification Topic 905 represents the Agriculture Industry.

As noted above, industry content resides in the Industry Topic. Therefore, Codification Subtopic 905-330 represents the Inventory Subtopic of the Agriculture Industry. When browsing Codification Topic 330, users will see Subtopic 905—Agriculture. That represents an intersection link to the content in Codification Subtopic 905-330.

In the case of 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 Codification Subtopic 905-330 (Agriculture/Inventory) must be cognizant of the scopes for Codification Topic 905 (Agriculture) and Codification Topic 330 (Inventory).

### Editorial standards, style, and other matters

#### *Modular writing*

The Codification was authored using 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, navigation or bridging language is used to help set any necessary context.

**Entity vs. other forms**

Standards before July 1, 2009 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.

**Bold type to emphasize principles**

The FASB is working directly with the 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 Statement 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 specific content.

The Codification contains bold text for principles contained in major standards released by the FASB, starting with Statement 141(R). The standards issued after Statement 141(R) represent a small portion of Codification content. Therefore, as of July 1, 2009, the majority of principles in the Codification are not bolded.

**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 eliminated such terminology when used to qualify a requirement.



### **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. The Codification incorporated the text of relevant footnotes of from pre-July 1, 2009 standards 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 is observable using the Cross Reference report that displays sequence numbers with extensive splitting noted by decimal places.

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

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

1. include
2. include the following
3. include, but are not limited to
4. 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. The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic.

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. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

## **Use of [Not used]**

Before the July 1, 2009 authoritative release of the Codification, content was modified as a result of feedback and new standards. In many cases, those modifications deleted a paragraph or subparagraph. Because the deletions related to pre-July 1 activity, they appear as [Not used] in the body of the Codification. Beginning July 1, all such deletions will indicate that the paragraph or subparagraph is superseded by a specific Accounting Standards Update.

## **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.

## **Related Party Disclosures Topic**

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

## **Fair Value Measurement Topic**

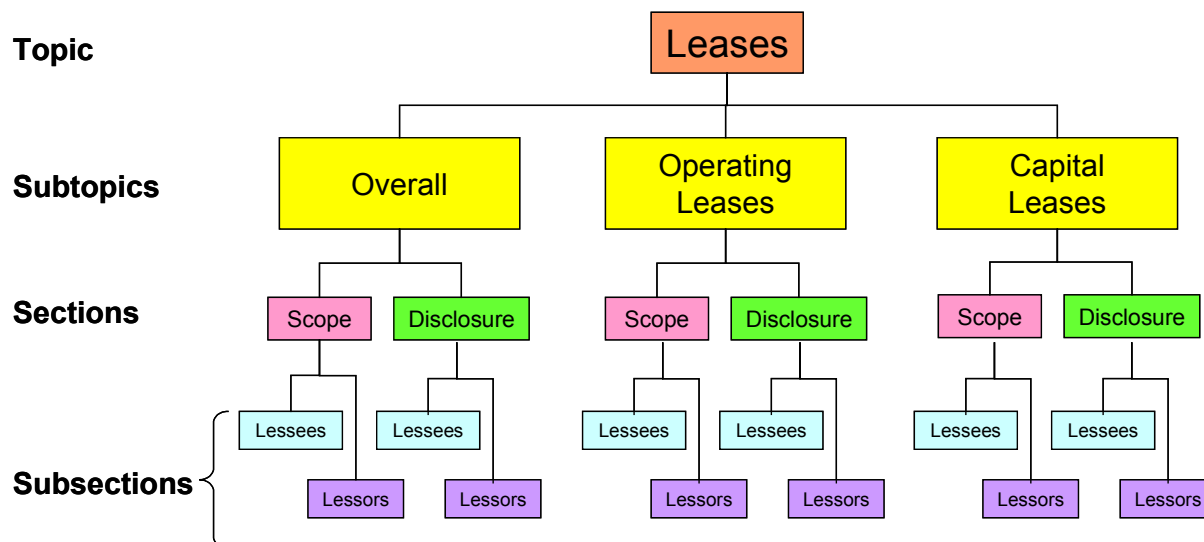
The source of the Fair Value Measurement Topic is primarily FASB Statement No. 157, *Fair Value Measurements*.

Statement 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 Questions and Answers, and AICPA literature. Therefore, fair value guidance from those sources of literature may not properly reflect the effect of Statement 157. As of July 1, 2009, the FASB has a project in process to identify all such literature. When the FASB completes that project, it will update the Codification to reflect any necessary amendments.

## Codification Research System

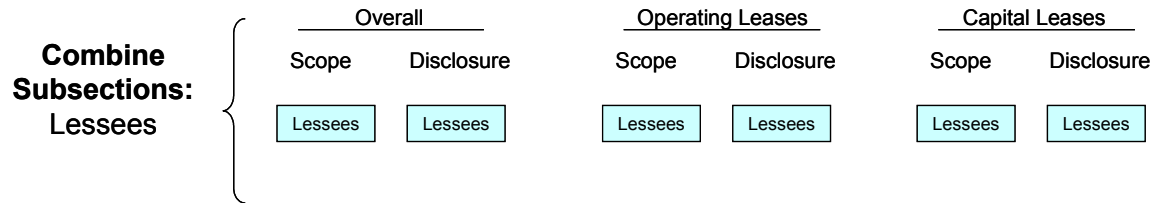
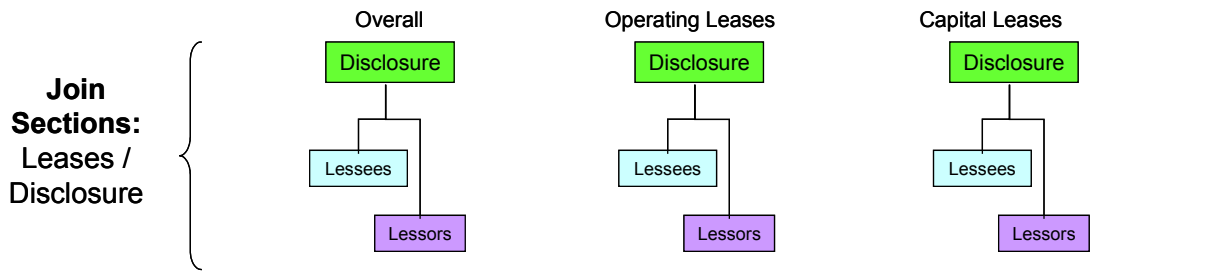
### Joining and combining content

The Leases Topic figure provides a visual illustration of two features available to subscribers of the 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.

By using consistent Sections, subscribers can access functions within the Codification Research System to combine similar types of content. For example, in the Codification Research System, subscribers can combine all Disclosure Sections for a Topic without the need to access each individual Subtopic. In fact, the functionality of the system enables subscribers to produce a comprehensive listing of all authoritative US GAAP disclosures by Topic.



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

In a similar fashion, as indicated in the discussion under the heading titled [Subsections](#), the system allows subscribers to combine Subsections. Unlike the Join Section feature, the Combine Subsection feature combines the Subsections on the basis of the Subsection title.

## General Codification matters

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### 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. See Codification Topic 105 for a discussion of materiality.

### Use of standards by analogy

In many cases, entities apply accounting literature by analogy. Some previous standards (for example, EITF Abstracts) 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 FASB 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:

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.

In cases where the above text was not included, users must be aware that the FASB does not take responsibility for the current state of such items.

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

## Ongoing standard-setting process

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### Effective date and superseded standards

With the issuance of FASB Statement No. 168, *The FASB Accounting Standards Codification<sup>®</sup> and the Hierarchy of Generally Accepted Accounting Principles*, the FASB approved the Codification as the source of authoritative US GAAP for non-governmental entities for interim and annual periods ending after September 15, 2009. The Codification supersedes all existing non-SEC standards. The Codification Research System will include the superseded standards for archive purposes.

### Ongoing standard-setting process

The results of the ongoing standard-setting activity will be an Accounting Standards Update composed of the background and basis for conclusions together with an appendix of Accounting Standards Update Instructions. The title of the combined set will be Accounting Standards Update YYYY-XX, where YYYY is the year issued and XX is the sequential number for each Accounting Standards Update with that year. For example, the combined numbers would be 2009-01, 2009-02, and so forth. All authoritative US 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). Accounting Standards Updates also will be issued for amendments to the SEC content in the Codification.

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

The FASB does not consider new Accounting Standards Updates as authoritative in their own right and will not amend Accounting Standards Updates. Instead, the Accounting Standards Updates serve only to provide background information about the issue, update the Codification, and provide the basis for conclusions on changes in the Codification. An Accounting Standards Update is a transient document to initiate the Board's process of creating Accounting Standards Update Instructions. The Accounting Standards Update Instructions will be the source used to update the Codification and the instructions will be available on the website. The FASB will update the Codification Research System and release a new Accounting Standards Update concurrently.

## Pending Content

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 for all entities. During that period, the Codification Research System will emphasize the newly amended paragraph as Pending Content and will provide a link to the related transition guidance. The intent of the Pending Content boxes is to provide users with information about how a paragraph will change when new guidance becomes authoritative. When an amended paragraph is fully effective, the outdated guidance will be removed from the paragraph and the amended paragraph will remain without the Pending Content box.

Given different fiscal year ends, the Pending Content boxes must remain in the system for a period of time sufficient for all entities to obtain the authoritative guidance that applies to their circumstances. After that period of time, the original content is removed and the Pending Content no longer appears as pending. The model to be applied when calculating the "roll-off" date is as follows:

The expected roll-off date should be six months following the latest fiscal year end that an "extreme entity" (that is, an entity who adopts at the latest possible date allowed by the transition) could have applied the **original** requirements.

- a. Assume an Accounting Standards Update has an effective date for **fiscal years beginning after** November 15, 20X1. This would result in the latest fiscal year end that an "extreme entity" could have applied the **original** requirements as beginning on November 15, 20X1 and ending November 14, 20X2.
- b. Applying this model would result in a roll-off date of May 14, 20X3.

Note: The purpose of the six month period is to allow sufficient time for an entity to be aware of the change during its financial statement preparation and audit processes and to access the content without the need to use the archive feature. In the event that an entity does not complete its financial statements within six months, the entity can still access the previous content using the Codification archive feature.

## Maintenance Updates

While the intent is to produce error-free content, any publishing process inadvertently may have irregularities. To accommodate the immediate nature of the necessary corrections, the FASB issues Maintenance Updates. These documents are prepared by the FASB staff and are not addressed by the Board. Maintenance Updates provide nonsubstantive corrections to the Codification, such as editorial corrections, link-related changes, and source fragment information changes (used for Cross Reference and the Printer-Friendly with Sources). Maintenance Updates appear on the Codification website under Other Sources.

## Feedback

The FASB asks for constituent feedback on the Codification system and content. The 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 a change to the Codification, the revision will be made in an Accounting Standards Update.

As discussed in the [Codification Goals](#) section of this Notice, the FASB staff will evaluate feedback and consult with the Board as necessary.

The FASB requests the following types of feedback:

1. Overall, non-content-related matters. Please use the feedback link on the home page. In particular, we would like feedback that addresses Codification Research System functionality and performance.
2. Content-related matters. 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:
  - a. Fatal errors of any type
  - b. Questions about or concerns with US GAAP requirements.



## **XBRL (eXtensible Business Reporting Language)**

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### **Background**

The U.S. GAAP Financial Reporting Taxonomy (UGT) is a list of computer-readable tags in XBRL that allows companies to tag precisely the thousands of pieces of financial data that are included in typical long-form financial statements and related footnote disclosures. The tags allow computers to automatically search for, assemble, and process data so it can be readily accessed and analyzed by investors, analysts, journalists, and regulators. The Annual Release UGT (the SEC-adopted version of the UGT) is required in the creation of XBRL interactive data filings (i.e., XBRL-formatted financial statements) submitted to the SEC.

The FASB and XBRL US, the nonprofit consortium for XML business reporting standards, announced in August 2009 that they had completed the work to revise the UGT to reflect the Codification that was released on July 1, 2009. The FASB had created an XBRL project team that worked closely with the XBRL US team to release the new Codification taxonomy. The FASB's XBRL project team reviewed the authoritative references in the taxonomy and added the related Codification references. Before this project, the taxonomy only had references to the accounting literature that predated the Codification. This new taxonomy allowed public companies using the UGT to link directly from the taxonomy to the specific Codification reference as posted on FASB's Codification website. When the FASB took over the maintenance of the UGT in February 2010, the FASB incorporated the Codification references into the 2011 UGT, which it issued in January 2011.

Until May 2011, the Codification contained links from the 2009 Annual Release UGT to the Codification paragraphs and glossary terms the elements referenced. The links from the elements to the Codification references could be seen in Section 75, XBRL Elements. In May 2011, the FASB linked the Development UGT to the Codification. The Development UGT resides in a work-in-process environment where the FASB continually updates the taxonomy and exposes it for review and comment throughout the year as part of its responsibility to maintain the UGT. The Development UGT automatically updates the Codification links in Section 75, for changes made in the taxonomy. The changes to the Development UGT are a result of accounting standard updates, common reporting practices, as well as other changes to the taxonomy. Any changes to an element's standard label or Codification references will be reflected in Section 75.

As the Codification and the Development UGT are constantly evolving, the Development UGT elements and references may not be consistent with the Annual Release UGT, which is static. These differences are identified in the Development UGT with modification date labels and can be used to cross-check against the Annual Release.

### **Section 75, XBRL Elements**

If there are any links from the XBRL elements in the Annual Release UGT or Development UGT to the guidance found in a Codification Subtopic, they are listed in the Subtopic's Section 75. Any links from the XBRL elements to the SEC guidance in a Subtopic are listed in the Subtopic's Section S75, also titled, XBRL Elements.

**It is important to note that a particular Section 75 or Section S75 will only list those elements for which a Codification reference is provided.**

There are a variety of reasons why an element may not have a Codification reference to a Subtopic while still being related to a particular Codification Subtopic. Examples of elements that may not have references to the Codification are common reporting practices that operationalize the reporting requirements of GAAP. An element created for common reporting practices may not have a Codification reference because it is not specifically required by the guidance in the Codification yet it could be related to a particular Subtopic in the Codification.

If a Subtopic contains both Sections 75 and S75, navigating to *either* Section within the Codification Research System (the System) will take you to a webpage that contains the content of *both* Sections. On such webpages, the SEC Section content will be shown in its entirety below all the FASB section content, in a box having a black "Securities and Exchange Commission (SEC)" header.

In Section 75, each XBRL element's listing includes:

- A Standard Label for the element (for example, "Allowance for Doubtful Accounts Receivable")
- The Element's name (for example, *AllowanceForDoubtfulAccountsReceivable*)
- Citations of all paragraphs and glossary terms in the subtopic that are referenced by the element.
- Citations of any paragraphs and/or glossary terms in other subtopics that are referenced by the element.

Within the System, each paragraph citation or glossary term citation in an XBRL element's listing is a link that you can click to navigate to cited paragraph or glossary term.

There is no change history for the links from the Annual Release or Development UGT to the Codification. However, for the Development UGT a "Change Date" and "Change Label" are included on new, revised, or deprecated elements that indicate when an element was modified and the nature of the change since the last Annual Release UGT.

## Codification Paragraphs

To determine whether or not a specific paragraph or term is referenced by any elements in the Development UGT when you are browsing paragraph-level content or Section 20 glossary terms look for an "XBRL ELEMENTS" link at the end of the paragraph or term. If present, it will be displayed immediately to the left of the "SUBMIT FEEDBACK" link. The presence of an "XBRL ELEMENTS" link indicates that there is at least one XBRL element that references the paragraph/term. The absence of such a link indicates that there are no XBRL elements that reference that paragraph/term.

To view a list of the XBRL elements that link to a specific paragraph/term, click the "XBRL ELEMENTS" link. A box labeled "XBRL elements that reference this paragraph" will be displayed at the end of the paragraph/term.

The XBRL elements that are listed in the box are grouped according to the granularity of their references. Elements that reference a paragraph as a whole are grouped together, while elements

that reference individual subparagraphs are grouped by the subparagraph that they reference. Within each group, elements are listed in alphabetical order.

Each element label listed in the box is a link to the information related to the element found in Section 75 of that Subtopic.

## **Appendix A—Project Background and Codification Process**

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### **Project background**

#### **Events leading to the project**

Before the Codification, authoritative US GAAP was a proliferation of thousands of standards established by a variety of standard setters over the last 50-plus years. The standards lacked a consistent and logical structure. Additionally, in the 20 years leading up to the Codification, there had been an explosive increase in financial reporting guidance compounding the difficulties in using US GAAP.

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 US GAAP. Among other things, the project aimed to:

1. Reduce the amount of time and effort required to solve an accounting research issue
2. Mitigate the risk of noncompliance with standards through improved usability of the literature
3. Provide accurate information with real-time updates as new standards are released
4. Assist the FASB with the research and convergence efforts required during the standard-setting process
5. Become the authoritative source of literature for the completed XBRL taxonomy
6. 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:

1. First, the vast majority of constituents believed that the then-current structure of US GAAP was unwieldy, difficult to understand, and difficult to use. In addition, due to the dispersed nature of US GAAP, constituents believed that they may have missed relevant literature when they performed research. They believed that it took excessive levels of research to gain comfort that they had 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 previous authoritative US GAAP literature. The Codification addresses many of those weaknesses.
2. 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:
  - a. Integrate the new conceptual framework when completed

- b. Adopt a more principles-based or objectives-based model
  - c. Identify differences and converge FASB and IASB standards
  - d. Identify all relevant guidance for new projects
  - e. Identify outdated literature for removal
  - f. Identify internal inconsistencies between different pieces of literature that may address related matters.
3. Third, the disorganized state of authoritative US GAAP literature before the Codification was the result of 50+ years of effort by multiple standard-setting entities. Each of these standard-setting entities issued numbered standards with different sequencing and in different documents. With more than 2,000 such standards, the sequential numbering did not facilitate easy research or retrieval. Simply providing the text of standards in an electronic database also would not significantly ease retrieval. Instead, it would force constituents to locate guidance with text searches or by browsing multiple documents. Designing a database with ease of retrieval in mind significantly simplifies and improves the efficiency 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***

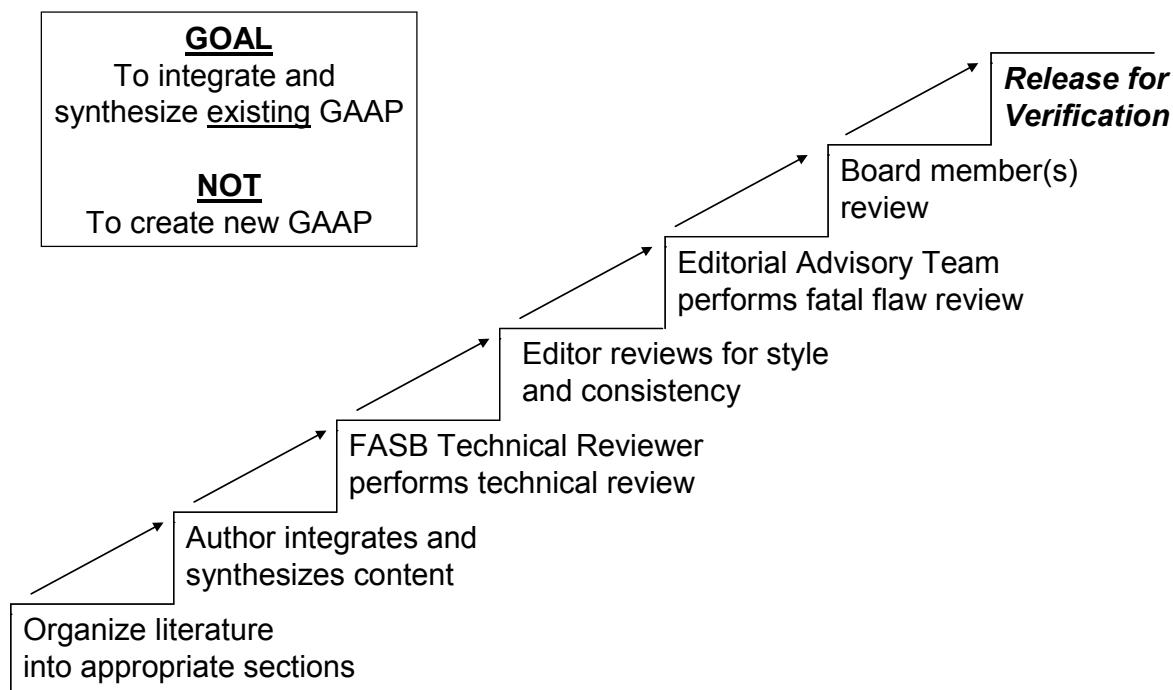
The initial design phase started with the FASB's concept of codifying authoritative literature. Using that concept, the project team interviewed and surveyed numerous stakeholders. A survey about US GAAP obtained more than 1,400 respondents with the following results:

1. 80% believed US GAAP is confusing.
2. 85% believed the required level of research is excessive.
3. 87% believed a Codification would make US GAAP more understandable.
4. 96% believed a Codification would simplify retrieval when performing research.
5. 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.

## Codification Approach



### ***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 contained a high level of passive voice. While the ideal plain-English format uses active voice, attempting to eliminate passive voice from then-existing standards would have been a huge undertaking and would have introduced a greater likelihood of unintentional changes to US 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 US 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 previous 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 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:

1. Over 90% expect to access the content electronically rather than by hard copy.
2. The primary navigation techniques requested by respondents are as follows, in order of priority:
  - a. Browse by Topic
  - b. Search
  - c. Go To (quick access to a specific location).
3. 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:

1. Core project team:
  - a. The overall design and development of the FASB Accounting Standards Codification and the Codification Research System, as released on July 1, 2009, was directed by [Thomas Hoey & Associates, LLC](#), including:
    - i. Project architecture—responsible for overall design, integration, and related items
    - ii. Project management—responsible for the administration of the Codification and system development processes
  - b. Technical accounting reviewers—responsible for reviewing content assigned from standards to Topics, the structure of Topics, and related items
  - c. Editorial team—responsible for reviewing Codification content for style and consistency
  - d. Production team—responsible for processing the content, evaluating completion points, and related items.
2. Codifiers—responsible for mapping content from standards or authoring Topics. Individuals retained on a consulting basis with the following backgrounds:
  - a. Professional writers of accounting guidance
  - b. Partners and directors at professional service firms
  - c. Recently retired public accounting firm partners
  - d. University professors
  - e. Recently retired chief financial officers and consultants.

3. Reviewers—responsible for reviewing the newly created Topic for technical accuracy:
  - a. FASB staff reviewers—FASB staff assigned by expertise to review individual Topics
  - b. Editorial Advisory Team reviewers—public accounting firms and members of various financial and accounting organizations with expertise in specific Topics
  - c. FASB Board—individual Board members responsible for reviewing assigned Topics.
4. Computer systems:
  - a. Codification tracking system development firm—responsible for developing the Codification tracking system used to codify the content
  - b. Application development firm—responsible for developing the content management, workflow, and web delivery applications
  - c. 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:

1. Premapping:
 

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.
2. Mapping:
  - a. After populating the tracking system with all the as-amended content as discussed under the heading titled [Population of codified standards as of July 1, 2009](#), 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 on the basis of their expertise and were responsible for ensuring that all relevant fragments were mapped.
  - b. 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.

- c. 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.
- d. 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.
- e. The team evaluated the effective date of content on the basis of the designated December 31, 2008 effective date. Transition guidance related to fully effective standards was not included in the Codification.
- f. When a standard was completely mapped, a technical reviewer evaluated the mapping to determine the accuracy and appropriateness.
- g. The Topic author then reviewed the mapped content to ensure it was complete and included in the appropriate location.

### 3. Authoring:

Following mapping approval, the author began to position the content in the Topic on the basis of 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.

### 4. Reviewing:

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.

### 5. Converting:

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.

## Verification

The FASB provided constituents with a one-year period between January 15, 2008 and January 15, 2009 to verify that the Codification accurately reflected then-current standards. The primary goals of the verification period were to acquaint constituents with the new structure and to obtain feedback on 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.

Before becoming authoritative, Codification content changed on the basis of new standards and user feedback. The FASB asked constituents to use the Codification during the verification period when performing research, with the understanding that the content would not be authoritative until approved.

The Codification Research System allowed users to verify whether the content accurately represented then-existing standards and to provide feedback using the Codification feedback feature.

The verification period differed from an Exposure Draft because, unlike an Exposure Draft, the content in the Codification as of July 1, 2009 was a reconfiguration of then-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 captured the requirements. While the FASB recognizes that different people will have different preferences about 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 did not accurately reflect then-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.

## Appendix B—Sequence numbers

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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 on the basis of 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.

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

## Appendix C— Replacement of Standard Language

During the codification process, the codifiers identified cases where certain content (from another location in the same standard or from another standard) was more "codification-ready" than the text of the original standard. In those cases, the codifiers may have replaced the text of the original standard with the "replacement text." Such replacement text was redundant with the original text, but varied slightly. In some cases, the replacement text was from the standards section and in other cases from the basis for conclusions. It was somewhat common for text of previous level A GAAP to replace content of level B-D GAAP because level A took precedence as the highest category of GAAP. Before any replacement occurred, the content was reviewed and approved by FASB staff. As indicated elsewhere in this Notice, the replacement text also was reviewed by multiple reviewers.

While much less common, codifiers also replaced original text of level A GAAP. The table below presents cases of replacement text related to FASB Statements (level A GAAP).

Original Text		Replacement Text		
FAS	Paragraph	Standard	Paragraph	Sequence
6	8	ARB 43	Ch. 3A Par. 7	
6	9	ARB 43	Ch. 3A Par. 8	
13	14	FAS 13	12	
13	15	FTB 85-3	2	
13	18	FAS 13	17	
13	19	FTB 85-3	2	
16	11	FAS 16	10	
19	12	FAS 19	28	
35	16	FAS 35	280	474-475
35	19	FAS 35	280	482-483
52	6	FAS 52	80	
52	6	FAS 52	81	
52	8	FAS 52	39	
52	15	FAS 52	162	
52	29	FAS 52	12	
52	30	FAS 133	45	
60	9	FAS 60	13	58
60	10	FAS 60	4	54.2.1
60	17	FAS 60	9	
60	18	FAS 60	60(d)	
60	28	FAS 60	66	
60	29	FAS 60	11	
60	33	FAS 60	60(e)	
65	15	FAS 65	15	63.4
66	37	EITF 06-08	7	
87	7	FAS 106	8	
87	11	FAS 87	264	
87	16	FAS 87	20	
87	26	FAS 132R	5	

Original Text		Replacement Text		
87	29	FAS 106	518	
87	33	FAS 132R	5	
87	36	FAS 106	44b	
87	54	FAS 132R	5 and 8	
87	56	FAS 132R	7-Jun	
87	57	FAS 87	61	
87	61	FAS 87	57	
87	63	SOP 99-3	34	
87	64	FAS 106	105	
87	65	FAS 132R	11	
87	66	FAS 132R	107	
87	67	FAS 106	518	
87	68	FAS 106	81	
87	69	FAS 132R	12	
87	70	FAS 132R	13	
87	72	FAS 106	85	
87	74A	AAG HCO(2008)	10.21	
87	74B	FAS 106	103B	
88	5	FAS 87	264	
88	9	FAS 87	29	
88	11	QA 88	45	
91	23	FAS 13	18b	
95	3	FAS 102	6	
95	6	FAS 95	32	
95	25	FAS 52	12	
97	28	FAS 60	50	
106	9	APB12	6A	
106	16	FAS 106	518	
106	21	FAS 106	518	
106	22	FAS 106	46	
106	36	FAS 106	518	
106	43	FAS 106	411-412	
106	43	QA 106	18	46.2.1
106	47	FAS 106	22	
106	51	FAS 106	449	
106	56	FAS 106	518	
106	60	FAS 132	5o	
106	67	FAS 106	518	
106	79	FAS 106	518	
106	80	FAS 106	518	
106	83	FAS 132R	13	
106	86	FAS 87	74	169.1.1.2
106	90	FAS 88	3	
106	101	FAS 88	15	
106	104	FAS 106	518	
106	103A	FAS 87	74A	
106	103A	AAG HCO(2008)	10.21	
106	103D	FAS 87	74D	
110	4	FAS 35	11	54.1.2.2.2.2
110	4	FAS 35	12	57.1

Original Text		Replacement Text	
112	6	FAS 43	6
112	6	FAS 5	8
115	16	FSP FAS 115-1 and FAS 124-1	7 FN2
116	5	FAS 116	209
116	5	FAS 116	182
116	6	FAS 116	209
116	7	FAS 116	209
116	11	FAS 116	209
123R	36	FAS 123R	10
128	42	FAS 128	44
131	9	FAS 126	3
131	25	FAS 131	26,27,32,33
132R	6	FAS 132R	5
133	6	FAS 133	57(c)(1) first sentence
133	6	FAS 133	10(i)
133	28	FAS 133	20
133	29	FAS 133	21
141R	3	FAS 157	5
141R	3	FAS 142	F1
141R	3	ARB 51	B1
141R	3	ARB 51	B1
144	27	FAS 144	41
159	6	FAS 159	540
159	6	FAS 159	540
159	18	APB 18	20