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THE INNER ACCOUNTANT/UNCHAINED

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Avi Lev is a very smart tax lawyer I work with a lot at my firm. He recently pointed out that, effective July 1, there is a new codification of accounting opinions. This sounds dry, but for those who work in this area, it is a phenomenal endeavor. These are the rules that regulate the reporting of most financial activity, and they have previously been scattered and disunited in their presentation. As Avi reports:

I often joke that although I enjoy my job as a tax lawyer, deep inside me there is an accountant just dying to get out. To the delight of my inner accountant, the Financial Accounting Standards Board has just adopted a "Codification" of accounting standards, effective next Wednesday on July 1, 2009.

Although the Codification does not purport to change GAAP (except for eliminating a few minor inconsistencies), it organizes the (literally thousands) of GAAP pronouncements from FASB, EITF and AICPA into a single reference, which FASB will now keep updated in "real time." The Codification also cross-references SEC guidance, organized in the same topical outline. Effective July 1, the Codification will be (except for guidance issued by the SEC) the only source of authoritative U.S. GAAP; all other literature will be non-authoritative.

What this means to us:

1.) To the extent we have factual issues over whether a particular accounting method is GAAP compliant, we now have a single, updated reference to research.

2.) To the extent we issue contracts or other documents that cite FASB, EITF or AICPA authority, those citations are now outdated and should be changed to cite the Accounting Standards Codification (ASC) instead. For example, FIN 48 (relating to deferred tax assets and liabilities) is now FASB ASC 704-10-05 et seq.

You can access the Codification for free by signing up with FASB at asc.fasb.org.

Avi, thanks.

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