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GAAP

Interpretation and Application of
GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES

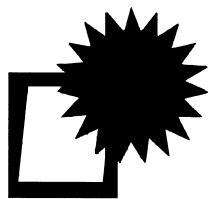
With updates
to Revenue
Recognition,
Leases, and an
online Presentation
and Disclosure
Checklist

Joanne M. Flood

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PREFACE

Wiley GAAP 2018: Interpretation and Application provides analytical explanations, copious illustrations, and nearly 300 examples of all current generally accepted accounting principles. The book integrates principles promulgated by the FASB in its *Accounting Standards Codification*.™ *Wiley GAAP* is organized to align fully with the structure of the FASB Codification. Each chapter begins with a list of the Subtopics included within the Topic, scope and scope exceptions, technical alerts of any FASB Updates, and an overview of the Topic. The remainder of each chapter contains a detailed discussion of the concepts and practical examples and illustrations. This organization facilitates the primary objective of the book—to assist financial statement preparers and practitioners in resolving the myriad practical problems faced in applying GAAP.

Hundreds of meaningful, realistic examples guide users in the application of GAAP to the complex fact situations that must be dealt with in the real world practice of accounting. In addition to this emphasis, a major strength of the book is that it explains the theory of GAAP in sufficient detail to serve as a valuable adjunct to accounting textbooks. Much more than merely a reiteration of currently promulgated GAAP, it provides the user with the underlying conceptual bases for the rules. It facilitates the process of reasoning by analogy that is so necessary in dealing with the complicated, fast-changing world of commercial arrangements and transaction structures. It is based on the author's belief that proper application of GAAP demands an understanding of the logical underpinnings of all its technical requirements.

As a bonus, a comprehensive presentation and disclosure checklist, available online to all *Wiley GAAP* purchasers, offers practical guidance on preparing financial statements for commercial entities in accordance with GAAP. For easy reference and research, the checklist also follows the order of the codification. Go to www.wiley.com/go/GAAP2018 (password: Flood).

The following FASB Accounting Standards Updates were issued since *Wiley GAAP 2017* and through May 2017. Their requirements are incorporated into this edition of *Wiley GAAP*, as/and where appropriate, and/or in the Technical Alert section at the beginning of the topic referenced in the ASU title.

- ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*
- ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*
- ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*
- ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*
- ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
- ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are Under Common Control*
- ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of the Emerging Issues Task Force)*
- ASU 2016-19, *Technical Corrections and Improvements*

Preface

- ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*
- ASU 2017-02, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*
- ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings*
- ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test of Impairment*
- ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*
- ASU 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plans Master Trust Reporting (A Consensus of the Emerging Issues Task Force)*
- ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*
- ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*
- ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*
- ASU 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services (A Consensus of the Emerging Issues Task Force)*

Significant accounting changes are on the horizon. In the next year, the FASB is expected to make strides on the following major projects and others:

- Consolidations
- Nonemployee Share-based Payments
- Financial Instruments—Hedging
- Disclosure Framework

Readers are encouraged to check the FASB website for status updates to the above and other FASB projects.

In response to the 2011 report of the Blue Ribbon Panel on Standard Setting for Private Companies, the FASB created the Private Company Council. The FASB issued a framework for the FASB and the PCC to use in determining whether alternatives to existing and proposed U.S. GAAP are warranted for private companies. Since 2013, FASB has issued five ASUs that are consensuses of the PCC.

The author's wish is that this book will serve preparers, practitioners, faculty, and students as a reliable reference tool to facilitate their understanding of, and ability to apply, the complexities of the authoritative literature.

Joanne M. Flood
January 2017

ABOUT THE AUTHOR

Joanne M. Flood, CPA, is an author and independent consultant on accounting and auditing technical topics and e-learning. She has experience as an auditor in both an international firm and a local firm and worked as a senior manager in the AICPA's Professional Development group. She received her MBA Summa Cum Laude in Accounting from Adelphi University and her bachelor's degree in English from Molloy College.

While in public accounting, Joanne worked on major clients in retail, manufacturing, and finance and on small business clients in construction, manufacturing, and professional services. At the AICPA, she developed and wrote e-learning, text, and instructor-led training courses on U.S. and international standards. She also produced training materials in a wide variety of media, including print, video, and audio, and pioneered the AICPA's e-learning product line. Joanne resides on Long Island, New York, with her daughter, Elizabeth. Joanne is the author of the following Wiley publications:

Financial Disclosure Checklist

Wiley GAAP 2018: Interpretation and Application of Generally Accepted Accounting Principles

Wiley Practitioner's Guide to GAAS 2018: Covering all SASs, SSAEs, SSARSs, and Interpretations

Wiley GAAP: Financial Statement Disclosures Manual (Wiley Regulatory Reporting)

Wiley Revenue Recognition

And the following AICPA online and live CPE programs:

Audit Staff Essentials, Level 1—New Hire

Audit Staff Essentials, Level 2—Experienced Staff

Audit Staff Essentials, Level 3—Audit Senior/In-Charge

CODIFICATION TAXONOMY

<i>Topic # and title</i>		<i>Subtopic # and title</i>	
I. General Principles and Objectives			
105	Generally Accepted Accounting Principles	105-10	Overall
II. Overall Financial Reporting, Presentation, and Display Matters			
A. Overall Presentation of Financial Statements			
205	Presentation of Financial Statements	205-10	Overall
		205-20	Discontinued Operations
		205-30	Liquidation Basis of Accounting
		205-40	Going Concern
210	Balance Sheet	210-10	Overall
		210-20	Offsetting
215	Statement of Shareholders' Equity	215-10	Overall
220	Comprehensive Income	220-10	Overall
225	Income Statement	225-10	Overall
		225-20	Unusual or Infrequently Occurring Items
		225-30	Business Interruption Insurance
230	Statement of Cash Flows	230-10	Overall
235	Notes to Financial Statements	235-10	Overall
B. Various Financial Reporting, Presentation, and Display Matters			
250	Accounting Changes and Error Corrections	250-10	Overall
255	Changing Prices	255-10	Overall
260	Earnings Per Share	260-10	Overall
270	Interim Reporting	270-10	Overall
		270-40	Income Taxes
272	Limited Liability Entities	272-10	Overall
274	Personal Financial Statements	274-10	Overall
275	Risks and Uncertainties	275-10	Overall
280	Segment Reporting	280-10	Overall
III. Transaction-Related Topics			
A. Financial Statement Accounts			
305	Cash and Cash Equivalents	305-10	Overall
310	Receivables	310-10	Overall
		310-20	Nonrefundable Fees and Other Costs
		310-30	Loans and Debt Securities Acquired with Deteriorated Credit Quality
		310-40	Troubled Debt Restructurings by Creditors
320	Investments—Debt and Equity Securities	320-10	Overall
321	Investments—Equity Securities	321-10	Overall

Codification Taxonomy

<u>Topic # and title</u>	<u>Subtopic # and title</u>
323 Investments—Equity Method and Joint Ventures	323-10 Overall
	323-30 Partnerships, Joint Ventures, and Limited Liability Entities
325 Investments—Other	325-10 Overall
	325-20 Cost Method Investments
	325-30 Investments in Insurance Contracts
	325-40 Beneficial Interests in Securitized Financial Assets
330 Inventory	330-10 Overall
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	350-20 Goodwill
	350-30 General Intangibles Other Than Goodwill
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	470-40 Product Financing Arrangements
	470-50 Modifications and Extinguishments
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