



APRIL 2008 PCPS BRIEF

A Standards Update

For the last several months, practitioners have undoubtedly been devoting a great deal of their energies to the demands of busy season. To keep PCPS members up to speed on recent standard-setting events, this Brief will offer a succinct overview of important developments in two areas and discuss what they mean to small practitioners.

The FASB Codification

Practitioners frequently point to standards overload as a major challenge for their firms. While understanding and applying an expanding array of new pronouncements can be a daunting task, research itself is also a time-consuming activity given the wide number of sources and forms of guidance.

To address that problem, the Financial Accounting Standards Board has issued the *FASB Accounting Standards Codification*. This new online resource arranges all of the U.S. generally accepted accounting principles pronouncements into about 90 accounting topics in order to cut down on the time and effort involved in research. The Codification includes thousands of pronouncements from many different standard setters, including the FASB as well as the AICPA's Accounting Standards Executive Committee, the Emerging Issues Task Force and the Securities and Exchange Commission. And CPAs have the opportunity to comment on the Codification before it is finalized.

The Codification will affect practitioners, preparers, financial statement users, academics and students studying for the CPA exam. According to the FASB, it is expected that the Codification will:

- Minimize the time and effort required for accounting research.
- Make the literature easier to use, thereby encouraging compliance.
- Make it possible to provide real-time updates when new standards are issued.
- Help the FASB with its own research and convergence efforts.
- Represent the authoritative source of literature for the completed XBRL taxonomy.

The Codification does not represent a change or addition to U.S. GAAP. The point, instead, is simply to make the literature more accessible.

What it means for small practitioners. PCPS members are encouraged to review the Codification before it becomes final and let the FASB know their comments. The FASB is providing a one-year verification period, asking users to confirm that the Codification accurately reflects existing GAAP and to offer their feedback on this resource. The online Codification Research System is available free during the verification phase. To register to review the Codification, go to <http://email.aicpa.org/cgi-bin15/DM/y/hbyp0So1ui0FWW0hiw0EJ>. The FASB has also created tutorials that give an overview of the project and describe how to locate content and offer feedback. They can be found at <http://email.aicpa.org/cgi-bin15/DM/y/hbyp0So1ui0FWW0jv80EV>.

Ethics Concerns

In its proposed Interpretation 101-17, the AICPA Professional Ethics Executive Committee sets out potential rules on how networks and network firms should be defined. During the comment period on this exposure draft, PEEC received several letters questioning whether it was appropriate to establish that the use of a common brand name alone qualified a firm as a network firm. Many smaller practices are members of CPA firm associations. They benefit from the shared resources that these associations offer, but still remain independent of each other. Some of those who commented on the proposals suggested that indicating on the firm letterhead that the practice is independently owned should be sufficient to establish independence from the overall association—and exempt the firm from some of the proposed requirements for network firms. If this option is not available, there is some concern that firms may no longer join associations for fear of jeopardizing their independence. (See the [comment letters received](#).)

What small firms need to know. At its most recent meeting, PEEC members agreed to continued consideration of the issue. Jim Metzler, AICPA Vice President—Small Firm Interests, has attended PEEC meetings and offered the small firm perspective on the network firm question, as well as other issues. In particular, he has emphasized the importance of member education efforts, including appropriate guidance that clearly explains the interpretation and its intentions. The PCPS Executive Committee and the PCPS Technical Issues Committee have also issued a joint comment letter on the proposal and will continue to monitor developments in this area.

Learn more about [ethics issues](#).

Keep Current with TIC

The PCPS Technical Issues Committee (TIC) monitors all standard setting developments that could affect PCPS member firms and provides comments explaining the effect that proposed guidance might have on practitioners and their private company clients. In the award-winning *TIC Alert*, the committee synthesizes proposed and new standards and describes their potential impact. For more information on TIC activities, click to access the [TIC Alert](#).

A special PCPS member benefit to join the Tax Section's May 1st Teleconference on Stock Options and Restricted Stock

The Tax Section will hold its first teleconference entitled, "Stock Options and Restricted Stock: The Basics and Beyond" on May 1st from 2:00 pm ET until 3:30 pm ET. Members of the Tax, PFP and PCPS sections may participate for free without obtaining CPE. Register [here](#).

For those interested in obtaining 1 ½ hours of CPE (at the full price of \$59.95) or the discounted rate of \$44, enter [coupon code TAX](#).

You may post your questions before and during the teleconference to stocktelecon@aicpa.org.

Eddie Adkins, CPA from Grant Thornton, LLP and Judy Thorp, CPA from SMART Business Advisory and Consulting, LLP will discuss the tax treatment of stock options and restricted stock. Drawing on years of employee benefits tax consulting experience and interaction with clients in public practice and business & industry, Eddie and Judy will use practical examples to provide participants with the basic tax treatment for both stock options and restricted stock, and will also present select advanced issues.

On May 1, 2008 you'll:

- Obtain knowledge regarding the basic taxation of stock options and restricted stock
- Learn about some advanced issues as well
- Understand how stock options and restricted stock affect the income tax liability of executives

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