

## How to Use This Manual

Banks and savings and loans face particular challenges in their financial management and operations. There are general accounting and auditing standards to which they must adhere, as well as a wide range of standards that apply specifically to banks. And these standards come from a wide range of public and private agencies. In effect, the standards influence the successful financial performance of the institution. The pronouncements of some of the agencies carry the authority of law, while other pronouncements are generally accepted standards and guidelines of the accounting profession.

The challenge for the institution's financial officer is staying current with the extensive number of releases from both the public and private agencies. However, doing so is necessary as it contributes directly to the improved financial reporting and management of the institution. This is where the *Bank Accounting and Auditing Service* comes in. The service is a centralized source of the existing, new, and proposed accounting guidelines and auditing standards that affect banks and savings and loans. The service abstracts releases from the following agencies:

- Financial Accounting Standards Board (FASB)
- American Institute of Certified Public Accountants (AICPA)
- Office of the Comptroller of the Currency (OCC)
- Federal Deposit Insurance Corporation (FDIC)
- Federal Reserve System (Fed)
- Office of Thrift Supervision (OTS)
- Securities and Exchange Commission (SEC)
- International Accounting Standards Board (IASB)

When the governing authorities and bodies revise existing requirements or issue new proposals or requirements, we make sure to incorporate a summary and analysis into the manual. Thus, the service begins as a comprehensive, one-stop reference for accounting and auditing requirements for financial institutions and remains so over the course of your subscription. In this way, the service provides the ongoing analysis and interpretation of standards critical to an institution's financial performance.

### ORGANIZATION OF THE SERVICE

The *Bank Accounting and Auditing Service* includes both a manual and CD. The CD provides several ways to access electronically the summaries of the accounting standards included in the service:

- By issuer

- By date of issuance
- In a single pdf file

Thus, you can narrow your search for relevant guidance on the basis of the issuing agency or the age of the issuance, or you can search the entire contents of the manual via the pdf file. Understanding how to conduct keyword searches and how to use the find function will enhance your ability to locate the information you need.

Meanwhile, the manual is organized primarily by issuer. There are tabs for each of the following agencies:

- FASB
- AICPA
- Federal Agencies
- SEC
- IASB

In addition, a final tab is reserved for proposed rules, regulations, and standards. Once a proposed rule is finalized, it is incorporated into the appropriate section according to its issuer.

## **FASB**

Since 1973, the FASB has been the private, self-governing organization that establishes standards for financial accounting and reporting. Its mission is to “establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors, and users of financial information.” Thus, its standards govern the preparation of financial reports, as well as account for the underlying economic events reflected in the financial statements. The FASB is recognized as authoritative by both the SEC and the AICPA.

The FASB is part of a structure that is independent of all other business and professional organizations. Before the present structure was created, financial accounting and reporting standards were established by committees or boards of the AICPA. These standards remain effective unless they have been amended or superseded by the FASB.

The Financial Accounting Foundation, a corporation that operates exclusively for charitable, educational, scientific, and literary purposes, is responsible for selecting the members of the FASB and its advisory council.

Pronouncements of the FASB covered in this service include:

- Consensuses of the Emerging Issues Task Force, which was formed in 1984 to assist the FASB in early identification of emerging accounting issues
- Statements of Financial Accounting Standards, which establish new standards or amend those previously issued

- Action Alerts, which explain recent discussions at FASB meetings and identify decisions made
- Interpretations that clarify, explain, or elaborate on FASB statements, accounting research bulletins, or Accounting Principles Board (APB) opinions
- Technical Bulletins, which are staff documents that provide guidance on certain financial accounting problems
- FASB Staff Positions, which are responses to specific application questions from the public but that have widespread application

## **AICPA**

The AICPA is a national organization of individuals holding certified public accountant certificates issued by state agencies. The AICPA actively develops generally accepted accounting principles. The service includes only those publications that are relevant to the recording and reporting functions of financial institutions:

- Statements of Position (SOPs) are positions of a committee of the AICPA, which may or may not conform to what the majority currently practices. SOPs are used to influence development of accounting and auditing principles and standards.
- Technical Practice Aids (TPAs) are selected from the most troublesome and frequently encountered questions submitted by members of the AICPA Technical Information Service. The TPAs, published regularly, often include information of interest to financial institutions. They also include practice bulletins.
- Auditing Risk Alerts and Audit and Accounting Guides Standards (SASs) are issued by the Auditing Standards Board on an irregular basis. Although they are of interest primarily to public accountants, the contents may include information useful to financial institutions.

## **Federal Agencies**

- The OCC, established in 1863, supervises national banks. National banks also are required to become members of the Fed and thus are subject to regulations of the Fed.
- The FDIC was established in 1933. Banks whose deposits are insured are subject to FDIC regulations.
- The Fed's principal purpose is to regulate the supply, availability, and cost of money, with a view toward contributing to the maintenance of a high level of employment, stable values, and a rising standard of living. The duties of the Fed, in addition to regulation of the money supply, relate primarily to the maintenance of regular services for the member banks of the Federal Reserve System, the United States government, and the public.
- The OTS, created in August 1989 with the passage of the Financial Institutions Reform, Recovery and Enforcement Act, serves as the primary regulator for federal and state-chartered savings associations and savings and loan holding companies.

## **SEC**

The SEC was created in 1933 as an independent regulatory agency to administer the Securities Act of 1933, the Securities Exchange Act of 1934, and several other acts. Companies that issue securities to the public or that are listed on stock exchanges are required to file annual audited financial statements and other information with the SEC. In addition, the SEC has broad powers to prescribe, in whatever detail it desires, the accounting practices and standards to be used by companies that fall within its jurisdiction. For the most part, the SEC has permitted the private sector to develop accounting principles and concepts.

The SEC has interacted with the FASB as both a supporter and activist in the development of generally accepted accounting principles. The SEC frequently identifies problems and responds to FASB drafts and exposures of statements and technical bulletins. The SEC has reaffirmed its support for the FASB by stating that financial statements conforming to standards set by the FASB will be presumed to have authoritative support.

### **Public Company Accounting Oversight Board**

The Sarbanes-Oxley Act of 2002 established the Public Company Accounting Oversight Board (PCAOB) and charged it with the responsibility of overseeing the audits of public companies that are subject to the U.S. federal securities laws. Duties of the PCAOB include registering public accounting firms; establishing auditing, quality control, ethics, independence, and other standards relating to public company audits; conducting inspections, investigations, and disciplinary proceedings of registered accounting firms; and enforcing compliance with the act.

The SEC has the authority to oversee the operations of the PCAOB. Because of the broad nature of the PCAOB's activities, its actions affect not just those companies registered with the SEC, but all firms, including small and large banks.

## **IASB**

The IASB was established in January 2001 to replace the International Accounting Standards Committee (IASC). The IASB's structure is similar to that of the FASB, with a board of trustees and an advisory council. Two former FASB employees are employed full-time by the IASB, so there should be close liaison between the two standard-setting bodies. The IASB is committed to working with the FASB and other standard-setting bodies toward convergence and continuity of accounting standards used throughout the world.