

# LEGAL Q&A

## Q What Does the Standard Recently Issued by the FASB Mean for Corporate Managers?

**A** The Financial Accounting Standards Board (FASB), responsible for establishing and improving financial accounting standards and reporting by non-governmental entities recently issued a new standard in an effort to create uniform disclosure procedures for corporate managers.

The "Presentation of Financial Statements – Going Concern (Suptopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern," requires managers to evaluate whether the entity will be able to continue as a going concern and provide relevant footnote disclosures in the financial statements. It concretely defines managers' responsibilities regarding the timing and content of the footnote disclosures.

Prior to this standard, there were no specific guidelines under the U.S. Generally Accepted Accounting Principles (GAAP) regarding disclosures, leaving executives the option to make voluntary disclosures at their discretion. Under this standard, managers will be required to disclose serious risks, even if a plan is in place to alleviate the substantial doubt.

This standard applies to all companies, including not-for-profits. It will take effect in annual periods ending after December 15, 2016 and in interim periods with annual periods beginning after December 15, 2016.



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