INFORMATION FOR OBSERVERS

Board Meeting: **14 November 2007, London**

Project: **Revenue Recognition**

Subject: **Cover note (Agenda paper 4A)**

OVERVIEW OF PAPERS FOR MEETING

1.   The materials for this meeting are as follows:

Agenda Paper 4B / Memo 96 – An Asset and Liability Approach

2.   This paper is a draft of an introductory chapter to the discussion paper. The objective of this chapter is to lay a foundation for both the measurement and customer consideration models by explaining why the Boards decided to pursue an asset and liability revenue recognition model. In addition, it proposes a tentative definition of revenue, which will then be explored by both models.

Agenda Papers 4C-4F / Memos 97-100

3.   These four papers explain the measurement model.

- *Agenda Paper 4C / Memo 97 – Measurement.* This memo explains the measurement principle used in the measurement model and the reasons for selecting the measurement attribute.

- *Agenda Paper 4D / Memo 98 – Accounting for the contract with the customer.* This memo explains the implications of applying the measurement principle discussed in Memo 97 to the contract-based revenue definition discussed in Memo 96.

- *Agenda Paper 4E / Memo 99 – Reporting changes in the exit price of the contract asset or liability in profit or loss.* This memo discusses the presentation issues in profit or loss raised by measuring the contract asset or liability at current exit price.

- *Agenda Paper 4F / Memo 100 – Accounting for a broader set of assets and liabilities.* This memo considers whether a revenue model focused solely on the contract asset or liability would be too narrow.

Agenda Paper 4G / Memo 101 – Revenue recognition examples: Measurement model

4. This paper contains the three examples that were included in the October joint board paper. This time we have illustrated the examples under the measurement model and current practice and compared them. Please note that the illustrations of the first three examples under the measurement model are the same as in the October papers. In addition, we have added a fourth example, a simple return right.

OBJECTIVES FOR THE BOARD MEETINGS

5. At the October joint meeting, the staff presented a summary of both the measurement and customer consideration models. The objective of the November meeting is to provide you with a more thorough explanation of the measurement model (ie the fair value model). In fact, with time pressing at the joint board meeting, we did not get a chance to cover the entire measurement model summary. So this will be the first chance to discuss the material in Memo 100.

6. As far as possible, we would like the Board to focus on the measurement model and not compare it with the customer consideration model. Rather, comparisons should be to existing practice.

7. The issues for the Board to consider are:

- Has the measurement model dealt with all significant issues, ie is it complete?

- Is the model internally inconsistent in any respect?

- Is the model sufficiently and clearly explained?

- Do the examples apply the model correctly?

- What particular aspects of the model would represent an improvement over current practice?

- Would the model, on balance, represent an improvement over current practice?

8. Based on the Boards' feedback, the staff will then make changes to these memos so that they can become draft chapters of the due process document.