



Project **Revenue Recognition**

Topic **Cover note**

Overview of this month's papers

1. In June, the boards separately will consider three papers that address issues not included in the discussion paper:
 - (a) **FASB Memo 118A / IASB Agenda Paper 7A** *Presenting revenues for performance by third parties* addresses the issue commonly referred to in practice as “gross versus net presentation of revenue.”
 - (b) **FASB Memo 118B / IASB Agenda Paper 7B** *Combination, segmentation and modification of contracts* addresses some contract issues that the boards have not yet considered. However, those issues relate to topics the boards have discussed recently including how an entity determines the boundary of the contract when applying the proposed model, and how an entity allocates changes in an uncertain transaction price.
 - (c) **FASB Memo 118C / IASB Agenda Paper 7C** *Noncash consideration* is a topic the boards discussed in the March/April 2009 package on measurement of rights. In those discussions, the boards decided that some exchange transactions should not generate revenue. This paper considers how the proposed model could address those transactions.

This paper has been prepared by the technical staff of the FAF and the IASCF for discussion at a public meeting of the FASB or the IASB.

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The next meetings in July

2. At board meetings in July, the staff plans to take the following topics to the boards for discussion:
 - (a) **Contract boundaries:** this topic is a continuation of the boards' discussions in May 2009 on contract renewal/cancellation options and when it might be appropriate for an entity to "look through" an option.
 - (b) **Presentation of rights and obligations:** this topic addresses whether, and if so when, an entity should present contractual rights and obligations gross rather than net.
 - (c) **Comment letter analysis**
 - (i) Summary of the comment letters received
 - (ii) Overview of the main themes in the comment letters
 - (iii) Preliminary thoughts on two of the main issues arising in comment letters
 1. *Control:* when are goods and services transferred to the customer?
 2. *Margin segmentation:* when is it appropriate to segment the margin in a contract?