



Project **Revenue Recognition**

Topic **Cover Note**

Overview of papers for meeting

1. There are two revenue recognition sessions at the May meeting.

Tuesday 19 May

2. **Agenda Paper 6A** *Contract Boundaries* begins discussing the boundary of the contract in the proposed revenue recognition model. Specifically, the objective of this paper is for the boards to decide how options to renew contracts should be accounted for. These options were not considered by the board in their discussion paper, therefore the paper also compares them to other types of options that were considered in that paper.
3. The staff plan to discuss the other main issues associated with contract boundaries at the June meeting (see below).
4. **Agenda Paper 6B** *Collectibility* considers another measurement of rights issue, namely how customer credit risk should be reflected in the proposed revenue recognition model. This paper completes the consideration of the main measurement of rights issues that began in March. At that meeting, the boards considered (a) time value of money, (b) non-cash consideration and (c) uncertain (eg contingent) consideration. The boards reached consistent tentative decisions on the first two issues, but not the third.

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

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

Thursday 21 May

5. Accordingly, **Agenda Paper 15 *Uncertain Consideration*** has been prepared for a meeting of the two boards. (Two FASB members will be present at the IASB board table with the remainder participating via video link.) The objective of this paper is to for the boards to reach a consistent decision on the accounting for uncertain consideration.

The next two meetings

6. Topics that the staff plan for the boards to discuss in June are as follows:

Contract boundary

- When should separate contracts be combined?
- When should a single contract be segmented into multiple contracts?

Presentation

- What amount should reported as revenue (ie when is revenue reported gross vs net)?
- Are there contracts in which contractual rights and obligations should be accounted for as separate assets and separate liabilities?

Definition of a customer

- In March/April, the boards noted that some contracts in which the customer promises non-cash consideration should not be treated as revenue-generating transactions. On what basis should the proposed model exclude those transactions?

7. Topics that the staff plan for the boards to discuss in July are as follows:

Disclosures

Comment letter analysis

- Overview of the main themes in the comment letters
- Preliminary thoughts on two of the main issues arising in comment letters

IASB Staff paper

- (i) Control—when do goods and services transfer to the customer?
- (ii) Segmentation of margin—when is it appropriate to segment the margin in a contract?