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Project	<b>Revenue Recognition</b>
Topic	<b>Cover Note</b>

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## Papers to be discussed at the joint board meeting

1. The following papers have been prepared for this joint meeting:
  - (a) **Agenda Paper 5A/Memo 127A *Scope***. This paper asks the Boards to decide on the **scope** of the new revenue recognition standard.
  - (b) **Agenda Paper 5B/Memo 127B *Transition requirements***. This paper asks the Boards to decide on the **transition requirements** for the new revenue recognition standard.
  - (c) **Agenda Paper 5C/Memo 127C *Effective date***. This paper asks the Boards to decide whether **early adoption** should be permitted for the new revenue recognition standard and considers issues relating to the **effective date** of the new standard.

## Tentative decisions reached to date

2. The staff has included a background paper **Agenda Paper 5D/Memo 127D *Summary of proposed model*** reflecting all decisions to date. The introduction to that paper highlights changes to the articulation of the model since the previous version.
3. At the meeting, the staff will ask whether any board members intend to propose alternative views in the Exposure Draft.

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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 FASB or the IASB.

Comments made in relation to the application of IFRSs or U.S. GAAP do not purport to be acceptable or unacceptable application of IFRSs or U.S. GAAP.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

## **FASB decision on costs in contracts with customers**

4. At its meeting on 3 February, the FASB decided to develop guidance on how an entity should account for the costs of setting up and fulfilling a contract. Consistently with IASB's decision in November, the FASB affirmed that an entity should recognise as expenses all costs of obtaining a contract (for example, the costs of selling and marketing, including direct-response advertising).
5. At the November joint meeting, the IASB decided tentatively not to develop guidance for accounting for the costs of setting up and fulfilling a contract. Accordingly, an entity would account for those costs in accordance with other IFRSs as applicable.
6. The staff will prepare a paper for the March joint meeting that considers the nature of the guidance to be developed for US GAAP as well as considering the implications for IFRSs.