

Project

**Revenue Recognition**

Topic

**Cover note**

## Staff papers for discussion in February

1. The Boards will discuss two papers that follow up on the Boards' discussions during joint meetings in January 2011:
  - (a) **Agenda Paper 4A (FASB Memo 137A) *Identifying separate performance obligations*** – This paper follows up on the Boards' discussions in January on how an entity would identify a good or service that is distinct and should be accounted for as a separate performance obligation.
  - (b) **Agenda Paper 4B (FASB Memo 137B) *Revenue recognition for services*** – This paper follows up on the Boards' discussion in January on how an entity would identify a performance obligation that is satisfied continuously, and how the entity would measure its progress toward completion of that performance obligation.
2. The Boards also will discuss three papers on contract-related issues:
  - (a) **Agenda Paper 4C (FASB Memo 137C) *Contract modifications*** – This paper considers improvements to the Exposure Draft's proposed requirements on how an entity should account for contract modifications.

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IASB/FASB Staff paper

- (b) **Agenda Paper 4D (FASB Memo 137D) *Combining contracts*** – This paper considers improvements to the Exposure Draft’s proposed requirements for combining contracts.
  - (c) **Agenda Paper 4E (FASB Memo 137E) *Existence of a contract and definition of a performance obligation*** – This paper considers improvements to the Exposure Draft’s proposed requirements on the existence of a contract and definition of a performance obligation.
3. In addition, the Boards will discuss the following two papers:
- (a) **Agenda Paper 4F (FASB Memo 137F) *Breakage and prepayments for future goods or services*** – This paper discusses the accounting for a customer’s non-refundable prepayment for future goods or services and the portion of the customer’s rights that is not exercised (often referred to as breakage).
  - (b) **Agenda Paper 4G (FASB Memo 137G) *Onerous performance obligations*** – The purpose of this paper is to request the boards to reconsider the issues related to the onerous test—in particular, (a) the unit of account to which the onerous test should be applied and (b) the costs to include in the onerous test.

**Next steps**

4. In March, the Boards will consider the following topics:
- (a) Determining and allocating the transaction price, and
  - (b) Accounting for the costs of fulfilling a contract.