
STAFF PAPER

Week of 17 December 2012

FASB | IASB Meeting

FASB Education Session 12 December 2012
IASB Education Session 14 December 2012

Project	Revenue recognition		
Paper topic	Cover memo – December 2012		
CONTACT(S)	Kristin Bauer	kdbauer@fasb.org	+1 203 956 3469
	Glenn Brady	gbrady@ifrs.org	+44 (0) 207 246 6460

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Introduction

1. This paper:
 - (a) provides background on recent revenue project activities;
 - (b) provides an overview of the papers for the December 2012 meeting; and
 - (c) updates the redeliberations plan for the revenue project.

Background

2. The Boards published the revised exposure draft *Revenue from Contracts with Customers* in November 2011 (“the 2011 ED”), with a comment period that ended on March 13, 2012.
3. In May 2012, the staff presented to the Boards a summary of the feedback from comments letters and a project plan for completing the redeliberations of the revenue project and finalising a common revenue standard for IFRSs and US GAAP.
4. Thereafter, from July to November 2012, the Boards discussed and made tentative decisions on several topics that are summarised on the IASB and FASB websites.

Overview of December 2012 Revenue Recognition papers

5. The staff has prepared the following papers for discussion at the December 2012 joint Board meeting:

The IASB is the independent standard-setting body of the IFRS Foundation, a not-for-profit corporation promoting the adoption of IFRSs. For more information visit www.ifrs.org

The Financial Accounting Standards Board (FASB), is the national standard-setter of the United States, responsible for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities. For more information visit www.fasb.org

IASB Agenda ref	7
FASB Agenda ref	165

- (a) **IASB Agenda paper 7A / FASB Board memo 165A – *Allocating the transaction price***. This paper considers possible refinements and clarifications to the proposed requirements in the 2011 ED for allocating the transaction price (ie Step 4).
- (b) **IASB Agenda paper 7B / FASB Board memo 165B – *Contract costs***. This paper considers possible modifications and clarifications to the proposed requirements in paragraphs 91 – 103 of the 2011 ED, relating to the accounting for contract acquisition and fulfillment costs.
- (c) **IASB Agenda paper 7C / FASB Board memo 165C – *Effect of the revenue model on some bundled arrangements***. This paper considers whether and how to modify the 2011 ED to address the concerns of some respondents about the impact of the proposals on some bundled arrangements. Those arrangements are common to the telecommunications and cable or satellite television industries.
- (d) **IASB Agenda paper 7D / FASB Board memo 165D – *Constraining the cumulative amount of revenue recognised – Licenses***. This paper considers whether to (a) retain paragraph 85 in the 2011 ED and, if retained, whether to (b) revise the scope of that paragraph. This paper does not address the application of paragraph 85 of the 2011 ED or the general constraint guidance to the sale of non-financial assets that are not an output of an entity’s ordinary activities.

Next Steps

6. Redeliberations will continue in January 2012. The project plan is presented in the following table:

STATUS	REDELIBERATION TOPIC
Discussed	<ul style="list-style-type: none"> • Identification of separate performance obligations (Step 2) • Satisfaction of performance obligations (Step 5) • Onerous test • Time Value of Money (Step 3) • Contracts with customers that contain nonrecourse, seller-based financing • Contract issues – contract combinations and distribution networks • Contract modifications • Measures of progress (Step 5) • Constraining the cumulative amount of revenue recognised (Step 5) • Collectibility (Step 3) • Licenses
This month	<ul style="list-style-type: none"> • Constraining the cumulative amount of revenue recognised – Licenses • Allocation of the transaction price (Step 4) • Contract costs • Effect of the allocation proposals on some bundled arrangements
Upcoming topics	<ul style="list-style-type: none"> • Scope • Nonfinancial assets • Disclosure • Transition, effective date & early adoption • Other (Contract issues: credit cards and asset managers) • Sweep issues & consequential amendments • Cost-benefit analysis