

# STAFF PAPER

16 – 20 July 2012

FASB | IASB Meeting

<b>Project</b>	<b>Revenue recognition</b>		
<b>Paper topic</b>	Cover memo – July 2012		
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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 July 2012 meeting; and
  - (c) Updates the redeliberations plan and timeline for the revenue project.

## Background

2. The Boards published the revised exposure draft *Revenue from Contracts with Customers* in November 2011, 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 finalizing a common revenue standard for IFRSs and US GAAP.

## Overview of July 2012 Revenue Recognition papers

4. The staff has prepared the following papers for discussion at the July 2012 joint board meeting. Among other matters for discussion, this meeting will consider possible refinements and clarifications to two of the core components of the

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IASB Agenda ref	<b>7</b>
FASB Agenda ref	<b>161</b>

revenue model—identifying separate performance obligations and determining if a performance obligation is satisfied over time.

- (a) **IASB Agenda paper 7A / FASB Board memo 161A – *Identifying separate performance obligations***. This paper considers improvements and clarifications to the requirements for identifying separate performance obligations (paragraphs 28-30 of the 2011 ED).
- (b) **IASB Agenda paper 7B / FASB Board memo 161B – *Identifying separate performance obligations – examples***. This paper illustrates how the staff’s recommendations in Agenda paper 7A apply to several examples.
- (c) **IASB Agenda paper 7C / FASB Board memo 161C – *Performance obligations satisfied over time***. This paper considers improvements and clarifications to the criteria for determining whether an entity satisfies performance obligations over time and, hence, can recognize revenue over time (paragraphs 35-36 of the 2011 ED).
- (d) **IASB Agenda paper 7D / FASB Board memo 161D – *Licenses and rights to use***. This paper provides clarifications to the implementation guidance related to licenses and rights to use (paragraphs B33-B37 of the 2011 ED).
- (e) **IASB Agenda paper 7E / FASB Board memo 161E – *Identifying onerous losses***. This paper considers whether the revenue proposals should include requirements to identify onerous losses on contracts with customers, and, if so, how those requirements can be improved to reduce complexity and ensure that onerous losses are recognized only in circumstances when it would provide useful information for users (paragraphs 86-90 of the 2011 ED).

### Next Steps

- 5. The staff expect to continue redeliberations in September 2012, whereby the focus will be on discussing the issues related to the other core recognition and measurement component of the revenue model—determining the transaction price

and constraining revenue recognition—and on issues relating to combining and modifying contracts.

6. The project plan and timeline is presented in the following table.

<b>PROPOSED PROJECT TIMELINE</b>					
<b>MONTH</b>	<b>TOPIC</b>	<b>2011 ED Question</b>	<b>Core - recognition &amp; measurement</b>	<b>Core - other</b>	<b>Discrete other</b>
<b>July 2012</b>	Identification of separate performance obligations (Step 2)		<b>X</b>		
	Satisfaction of performance obligations (Step 5)	<b>1</b>	<b>X</b>		
	Licenses		<b>X</b>		
	Onerous test	<b>4</b>		<b>X</b>	
<b>September 2012</b>	Constraint (Step 5)	<b>3</b>	<b>X</b>		
	Collectibility	<b>2</b>	<b>X</b>		
	Time Value of Money (Step 3)		<b>X</b>		
	Contract issues (Step 1)			<b>X</b>	
<b>October 2012</b>	Scope				<b>X</b>
	Costs				<b>X</b>
	Allocation of the transaction price (Step 4)				<b>X</b>
	Nonfinancial assets	<b>6</b>			<b>X</b>
<b>November 2012</b>	Disclosures	<b>5</b>		<b>X</b>	
	Transition, effective date & early adoption			<b>X</b>	
<b>December 2012</b>	Sweep issues & consequential amendments				
	Cost-benefit analysis				
<b>H1 2013</b>	Publication				
<b>H1 2013 &amp; thereafter</b>	Post-publication activities				