STAFF PAPER

FASB│IASB Meeting

Project	Revenue recognition
Paper topic	Cover memo – November 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 November 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, 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.

4. Thereafter, in July, September, and October 2012, the Boards discussed and made tentative decisions on several topics that are summarized on the IASB and FASB websites.

Overview of November 2012 Revenue Recognition papers

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

    (a) **IASB Agenda paper 7A / FASB Board memo 164A** – *Constraining the cumulative amount of revenue recognized – Cover note.* This paper provides an overview of the series of papers that individually address various aspects of the proposals to constrain the cumulative amount of revenue recognized in Step 5 of the proposed model.

    (b)   **IASB Agenda paper 7B / FASB Board memo 164B** – *Constraining the cumulative amount of revenue recognized – application of the requirements.* This paper considers possible improvements to the application of the proposals in the 2011 ED for determining the circumstances in which an entity should constrain the amount of revenue recognized.

    (c)   **IASB Agenda paper 7C / FASB Board memo 164C** – *Constraining the cumulative amount of revenue recognized – placement of constraint (Step 3 v Step 5).* This paper considers whether the constraint should apply to the cumulative amount of revenue recognized when an entity satisfies a performance obligation (Step 5) or whether the constraint should apply to the transaction price (Step 3). This paper also contemplates how the constraint should apply if the consideration promised by a customer includes both fixed and variable amounts.

    (d) **IASB Agenda paper 7E / FASB Board memo 164E** – *Collectibility.* This paper considers whether the revenue standard should retain (subject to some refinements) the collectibility requirements that were proposed in the 2011 ED, revise the 2011 ED collectibility proposals by modifying the proposed presentation of the impairment loss line, either for contracts with customers without a significant financing component or for all contracts with customers, or introduce a different approach to addressing collectibility concerns, including the introduction of a revenue recognition threshold for collectibility.

(e)   **IASB Agenda paper 7F / FASB Board memo 164F – *Implementation guidance: Licenses.*** This paper discusses potential changes to the implementation guidance for licenses in the 2011 ED, specifically related to the nature of the entity's promise in a license arrangement and how the revenue model would apply to license arrangements.

(f)   **IASB Agenda paper 7G / FASB Board memo 164G – *Implementation guidance: Licenses – examples.*** This paper illustrates the application of the potential improvements to the implementation guidance for licenses in the 2011 ED as outlined in Agenda Paper 7F/164F.

Next Steps

6. Redeliberations will continue in December 2012, and the staff are planning to focus the discussion on topics such as allocating the transaction price (step 4), contract costs, and scope.

7. The project plan is presented in the following table.

MONTH	REDELIBERATION TOPIC
Discussed	• 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)
This month	• Constraining the cumulative amount of revenue recognized (Step 5) • Collectibility (Step 3) • Licenses
Upcoming topics	• Allocation of the transaction price (Step 4) • Costs • Scope • Nonfinancial assets • Contract issues: credit cards • Disclosure • Transition, effective date & early adoption • Sweep issues & consequential amendments • Cost-benefit analysis