

STAFF PAPER

FASB | IASB Meeting

Week of 24 September 2012

FASB Education Session 19 September 2012

IASB Education Session 20 September 2012

Project	Revenue recognition		
Paper topic	Cover memo – September 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 September 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.
4. In July 2012, the Boards discussed and made tentative decisions to:
 - a) Clarify aspects of identifying separate performance obligations (Step 2 of the proposed revenue model)
 - b) Clarify the criteria for the identification of performance obligations satisfied over time (Step 5)

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- c) Remove the onerous test from the revenue standard

The Boards also discussed but didn't make any decisions on licenses. Further information can be found on the IASB and FASB websites.

Overview of September 2012 Revenue Recognition papers

5. The staff has prepared the following papers for discussion at the September 2012 joint board meeting.
 - (a) **IASB Agenda paper 7A / FASB Board memo 162A – *Constraining the cumulative amount of revenue recognised***. This paper considers possible improvements to the constraint on the cumulative amount of revenue recognized (“the constraint”) that applies if the amount of consideration to which an entity expects to be entitled is variable (paragraphs 81-85 of the 2011 ED).
 - (b) **IASB Agenda paper 7B / FASB Board memo 162B – *Collectibility***. This paper considers whether customer credit risk should affect presentation, recognition or measurement of revenue from contracts with customers and possible refinements to the provisions on collectibility, to clarify the proposals with respect to the impairment loss line item and facilitate the implementation of the requirements (paragraphs 68-69 of the 2011 ED).
 - (c) **IASB Agenda paper 7C / FASB Board memo 162C – *Contracts with customers that contain nonrecourse, seller-based financing***. This paper considers the recognition of revenue for contracts with customers that contain nonrecourse, seller-based financing, specifically, whether a recognition threshold would be appropriate for this subset of contracts with customers and whether refinements to the proposed model could be made in lieu of a recognition threshold, to assist in the application of proposals to this subset of contracts with customers.
 - (d) **IASB Agenda paper 7D / FASB Board memo 162D – *Time value of money***. This paper considers when an entity should account for the time value of money and clarifications related to the application of the time value of money requirement (paragraphs 58-62 of the 2011 ED).

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- (e) **IASB Agenda paper 7E / FASB Board memo 162E – *Contract issues-accounting for distribution networks***. This paper considers topics that the staff has broadly described as ‘contract issues’, specifically, application of the term ‘customer’ in the context of arrangements under which an entity promises to transfer benefit to an entity other than the customer.

Next Steps

6. The staff expect to continue redeliberations in October 2012, whereby the focus will be on discussing topics such as allocation, costs and licenses.
7. The project plan and timeline is presented in the following table.

Proposed Project Timeline

Month	Topic
July 2012	Identification of separate performance obligations (Step 2) Satisfaction of performance obligations (Step 5) Onerous Test
September 2012	Constraining the cumulative amount of revenue recognised (Step 5) Collectibility Contracts with customers that contain nonrecourse, seller-based financing Time Value of Money (Step 3) Contract issues – economically-linked contracts (Step 1)
October 2012	Costs Licenses Contract modifications Measures of progress Allocation of the transaction price (Step 4)
November 2012	Scope Nonfinancial assets Disclosures Transition, effective date and early adoption
December 2012	Sweep issues and consequential amendments
