STAFF PAPER

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Project	**Revenue Recognition**		
Paper topic	Disclosures: contract costs, onerous performance obligations, and qualitative information		
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Purpose

1. This paper considers possible modifications to the proposed disclosure requirements in the Exposure Draft, *Revenue from Contracts with Customers* ('2011 ED'), relating to:
   (a) the disclosures about assets recognized from the costs to obtain or fulfill a contract with a customer (paragraphs 128 – 129 of the 2011 ED);
   (b) onerous performance obligations (paragraphs 122 – 123 of the 2011 ED); and
   (c) qualitative disclosures about performance obligations (paragraph 118 of the 2011 ED) and significant judgments (paragraphs 124 – 127 of the 2011 ED).
2. This paper should be read in conjunction with the January 2013 agenda paper 7E/166E, which provided the Boards with an update of the feedback on the proposed disclosure and transition requirements.

Staff recommendation

3. The staff recommend that the Boards:

(a) Modify paragraph 128 of the 2011 ED and retain paragraph 129 of the 2011 ED as follows (added words are underlined and deleted words are ~~struck out~~):

> An entity shall disclose ~~a reconciliation of the opening and~~ the closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 91 and 94), by main category of asset (for example, costs to obtain contracts with customers, precontract costs, and setup costs), and the amount of amortization. ~~The reconciliation shall include amounts related to each of the following, if applicable:~~
>
> ~~(a) Additions~~
>
> ~~(b) Amortization~~
>
> ~~(c) Impairment losses~~
>
> ~~(d) Reversals of impairment losses [IASB only]~~
>
> ~~(e) Any additional line items that may be needed to understand the change in the reporting period.~~
>
> An entity shall describe the method it uses to determine the amortization for each reporting period.

(b) Remove the proposed disclosure requirements for onerous performance obligations in paragraphs 122 and 123 (and the reference to onerous performance obligations in paragraph 127) from the 2011 ED and rely on the existing guidance for presentation and disclosure related to the onerous test, which include IAS 37 and industry-specific US GAAP, such as ASC paragraphs 605-35-45-1 and 605-35-45-2.

(c) Retain the qualitative disclosures in paragraphs 118 and 124 – 127 of the 2011 ED, add qualitative disclosures about the constraint in paragraph 127, and add a disclosure about which practical expedients an entity is using.

Structure of the paper

4. The remainder of this paper is organized into the following sections:

   (a) Disclosures about assets recognized from the costs to obtain or fulfill a contract with a customer (paragraphs 5 – 21)

      (i) Background and proposed requirements in the 2011 ED (paragraphs 5 – 6)

      (ii) Summary of respondent feedback (paragraphs 7 – 11)

      (iii) Staff analysis (paragraphs 12 – 20)

      (iv) Staff recommendation (paragraph 21)

   (b) Disclosures about onerous performance obligations (paragraphs 22 – 25)

      (i) Proposed requirements in the 2011 ED (paragraph 22)

      (ii) Staff analysis (paragraphs 23 – 24)

      (iii) Staff recommendation (paragraph 25)

   (c) Qualitative disclosures (paragraphs 26 – 30)

      (i) Proposed requirements in the 2011 ED (paragraph 26)

      (ii) Summary of respondent feedback (paragraph 27)

      (iii) Staff analysis and recommendation (paragraphs 28 – 30)

   (d) Appendix A – Summary of proposed changes

Disclosures about assets recognized from the costs to obtain or fulfill a contract with a customer

Background and proposed requirements in the 2011 ED

5. The 2010 ED did not include specific guidance on disclosures about the costs incurred to obtain or fulfill a contract with a customer. Some respondents commented on the absence of disclosures in this area and, as a result, the Boards reconsidered this proposed requirement for the 2011 ED. BC271 of the 2011 ED states:

> Users commented that the 2010 proposed Update did not propose any disclosures about assets arising from costs to fulfill a contract. They thought that information about these assets would be helpful in understanding the types of costs that the entity has recognized as assets and how those costs are subsequently amortized or impaired. Consequently, the Boards decided that an entity should disclose a reconciliation of the carrying amount of an asset arising from the costs to obtain or fulfill a contract with a customer, by major classification at the beginning and end of the period. The Boards also decided that this disclosure was necessary to replace some of the existing disclosures that would be eliminated by consequential amendments to Topic 605 on revenue recognition and IAS 2.

6. The proposed requirements in the 2011 ED for the disclosures about assets recognized from the costs to obtain or fulfill a contract with a customer are described in paragraphs 128 and 129 of the 2011 ED, as follows:

> An entity shall disclose a reconciliation of the opening and closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 91 and 94), by main category of asset (for example, costs to obtain contracts with customers, precontract costs, and setup costs). The

reconciliation shall include amounts related to each of the following, if applicable:

(a) Additions

(b) Amortization

(c) Impairment losses

(d) Reversals of impairment losses [IASB only]

(e) Any additional line items that may be needed to understand the change in the reporting period.

An entity shall describe the method it uses to determine the amortization for each reporting period.

Summary of respondent feedback

7. In comparison to the other proposed disclosure requirements, respondents commented the least on this one. However, feedback was received from users and preparers through comment letters and outreach conducted during the redeliberations period, including the disclosure and transition workshops. This feedback centered around the proposed requirement to disclose a reconciliation of the beginning and ending balances of assets recognized from the costs incurred to obtain or fulfill a contract.

8. Users generally supported the proposed requirement to disclose a reconciliation of the beginning and ending balances of assets recognized from the costs incurred to obtain or fulfill a contract. However, during the workshops, some users acknowledged preparers' concerns about the costs that preparers would incur to prepare this proposed reconciliation, particularly if an entity has disparate systems or a decentralized accounting function. In addition, users acknowledged that while the reconciliation of assets recognized from contract costs provides useful information, it is of less importance to them than other disclosures proposed in the 2011 ED. These users noted that they would be willing to accept reduced disclosures in this area (compared to other areas) to provide some relief to preparers and to be responsive to the concerns about the overall disclosure

'overload' effect of the proposals in the 2011 ED. Users suggested these reduced requirements could include disclosures about the ending balances of assets recognized from the costs incurred to obtain or fulfill a contract, as well as disclosures about the amortization period of these assets.

9. Preparers generally disagreed with the proposed requirement to disclose a reconciliation of the beginning and ending balances of assets recognized from the costs incurred to obtain or fulfill a contract. Many preparers expressed concern that the perceived benefit to users would not outweigh the increased cost to prepare the reconciliation disclosure, which would be subject to an entity's internal control processes and external audit. These preparers noted that the increased cost may be significant as the majority of preparers do not currently prepare this reconciliation because it is not necessary for management's decision making or analysis. One respondent noted the following:

> We believe reconciliations of...assets arising from the costs to acquire and fulfill contracts are not necessary to meet the Boards' disclosure objective to enable users to understand the magnitude, the potential timing, and uncertainty of revenues and cash flows arising from contracts with customers. (CL#46 Accenture)

10. Some preparers who disagreed with the proposed requirement to disclose a reconciliation of the beginning and ending asset balances suggested reducing the disclosure in a variety of ways. Some respondents recommended that the Boards require qualitative disclosures about the types of costs being capitalized. Other respondents commented that the disclosure could be limited to the ending balance of assets recognized from contract costs. One respondent stated:

> We consider that information on the closing balance of such assets would be sufficient and should be required only when this balance is significant. (CL#257 External Reporting Board – New Zealand)

11. While many preparers disagreed with the proposed disclosure requirement, one preparer acknowledged that analysts currently use information about the assets

recognized from the incremental costs of obtaining a contract because these costs (ie commissions) are always a fixed percentage of the total transaction price, along with revenue and deferred revenue information, to estimate the number of contracts that the entity enters into during a period. For these entities, the reconciliation provides insight into contract volumes and margins. However, this information would not provide the same level of insight for entities that have complex commission structures or many different types of contracts with varying amounts of acquisition costs.

Staff analysis

12. The staff considered three alternatives for the disclosures about assets recognized from the costs to obtain or fulfill a contract:

    Alternative A – retain the proposals in the 2011 ED;

    Alternative B – modify the disclosures of assets recognized from the costs to obtain or fulfill a contract; and

    Alternative C – remove the proposed disclosure requirements from the 2011 ED.

Alternative A – retain the proposals in the 2011 ED

13. Alternative A is to retain the proposals in the 2011 ED – that is, to require an entity to disclose a reconciliation of the beginning and ending balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer, as well as a qualitative disclosure about an entity's amortization method.

14. The staff note the following about Alternative A:

    (a) The reconciliation of beginning and ending asset balances would promote consistency, thereby increasing comparability among entities.

    (b) Users find information presented in the form of a reconciliation generally easier to understand and analyze. Disclosure of additions (cost deferrals) provides information about the cost of acquiring or setting up new contracts with customers. Disclosure of the ending balance, the amortization on the recorded asset, and the amortization method provides insight into future impacts on operating margins.

(c) The reconciliation should not be difficult to prepare as much of the information could be pulled from general ledger systems assuming an entity does not have disparate accounting systems. However, any time new disclosures are required in financial statements, the staff acknowledge that these disclosures would be subject to an entity's internal control processes and external audit.

Alternative B – modify the disclosures of assets recognized from the costs to obtain or fulfill a contract

15. Alternative B proposes to modify the disclosure requirements about assets recognized from the costs to obtain or fulfill a contract. This alternative would require entities to provide less information than what is provided in the reconciliation. This alternative would modify paragraph 128 of the 2011 ED and retain paragraph 129 of the 2011 ED as follows (added words are <u>underlined</u> and deleted words are ~~struck out~~):

> An entity shall disclose ~~a reconciliation of the opening and~~ the closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 91 and 94), by main category of asset (for example, costs to obtain contracts with customers, precontract costs, and setup costs), <u>and the amount of amortization.</u> ~~The reconciliation shall include amounts related to each of the following, if applicable:~~
>
> ~~(a) Additions~~
>
> ~~(b) Amortization~~
>
> ~~(c) Impairment losses~~
>
> ~~(d) Reversals of impairment losses [IASB only]~~

> ~~(e) Any additional line items that may be needed to understand the change in the reporting period.~~
>
> An entity shall describe the method it uses to determine the amortization for each reporting period.

16. The staff note the following about Alternative B:

    (a) This alternative is consistent with the FASB's disclosure framework project, which states that reconciliations are necessary when the activity in an account is not readily apparent without such reconciliation. Although an entity would not be required to present this information in the form of a reconciliation, this alternative would not preclude an entity from preparing a reconciliation.

    (b) Since this alternative removes the proposed requirement to prepare a reconciliation of beginning and ending asset balances, this alternative would not be as costly to preparers.

    (c) Although users supported the reconciliation disclosure, they acknowledged during the workshops that information about the ending balances and amortization of assets recognized from the costs to obtain or fulfill a contract would be sufficient to make decisions.

Alternative C – remove the proposed disclosure requirements from the 2011 ED

17. Alternative C proposes to remove the proposed disclosure requirements about assets recognized from the costs incurred to obtain or fulfill a contract from the revenue standard. As a result, an entity would only be required to disclose information related to contract costs if the disclosure was required by another Topic or IFRS, or if the entity felt compelled to provide the information because they thought it was important to the users of their financial statements.

18. Regulation S-X Rule 5-02, Balance Sheets, codified in ASC 210-10-S99-1, requires several disclosures for other assets, preproduction costs, and precontract costs. These disclosures include:

(a) the amount of any other asset, either separately in the balance sheet or notes thereto, that is in excess of five percent of total assets;

(b) an explanation of any significant addition or deletion; and

(c) with respect to any significant deferred charge, the policy for deferral and amortization.

19. Regulation S-X Rule 5-02, Balance Sheets, also requires disclosures for all long-term contracts or programs, including the aggregate amount of manufacturing or production costs and any related deferred costs (eg initial tooling costs) which exceed the aggregate estimated cost of all in-process and delivered units on the basis of the estimated average cost of all units expected to be produced under long-term contracts and programs not yet complete. In addition, if practicable, an entity should disclose the amount of deferred costs by type of cost (eg initial tooling, deferred production, etc).

20. The staff note the following about Alternative C:

(a) Regulation S-X only provides general requirements, which may not be specific enough to require disclosure about contract costs.

(b) Regulation S-X only applies to public entities (although the 2011 ED does not require non-public entities to disclose the reconciliation of assets recognized from contract costs).

(c) There is no comparable IFRS disclosure requirement.

Staff recommendation

21. The staff acknowledge that users would prefer an entity to provide a reconciliation of the beginning and ending balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer. However, the staff do not think that a reconciliation is necessary because, as described in paragraph 16(a), a reconciliation is needed when the changes in an account are not readily apparent without such a disclosure. The staff think that the information proposed in Alternative B would be sufficient for users to make decisions, would be less

costly for preparers to provide, and as users acknowledged, is of less importance than other revenue disclosures. As a result, the staff recommend Alternative B – that is, to modify paragraph 128 of the 2011 ED and retain paragraph 129 of the 2011 ED as shown in paragraph 15 of this paper.

Question 1 – Disclosures about assets recognized from the costs to obtain or fulfill a contract
Do the Boards agree with the staff's recommendation to modify paragraph 128 of the 2011 ED and retain paragraph 129 of the 2011 ED as shown in paragraph 15 of this paper?

Disclosures about onerous performance obligations

Proposed requirements in the 2011 ED

22. The proposed requirements for the disclosures about onerous performance obligations are described in paragraphs 122 and 123 of the 2011 ED, as follows:

> An entity shall disclose the amount of the liability recognized for onerous performance obligations along with a description of all of the following:
>
> (a) The nature and amount of the remaining performance obligation(s) in the contract that are onerous for which the liability has been recognized.
>
> (b) Why those performance obligations are onerous.
>
> (c) When the entity expects to satisfy those performance obligations.
>
> An entity shall disclose in tabular format a reconciliation from the opening to the closing balance of the liability

recognized for onerous performance obligations. The reconciliation shall include the amounts attributable to each of the following, if applicable:

(a) Increases in the liability from performance obligations that became onerous during the period

(b) Reductions of the liability from performance obligations satisfied during the period

(c) Changes in the measurement of the liability that occurred during the reporting period

(d) Any additional line items that may be needed to understand the change in the liability recognized.

Staff analysis

23. At the July 2012 joint Board meeting, the Boards tentatively decided to not develop new requirements for onerous contracts that would apply to contracts with customers in the scope of the revenue standard. As a result, the IASB tentatively decided that the requirements for onerous contracts in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, should apply to all contracts with customers in the scope of the revenue standard. The FASB tentatively decided to retain existing guidance related to the recognition of losses arising from contracts with customers, including the guidance relating to construction-type and production-type contracts in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts.

24. The staff think that since the Boards tentatively decided not to include an onerous test in the revenue standard, the proposed disclosure requirements for onerous performance obligations in paragraphs 122 and 123 (and the reference to onerous performance obligations in paragraph 127) of the 2011 ED would no longer apply. In accordance with the Boards' tentative decision in July 2012, the staff think that entities should rely on existing guidance for presentation and disclosure requirements related to the onerous test, which include IAS 37 and industry-

specific US GAAP, such as ASC paragraphs 605-35-45-1 and 605-35-45-2. The staff note that this guidance would be retained in addition to other existing guidance related to the onerous test. For entities applying IFRSs, this guidance is in IAS 37. For entities applying US GAAP, this guidance is in industry-specific US GAAP, and Section 605-35-15, Section 605-35-20, and ASC paragraphs 605-35-25-45 through 605-35-25-50.

Staff recommendation

25. As a result of the Boards' July 2012 tentative decision to not include an onerous test in the revenue standard, the staff recommend that the Boards remove the proposed disclosure requirements for onerous performance obligations in paragraphs 122 and 123 (and the reference to onerous performance obligations in paragraph 127) from the 2011 ED and rely on the existing guidance for presentation and disclosure related to the onerous test, which include IAS 37 and industry-specific US GAAP, such as ASC paragraphs 605-35-45-1 and 605-35-45-2.

Question 2 – Disclosures for onerous performance obligations
Do the Boards agree with the staff's recommendation to remove the proposed disclosure requirements for onerous performance obligations in paragraphs 122 and 123 (and the reference to onerous performance obligations in paragraph 127) from the 2011 ED and rely on the existing guidance for presentation and disclosure related to the onerous test, which include IAS 37 and industry-specific US GAAP, such as ASC paragraphs 605-35-45-1 and 605-35-45-2?

Qualitative Disclosures

Proposed requirements in the 2011 ED

26. The proposed requirements in the 2011 ED for qualitative disclosures about performance obligations (paragraph 118) and significant judgments in the application of the proposed guidance (paragraphs 124 – 127) are as follows:

> *Performance obligations*
>
> An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:
>
> (a) When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service)
>
> (b) The significant payment terms (for example, when payment typically is due, whether the consideration amount is variable, and whether the contract has a significant financing component)
>
> (c) The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (that is, if the entity is acting as an agent)
>
> (d) Obligations for returns, refunds, and other similar obligations
>
> (e) Types of warranties and related obligations.
>
> *Significant judgments in the application of the proposed guidance*
>
> An entity shall disclose the judgments, and changes in the judgments, made in applying this proposed guidance that significantly affect the determination of the amount and

timing of revenue from contracts with customers. At a minimum, an entity shall explain the judgments, and changes in the judgments, used in determining both of the following:

(a) The timing of satisfaction of performance obligations (paragraphs 125 and 126)

(b) The transaction price and the amounts allocated to performance obligations (paragraph 127).

For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:

(a) The methods used to recognize revenue (for example, a description of the output method or input method)

(b) An explanation of why such methods are a faithful depiction of the transfer of goods or services.

For performance obligations satisfied at a point in time, an entity shall disclose the significant judgments made in evaluating when the customer obtains control of promised goods or services.

An entity shall disclose information about the methods, inputs, and assumptions used to:

(a) Determine the transaction price.

(b) Estimate standalone selling prices of promised goods or services.

(c) Measure obligations for returns, refunds, and other similar obligations.

(d) Measure the amount of the liability recognized for onerous performance obligations.

Summary of respondent feedback

27. Generally, respondents focused their comments on the quantitative disclosures, rather than the qualitative disclosures. However, users requested additional qualitative disclosures regarding judgements and estimates made in the following areas:

    (a) the existence of a contract;

    (b) identifying separate performance obligations;

    (c) transfer of licenses; and

    (d) constraint on revenue recognized.

Staff analysis and recommendation

28. To be responsive to the requests of users, the staff performed an analysis in which the staff identified the key judgments and estimates that will be necessary in applying the proposed model. We compared those judgments and estimates to the proposed disclosure requirements. Although each of the judgments and estimates are not explicitly included in the required disclosures, the essence of the judgments and estimates are included. For example, paragraph 118 requires a significant amount of qualitative information about performance obligations. Paragraph 124 requires judgments and changes in judgments to be disclosed when they significantly affect the determination of the amount and timing of revenue. The staff think that the 2011 ED as drafted is broad enough to capture all the above areas while not being so precise so as to either potentially omit a key judgment for some entities or not account for the evolving needs of users. The staff will continue to look for ways to refine the drafting in paragraphs 118 and 124 of the 2011 ED to ensure the disclosures listed in paragraph 27 of this paper are addressed. Therefore, the staff think that the proposed qualitative disclosures are sufficient to address user needs and adequately require entities to disclose important judgments and estimates.

Constraint on Revenue Recognized

29. In the November 2012 joint Board meeting, the Boards tentatively decided that the objective of the constraint on revenue recognition is for an entity to recognize revenue at an amount that should not be subject to a significant revenue reversal. The revenue proposals will clarify and supplement the indicators in paragraph 82 of the 2011 ED for making the determination about whether an entity expects a significant revenue reversal. This will require considerable judgment and could be unique for each transaction or each class of transactions. The staff think qualitative disclosures about the constraint should be added to the revenue proposals. Such addition could be as follows:

    (a) why the entity concluded that a transaction or class of transactions was or was not subject to a significant revenue reversal; and

    (b) how the entity determined the minimum amount of revenue that would not be subject to a significant revenue reversal and was therefore recognized.

Practical Expedients

30. Additionally, users requested that entities disclose which of the practical expedients are elected. The revenue proposals include practical expedients to simplify the application of the model (paragraphs 6, 60, 97, and 121 of the 2011 ED). Only the practical expedients for transition were required by the 2011 ED to be disclosed. The election of a practical expedient becomes part of an entity's accounting policy for revenue recognition. The staff think that an election of a practical expedient should be included in an entity's accounting policy disclosures or revenue disclosures.

Question 3 – Qualitative disclosures, the constraint, and practical expedients

Do the Boards agree with the staff's recommendation that:

(a) the qualitative disclosures proposed in paragraphs 118 and 124 – 127 of the 2011 ED should be retained as proposed;

(b) qualitative disclosures about the constraint should be added to the revenue proposals; and

(c) an entity should disclose which practical expedients have been used?

Appendix A

A1. The following table lists the proposed requirements from the 2011 Exposure Draft that relate to the disclosures for assets recognized from the costs to obtain or fulfill a contract with a customer, onerous performance obligations, and qualitative information, and identifies which of those proposals might change as a result of the staff recommendations in this paper.

Proposals from the 2011 Exposure Draft	**Anticipated change?**
Performance obligations	
118 An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following: (a) When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service) (b) The significant payment terms (for example, when payment typically is due, whether the consideration amount is variable, and whether the contract has a significant financing component) (c) The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (that is, if the entity is acting as an agent) (d) Obligations for returns, refunds, and other similar obligations (e) Types of warranties and related obligations.	No material change is anticipated.
Onerous performance obligations	
122 An entity shall disclose the amount of the liability recognized for onerous performance obligations along with a description of all of the following: (a) The nature and amount of the remaining performance obligation(s) in the contract that are onerous for which the liability has been recognized. (b) Why those performance obligations are onerous. (c) When the entity expects to satisfy those performance obligations.	Staff recommend removing this paragraph – refer to paragraph 25 of this paper.
123 An entity shall disclose in tabular format a reconciliation from the opening to the closing balance of the liability recognized for onerous performance obligations. The reconciliation shall include	Staff recommend removing this paragraph –

the amounts attributable to each of the following, if applicable: (a) Increases in the liability from performance obligations that became onerous during the period (b) Reductions of the liability from performance obligations satisfied during the period (c) Changes in the measurement of the liability that occurred during the reporting period (d) Any additional line items that may be needed to understand the change in the liability recognized.	refer to paragraph 25 of this paper.
Significant judgments in the application of the proposed guidance	
124 An entity shall disclose the judgments, and changes in the judgments, made in applying this proposed guidance that significantly affect the determination of the amount and timing of revenue from contracts with customers. At a minimum, an entity shall explain the judgments, and changes in the judgments, used in determining both of the following: (a) The timing of satisfaction of performance obligations (paragraphs 125 and 126) (b) The transaction price and the amounts allocated to performance obligations (paragraph 127).	No material change is anticipated.
125 For performance obligations that an entity satisfies over time, an entity shall disclose both of the following: (a) The methods used to recognize revenue (for example, a description of the output method or input method) (b) An explanation of why such methods are a faithful depiction of the transfer of goods or services.	No material change is anticipated.
126 For performance obligations satisfied at a point in time, an entity shall disclose the significant judgments made in evaluating when the customer obtains control of promised goods or services.	No material change is anticipated.
127 An entity shall disclose information about the methods, inputs, and assumptions used to: (a) Determine the transaction price. (b) Estimate standalone selling prices of promised goods or services. (c) Measure obligations for returns, refunds, and other similar obligations. (d) Measure the amount of the liability recognized for onerous performance obligations.	Staff recommend removing the reference to onerous performance obligations in (d) and adding a qualitative disclosure about the constraint – refer to paragraphs 25 and 29 of

	this paper.
Assets recognized from the costs to obtain or fulfill a contract with a customer	
128 An entity shall disclose a reconciliation of the opening and closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 91 and 94), by main category of asset (for example, costs to obtain contracts with customers, precontract costs, and setup costs). The reconciliation shall include amounts related to each of the following, if applicable: (a) Additions (b) Amortizations (c) Impairment losses (d) Reversals of impairment losses (IASB only) (e) Any additional line items that may be needed to understand the change in the reporting period.	Staff recommend modifying this paragraph – refer to paragraph 21 of this paper.
129 An entity shall describe the method it uses to determine the amortization for each reporting period.	No material change is anticipated.