

STAFF PAPER

Week of 28 October 2013

FASB | IASB Meeting

FASB Ed Session 23 October 2013

IASB Ed Session 28 October 2013

Project	Revenue recognition		
Paper topic	Cover memo – October 2013		
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Introduction

1. This paper provides:
 - (a) background on the status of the revenue recognition project; and
 - (b) an overview of the papers for the October 2013 meeting.

Background

2. In early 2013, the Boards substantially completed their redeliberations on the revised exposure draft *Revenue from Contracts with Customers*, which was issued in November 2011 (“the 2011 ED”). Since completing the redeliberations, the staff have been completing the remaining steps in each Board’s respective due process requirements and drafting the forthcoming final revenue standard.
3. In May 2013, the IASB considered the due process steps they have taken in developing the revenue recognition standard. During this meeting the IASB decided that it was not necessary to re-expose the draft standard and granted the staff permission to ballot. The FASB expects to complete a similar due process step in the coming weeks. Additionally, the staff will complete an analysis of the costs and benefits of the final revenue standard and its potential effects.

4. During the drafting process, the staff identified some topics that required Board discussion. In July 2013 the Boards discussed those topics, which were:
 - a) Collectibility
 - b) Accounting for contracts that do not meet Step 1 of the revenue model
 - c) Constraint – minimums requirements
5. Subsequent to that discussion, the staff and Boards received additional feedback related to the topics listed above, as well as on the topic of licenses. This feedback was presented to the Boards in September 2013 in Agenda Paper 7A/174A.
6. In that meeting, the Boards narrowed the paths forward on each topic and asked the staff to further evaluate some alternatives. That feedback and the further analysis of the alternatives discussed at the September 2013 meeting are included in the following papers for discussion at the October 2013 joint Board meeting:
 - a) **IASB Agenda paper 7A / FASB Board memo 175A – *Constraint*** – This paper considers possible improvements to the constraint on estimates of variable consideration based on the Boards’ September 2013 request for the staff to evaluate:
 - (i) An alternative approach that refocuses the objective of the constraint on the quality of an entity’s estimate and whether or not the entity should reassess that estimate;
 - (ii) Whether to provide more specificity about the level of confidence to be used in the application of the constraint; and
 - (iii) Whether to reinstate specific guidance that would address the accounting for a usage-based royalty on licenses of intellectual property.
 - b) **IASB Agenda paper 7B / FASB Board memo 175B – *Implementation Guidance: Licenses*** – This paper considers clarifications to the Implementation Guidance on licenses, specifically to the criteria for differentiating between licenses that provide the customer with access to

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the entity's intellectual property as it exists at any given time and licenses that provide the customer with a right to use the entity's intellectual property as it exists at a point in time.

c) **IASB Agenda paper 7C / FASB Board memo 175C – *Collectibility*** –

This paper considers how assessments of a customer's credit risk should be reflected in accounting for contracts with customers.

Next steps

7. The staff will complete the remaining due process steps and work to finalize the revenue standard.