

STAFF PAPER

Week of 16 September 2013
FASB | IASB Meeting

Project	Revenue recognition		
Paper topic	Cover memo – September 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 paper for the September 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 near term. Additionally, the staff will complete an analysis of the costs and benefits of the final revenue standard and its potential effects.

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4. As a result of the drafting process, the staff identified some topics that required Board discussion. Those topics were discussed in July 2013 and are summarized as follows:

- a) ***Collectibility***—How should assessments of a customer’s credit risk be reflected in accounting for contracts with customers without a significant financing component?
- b) ***Accounting for contracts that do not meet Step 1 of the revenue model***—Determining the accounting for contracts that cannot qualify to apply the revenue model because they do not meet the criteria in Step 1, *Identify the Contract*, as outlined in paragraph 14 of the 2011 ED (as revised).
- c) ***Constraint – minimums requirements***—The application of the constraint, specifically how the requirements to include some (but not all) of the amount of variable consideration in the transaction price should be applied ("the minimums' requirements").

Overview of September 2013 revenue recognition paper

5. In addition to providing a summary on the feedback received during the drafting process, the September 2013 Agenda Paper also provides the Boards with the staff’s initial thinking on possible paths forward on those issues. The staff note that the paper only provides a high-level summary of each path forward and does not provide a detailed analysis of each alternative. As a result, the Boards will not be asked to make decisions on any of the topics in September. Instead, the staff will ask for direction from the Boards on what issues should be brought to the Boards in October and whether there are some alternatives that need not be presented in October.

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Next steps

6. If the Boards would like to revisit some or all of the issues in Agenda Paper 7A/174A, the staff will bring back a full analysis of those issues in October. Upon resolution of those issues, the staff will complete the remaining due process steps and work to finalize the revenue standard.