



Joint Transition Resource Group for Revenue Recognition
Submissions Log Prepared by Staff
As of October 17, 2014



Submission number	Topic	Summary of issue	TRG Meeting Date	TRG Paper Reference	Current Status
1	Gross versus net revenue	How should an entity determine whether it is a principal or an agent to contracts for certain intangible goods or services? More specific questions include: (1) How should an entity apply the agency indicators in paragraph 606-10-55-39/IFRS 15, paragraph B37? (2) If an entity determines that it is the principal, which typically results in gross revenue, what amount of revenue should the entity recognize if it received a net amount of cash and does not know the gross amount? (3) How should the transaction price allocation guidance be applied to a transaction in which the entity is a principal for some deliverables and an agent for others?	18-Jul-14	No. 1	Board members instructed the staff to perform additional research on the topic. The focus of the additional research is to understand whether there are specific improvements the Boards could make that would assist stakeholders with making difficult judgments about the principal versus agent assessment. An update on the status of the research will be provided to the Boards and stakeholders after the staff completes the research.
2	Gross versus net revenue	Should an entity present certain amounts billed to customers (for example, shipping and handling fees, other out-of-pocket expenses, and sales taxes) as revenue or as a reduction of costs?	18-Jul-14	No. 2	Because the discussion indicated that stakeholders can understand and apply the applicable guidance in the new revenue standard, the Boards do not plan any further action at this time.
3	Licenses	When is a contract in the scope of the sales-based and usage-based royalty exception and how is the exception applied?	18-Jul-14	No. 3	Board members noted that it would be helpful to understand the other additional questions about licenses before deciding what, if any, action would be helpful to stakeholders about the royalties constraint issue discussed at the July 18, 2014 TRG meeting. After the October 31, 2014 TRG meeting, the Boards will provide an update about their plan for the royalties constraint implementation issue and the additional issues discussed at the October TRG meeting.

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4	Impairment	Does use of the 'principles for determining the transaction price' to ascertain the future cash flows from the contract for impairment testing of capitalized contract costs mean that an entity cannot assume renewal or extension of the contract?	18-Jul-14	No. 4	Because the discussion indicated that stakeholders can understand and apply the applicable guidance in the new revenue standard, the Boards do not plan any further action at this time. However, the Boards will compile issues like this one and decide at a later date whether to make a technical correction or minor improvement to clarify the Board's intent.
5	Options to acquire additional goods/services	When does an option given to acquire additional goods or services provide a 'material right' to the customer?	31-Oct-14	No. 6	Pending discussion at 31-Oct-14 TRG Meeting
6	Nonrefundable fees	In reference to Example 53 about an upfront nonrefundable fee in the new revenue standard: (1) is fee recognized only over one year because renewal options do not represent material right (2) is nominal nature of fee why renewal options do not represent a material right (3) would the answer change if entity expects customer to renew contract and (4) does guidance require that there be an explicit option to renew or can it be implicit based on past practice?	31-Oct-14	No. 6	Pending discussion at 31-Oct-14 TRG Meeting
7	Offsetting of contract positions	Should the contract assets, contract liabilities, and receivables within a contract be offset and a net asset/liability be presented in the statement of financial position?	31-Oct-14	No. 7	Pending discussion at 31-Oct-14 TRG Meeting
8	Offsetting of contract positions	When combining multiple contracts with multiple performance obligations or in a single contract with multiple performance obligations, how should payments be allocated to each performance obligation (for example, if no performance has occurred on any performance obligation but a payment was received from the customer) for purposes of determining the net contract asset or liability position?	31-Oct-14	No. 7	Pending discussion at 31-Oct-14 TRG Meeting
9	Licenses	(1) New standard is unclear as to how usage restrictions should be evaluated in determining whether performance obligations exist within a contract (2) Does underlying intellectual property (IP) inherently need to have potential to "change" in form or function in order to reach conclusion that license represents right to access IP? (3) In non-exclusive licensing arrangement, should licensor's activities of licensing the IP to others be considered (4) How should licensors evaluate the significance of activities expected to be undertaken?	31-Oct-14	No. 8	Pending discussion at 31-Oct-14 TRG Meeting
10	Separation	How should goods and/or services (both delivered and undelivered) be evaluated to determine whether they are distinct within the context of the contract?	31-Oct-14	No. 9	Pending discussion at 31-Oct-14 TRG Meeting
11	Distinct within the context of the contract	When assessing whether the goods or services are dependent on or interrelated with other goods and services in the bundle, an entity will not always be able to assess the economic motivation of its customer, and this	31-Oct-14	No. 9	Pending discussion at 31-Oct-14 TRG Meeting

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12	Separation	Does the guidance about “series of distinct goods and services that are substantially the same and that have the same pattern of transfer” extend beyond repetitive service contracts?	31-Oct-14	No. 9	A discussion about distinct in the context of the contract is included on agenda for the 31-Oct-14 TRG meeting. Based on the staff’s review of this submission and discussion with the submitter, the discussion about distinct in the context of the contract may impact this issue. The staff plan to re-evaluate the issue after the 31-Oct-14 TRG meeting.
13	Variable Consideration	(1) The submitter observes that the variable consideration constraint may result in a significant delay in timing of revenue recognition for asset manager performance-based fees when compared to current application of Method 2 alternative in SEC guidance ASC 605-20-S99. (2) Are carried interests (a type of performance fees) included within the scope of the new standard? (3) If termination provisions exist in a contract, can revenue be recognized on an interim basis for the amount guaranteed in the termination clause?	31-Oct-14	No. 10	The main implementation question is about termination provisions (which may be applicable to other industries beyond asset managers) and is pending discussion at 31-Oct-14 TRG Meeting
14	Enforceable rights and obligations	Should the enforceable rights and obligations be considered from the customer’s perspective when assessing Step 1, identify the contract?			[B]
15	Collectability	What amount of revenue should be recognized when there is an amount of the total transaction price that the entity does not consider to be probable for collection?			[B]
16	Collectability	What is the basis for concluding that a decline in the customer’s financial condition is significant enough to warrant a reassessment of the collectability criteria for a contract to exist?			[B]
17	Impairment	(1) If an entity capitalizes a sales commission on a sale with all payment received at inception, is an impairment loss needed since the capitalized amount exceeds net future cash flows? Or is the outstanding contract liability (amount to be recognized as revenue) included for purposes of the impairment test? (2) What triggers need to tests capitalized costs for impairment?			[A]
18	Impairment	In paragraph 340-40-35-5/IFRS 15 Paragraph 103, what is the correct order of impairment testing between Topic 350/IAS 38 (Intangibles - Goodwill and other), Topic 360/IAS 16 (Property, plant, and equipment), and Topic 330/IAS 2 (Inventories) to recognizing an impairment on an asset recognized for incremental cost of obtaining a contract?			[B]

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19	Variable consideration and consideration payable to the customer	Should an entity account for consideration it expects to pay its customers from a planned coupon drop when the performance obligation is satisfied (good or service transferred) in accordance with paragraph 606-10-32-6/IFRS 15 Paragraph 51 or when the entity promises to pay consideration in accordance with paragraph 606-10-32-27/IFRS 15 Paragraph 72?			[B]
20	Noncash consideration received from a customer	What is the measurement date for noncash consideration received from a customer?			[B]
21	Portfolio method	Should materiality be assessed at the contract level or the consolidated financial statement level in determining whether an entity reasonably expects that the effects on the financial statements of applying new guidance to a portfolio of contracts would not materially differ from application at the contract level?			[B]
22	Separation	In a contract with a bundle of goods and services, should the stand-alone selling price be determined by reference to the stand-alone selling price of the performance obligation or of the smallest distinct service within the performance obligation?			[B]
23	Significant financing component	As a practical expedient, revenue does not need to be adjusted for a significant financing component if the period between the entity provides the good or service and the customer pays for that good or service is less than one year. In an arrangement with an upfront deliverable and monthly service fees, in determining whether the period is less than one year, should entities apply the full monthly consideration as a payment for the first good or service delivered (i.e. following a first-in-first-out approach) or should the monthly consideration be proportionately allocated between the equipment and the services?			[B]
24	Amortization of contract costs	When an entity presents the analysis of expenses using a classification based on their nature, should the amortization of capitalized contract costs be classified as sales commission or as part of the depreciation and amortization expense in the income statement or in the notes?			[B]
25	Collectability	How should an entity account for cash received in a long term contract when the entire transaction price is not probable of collection?			[B]
26	Noncash consideration received from a customer	When and how should an entity recognize changes in the fair value of noncash consideration when those changes are due solely to the form of the consideration?			[B]
27	Separation	Should an "insurance" element in warranty covering post-transaction failures be a service that should be treated as a separate performance obligation?			[B]

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[A] The staff is compiling these types of issues and will ask the Boards to decide at a later date whether to make a technical correction or minor improvement to the articulation of the guidance for each item.

[B] The issue has not yet been scheduled for discussion at a TRG meeting, but the issue may be discussed at a future TRG meeting. The issue is being evaluated for potential consideration by the TRG at a future meeting.