

July 2019 FASB | IASB Joint Meeting

IASB/FASB Agenda Ref 12A



Implementation: Leases and Revenue

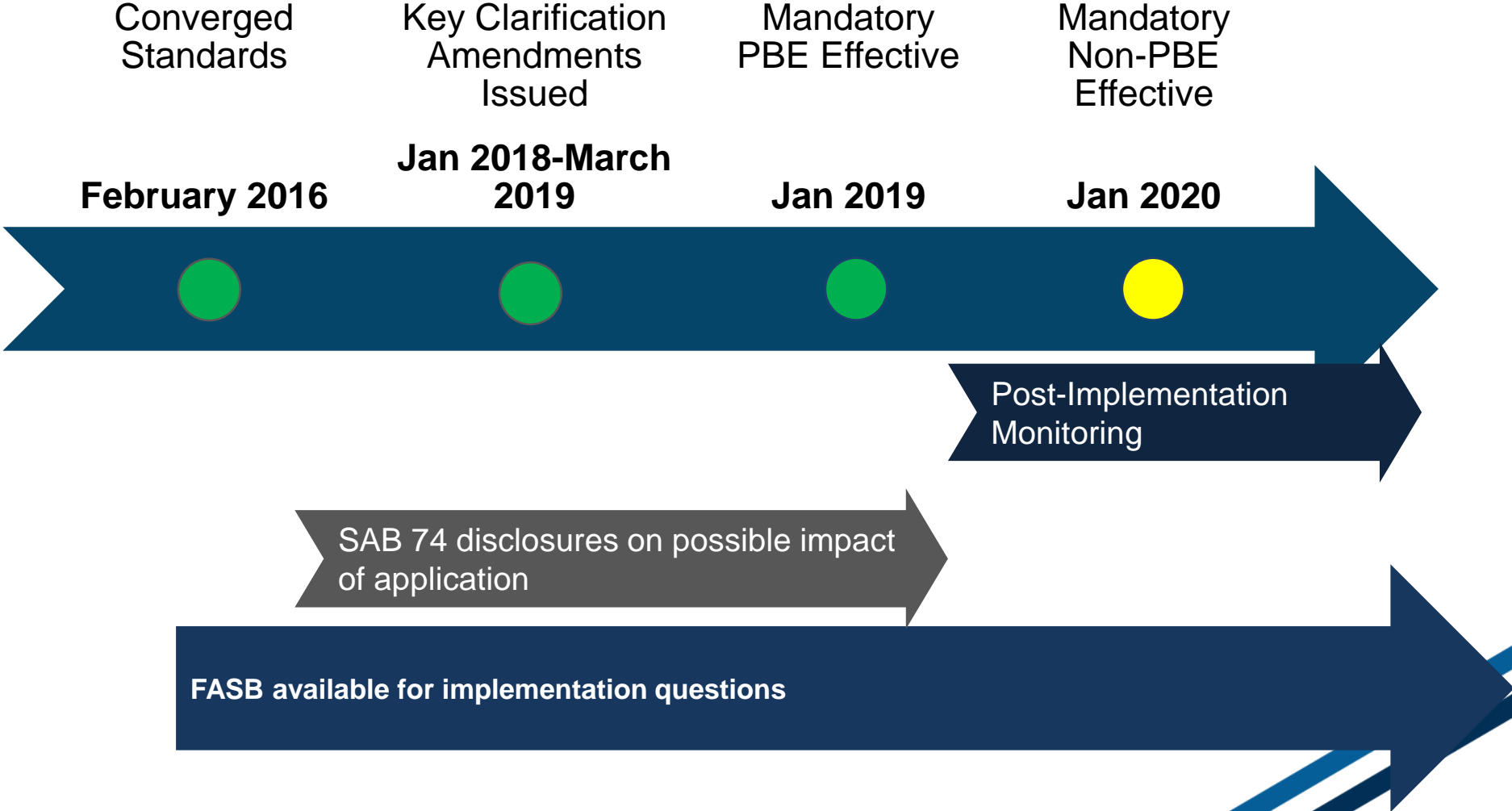
- **Chris Roberge, Senior Project Manager**
- **Mary Mazzella, Senior Project Manager**

July 23, 2019

This presentation has been prepared for discussion at a public educational meeting of the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (Board). It is not intended to represent the views of the boards or any individual member of either board or the staff. Comments on the application of IFRS® Standards or US GAAP do not purport to set out acceptable or unacceptable application of IFRS Standards or US GAAP. Tentative technical decisions are made in public and reported in FASB Action Alert or in IASB Update. Official positions of the FASB or the IASB are determined after extensive due process and deliberations.

Leases

Implementation Progress



Leases . . . Implementation Activities

Board and staff stand ready to assist stakeholders

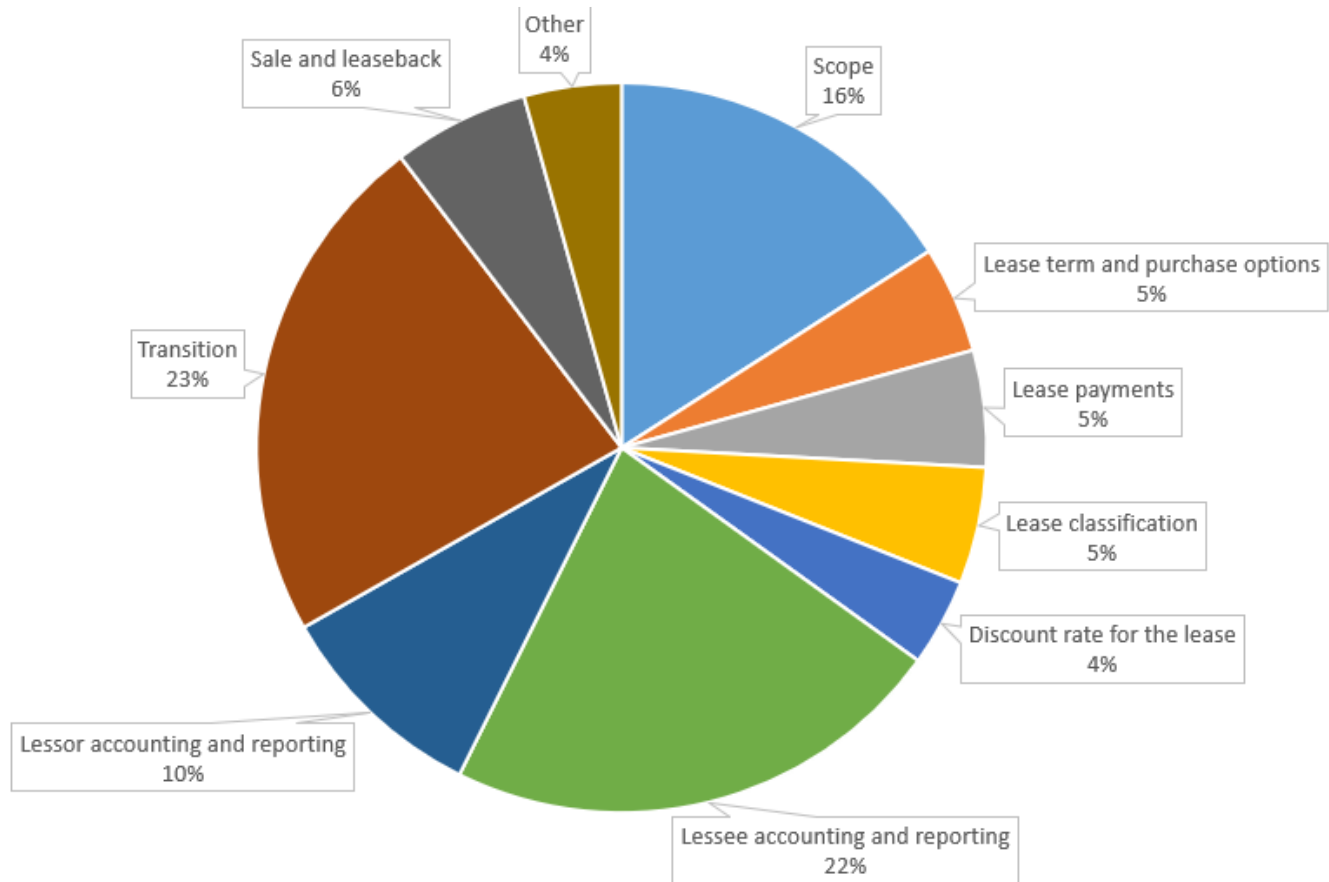
❑ Board meetings held to-date on Topic 842 implementation:

- ✓ November 2016 (leases implementation update)
- ✓ May 2017 (leases implementation update)
- ✓ June 2017 (technical corrections)
- ✓ August 2017 (land easements)
- ✓ November 2017 (land easements and targeted improvements)
- ✓ January 2018 (technical corrections)
- ✓ March 2018 (transition method and practical expedient)
- ✓ July 2018 (narrow-scope improvements)
- ✓ October 2018 (narrow-scope improvements)
- ✓ December 2018 (codification improvements)
- ✓ February 2019 (codification improvements)

❑ Standard setting activities:

- ✓ Land easements ASU 2018-01 (issued in January, 2018)
- ✓ Codification Improvements ASU 2018-10 (issued in July, 2018)
- ✓ Targeted Improvements ASU 2018-11 (issued in July, 2018)
- ✓ Narrow-Scope Improvements ASU 2018-20 (issued in December, 2018)
- ✓ Leases Codification Improvements ASU 2019-01 (issued in March, 2019)

Technical Inquiries by Category

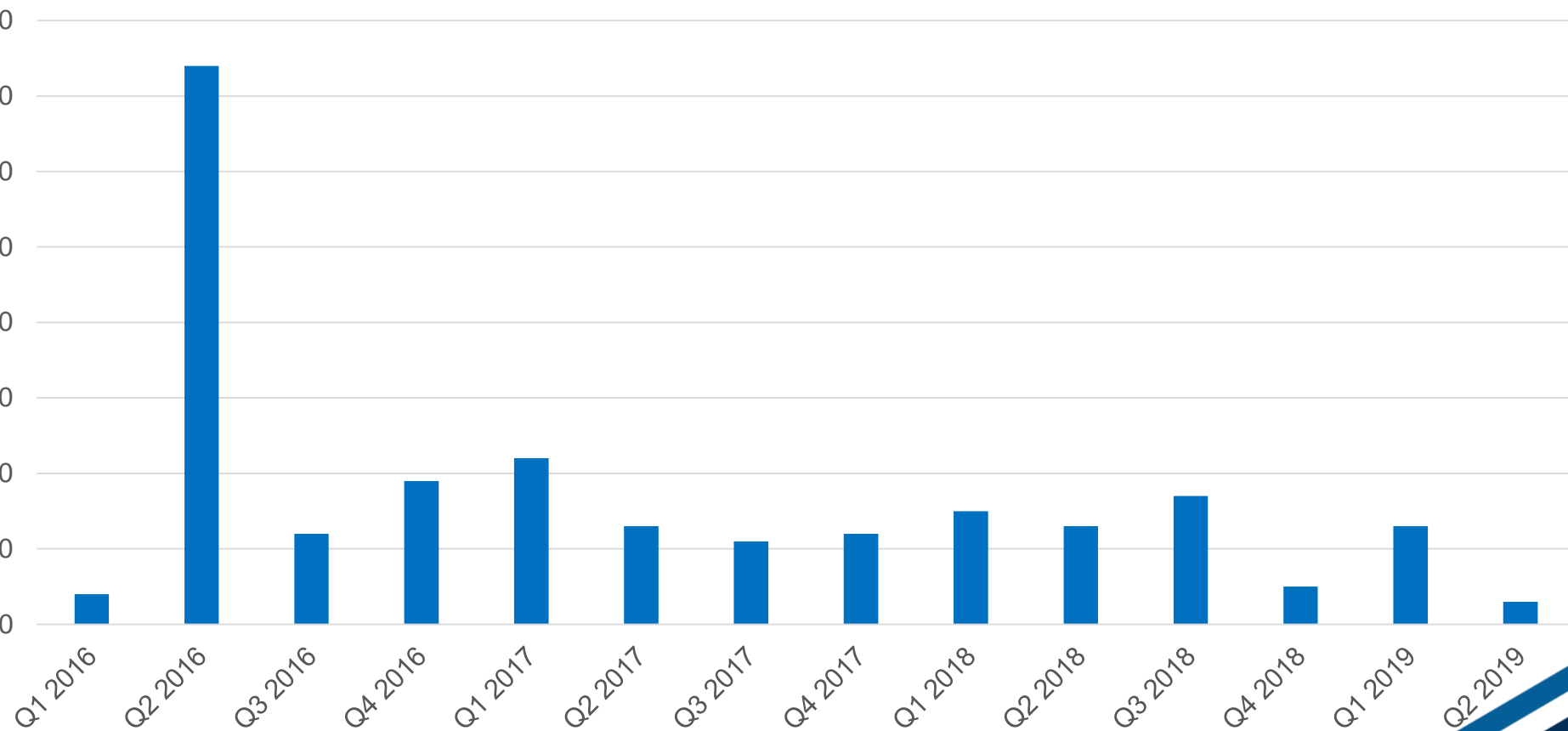


- Scope
- Lease term and purchase options
- Lease payments
- Lease classification
- Discount rate for the lease
- Lessee accounting and reporting
- Lessor accounting and reporting
- Transition
- Sale and leaseback
- Other

Implementation Questions

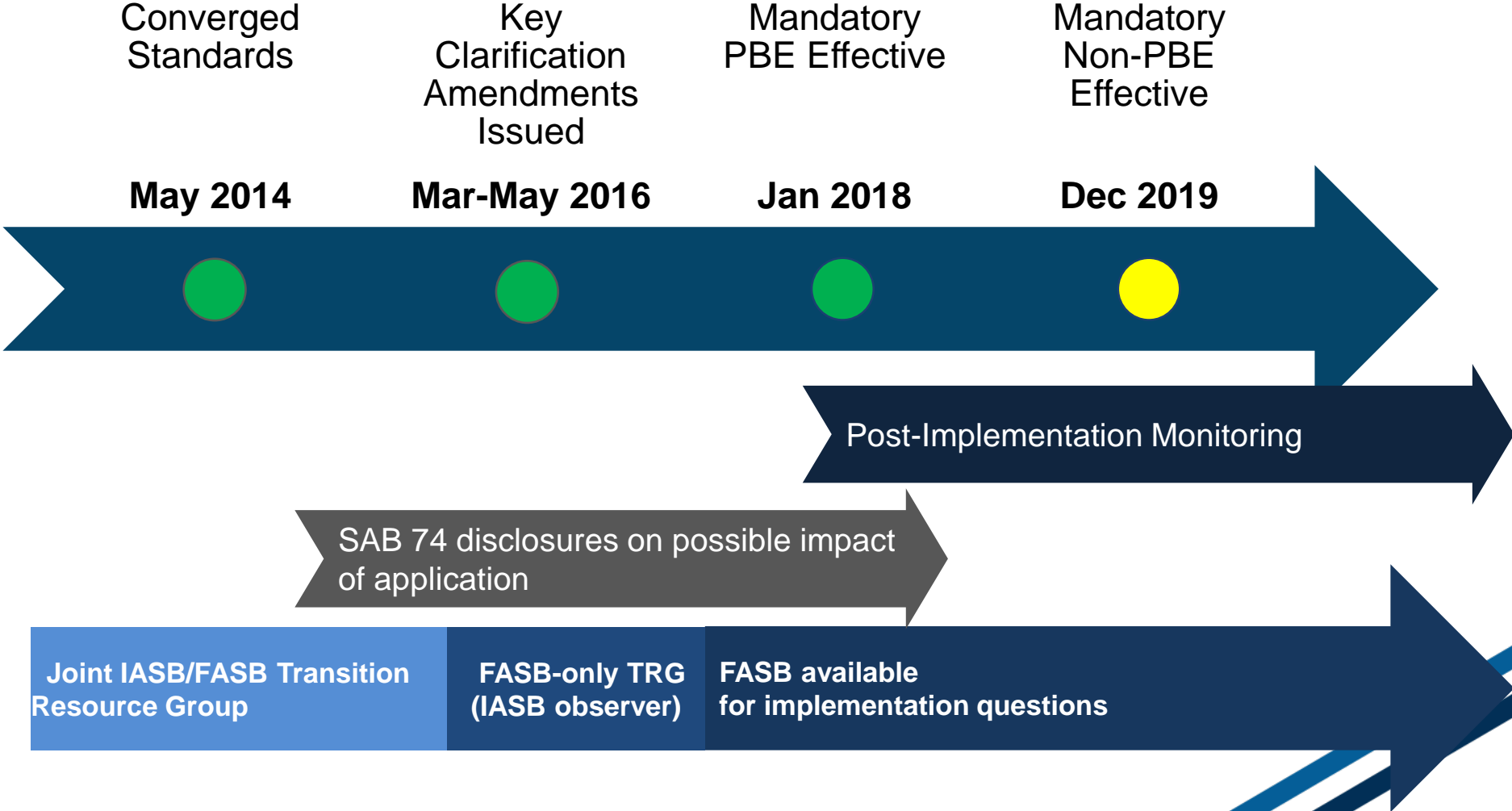
Number of technical inquiries received since the issuance of the standard through June 25, 2019.

Technical Inquiries by Quarter



Revenue

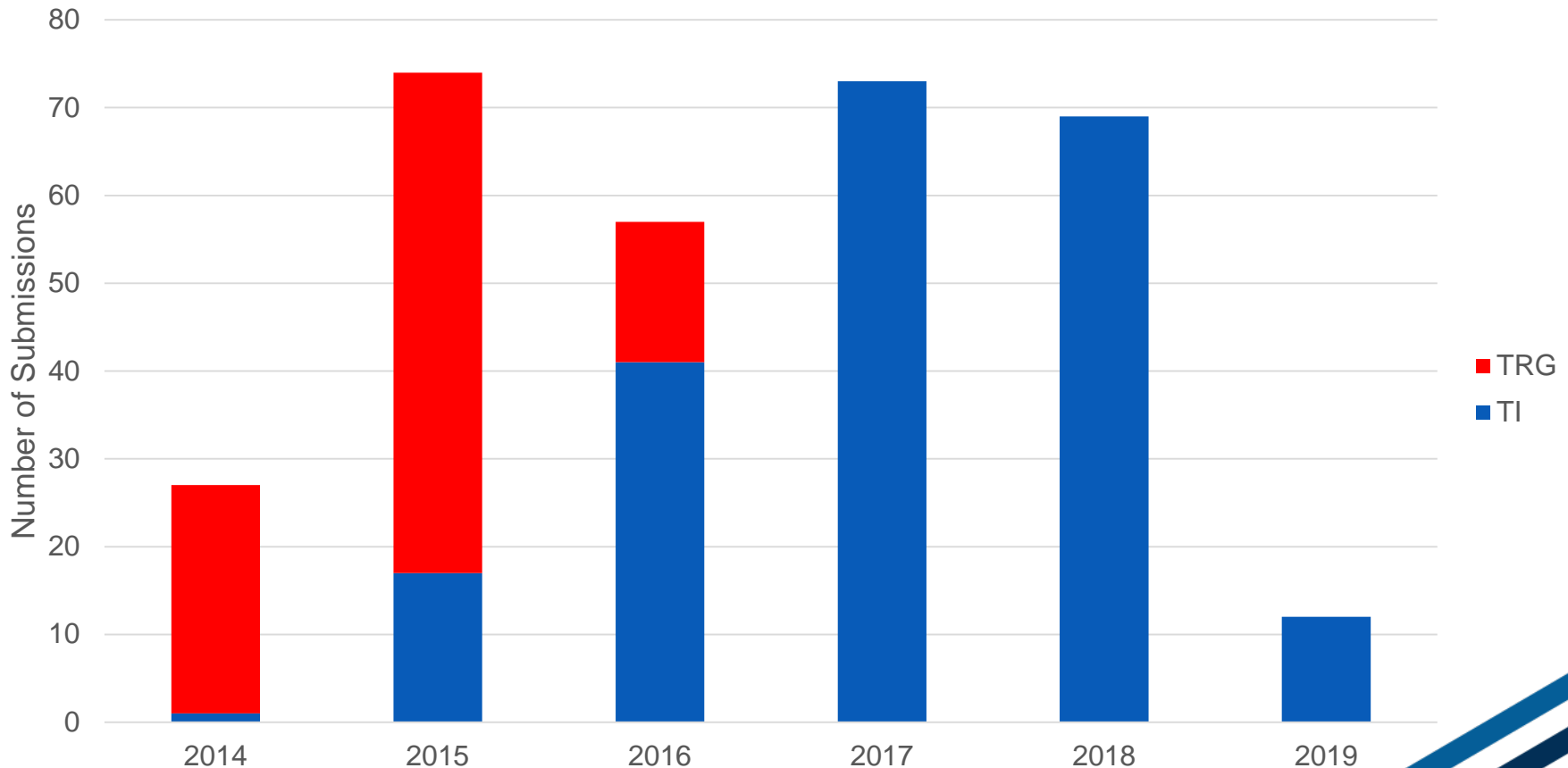
Implementation Progress



Implementation Questions

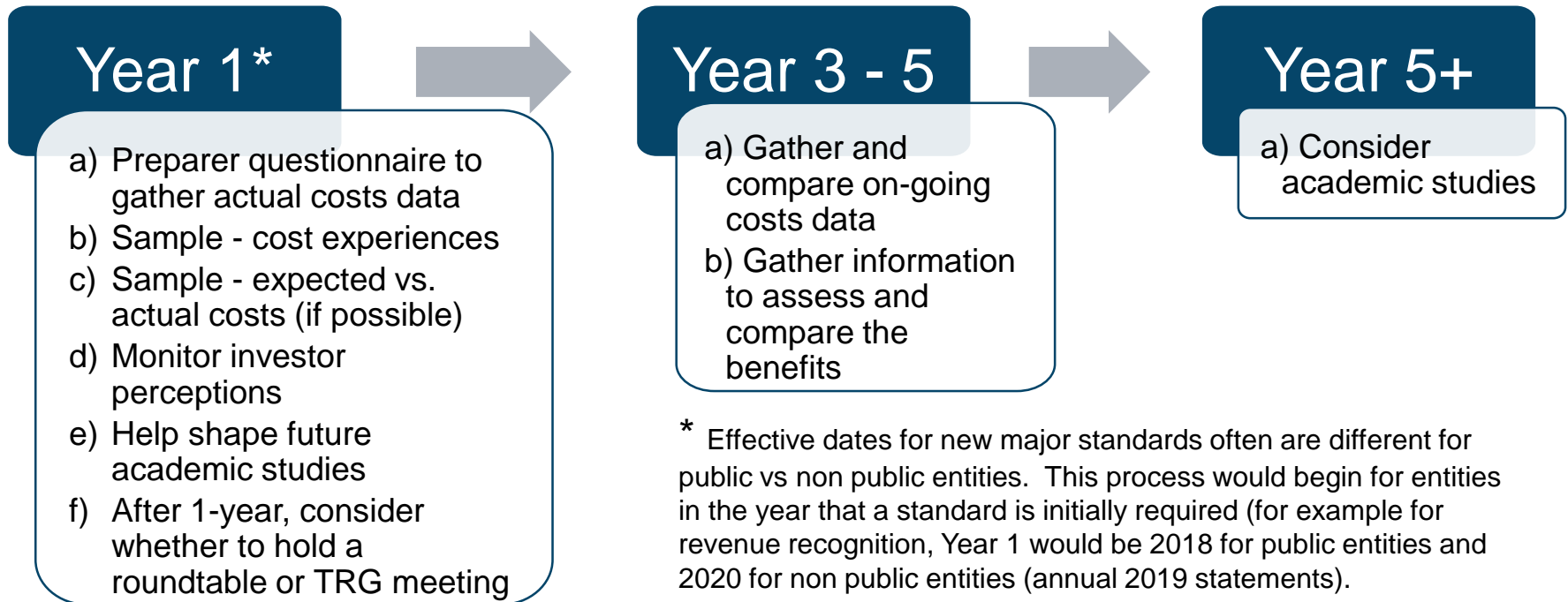
Number of TRG submissions and technical inquiries received since the issuance of the standard through May 31, 2019.

Technical Inquiries and TRG Submissions by Year



Post-Effective Date Monitoring

Timeline: Post-Effective Date Plans & Processes



- Post-effective date processes for Topic 606 are discussed in the following slides. FASB Staff will implement similar processes for Topic 842.

Public Company Survey

- FASB Staff is continuing to gather feedback from stakeholders after the adoption of Topic 606 by public companies and will gather feedback in 2020 following the adoption of private companies and certain NFPs
- The FASB surveyed preparers about implementation activities for Topic 606. Survey questions covered the following topics:
 - Personnel (employees or external personnel)
 - Departments other than accounting and IT (e.g., human resources, sales, tax)
 - Dual bookkeeping
 - IT systems
 - Audit costs
 - Investor/lender education
 - Post-implementation guidance
- Survey participants to-date (preparers only):
 - Advisory Group Members
 - Institute of Management Accountants (IMA)
 - Financial Executives International (FEI)

Respondents by Industry & Size

Industry	Total
Manufacturing	10
Technology	8
Finance and Insurance	8
Healthcare	3
Mining/Oil/Gas	3
Biotech and Pharma	2
Communications	2
Other Services	1
Information/Publishing/Broadcasting/Data Processing	1
Retail Trade	1
Arts/Entertainment/Recreation	1
Other (please specify)*	2
Total	42

* Other included conglomerate and aerospace/defense

FY 2017 Revenue	Total Count
More than \$10 Billion	33
\$5 Billion–\$10 Billion	2
\$2 Billion–\$5 Billion	5
\$700 Million–\$2 Billion	1
\$300 Million–\$700 Million	0
\$50 Million–\$300 Million	1
Total	42

Preliminary Summary of Findings

- Board's expectations of costs were generally correct
 - Costs that the board expected to occur did occur
 - Costs that the board expected to be nonrecurring were generally nonrecurring
 - Difficult to assess magnitude of costs
 - Personnel costs appear unexpectedly higher
 - IT costs appear unexpectedly lower
- Some unexpected costs
 - Dual bookkeeping – unclear how pervasive or costly
 - Subsequent guidance – likely nonrecurring costs
- The benefits included
 - Improved understanding of revenue-generating activities
 - Increased convergence between GAAP and IFRS

Next Steps – Costs

Costs

- Follow-on questions from initial survey results with public companies – potential avenues to explore
 - One-on-one meetings
 - Workshop with practitioners
 - Roundtable (may be concerns about proprietary information)
 - Incremental surveys and/or academic research
 - Use of XBRL and other archival data (e.g., AuditAnalytics)
- Continue to refine and initiate surveys following private company adoption (2020)

Next Steps – Benefits

1. Monitor Public Company Investor Perceptions

- Monitor accounting analyst publications
- Disclosure points – consistency and transparency
- Discussions with IAC and Advisory Groups
- Narrow outreach to supplement as needed

2. Later Date: Gather information to assess and compare the benefits

- Trail assessment of costs (@ 3 - 5 years after effective date)
- Ask whether the objective of the standard was achieved
- Look-back and compare
 - Types of users that were expected to benefit
 - Benefits resulting from the issuance of the standard (e.g., saved time, new or different information, different decision reached)

Next Steps – Benefits (cont.)

3. Help Shape Future Academic Studies

- Identify potential areas of interest of academic studies in the future
- Share and collaborate with academics to build and develop traction on areas of interest related to the benefits (also costs/consequences)
 - FERF
 - AAA (FARS Committee)
 - FASB ARG

Post-Adoption Issues

Staff Collaboration

Ongoing discussions between
FASB Staff and IASB staff as
issues arise

Emerging
Issues Task
Force

IFRS
Interpretations
Committee

- Information about agenda requests
- Input on technical issues, review of draft papers
- Updates on decisions made

EITF 19-B: Licenses of IP

Issue 1:

Accounting for additional rights that are granted to the licensee

Contract modifications that add usage rights and extend time

- Affects functional licenses of intellectual property
- License renewals vs. contract modifications
- Impacts *when* revenue is recognized (when a modification is signed versus start date of the renewal period)

Issue 2:

Accounting for the revocation of licensing rights

Software License → Software as a Service (SaaS)

- Contract modifications that result in a switch
- Contract modifications that add an option
- Contracts that include an option at inception

Questions for the Boards

- Is there any additional information Board members would like about the implementation activities or post-adoption activities that have been undertaken?
- Do Board members have any comments on those activities?