

COMPLIANCE WEEK WEST

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Revenue Recognition Part 1: Understanding the New Standard

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November 18, 2014



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Project Objective

Objective: To develop a single, principle-based revenue standard for U.S. GAAP and IFRS

- The new revenue standard aims to improve accounting for contracts with customers by:
 - Providing a robust framework for addressing revenue issues as they arise
 - Increasing comparability across industries and capital markets
 - Requiring better disclosure

Scope

- All contracts with customers, except:
 - Lease contracts
 - Insurance contracts
 - Financial instruments
 - Guarantees
 - Non-monetary exchanges between entities in the same line of business to facilitate sales to customers
- Sales/transfers of nonfinancial assets outside of the entity's ordinary activities
 - Recognition and measurement guidance

Transition and Effective Date

		PY2 (2015)	PY1 (2016)		CY (2017)	CY Footnotes
Retrospective (with optional practical expedients)	Cumulative catch-up	Rev rec under new standard				
Cumulative effect at date of application		Rev rec under legacy standard		Cumulative catch-up	Existing* and new contracts under new standard	Existing and new contracts disclosed under <u>legacy</u> standard for CY (2017)

*Contracts not completed in prior years as determined under legacy revenue guidance

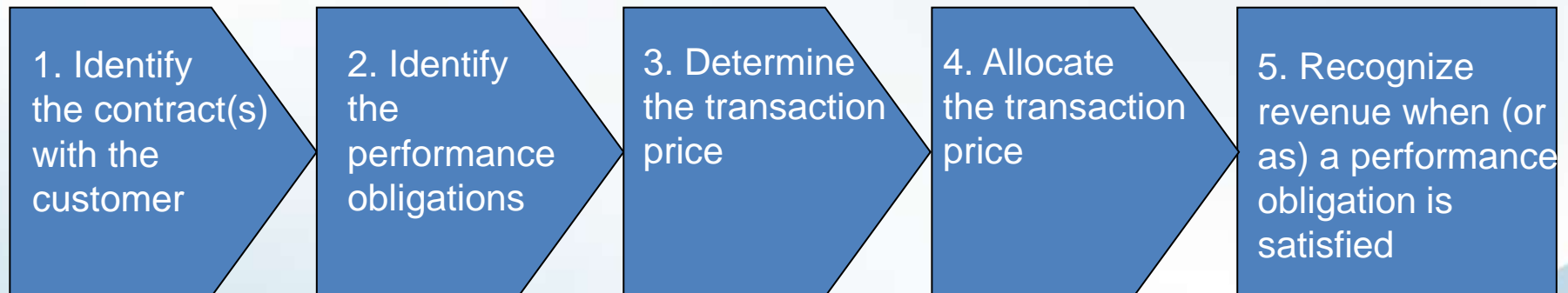
- Effective date for annual reporting periods beginning:
 - U.S. GAAP – after December 15, 2016, one-year deferral permitted for nonpublic entities; early application not permitted
 - IFRS – on or after January 1, 2017; early application permitted

Overview of New Model

Core Principle:

Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

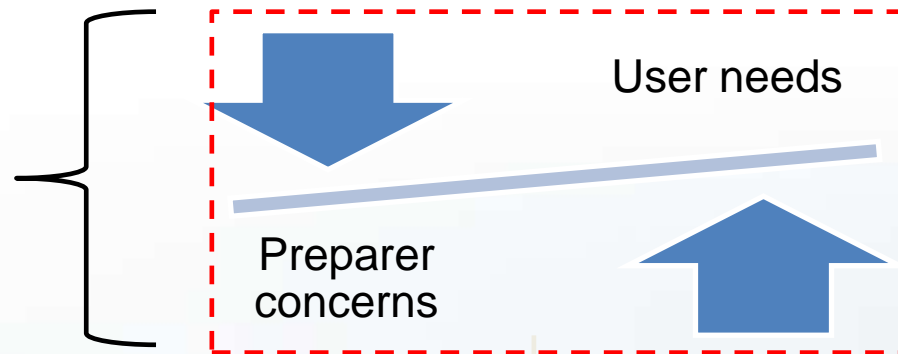
Steps to apply the core principle:



Disclosure Requirements

Disclosure objective: To enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers

Disclosure workshops



Clarifications and refinements to disclosure requirements:

- Disaggregation of revenue
- Information about contract balances
- Transaction price allocated to remaining performance obligations
- Interim requirements

Disclosure Requirements

Disaggregation of revenue

- Disaggregate revenue into categories that depict how revenue and cash flows are affected by economic factors
- Explain the relationship with segment disclosures

Information about contract balances

- Opening and closing balances
- Amount of revenue recognized from contract liabilities
- Explanation of significant changes in contract balances

Remaining performance obligations

- Transaction price allocated to remaining performance obligations
- Quantitative or qualitative explanation of when amounts will be recognized as revenue

Interim requirements

- All quantitative disclosures in annual and interim
(Public entities only)

FASB/IASB Joint Transition Resource Group for Revenue Recognition (TRG) Overview

Objectives:

To solicit, analyze, and discuss stakeholder issues arising from implementation of the new guidance

To inform the FASB and the IASB about those implementation issues, which will help the Boards determine what, if any, action will be needed to address those issues

To provide a forum for stakeholders to learn about the new guidance from others involved with implementation

The TRG will not issue guidance

How to Submit an Issue to the TRG



- Any stakeholder can submit a potential implementation issue
 - We encourage submissions as soon as possible
- Issue submitted about new revenue guidance should:
 - Involve guidance that can be applied in different ways resulting in diversity in practice
 - Be pervasive (relevant to wide group of stakeholders)
- FASB and IASB staff will read all submissions and prioritize issues for discussion

Questions or Comments?

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