Section B—Conforming Amendments Related to Revenue from Contracts with Customers: Amendments to the Accounting Standards Codification

Amendments to Master Glossary

8. Supersede the following Master Glossary terms, with a link to transition paragraph 606-10-65-1.

- Affinity Program
- Airbill
- Air Cargo
- Area Franchise
- Assumption
- Authorization Code
- Bargain Purchase
- Barter
- Breakage
- B Shares
- Buydowns
- Capitation Fee
- Consideration
- Continuing Investments
- Continuing Involvement (second definition)
- Cooperative Advertising
- Core Software
- Cross-Collateralized
- Customer (second definition)
- Delivery
- Deposit Method (second definition)
- Diagnosis-Related Group
- Direct Selling Costs
- Distributor (first definition)
- Enhancement
- Fare
- Fixed Fee
- Flip Transactions
- Full Accrual Method

- Half-Turn
- Handling Costs
- Incentive
- Independent Third Party
- Inducement
- Initial Franchise Fee
- Initial Services
- Investor Notes
- Licensing
- Lifted Flight Coupon
- Milestone (both definitions)
- Off-the-Shelf Software
- On-Line Lifts
- On-Line Sale and Off-Line Sale
- Other than Retail Land Sales
- OTRLS
- Ownership Interests
- Partnership Notes
- PCS
- Percentage-of-Completion Method
- Permanent Investor
- Planned Amenities
- Platform
- Platform-Transfer Right
- Postcontract Customer Support
- Prepaid Health Care Plan
- Profit Center
- Prospective Rate Setting
- Reload
- Rescission
- Reseller (first definition)
- Retrospective Insurance Arrangements
- Retrospective Rate Setting
- Revenue Passenger Mile
- Right-to-Use
- Round-Turn
- RPM
- RTU
- Sales Value
- Shipping Costs

- Site License
- Slotting Fees
- Street Date
- Syndication Fees
- Unit
- Upgrade (second definition)
- Upgrade Right
- Upgrade Transaction
- User
- Vacation Club
- Win

9. Amend the following Master Glossary terms, with a link to transition paragraph 606-10-65-1, as follows:

Amenities

Features that enhance the attractiveness or perceived value of a time-sharing interval. Examples of amenities include golf courses, utility plants, clubhouses, swimming pools, tennis courts, indoor recreational facilities, and parking facilities. See also ~~**Planned Amenities** and~~ **Promised Amenities**.

Customer (first definition)

~~A user or reseller.~~A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Prematurity Period

During the prematurity period, the cable television system is partially under construction and partially in service. The prematurity period begins when revenue from ~~with~~ the first ~~earned~~ subscriber is recognized in accordance with Topic 606 on revenue from contracts with customers ~~revenue~~. Its end will vary with circumstances of the system but will be determined based on plans for completion of the first major construction period or achievement of a specified predetermined subscriber level at which no additional investment will be required for other than cable television plant. The construction period of a cable television system varies with the size of the franchise area, density of population, and difficulty of physical construction. The construction period is not completed until the head-end, main cable, and distribution cables are installed, and includes a reasonable time to provide for installation of subscriber drops and related hardware. During the construction period, many system operators complete installation of drops and begin to provide service to some subscribers in some parts of the system while construction continues. Providing the signal for the first time is referred to as energizing the system.

The length of the prematurity period varies with the franchise development and construction plans. Such plans may consist of any of the following:

a. Small franchise that is characterized by the absence of free television signal and a short construction period. The entire system is energized at one time near the end of the construction period.
b. Medium-size franchise that is characterized by some direct competition from free television and by a more extensive geographical franchise area lending itself to incremental construction. Some parts of the system are energized as construction progresses.

c. Large metropolitan franchise that is characterized by heavy direct competition from free television and fringe area signal inadequacy, high cost, and difficult construction. Many parts of the system are energized as construction progresses.

Except in the smallest systems, programming is usually delivered to portions of the system and some revenues are obtained before construction of the entire system is complete. Thus, virtually every cable television system experiences a prematurity period during which it is receiving some revenue while continuing to incur substantial costs related to the establishment of the total system.

Promised Amenities

Amenities that a developer is obligated to construct under the terms of time-sharing contracts with purchasers. See also **Amenities**~~ and **Planned Amenities**~~.

Relative Sales Value Method

The relative sales value method is similar to a gross profit method and is used to allocate inventory cost and determine cost of sales in conjunction with a sale. Under the relative sales value method, cost of sales is calculated as a percentage of net sales using a cost-of-sales percentage—the ratio of total estimated cost (including costs to complete, if any) to total estimated time-sharing revenue. Time-sharing revenue is calculated as total expected future revenue adjusted for total expected future bad-debt expense.

Revenue (first definition)

~~Revenue earned by an entity from its direct distribution, exploitation, or licensing of a film, before deduction for any of the entity's direct costs of distribution. For markets and territories in which an entity's fully or jointly-owned films are distributed by third parties, revenue is the net amounts payable to the entity by third party distributors. Revenue is reduced by appropriate allowances, estimated returns, price concessions, or similar adjustments, as applicable.~~Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Amendments to Subtopic 235-10

10. The following amendment conforms the terminology in paragraph 235-10-50-4 to the terminology used in Topic 606, Revenue from Contracts with Customers.

11. Amend paragraph 235-10-50-4, with a link to transition paragraph 606-10-65-1, as follows:

Notes to Financial Statements—Overall

Disclosure

> Examples of Disclosures

235-10-50-4 Examples of disclosures by an entity commonly required with respect to accounting policies would include, among others, those relating to the following:

a. Basis of consolidation
b. Depreciation methods
c. Amortization of intangibles
d. Inventory pricing
e. Recognition of **revenue** from **contracts** with **customers**~~Accounting for recognition of profit on long-term construction-type contracts~~
f. Recognition of revenue from ~~franchising and~~ leasing operations.

Amendments to Subtopic 270-10

12. The following two amendments have been made to Subtopic 270-10.

a. The amendment to paragraph 270-10-45-3 reflects the removal of the terms *earned* and *percentage of completion method* to be consistent with the revenue recognition requirements in Topic 606 and to reference the relevant loss guidance within Subtopic 605-35.
b. The amendment to paragraph 270-10-45-19 updates the reference to guidance on involuntary conversions, which results in a gain or loss and not the recognition of revenue. This guidance has been moved from Subtopic 605-40, Revenue Recognition—Gains and Losses, to the newly added Subtopic 610-30, Other Income—Gains and Losses from an Involuntary Conversion.

13. Amend paragraphs 270-10-45-3 and 270-10-45-19, with a link to transition paragraph 606-10-65-1, as follows:

Interim Reporting—Overall

Other Presentation Matters

> Revenue

270-10-45-3 {Add glossary link}Revenue**{Add glossary link}** from products sold or services rendered shall be recognized as the entity satisfies a **performance obligation** by transferring a promised good or service to a **customer.**~~earned~~ Those revenues shall be recognized during an interim period on the same basis as followed for the full year in accordance with Topic 606 on revenue from **contracts** with customers. For example, revenues from a long-term construction contract~~construction-type contracts~~ with a customer that includes performance obligations that the entity satisfies over time in accordance with paragraphs 606-10-25-27 through 25-29~~accounted for under the percentage-of-completion method~~ shall be recognized in interim periods on the same basis followed for the full year. Losses projected on ~~such~~ contracts within the scope of Subtopic 605-35, in accordance with paragraphs 605-35-25-45 through 25-49, shall be recognized in full during the interim period in which the existence of such losses becomes evident.

> Guidance Related to Presentation of Other Topics at Interim Dates

270-10-45-19 The following may not represent all references to interim reporting:

a. For accounting changes, see paragraphs 250-10-45-14 through 45-16.
b. For comprehensive income, see paragraph 220-10-45-18.
c. For incurred but not reported liability and interim reporting, see paragraphs 720-20-35-3 through 35-5 and 720-20-35-8.
d. For income tax provisions, see Subtopic 740-270.
e. For inventory, see paragraphs 330-10-55-2 and 610-30-25-3~~605-40-25-3~~.
f. For pensions and other postretirement benefits, see paragraphs 715-20-55-18 through 55-19 and 715-60-35-40.

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14. The following amendment reflects the Board's decision on reporting of revenue disclosures in interim financial statements of public entities. This amendment requires disclosure of information about an entity's contracts with customers, specifically disclosure of disaggregated revenue and contract balances. The Board observed that the disclosure of disaggregated information may be similar to that required for segment information provided on a quarterly basis. Also, the Board noted that consistent with the overall objective of interim reporting (that is, disclosure of significant changes in financial position and performance since the last annual reporting period), disclosures of contract balances should be provided if significant (for example, if there is a significant amount of revenue recognized in the reporting period from performance obligations satisfied in previous periods). Additionally, the amendments represent an update of the description of what is a nonpublic entity using the new definition of a *public business entity* as defined by the Board in Accounting Standards Update No. 2013-12, *Definition of a Public Business Entity*. Paragraph 270-10-

50-1 has been included for context purposes only; no amendments have been made.

15. Add paragraph 270-10-50-1A, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

> Disclosure of Summarized Interim Financial Data by Publicly Traded Companies

270-10-50-1 Many **publicly traded companies** report summarized financial information at periodic interim dates in considerably less detail than that provided in annual financial statements. While this information provides more timely information than would result if complete financial statements were issued at the end of each interim period, the timeliness of presentation may be partially offset by a reduction in detail in the information provided. As a result, certain guides as to minimum disclosure are desirable. (It should be recognized that the minimum disclosures of summarized interim financial data required of publicly traded companies do not constitute a fair presentation of financial position and results of operations in conformity with generally accepted accounting principles [GAAP]). If publicly traded companies report summarized financial information at interim dates (including reports on fourth quarters), the following data should be reported, as a minimum:

a. Sales or gross revenues, provision for income taxes, extraordinary items (including related income tax effects), net income, and comprehensive income
b. Basic and diluted earnings per share data for each period presented, determined in accordance with the provisions of Topic 260
c. Seasonal revenue, costs, or expenses (see paragraph 270-10-45-11)
d. Significant changes in estimates or provisions for income taxes (see paragraphs 740-270-30-2, 740-270-30-6, and 740-270-30-8)
e. Disposal of a component of an entity and extraordinary, unusual or infrequently occurring items (see paragraphs 270-10-45-11A and 270-10-50-5)
f. Contingent items (see paragraph 270-10-50-6)
g. Changes in accounting principles or estimates (see paragraphs 270-10-45-12 through 45-16)
h. Significant changes in financial position (see paragraph 270-10-50-4)
i. All of the following information about reportable operating segments determined according to the provisions of Topic 280, including provisions related to restatement of segment information in previously issued financial statements:
    1. Revenues from external customers
    2. Intersegment revenues

3. A measure of segment profit or loss
4. Total assets for which there has been a material change from the amount disclosed in the last annual report
5. A description of differences from the last annual report in the basis of segmentation or in the measurement of segment profit or loss
6. A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's consolidated income before income taxes, extraordinary items, and discontinued operations. However, if, for example, an entity allocates items such as income taxes and extraordinary items to segments, the entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items shall be separately identified and described in that reconciliation.

j. All of the following information about defined benefit pension plans and other defined benefit postretirement benefit plans, disclosed for all periods presented pursuant to the provisions of Subtopic 715-20:
   1. The amount of net periodic benefit cost recognized, for each period for which a statement of income is presented, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the gain or loss component, the prior service cost or credit component, the transition asset or obligation component, and the gain or loss recognized due to a settlement or curtailment
   2. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to paragraph 715-20-50-1. Estimated contributions may be presented in the aggregate combining all of the following:
      i. Contributions required by funding regulations or laws
      ii. Discretionary contributions
      iii. Noncash contributions.

k. The information about the use of fair value to measure assets and liabilities recognized in the statement of financial position pursuant to Section 820-10-50
l. The information about derivative instruments as required by Sections 815-10-50, 815-20-50, 815-25-50, 815-30-50, and 815-35-50
m. The information about fair value of financial instruments as required by Section 825-10-50
n. The information about certain investments in debt and equity securities as required by Sections 320-10-50 and 942-320-50
o. The information about other-than-temporary impairments as required by Sections 320-10-50, 325-20-50, and 958-320-50
p. All of the following information about the credit quality of **financing receivables** and the allowance for credit losses determined in accordance with the provisions of Topic 310:

1. Nonaccrual and past due financing receivables (see paragraphs 310-10-50-5A through 50-7B)
2. Allowance for credit losses related to financing receivables (see paragraphs 310-10-50-11A through 50-11C)
3. Impaired loans (see paragraphs 310-10-50-14A through 50-15)
4. Credit-quality information related to financing receivables (see paragraphs 310-10-50-27 through 50-30)
5. Modifications of financing receivables (see paragraphs 310-10-50-31 through 50-34).

q. The gross information and net information required by paragraphs 210-20-50-1 through 50-6.
r. The information about changes in accumulated other comprehensive income required by paragraphs 220-10-45-14A and 220-10-45-17 through 45-17B.
s. The carrying amount of foreclosed residential real estate property as required by the last sentence of paragraph 310-10-50-11 and the amount of loans in the process of foreclosure as required by paragraph 310-10-50-35.

If summarized financial data are regularly reported on a quarterly basis, the foregoing information with respect to the current quarter and the current year-to-date or the last 12 months to date should be furnished together with comparable data for the preceding year.

270-10-50-1A Consistent with paragraph 270-10-50-1, a **public business entity**, a **not-for-profit entity** that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission, shall disclose all of the following information about **revenue** from **contracts** with **customers** consistent with the guidance in Topic 606:

a. A disaggregation of revenue for the period, see paragraphs 606-10-50-5 through 50-6 and paragraphs 606-10-55-89 through 55-91.
b. The opening and closing balances of receivables, **contract assets**, and **contract liabilities** from contracts with customers (if not otherwise separately presented or disclosed), see paragraph 606-10-50-8(a).
c. Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period, see paragraph 606-10-50-8(b).
d. Revenue recognized in the reporting period from **performance obligations** satisfied (or partially satisfied) in previous periods (for example, changes in **transaction price**), see paragraph 606-10-50-8(c).

e. Information about the entity's remaining performance obligations as of the end of the reporting period, see paragraphs 606-10-50-13 through 50-15.

Amendments to Subtopic 275-10

16. The following amendment conforms the terminology in paragraph 275-10-05-7 to the terminology used in Topic 606, Revenue from Contracts with Customers.

17. Amend paragraph 275-10-05-7, with a link to transition paragraph 606-10-65-1, as follows:

Risks and Uncertainties—Overall

Overview and Background

275-10-05-7 Estimates inherent in the current financial reporting process inevitably involve assumptions about future events. For example, estimating and constraining estimates of variable consideration to be included in the **transaction price** for a **contract** with a **customer** in accordance with paragraphs 606-10-32-5 through 32-14 and measuring progress toward complete satisfaction of a **performance obligation** in accordance with paragraphs 606-10-25-31 through 25-37~~accruing income for the current period under a long-term contract requires an estimate of the total profit to be earned on the contract~~. For another example, carrying inventories at the lower of cost or market is based on an assumption that there will be sufficient demand for that product in the future to be able to sell the quantity on hand without incurring losses on the sales or, if market is used, that it can be estimated. Making reliable estimates for such matters is often difficult even in periods of economic stability; it is more so in periods of economic volatility. Although many users of financial statements are aware of that aspect of financial reporting, others often assume an unwarranted degree of reliability in financial statements. The disclosure required by this Subtopic should help dispel any such erroneous assumptions.

18. The following amendment adds a reference to the disclosure requirements in Topic 606 and removes the reference to guidance in Subtopic 605-35.

19. Amend paragraph 275-10-60-7, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Revenue Recognition

275-10-60-7 See paragraphs 606-10-50-1 through 50-23 for disclosures of **revenue** from **contracts** with **customers.** ~~Example 1 (paragraph 605-35-55-2) for an illustration of the kinds of disclosures for risks and uncertainties related to long-term construction contracts.~~

Amendments to Subtopic 280-10

20. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606.

21. Amend paragraphs 280-10-50-1 and 280-10-50-3 through 50-4, with a link to transition paragraph 606-10-65-1, as follows:

Segment Reporting—Overall

Disclosure

> Operating Segments

280-10-50-1 An **operating segment** is a component of a **public entity** that has all of the following characteristics:

a. It engages in business activities from which it may recognize~~earn~~ revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same public entity).
b. Its operating results are regularly reviewed by the public entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
c. Its discrete financial information is available.

280-10-50-3 An operating segment may engage in business activities for which it has yet to recognize~~earn~~ revenues, for example, start-up operations may be operating segments before recognizing~~earning~~ revenues.

280-10-50-4 Not every part of a public entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or certain functional departments may not recognize~~earn~~ revenues or may recognize~~earn~~ revenues that are only incidental to the activities of the public entity and would not be operating segments. For purposes of this Subtopic, a public entity's pension and other postretirement benefit plans are not considered operating segments.

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22. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. This amendment also updates the terminology to be consistent with the Codification style using *should* in Section 280-10-55 to have the same meaning as *shall* in other guidance.

23. Amend paragraphs 280-10-55-3 through 55-5, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Operating Segments-Corporate Divisions

280-10-55-3 A corporate division that recognizes~~earns~~ revenues (for example, a treasury operation that recognizes~~earns~~ interest income) and incurs expenses could be considered an operating segment, if, under the specific facts and circumstances being considered, it meets the definition in paragraph 280-10-50-1. Some believe that corporate divisions could not be considered operating segments because paragraph 280-10-50-4 indicates that not every part of a **public entity** is necessarily an operating segment or part of an operating segment, for example, a corporate headquarters or certain functional departments that do not recognize~~earn~~ revenues or that recognize~~earn~~ revenues that are only incidental to the activities of the public entity.

280-10-55-4 However, a corporate division that recognizes~~earns~~ revenues and that has available discrete financial information and whose operating results are reviewed regularly by the chief operating decision maker should~~shall~~ be considered an operating segment. Even if the revenues are considered incidental, this Subtopic does not preclude such a division from being a reportable segment if management believes the additional information may contribute to a better understanding of the public entity.

280-10-55-5 A division that recognizes~~earns~~ revenues and incurs expenses but does not have any assets associated with it for internal reporting purposes could be considered an operating segment, if, under the specific facts and circumstances being considered, it otherwise meets the definition in paragraph 280-10-50-1. For example, assume Division A of a public entity conducts business with a separate class of customer using assets shared with Division B and Division B allocates expenses associated with those shared assets to Division A, but the assets, themselves, are presented in the internal financial reports of Division B. A public entity may allocate an expense to a segment without allocating the related asset; however, disclosure of that fact is required. Therefore, allocation of assets is not a criterion for the component to be considered an operating segment.

Amendments to Subtopic 310-10

24. The following amendment clarifies that the subsequent measurement of a receivable (that is, the subsequent assessment of impairment of a trade receivable) should not affect the initial recognition of revenue. Additionally, this amendment removes the term *installment method* from the guidance because that term has been removed from Subtopic 605-10 and has not been replaced in Topic 606. In paragraph 310-10-35-11, the cost recovery method is used for the recognition of interest income on long-term receivables or loans if the impairment loss cannot be reasonably estimated, as further discussed in paragraph 310-10-35-39. Paragraph 310-10-35-39 states that "accounting methods include recognition of interest income using a cost-recovery method, a cash-basis method, or some combination of those methods."

25. Amend paragraph 310-10-35-11, with a link to transition paragraph 606-10-65-1, as follows:

Receivables—Overall

Subsequent Measurement

310-10-35-11 The inability to make a reasonable estimate of the amount of loss from uncollectible receivables (that is, failure to satisfy the condition in paragraph 450-20-25-2(b)) precludes accrual and may, if there is significant uncertainty as to collection, suggest that ~~the installment method,~~ the cost recovery method, the cash-basis method, or some other method shall be used.~~of revenue recognition be used. See paragraphs 605-10-25-3 through 25-4 for further guidance.~~

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26. Paragraphs 310-10-40-4 through 40-5 provide guidance on the subsequent accounting for an arrangement that was determined to be a real estate asset rather than a loan. The following amendments reflect the removal of guidance in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66), for the sale or transfer of nonfinancial assets including real estate. However, some of the guidance in Subtopic 360-20 has been retained for purposes of sale-leaseback transactions as reflected in paragraph 310-10-40-5.

27. Amend paragraphs 310-10-40-4 through 40-5, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

Acquisition, Development, and Construction Arrangements

310-10-40-4 If an acquisition, development, and construction arrangement is accounted for as an investment in real estate or joint venture and the expected residual profit is sold, the entity shall apply the guidance in paragraphs 360-10-40-3A through 40-3B ~~gain recognition, if any, is appropriate only if the criteria in Section 360-20-40 are met after giving consideration to the entire acquisition, development, and construction arrangement including the continuing relationship between the financial institution and the project~~.

310-10-40-5 If a financial institution was the seller of the property at the initiation of the project, the entity shall apply the guidance in paragraphs 360-10-40-3A through 40-3B. However, if the sale is part of a sale-leaseback transaction, gain recognition, if any, should be determined by reference to Section 360-20-40.

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28. The following amendment updates the reference to reflect the removal of guidance in Subtopic 605-20.

29. Amend paragraph 310-10-60-4, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Revenue Recognition

310-10-60-4 For guidance on **loan** guarantees, in which an entity (guarantor) lends its creditworthiness to another party (borrower) for a fee, thereby enhancing that other party's ability to borrow funds, see Topic 606 on revenue from contracts with customers~~Subtopic 605-20~~.

Amendments to Subtopic 310-40

30. The following amendments reflect the removal of guidance in Subtopics 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66), and 970-605, Real Estate—General—Revenue Recognition (formerly FAS 66). Additionally, the corresponding illustrative Examples in paragraphs 310-40-55-11 through 55-12 have been superseded.

31. Amend paragraph 310-40-40-6 and supersede paragraphs 310-40-40-6A through 40-7, with a link to transition paragraph 606-10-65-1, as follows:

Receivables—Troubled Debt Restructurings by Creditors

Derecognition

> Foreclosure

310-40-40-6 ~~Except in the circumstances described in the following paragraph, a~~A troubled debt restructuring that is in substance a repossession or foreclosure by the creditor, that is, the creditor receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place, or in which the creditor otherwise obtains one or more of the debtor's assets in place of all or part of the receivable, shall be accounted for according to the provisions of paragraphs 310-40-35-7; 310-40-40-2 through 40-4 and; if appropriate, 310-40-40-8. For guidance on when a creditor shall be considered to have received physical possession (resulting from an in substance repossession or foreclosure) of residential real estate property collateralizing a consumer mortgage loan, see paragraph 310-40-55-10A.

310-40-40-6A Paragraph superseded by Accounting Standards Update 2014-09.~~The guidance in the following paragraph applies to initial measurement of a foreclosed property in a transaction having all of the following characteristics:~~

~~a. A sale of real estate was financed by the seller.~~
~~b. The buyer's initial investment was not sufficient for recognition of profit under the full accrual method.~~
~~c. The seller met the conditions of Subtopic 970-605 to record a sale and recognized profit on the installment or cost recovery methods.~~
~~d. Subsequently, the buyer defaulted on the mortgage to the seller.~~
~~e. The seller forecloses on the property.~~
~~f. At the time of foreclosure, fair value of the property is less than the seller's gross receivable but greater than the seller's net receivable, that is, the principal and interest receivable less the deferred profit on the sale and related allowances.~~

310-40-40-7 Paragraph superseded by Accounting Standards Update 2014-09.~~In a transaction having all of the characteristics set forth in the preceding paragraph, the foreclosed property shall be recorded at the lower of the net amount of the receivable or fair value of the property. The net receivable assumes that the accrual of interest income on the financing, if any, is appropriate under the circumstances. This Topic would be applied to a foreclosure related to a sale accounted for under the full accrual method, and if appropriate, the repossessed property would be recorded at its fair value. The Impairment or Disposal of Long-Lived Assets Subsections of 360-10 require a foreclosed asset that is newly acquired and that is classified as held for sale to be recognized at the lower of its carrying value or fair value less cost to sell.~~

32. Paragraph 310-40-55-12 illustrates the guidance in paragraph 310-40-40-7 and because paragraph 310-40-40-7 has been superseded, the conforming deletion of Example 1 (that is, paragraphs 310-40-55-11 through 55-12) is necessary.

33. Supersede paragraphs 310-40-55-11 through 55-12 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

~~> > Example 1: Fair Value in Excess of the Seller's Net Receivable~~

310-40-55-11 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~This Example illustrates the guidance in paragraph 310-40-40-7.~~

310-40-55-12 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~In this Example, the foreclosed property would be recorded at the amount of the net receivable of $63 and $50, respectively, as illustrated in the following table.~~

	~~Installment Method~~	~~Cost Recovery Method~~
~~*Original sale:*~~		
~~Seller financing~~	~~$ 90~~	~~$ 90~~
~~Buyer's initial investment~~ [(a)]	~~10~~	~~10~~
~~Sales value~~	~~$ 100~~	~~$ 100~~
~~Sales value~~	~~$ 100~~	~~$ 100~~
~~Cost~~	~~(60)~~	~~(60)~~
~~Gain~~	~~40~~	~~40~~
~~Amount recognized~~	~~(4)~~	~~-~~
~~Deferred gain~~	~~$ 36~~	~~$ 40~~
~~*Foreclosure at the end of Year 1:*~~		
~~Original note principal balance~~	~~$ 90~~	~~$ 90~~
~~Interest accrued for Year 1 at 10%~~	~~9~~	~~-~~ [(b)]
~~Gross receivable at foreclosure~~	~~99~~	~~90~~
~~Less deferred profit~~	~~(36)~~	~~40~~
~~Net receivable~~	~~$ 63~~	~~$ 50~~
~~Fair value of property at foreclosure~~	~~$ 80~~	~~$ 80~~

~~(a) Initial investment is inadequate for full accrual method.~~

~~(b) For purposes of this Example, assume that accrual of interest is inappropriate.~~

Amendments to Subtopic 330-10

34. The following amendments to paragraph 330-10-30-8 reflect the removal of the term *completed contract method* and replace the reference to guidance on costs with a reference to the new guidance included in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. Paragraph 330-10-30-19 has been superseded to reflect the removal of the industry-specific guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts.

35. Amend paragraph 330-10-30-8, supersede paragraph 330-10-30-19 and its related heading, and add paragraphs 330-10-30-20 through 30-21 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Inventory—Overall

Initial Measurement

330-10-30-8 Also, under most circumstances, general and administrative expenses shall be included as period charges, except for the portion of such expenses that may be clearly related to production and thus constitute a part of inventory costs (product charges). Selling expenses constitute no part of inventory costs. The exclusion of all overheads from inventory costs does not constitute an accepted accounting procedure. The exercise of judgment in an individual situation involves a consideration of the adequacy of the procedures of the cost accounting system in use, the soundness of the principles thereof, and their consistent application. General and administrative expenses ordinarily shall be charged to expense as incurred~~but may be accounted for as contract costs under the completed-contract method of accounting or, in some circumstances, as indirect contract costs by government contractors~~.

~~> Costs of Certain Construction-Type and Production-Type Contracts~~

330-10-30-19 Paragraph superseded by Accounting Standards Update 2014-09.~~See Section 605-35-25 for a discussion of accounting for contract and precontract costs of certain construction-type and production-type contracts.~~

> Costs to Fulfill a Contract with a Customer

330-10-30-20 See paragraphs 340-40-25-5 through 25-8 and paragraphs 340-40-35-1 through 35-6 for the accounting for the costs to fulfill a contract with a customer if those costs are not in the scope of another Topic.

> Indirect Contract Costs by Government Contractors

330-10-30-21 See paragraph 912-20-25-1 for the accounting for indirect contract costs by government contractors.

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36. The following amendment to paragraph 330-10-35-21 updates the reference to guidance in Subtopic 605-50, Revenue Recognition—Customer Payments and Incentives, to the guidance on consideration payable to a customer in Topic 606. The amendment to paragraph 330-10-35-22 updates the reference to the guidance on consideration received from a vendor, which has been moved from Subtopic 605-50 to Subtopic 705-20, Costs of Sales and Services—Accounting for Consideration Received from a Vendor.

37. Amend paragraphs 330-10-35-21 through 35-22 and the related heading, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> ~~Vendor~~ Accounting for Consideration Payable~~Given~~ to a Customer ~~or Reseller~~

330-10-35-21 See ~~Subtopic 605-50~~paragraphs 606-10-32-25 through 32-27 for a discussion of consideration given by ~~a vendor~~an entity to a **{add glossary link}**customer**{add glossary link}**.

> ~~Customer or Reseller~~ Accounting for Consideration Received from a Vendor

330-10-35-22 See ~~Section 605-50~~ Subtopic 705-20 on costs of sales and services for a discussion of accounting by an entity, that is, a customer (including a **{add glossary link to 2nd definition}**reseller**{add glossary link to 2nd definition}**)~~ for~~, for consideration received from a **{add glossary link}**vendor**{add glossary link}**.

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38. The following amendment reflects the removal of the industry-specific revenue guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts.

39. Supersede paragraph 330-10-45-2 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

General

~~> Costs of Certain Construction-Type and Production-Type Contracts~~

330-10-45-2 Paragraph superseded by Accounting Standards Update 2014-09.~~See paragraphs 605-35-45-3 through 45-5 for guidance on presenting contract costs of certain construction-type and production-type contracts.~~

Amendments to Subtopic 340-10

40. The following amendment reflects the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs. Additionally, the amendment adds a reference to Subtopic 340-40, which provides guidance for some costs related to a contract with a customer within the scope of Topic 606.

41. Amend paragraph 340-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Other Assets and Deferred Costs—Overall

Overview and Background

340-10-05-1 The Other Assets and Deferred Costs Topic includes the following Subtopics:

a. Overall
b. Subparagraph superseded by Accounting Standards Update 2014-09~~Capitalized Advertising Costs~~
c. Insurance Contracts that Do Not Transfer Insurance Risk.
d. **Contracts** with **Customers**.

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42. The following amendments reflect the removal of the reference to guidance in Subtopics 605-20, Revenue Recognition—Services, and 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. Paragraph 340-10-60-8 has been superseded to reflect the removal of paragraph 912-20-45-1.

43. Supersede paragraphs 340-10-60-5 through 60-6 and 340-10-60-8 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

~~> Revenue Recognition~~

340-10-60-5 Paragraph superseded by Accounting Standards Update 2014-09.~~For the deferral of costs directly related to the acquisition of a contract, see paragraphs 605-20-25-1 through 25-6.~~

340-10-60-6 Paragraph superseded by Accounting Standards Update 2014-09.~~For accounting for costs incurred in anticipation of future construction and certain production-type contract sales, see paragraphs 605-35-25-39 through 25-41.~~

~~> Contractors—Federal Government~~

340-10-60-8 Paragraph superseded by Accounting Standards Update 2014-09.~~For allocation of general and administrative costs to government contract inventories and cost-reimbursement contracts, see paragraph 912-20-45-1.~~

Amendments to Subtopic 340-20

44. Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs, provided guidance on the accounting and reporting for capitalized advertising costs, specifically for direct-response advertising that may result in a reported asset. The following amendments have been made to this Subtopic:

a. This guidance in Subtopic 340-20 has been superseded consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, for contracts within the scope of Topic 606.
b. However, the guidance in Subtopic 340-20 was applicable for insurance contracts within the scope of Topic 944 that are outside the scope of Topic 606. Therefore, the following amendments reflect the relocation of relevant paragraphs, 340-20-25-4 through 25-18, to the industry-specific guidance on insurance contracts (see amendments to Subtopic 944-30, Financial Services—Insurance—Acquisition Costs). Accounting Standards Update No. 2010-26 (EITF 09-G) provided accounting guidance for costs associated with acquiring or renewing insurance contracts. This guidance was codified as Subtopic 944-30 and directly relied upon the guidance in Subtopic 340-20 on the costs of direct response advertising (specifically paragraph 340-20-25-4 and indirectly paragraphs 340-20-25-5 through 25-18). Because Subtopic 340-20 has been superseded in its entirety, these paragraphs have been retained and moved to Subtopic 944-30. See the basis paragraph for Subtopic 944-30 for further discussion of amendments to that Subtopic. Additionally, in the 2013 Exposure Draft, *Insurance Contracts (Topic 834),* the Board proposed that direct response advertising costs would not qualify for inclusions in deferred acquisition costs and therefore would be expensed as incurred. Final conclusions on direct response advertising being included in deferred acquisition costs for insurance entities will be determined after the Board redeliberates and codifies any final conclusions in its insurance project.

45. Supersede Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs, with a link to transition paragraph 606-10-65-1. **[Paragraphs 340-20-25-4 through 25-18 (some of which are amended) moved to paragraphs 944-30-25-1AA and 944-30-25-1C through 25-1P]**

Addition of Subtopic 340-40

46. For the addition of the new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, see paragraph 7 in Section A of the Codification amendments.

Amendments to Subtopic 350-10

47. The following amendments to Subtopic 350-10, Intangibles—Goodwill and Other—Overall, reflect the Board's decisions to require an entity that derecognizes a nonfinancial asset (for example, an intangible asset) to use

certain guidance in Topic 606. Also see new Subtopic 610-20 on the gains and losses from the derecognition of nonfinancial assets.

48. Add Section 350-10-40, with a link to transition paragraph 606-10-65-1, as follows:

Intangibles—Goodwill and Other—Overall

Derecognition

General

> Transfer or Sale of Intangible Assets

350-10-40-1 An entity shall account for the derecognition of a nonfinancial asset, including an in substance nonfinancial asset, within the scope of this Topic in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, unless the entity sells or transfers the nonfinancial asset in a **contract** with a **customer**. The derecognition of a nonfinancial asset in a contract with a customer shall be accounted for in accordance with Topic 606 on revenue from contracts with customers.

350-10-40-2 Unless a subsidiary or group of assets is an in substance nonfinancial asset, an entity shall account for the derecognition of a subsidiary or a group of assets that is either a **business** or **nonprofit activity** in accordance with the derecognition guidance in Subtopic 810-10. The derecognition of an in substance nonfinancial asset shall be accounted for in accordance with paragraph 350-10-40-1.

350-10-40-3 If an entity transfers a nonfinancial asset in accordance with paragraph 350-10-40-1, and the contract does not meet all of the criteria in paragraph 606-10-25-1, the entity shall not derecognize the nonfinancial asset and shall follow the guidance in paragraphs 606-10-25-6 through 25-8 to determine if and when the contract subsequently meets all of the criteria in paragraph 606-10-25-1. Until all of the criteria in paragraph 606-10-25-1 are met, the entity shall continue to do all of the following:

a. Report the nonfinancial asset in its financial statements
b. Recognize amortization expense as a period cost for those assets with a finite life
c. Apply the impairment guidance in Section 350-30-35.

350-10-40-4 Additionally, see the derecognition guidance in Section 350-20-40 regarding the disposal of all or a portion of a reporting unit.

49. The following amendment adds a relationship paragraph to acknowledge the impairment test of barter credits in Topic 845, Nonmonetary Transactions.

50. Add Section 350-10-60, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

General

350-10-60-1 For guidance on recognizing an impairment loss on barter credits, see paragraph 845-10-30-19.

Amendments to Subtopic 350-40

51. The following amendment reflects the removal of the term *earned* and updates the guidance to differentiate between a contract with a customer, which should use the guidance in Topic 606, and the sale or transfer of a nonfinancial asset, which should use the guidance in Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

52. Amend paragraph 350-40-35-8, with a link to transition paragraph 606-10-65-1, as follows:

Intangibles—Goodwill and Other—Internal-Use Software

Subsequent Measurement

> Internal-Use Computer Software Subsequently Marketed

350-40-35-8 No profit shall be recognized until aggregate net proceeds from licenses and amortization have reduced the carrying amount of the software to zero. Subsequent proceeds shall be recognized ~~in~~as **{add glossary link}**revenue**{add glossary link}** in accordance with Topic 606 on revenue from **contracts** with **customers** or recognized as a gain in accordance with Subtopic 610-20 on derecognition of nonfinancial assets if the contract is not with a customer~~as earned~~.

Amendments to Subtopic 360-10

53. The following amendment reflects the updated scope of the guidance in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66). Specifically, Subtopic 360-20 has been retained only for purposes of sale-leaseback transactions of real estate.

54. Amend paragraph 360-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Property, Plant, and Equipment—Overall

Overview and Background

360-10-05-1 The Property, Plant, and Equipment Topic includes the following Subtopics:

a. Overall
b. Real Estate Sales—Sale-Leaseback Accounting.

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55. The following amendment reflects the removal of the term *earning* because that term is not a criterion for recognizing revenue in Topic 606.

56. Amend paragraph 360-10-35-7, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> > Declining Balance Method

360-10-35-7 The declining-balance method is an example of one of the methods that meet the requirements of being systematic and rational. If the expected productivity of the asset or ability of the asset to generate revenue ~~or revenue-earning power of the asset~~ is relatively greater during the earlier years of its life, or maintenance charges tend to increase during later years, the declining-balance method may provide the most satisfactory allocation of cost. That conclusion also applies to other methods, including the sum-of-the-years'-digits method, that produce substantially similar results.

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57. The following amendments reflect the following three changes:

a. Paragraphs 360-10-40-1 through 40-2. Paragraphs 840-20-40-3 through 40-4 on sales of leased property have been superseded (see amendments to Subtopic 840-20) due to their risks-and-rewards notion that is inconsistent with the Board's control-based model developed in Topic 606. As a result, paragraph 360-10-40-1 (and the reference to paragraph 840-20-40-3) has been superseded because of the Board's decisions on the derecognition of nonfinancial assets, and paragraph 360-10-40-2 has been amended with conforming changes.

b. Paragraph 360-10-40-3. This paragraph has been superseded because the guidance in Subtopic 360-20 (formerly FAS 66) is no longer relevant.

c. Paragraphs 360-10-40-3A through 40-3C. These paragraphs reflect the derecognition guidance added to Subtopic 610-20 on the sale or transfer of a nonfinancial asset.

58. Supersede paragraphs 360-10-40-1 and 360-10-40-3 and its related heading, amend paragraph 360-10-40-2, and add paragraphs 360-10-40-3A through 40-3C and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

> Sale of Leased Property

360-10-40-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 840-20-40-3 states that the sale of property subject to an operating lease (or of property that is leased by or intended to be leased by the third-party purchaser to another party) shall not be treated as a sale if the seller or any party related to the seller retains substantial risks of ownership in the leased property.~~

360-10-40-2 Paragraph 840-20-40-5 states that if a sale to a third party of property subject to an operating lease (or of property that is leased by or intended to be leased by the third-party purchaser to another party) is not to be recorded as a sale because ~~of the provisions of~~ the entity has not transferred control over the promised asset to the third party in accordance with paragraph 606-10-25-30 ~~paragraph 840-20-40-3 through 40-4~~, the transaction shall be accounted for as a borrowing.

~~**> Sale of Real Estate with Property Improvements or Integral Equipment**~~

360-10-40-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~For a discussion of the applicability of Subtopic 360-20 to all sales of real estate, including real estate with property improvements or **integral equipment**, and the definition of those terms, see paragraphs 360-20-15-3 and 360-20-15-10.~~

> Transfer or Sale of Property, Plant, and Equipment

360-10-40-3A An entity shall account for the derecognition of a nonfinancial asset, including an in substance nonfinancial asset, within the scope of this Topic in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, unless the entity sells or transfers the nonfinancial asset in a **contract** with a **customer**. The derecognition of a nonfinancial asset in a contract with a customer shall be accounted for in accordance with Topic 606 on revenue from contracts with customers.

360-10-40-3B Unless a subsidiary or group of assets is an in substance nonfinancial asset, an entity shall account for the derecognition of a subsidiary or group of assets that is either a **business** or **nonprofit activity** in accordance with the derecognition guidance in Subtopic 810-10. The derecognition of an in substance nonfinancial asset shall be accounted for in accordance with paragraph 360-10-40-3A.

360-10-40-3C If an entity transfers a nonfinancial asset in accordance with paragraph 360-10-40-3A, and the contract does not meet all of the criteria in paragraph 606-10-25-1, the entity shall not derecognize the nonfinancial asset and shall follow the guidance in paragraphs 606-10-25-6 through 25-8 to determine if and when the contract subsequently meets all the criteria in paragraph 606-10-25-1. Until all the criteria in paragraph 606-10-25-1 are met, the entity shall continue to do all of the following:

a. Report the nonfinancial asset in its financial statements
b. Recognize depreciation expense as a period cost unless the assets have been classified as held for sale in accordance with paragraphs 360-10-45-9 through 45-10
c. Apply the impairment guidance in Section 360-10-35.

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59. The following amendment references Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

60. Amend paragraph 360-10-45-5, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

Impairment or Disposal of Long-Lived Assets

> Long-Lived Assets Classified as Held and Used

> > Presentation of Disposal Gains or Losses in Continuing Operations

360-10-45-5 A gain or loss recognized (see Subtopic 610-20 on the sale or transfer of a nonfinancial asset) on the sale of a long-lived asset (**disposal group**) that is not a component of an entity shall be included in income from continuing operations before income taxes in the income statement of a business entity. If a subtotal such as income from operations is presented, it shall include the amounts of those gains or losses.

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61. The following amendment reflects the relocation of paragraph 974-605-25-2 to paragraph 974-720-25-2.

62. Amend paragraph 360-10-60-1, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Real Estate—Real Estate Investment Trusts

360-10-60-1 For a discussion of the appropriate accounting affecting property, plant, and equipment by a real estate investment trust for operating support from its adviser, see paragraph <u>974-720-25-2</u>~~974-605-25-2~~.

Amendments to Subtopic 360-20

63. Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66), which provided broad guidance for the sale of real estate, has been amended to have a significantly narrowed scope. As a result of the Board's decisions, the sale of real estate no longer is subject to industry-specific guidance. Therefore, if the transaction is in a contract with a customer, it is within the scope of Topic 606 and the guidance in Subtopic 360-20 no longer will be used to account for those transactions. Similarly, the guidance included in Subtopics 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and 810-10, Consolidation—Overall, may be applicable. Subtopic 360-20 has not been superseded, however, because the guidance remains necessary for sale-leaseback transactions involving real estate assets in Subtopic 840-40, Leases—Sale-Leaseback Transactions (formerly FAS 98). Subtopic 840-40 was originally created as incremental guidance to Subtopic 360-20. The joint Board project on leases is expected to provide guidance for accounting for all sale-leaseback transactions and, therefore, would replace Subtopics 360-20 and 840-40. Additionally, the Board noted in making these decisions that an entity should not analogize the retained guidance in Subtopic 360-20 to a transaction that is not a sale-leaseback transaction.

64. Amend the title of Subtopic 360-20 and add the General Note as follows:

Property, Plant, and Equipment—Real Estate Sales<u>—Sale-Leaseback Accounting</u>

<u>**General Note on Real Estate Sales:** Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Property, Plant, and Equipment—Real Estate Sales—Sale-Leaseback Accounting.</u>

65. Amend paragraph 360-20-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

360-20-05-1 This Subtopic provides accounting guidance to determine if a~~for the~~ sale of real estate ~~other than retail land~~ has occurred for purposes of applying **sale-leaseback accounting** in Subtopic 840-40. The real estate sales guidance was placed under the Property, Plant, and Equipment Topic because it is applicable to all entities involved with real estate ~~sales~~sale-leaseback transactions. Other guidance specific to the real estate subindustries is found in the related Real Estate Topics (Topics 970, 972, 974, 976, and 978).

66. Amend paragraphs 360-20-15-1 through 15-3, with a link to transition paragraph 606-10-65-1 as follows:

Scope and Scope Exceptions

> Entities

360-20-15-1 This Subtopic establishes standards for recognition of profit on all real estate sale-leaseback transactions (see Subtopic 840-40 for additional guidance on **sale-leaseback accounting**) ~~sales transactions, other than retail land sales (see Topic 976 for retail land sales),~~ without regard to the nature of the seller's business.

> Transactions

360-20-15-2 Determining whether a transaction is in substance the sale of real estate requires judgment. However, in making that determination, one shall consider the nature of the entire real estate component being sold (that is, the land plus the property improvements and **integral equipment**), and not the land only, in relation to the entire sale-leaseback transaction. Further, that determination shall not consider whether the operations in which the assets are involved are traditional or nontraditional real estate activities. For example, if a ski resort is sold and the lodge and ski lifts are considered to be affixed to the land (that is, they cannot be removed and used separately without incurring significant cost), then it would appear that the sale is in substance the sale of real estate and that the entire sale transaction would be subject to the provisions of this Subtopic. Transactions involving the sale of underlying land (or the sale of the property improvements or integral equipment subject to a lease of the underlying land) shall not be bifurcated into a real estate component (the sale of the underlying land) and a non-real-estate component (the sale of the lodge and lifts) for purposes of determining profit recognition on the transaction.

360-20-15-3 The guidance in this Subtopic applies to the following ~~transactions and activities~~ assets that are part of a sale-leaseback transaction within the scope of Subtopic 840-40:

a. ~~All sales of real~~Real estate, including real estate with property improvements or integral equipment. The terms *property improvements* and *integral equipment* as they are used in this Subtopic refer to any physical structure or equipment attached to the real estate that cannot be removed and used separately without incurring significant cost. Examples include an office building, a manufacturing facility, a power plant, and a refinery.
b. ~~Sales of property~~Property improvements or integral equipment subject to an existing lease of the underlying land should be accounted for in accordance with paragraphs 360-20-40-56 through 40-59.
c. ~~The sale or transfer of an~~ An investment in the form of a financial asset that is in substance real estate.
d. ~~The sale of timberlands~~Timberlands or farms (that is, land with trees or crops attached to it).
e. Subparagraph superseded by Accounting Standards Update 2014-09. ~~Real estate time-sharing transactions (see Topic 978).~~
f. Subparagraph superseded by Accounting Standards Update 2014-09. ~~Loss of a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate because of a default by the subsidiary on its nonrecourse debt.~~

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67. The following amendments reflect the removal of Subtopic 360-20, except for the purpose of applying sale-leaseback guidance in Subtopic 840-40. The following paragraphs have been amended:

a. Paragraph 360-20-55-10 removes a reference to guidance that has been superseded, which previously illustrated the installment method when a retail land sale does not meet the criteria for full accrual.
b. Paragraph 360-20-55-11 removes industry-specific guidance that was referenced in this paragraph and has been superseded by the guidance in Topic 606.
c. Paragraph 360-20-55-18 removes a reference to superseded guidance on real estate project costs.
d. Paragraph 360-20-55-21 has been amended to eliminate the decision tree regarding retail land sales and updates the scope of the remaining decision tree to apply only to sales of real estate in a sale-leaseback transaction.
e. Paragraphs 360-20-55-68 through 55-77 (Examples 8 and 9) have been superseded consistent with the Board's decision to eliminate industry-specific guidance. These Examples were added to the Codification in Accounting Standards Update No. 2011-10 (EITF 10-E) to address a derecognition scope question about whether the guidance in Subtopic

360-20 would be applicable for a parent (reporting entity) to derecognize the in substance real estate when the reporting entity ceases to have a controlling financial interest (as described in Subtopic 810-10) in the in substance real estate subsidiary as a result of a default by the subsidiary on its nonrecourse debt. The Examples are no longer necessary because these transactions do not involve a sale-leaseback transaction and, therefore, would not be subject to the guidance in Subtopic 360-20.

68. Amend paragraphs 360-20-55-10 and 360-20-55-21 and its related heading and supersede paragraphs 360-20-55-11, 360-20-55-18, and 360-20-55-68 through 55-77 and their related headings, with a link to transition paragraph 606-10-65-1 as follows:

Implementation Guidance and Illustrations

> Implementation Guidance

> > Methods of Accounting for Real Estate Sales when Criteria for Full Accrual Method Are Not Met

> > > Installment Method

360-20-55-10 The income statement, or related footnotes, for the period including the date of sale presents the sales value, the gross profit that has not yet been recognized, and the total cost of the sale. Revenue and cost of sales (or gross profit) are presented as separate items on the income statement or are disclosed in the footnotes when profit is recognized as earned. ~~This presentation is illustrated in Example 2, Schedule A (see paragraph 976-605-55-13).~~

360-20-55-11 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 976-605-30-3 describes accounting for obligations for future improvement costs under the percentage-of-completion method. That description applies as well to accounting for those obligations under the installment method.~~

> > > Deposit Method

360-20-55-18 Paragraph superseded by Accounting Standards Update 2014-09. ~~See the Real Estate Project Costs Subsection of Section 970-360-55 for guidance concerning use of the deposit method in the accounting for the sale of a lot and construction of a home by a homebuilder.~~

> > Decision Tree~~Trees~~

360-20-55-21 The following decision tree is intended to provide an overview of the major provisions in this Subtopic that relate to the accounting for sales of real estate. It should not be used without further reference to the Subtopic. ~~Two~~ The decision tree is~~trees are~~ provided for~~—one for retail land sales (found in paragraph 976-605-55-1) and a second for all other~~ sales of real estate in a sale-leaseback transaction ~~(found in this paragraph)~~. The highlighted boxes describe the general requirements for recognizing all of the profit on a sale of real estate other than a retail land sale at the date of sale.

[The decision tree is not included because it is unchanged.]

~~> > Example 8: Conveyance of Real Estate to the Lender in Full Satisfaction of the Entity's Obligation~~

360-20-55-68 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Example illustrates the application of paragraph 360-20-40-5 for a parent (reporting entity) to derecognize the in substance real estate when the reporting entity ceases to have a controlling financial interest (as described in Subtopic 810-10) in the in substance real estate subsidiary as a result of a default by the subsidiary on its nonrecourse debt.~~

360-20-55-69 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Example uses the following assumptions:~~

- ~~a. A reporting entity establishes a single-purpose entity with $200,000 of equity to purchase commercial real estate~~
- ~~b. The single-purpose entity is wholly owned and consolidated by the reporting entity~~
- ~~c. The single-purpose entity borrows $1 million from a lender on a nonrecourse basis (for which the lender's recourse is limited to the assets of the single-purpose entity) to acquire real estate for $1.2 million~~
- ~~d. The single-purpose entity has no other significant assets or liabilities other than the real estate and related nonrecourse debt~~
- ~~e. The reporting entity's ownership interest in the single-purpose entity is considered in substance real estate.~~

~~Years later, the carrying value and fair value of the real estate and the carrying value of the debt are as follows~~.

~~As of June 30, 20X1, before the impairment loss on real estate~~	
~~Carrying value of real estate~~	~~$ 1,000,000~~
~~Fair value of real estate~~	~~$ 600,000~~
~~Carrying amount of related nonrecourse indebtedness~~	~~$ 800,000~~
~~As of December 30, 20X1, before the transfer of real estate~~	
~~Carrying value of real estate~~	~~$ 600,000~~
~~Fair value of real estate~~	~~$ 600,000~~
~~Carrying amount of related nonrecourse indebtedness~~	~~$ 800,000~~

~~For simplicity purposes, this Example ignores the recurring accounting that is associated with the continuing ownership of real estate (for example, depreciation and other property expenses) and the associated indebtedness (for example, debt service paid or accrual of interest if unpaid) in the period between June 30, 20X1, and December 31, 20X1. Also, for simplicity purposes, this~~

~~Example ignores consideration of Subtopic 470-60 with respect to measurement and disclosure (derecognition of in substance real estate is addressed by this Subtopic as illustrated in this Example).~~

360-20-55-70 Paragraph superseded by Accounting Standards Update 2014-09. ~~By applying the guidance in paragraphs 360-10-35-16 through 35-36 for long-lived assets classified as held and used, the entity recognizes a $400,000 impairment loss on the real estate on June 30, 20X1. The entity applies the guidance in this Topic that requires that it measure the impairment loss without regard to the carrying amount of the single-purpose entity's nonrecourse indebtedness.~~

360-20-55-71 Paragraph superseded by Accounting Standards Update 2014-09. ~~As of September 30, 20X1, the single-purpose entity defaults on its obligation to the lender and expects to transfer the ownership of the real estate to the lender to satisfy the nonrecourse obligation. As a result of defaulting on the obligation, the reporting entity applies the guidance in Topic 810 and concludes that it ceases to have a controlling financial interest in the single-purpose entity. Although the reporting entity has a plan to transfer ownership of the real estate to the lender, a transfer has not occurred as of the reporting date and, therefore, the derecognition criteria in paragraph 360-20-40-7 have not been met. The reporting entity should not derecognize the in substance real estate as of September 30, 20X1.~~

360-20-55-72 Paragraph superseded by Accounting Standards Update 2014-09. ~~On December 31, 20X1, an exchange of the real estate for a release from the nonrecourse indebtedness (in accordance with paragraph 405-20-40-1) occurs, and a sale is consummated in accordance with paragraph 360-20-40-7. The reporting entity need not evaluate the adequacy of the lender's investment in accordance with paragraphs 360-20-40-15 through 40-16 because the single-purpose entity has been completely released from its nonrecourse indebtedness and has received all consideration to which it is entitled. If the single-purpose entity was not fully released or had not received all amounts it was entitled to, then the initial and continuing investment requirements for the full accrual method of profit recognition would be applicable. Therefore, upon completion of the exchange and satisfaction of the requirements for the full accrual method of profit recognition, the reporting entity would report a $200,000 gain as a result of the release (extinguishment) of the nonrecourse indebtedness.~~

360-20-55-73 Paragraph superseded by Accounting Standards Update 2014-09. ~~The reporting entity would need to consider whether the single-purpose entity has been fully released from the nonrecourse indebtedness and whether it or the reporting entity has other related and continuing obligations to the lender (through, for example, a guarantee or other forms of contingent consideration) and then evaluate whether it has conveyed the usual risks and rewards of ownership. If the reporting entity provides a guarantee or if the lender has~~

~~recourse to the reporting entity or other assets of the reporting entity, the reporting entity would need to assess the nature of the continuing involvement in accordance with this Subtopic.~~

360-20-55-74 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~Paragraphs 360-20-55-68 through 55-72 illustrate when the single-purpose entity exchanges real estate at the same time as and in exchange for a release from the related nonrecourse indebtedness. In some circumstances, the single-purpose entity might legally transfer the real estate to the lender without contemporaneously obtaining evidence of a legal release of its related indebtedness from the lender. In those circumstances, in accordance with paragraph 405-20-40-1(b), the transfer of real estate accomplishes a legal release of the reporting entity, unless the reporting entity has provided a guarantee to the lender or the lender has recourse to the reporting entity or other assets of the reporting entity.~~

~~> > Example 9: Effect of Loss of a Controlling Financial Interest in an Entity That Is in Substance Real Estate~~

360-20-55-75 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~This Example illustrates the application of paragraph 360-20-40-5 to determine the effect of a loss of a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate as a result of a default by the subsidiary on its nonrecourse debt.~~

360-20-55-76 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~For this Example, assume the same facts as those in Example 8. Also assume that the reporting entity ceases to have a controlling financial interest in the single-purpose entity as a result of default on its nonrecourse obligation and would otherwise be required to deconsolidate the single-purpose entity in accordance with Topic 810. However, the reporting entity and the lender wish to defer the income and transfer tax consequences of a legal transfer of the property and a legal extinguishment of the related debt. The reporting entity and lender agree to maintain their existing legal relationship until a third-party purchaser of the property is identified. Accordingly, the parties agree that the single-purpose entity will not make future payments to the lender, the reporting entity retains its legal ownership of all of the equity of the single-purpose entity, and the debt remains legally outstanding. During the time that the property continues to be held by the single-purpose entity, the lender makes substantially all of the operating decisions with respect to the property and receives all of the cash flows from the property's operations. The reporting entity does not expect to have future participation in the management or economics of the single-purpose entity (because the fair value of the property is significantly less than the carrying amount of the related indebtedness). In addition, the reporting entity has waived its rights of ownership of the single-purpose entity, which provides the lender with the ability to foreclose and otherwise sell or transfer the underlying property~~

~~without the reporting entity's consent. However, the reporting entity does have the ability to cure the event of default and retain ownership of the real estate.~~

360-20-55-77 Paragraph superseded by Accounting Standards Update 2014-09. ~~In this Example, derecognition of the in substance real estate by the reporting entity in its consolidated statement of financial position is not appropriate before the date that the reporting entity's interest in the real estate is conveyed to the lender or a third-party purchaser and the single-purpose entity is released from its debt obligation.~~

Amendments to Subtopic 405-10

69. The following amendment reflects the updated title of Topic 430 from Deferred Revenue to Deferred Revenue and Contract Liabilities.

70. Amend paragraph 405-10-05-2, with a link to transition paragraph 606-10-65-1, as follows:

Liabilities—Overall

Overview and Background

405-10-05-2 This Subtopic does not contain any accounting guidance. Instead, its purpose is to identify the locations in the Codification that provide guidance for liabilities. The following Topics directly discuss the recognition of liabilities:

a. Asset Retirement and Environmental Obligations, see Topic 410
b. Exit or Disposal Cost Obligations, see Topic 420
c. Deferred Revenue and Contract Liabilities, see Topic 430
d. Commitments, see Topic 440
e. Contingencies, see Topic 450
f. Guarantees, see Topic 460
g. Debt, see Topic 470
h. Distinguishing Liabilities from Equity, see Topic 480.

Amendments to Subtopic 410-20

71. The following amendment replaces the reference to existing guidance in Subtopic 605-25, Revenue—Multiple Elements, with a reference to the guidance in Topic 606.

72. Amend paragraph 410-20-55-28, with a link to transition paragraph 606-10-65-1, as follows:

Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Implementation Guidance and Illustrations

410-20-55-28 The new asset should be measured as the residual amount (the excess of the price paid over the fair value of the asset retirement obligation transferred). That amount should be used in determining the new asset's cost basis. The commercial user should derecognize the liability from its balance sheet and recognize a gain or loss based on the difference between the carrying amount of the liability at the date of the sale and the portion of the sales price that relates to the obligation. The producer of the new asset should recognize revenue for the total amount received reduced by the fair value of the obligation upon the transfer of the obligation from the commercial user (that is, on a net basis). The requirements for the producer to measure the revenue from the sale of the new asset as the residual amount and recognize revenue only for the sale of the new asset are applicable for those producers for which the recycling of electronic waste equipment is not a revenue-generating business activity. In situations in which the recycling of equipment is a revenue-generating business activity for the producer, that producer should apply the guidance in Topic 606 on **revenue** from **contracts** with **customers** ~~measure the revenue from the sale of the new asset and the assumption of the obligation in accordance with the provisions of Subtopic 605-25~~.

Amendments to Topic 430

73. The amendments to Topic 430 have been made for the following reasons:

   a. The amendments conform the terminology in paragraph 430-10-05-1 to the terminology used in Topic 606.
   b. Paragraph 430-10-25-1 has been superseded because this paragraph only provided a reference to guidance in Subtopic 605-50 that is being superseded by Topic 606.
   c. Paragraph 430-10-60-1 has been superseded because this paragraph only demonstrated a relationship to paragraph 926-430-25-2, which is also being deleted because it provides industry-specific deferred revenue guidance.

74. Amend the title of Topic 430 and add the General Note, as follows:

Deferred Revenue and Contract Liabilities—Overall

General Note on Deferred Revenue: Upon the effective date of Accounting Standards Update 2014-09, the title of this Topic will change to Deferred Revenue and Contract Liabilities.

75. Amend paragraph 430-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

430-10-05-1 This Subtopic only provides a link to guidance on deferred **revenue** and **contract liabilities.** See Topic 606 on revenue from **contracts** with **customers** for further guidance~~related to vendor sales incentives~~.

76. Supersede paragraph 430-10-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

General

430-10-25-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 605-50-25-4 addresses when a vendor shall recognize a liability (or deferred revenue) for certain sales incentives (refunds or rebates) that will be claimed by customers.~~

77. Supersede paragraph 430-10-60-1 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

~~**> Entertainment—Films**~~

430-10-60-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~For guidance regarding deferred revenue related to advances for any form of film distribution, exhibition, or exploitation, see paragraph 926-430-25-2.~~

Amendments to Subtopic 440-10

78. The following amendment clarifies the scope for commitments, specifically unconditional purchase obligations, and references relevant guidance in Subtopics 470-40, Debt—Product Financing Arrangements and Topic 606.

79. Amend paragraph 440-10-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Commitments—Overall

Scope and Scope Exceptions

Unconditional Purchase Obligations

> Transactions

440-10-15-4 The guidance in the Unconditional ~~Purchasing~~Purchase Obligations Subsections does not apply to either of the following:

a. ~~product~~ Product financing arrangements~~, which~~ that are within the scope of Section 470-40-15. See paragraph 470-40-05-5 for a discussion of the distinction between a product financing arrangement and an unconditional purchase obligation.
b. Repurchase agreements that are within the scope of Topic 606, specifically in paragraphs 606-10-55-66 through 55-78.

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80. The following amendments reflect the removal of industry-specific guidance in Subtopics 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, 948-605, Financial Services—Mortgage Banking—Revenue Recognition, and 976-605, Real Estate—Retail Land—Revenue Recognition, and amendments made to Subtopic 980-605, Regulated Operations—Revenue Recognition.

81. Supersede paragraphs 440-10-60-5 and 440-10-60-19 through 60-20 and their related headings, and amend paragraph 440-10-60-16, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

~~> Revenue Recognition~~

440-10-60-5 Paragraph superseded by Accounting Standards Update 2014-09.~~For disclosures of commitments to complete contracts in process, see paragraph 605-35-50-11.~~

> Financial Services—Mortgage Banking

440-10-60-16 For recognition of loan and commitment fees, see ~~Section 948-605-25 and~~ paragraph 948-310-35-7.

~~**> Real Estate—Retail Land**~~

440-10-60-19 Paragraph superseded by Accounting Standards Update 2014-09.~~For commitments for future improvement costs in a retail land sale, see paragraph 976-605-30-3.~~

~~**> Regulated Operations**~~

440-10-60-20 Paragraph superseded by Accounting Standards Update 2014-09.~~For long-term power sales contracts, see Section 980-605-25.~~

Amendments to Subtopic 450-10

82. The following amendments reflect the following three changes:

   a. Paragraph 450-10-60-3. The removal of industry-specific guidance in Subtopic 605-15, Revenue Recognition—Products, and replacement with the guidance in Topic 606 on sale with a right of return
   b. Paragraph 450-10-60-4. The relocation of paragraph 605-40-25-4 to paragraph 610-30-25-4.
   c. Paragraph 450-10-60-12. The removal of industry-specific guidance in Subtopic 985-605, Software—Revenue Recognition.

83. Amend paragraphs 450-10-60-3 through 60-4 and supersede paragraph 450-10-60-12 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Contingencies—Overall

Relationships

> Revenue Recognition

450-10-60-3 See the guidance on estimating and constraining estimates of variable consideration (for example, a sale with a right of return) in paragraphs 606-10-32-5 through 32-14 included in the **transaction price** for **contracts** with **customers**.~~For recognition of revenue when uncertainties exist about possible returns, see Subtopic 605-15~~.

450-10-60-4 For cases in which a nonmonetary asset is destroyed or damaged (that is, an involuntary conversion) and the amount of monetary assets to be received is uncertain, see paragraph 610-30-25-4~~605-40-25-4~~.

~~**> Software**~~

450-10-60-12 Paragraph superseded by Accounting Standards Update 2014-09.~~For revenue recognition when uncertainties exist if licensing, selling, leasing, or otherwise marketing computer software, see Subtopic 985-605.~~

Amendments to Subtopic 460-10

84. The following amendment to paragraph 460-10-15-7 updates the listing of scope exceptions to include (k). That scope exception clarifies the guidance that was previously included in paragraph 460-10-55-17(e) as updated for the Board's conclusions about sales incentive programs and those that should be evaluated within the scope of Topic 606 and those that would be included in the scope of Topic 460. The following amendment to paragraph 460-10-15-9 reflects the updated guidance on warranties.

85. Amend paragraphs 460-10-15-7 and 460-10-15-9, with a link to transition paragraph 606-10-65-1, as follows:

Guarantees—Overall

Scope and Scope Exceptions

General

> > Transactions That Are Excluded from the Scope of This Topic

460-10-15-7 The guidance in this Topic does not apply to the following types of guarantee contracts:

a. A guarantee or an indemnification that is excluded from the scope of Topic 450 (see paragraph 450-20-15-2—primarily employment-related guarantees)
b. A lessee's guarantee of the residual value of the leased property at the expiration of the **lease term**, if the lessee (guarantor) accounts for the lease as a capital lease under Subtopic 840-30
c. A contract that meets the characteristics in paragraph 460-10-15-4(a) but is accounted for as contingent rent under Subtopic 840-30
d. A guarantee (or an indemnification) that is issued by either an insurance entity or a reinsurance entity and accounted for under Topic 944

(including guarantees embedded in either insurance contracts or investment contracts)

e. A contract that meets the characteristics in paragraph 460-10-15-4(a) but provides for payments that constitute a vendor rebate (by the guarantor) based on either the sales revenues of, or the number of units sold by, the guaranteed party
f. A contract that provides for payments that constitute a vendor rebate (by the guarantor) based on the volume of purchases by the buyer (because the underlying relates to an asset of the seller, not the buyer who receives the rebates)
g. A guarantee or an indemnification whose existence prevents the guarantor from being able to either account for a transaction as the sale of an asset that is related to the guarantee's underlying or recognize in earnings the profit from that sale transaction
h. A registration payment arrangement within the scope of Subtopic 825-20 (see Section 825-20-15)
i. A guarantee or an indemnification of an entity's own future performance (for example, a guarantee that the guarantor will not take a certain future action)
j. A guarantee that is accounted for as a **credit derivative** at fair value under Topic 815.
k. A sales incentive program in which a manufacturer contractually guarantees to reacquire the equipment at a guaranteed price or guaranteed prices at a specified time, or at specified time periods (for example, the entity is obligated to reacquire the equipment or the entity is obligated at the **customer's** request to reacquire the equipment). That program shall be evaluated in accordance with Topic 606 on **revenue** from **contracts** with customers, specifically the implementation guidance on repurchase agreements in paragraphs 606-10-55-66 through 55-78.

For related implementation guidance, see Section 460-10-55.

Product Warranties

> Transactions

460-10-15-9 The guidance in the Product Warranties Subsections applies only to product **warranties**, which include all of the following:

a. Product warranties issued by the guarantor, regardless of whether the guarantor is required to make payment in services or cash
b. Separately priced extended warranty or product maintenance ~~contracts.~~**contracts** and warranties that provide a **customer** with a service in addition to the assurance that the product complies with agreed-upon specifications (see paragraphs 606-10-55-30 through 55-

35 for guidance on determining whether a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications)

c. Warranty obligations that are incurred in connection with the sale of the product, that is, obligations in which the customer does not have the option to purchase the warranty separately and that do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. ~~that are not separately priced or sold but are included in the sale of the product.~~

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86. The following amendment conforms the scope exception in Topic 460, Guarantees, for separately priced extended warranty or product maintenance contracts to the updated guidance in Topic 606. The addition of paragraph 460-10-25-8A describes the retention of guidance in paragraph 605-20-25-6 that provides guidance on loss provisions for such contracts.

87. Amend paragraph 460-10-25-8 and add paragraph 460-10-25-8A, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

Product Warranties

> Separately Priced Extended Warranty or Product Maintenance Contracts

460-10-25-8 ~~Paragraphs 605-20-25-1 through 25-6~~ Topic 606 on **revenue** from **contracts** with **customers**, and specifically the guidance on warranties in paragraphs 606-10-55-30 through 55-35, provide guidance on revenue recognition by sellers of extended warranty or product maintenance ~~contracts.~~contracts and warranties that provide a customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

460-10-25-8A Paragraph 605-20-25-6 provides guidance on recognizing a loss on separately priced extended warranty and product maintenance contracts.

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88. The following amendment removes the reference to deferred revenue and contract liabilities. The accounting guidance for extended warranties is now within the scope of Topic 606, including the guidance on warranties and the related disclosures.

89. Amend paragraph 460-10-50-8, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

Product Warranties

460-10-50-8 A guarantor shall disclose all of the following information for product warranties and other guarantee contracts described in paragraph 460-10-15-9:

a. The information required to be disclosed by paragraph 460-10-50-4 except that a guarantor is not required to disclose the maximum potential amount of future payments specified in paragraph 460-10-50-4(b)
b. The guarantor's accounting policy and methodology used in determining its liability for product warranties~~ (including any liability [such as deferred revenue] associated with extended warranties)~~
c. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period. That reconciliation shall include all of the following amounts:
    1. The beginning balance of the aggregate product warranty liability
    2. The aggregate reductions in that liability for payments made (in cash or in kind) under the warranty
    3. The aggregate changes in the liability for accruals related to product warranties issued during the reporting period
    4. The aggregate changes in the liability for accruals related to preexisting warranties (including adjustments related to changes in estimates)
    5. The ending balance of the aggregate product warranty liability.

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90. The following amendments to Section 460-10-55 reflect the change in the scope of the guidance in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66), for the sale or transfer of nonfinancial assets including real estate. The guidance in Subtopic 360-20 has been retained for purposes of sale-leaseback transactions. Additionally, the concept included in paragraph 460-10-55-17(e) has been moved to paragraph 460-10-15-7(k).

91. Amend paragraph 460-10-55-17, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Scope Guidance—Guarantees Outside the Scope of This Topic Entirely

> > > Guarantees That Prevent Sale Accounting

460-10-55-17 The following are examples of contracts that are outside the scope of this Topic because they are of the type described in paragraph 460-10-15-7(g):

a. A seller's guarantee of the return of a buyer's investment or return on investment of a real estate property as discussed in paragraph 360-20-40-41 for real estate sale-leaseback transactions.
b. A seller's guarantee of a specified level of operations of a real estate property, as discussed in paragraphs 360-20-40-42 through 40-44 for real estate sale-leaseback transactions.
c. A transaction that involves sale of a marketable security to a third-party buyer with the buyer having an option to put the security back to the seller at a specified future date or dates for a fixed price, if the existence of the put option prevents the transferor from accounting for the transaction as a sale, as described in paragraphs 860-20-55-20 through 55-23.
d. A seller-lessee's residual value guarantee if that guarantee results in the seller-lessee deferring profit from the sale greater than or equal to the gross amount of the guarantee (see paragraphs 840-40-55-26 through 55-28).
e. Subparagraph superseded by Accounting Standards Update 2014-09.~~A sales incentive program in which a manufacturer contractually guarantees that the purchaser will receive a minimum resale amount at the time the equipment is disposed of, if that guarantee prevents the manufacturer from being able to account for a transaction as a sale of an asset, as described in paragraphs 840-10-55-12 through 55-25. (Because a manufacturer continues to recognize the residual value of the equipment it guaranteed [it is included in the seller-lessor's net investment in the lease], if the sales incentive program qualified to be reported as a sales-type lease, it still would not be within the scope of this Topic because this Topic does not apply to a guarantee for which the underlying is related to an asset of the guarantor.)~~

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92. The following amendments to paragraphs 460-10-60-8 through 60-10 and 460-10-60-38 reflect the removal of the industry-specific revenue guidance in Subtopics 605-15, Revenue Recognition—Products, 605-20, Revenue Recognition—Services, 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and 926-605, Entertainment—Films—Revenue Recognition. The amendment to paragraph 460-10-60-3 reflects the change in scope of Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales, for sale-leaseback transactions only.

93. Supersede paragraphs 460-10-60-8 through 60-10 and 460-10-60-38 and their related headings and amend paragraphs 460-10-60-3 and 460-10-60-41, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Property, Plant, and Equipment

460-10-60-3 For a seller's guarantee of a return of the buyer's investment in real estate or a seller's guarantee of a return on that investment for an extended period, see paragraph 360-20-40-41 for real estate sale-leaseback transactions.

~~> Revenue Recognition~~

460-10-60-8 Paragraph superseded by Accounting Standards Update 2014-09.~~For recognition of guarantee fees, see paragraphs 605-20-25-8 through 25-12.~~

460-10-60-9 Paragraph superseded by Accounting Standards Update 2014-09.~~For guaranteed sales (arrangements in which customers buy products for resale with the right to return products), see paragraphs 605-15-25-1 through 25-4.~~

460-10-60-10 Paragraph superseded by Accounting Standards Update 2014-09.~~For guaranteed maximum reimbursable costs of construction contracts or production contracts, see Subtopic 605-35.~~

~~> Entertainment—Films~~

460-10-60-38 Paragraph superseded by Accounting Standards Update 2014-09.~~For nonrefundable minimum guarantees contained in certain film licensing arrangements, see paragraphs 926-605-25-19 through 25-21.~~

Product Warranties

> Revenue Recognition

460-10-60-41 For recognition of **{add glossary link}**revenue**{add glossary link}**~~, costs, and losses resulting from~~ ~~separately priced extended~~ ~~**warranty**~~ ~~and product maintenance contracts, see paragraphs~~ ~~605-20-25-1 through 25-6.~~ for a **warranty** that is identified as a separate **performance obligation**, see paragraphs 606-10-55-30 through 55-35.

Amendments to Subtopic 470-40

94. The following amendment delineates the treatment between a contract that contains a repurchase agreement within the scope of Topic 606 and product financing arrangements within the scope of Subtopic 470-40, Debt—Overall, in which the entity arranges for another entity to purchase the product on the entity's behalf and agrees to purchase the product from the other entity.

95. Amend paragraph 470-40-05-3, with a link to transition paragraph 606-10-65-1, as follows:

Debt—Product Financing Arrangements

Overview and Background

470-40-05-2 Product financing arrangements include agreements in which a sponsor (the entity seeking to finance product pending its future use or resale) does any of the following:

a. Sells the product to another entity (the entity through which the financing flows), and in a related transaction agrees to repurchase the product (or a substantially identical product)
b. Arranges for another entity to purchase the product on the sponsor's behalf and, in a related transaction, agrees to purchase the product from the other entity
c. Controls the disposition of the product that has been purchased by another entity in accordance with the arrangements described in either (a) or (b).

470-40-05-3 In all of the foregoing cases, the sponsor agrees to purchase the product, or processed goods of which the product is a component, from the other entity at specified prices over specified periods or, to the extent that it does not do so, guarantees resale prices to third parties (see paragraph 470-40-15-2(a)(1)). The Implementation Guidance in Section 470-40-55 illustrates ~~each of the types of arrangements~~<u>the arrangement</u> described in ~~(a) and~~ (b) of the preceding paragraph. <u>For an arrangement described in (a), see Topic 606 on **revenue** from **contracts** with **customers** for guidance on repurchase agreements in paragraphs 606-10-55-66 through 55-78 and an illustration on repurchase agreements in Example 62, Case A, paragraphs 606-10-55-401 through 55-404.</u>

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96. The following amendments remove guidance on product financing arrangements that are now within the scope of Topic 606. The amendment to paragraph 470-40-15-3(e) clarifies that sales or transfers of products with a right of return should be within the scope of Topic 606 (consistent with the original legacy guidance in FAS 49, which excluded from the scope of Subtopic 470-40 transactions within the scope of FAS 48). The amendment to paragraph 470-40-15-3(g) excludes from the scope contracts that are repurchase agreements that should be within the scope of Topic 606 and includes specific references to the guidance on repurchase agreements and principal versus agent considerations because that guidance is likely to be applicable to those contracts.

97. Amend paragraphs 470-40-15-2 through 15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

470-40-15-2 The guidance in this Subtopic applies to **product financing arrangements** for products that have been ~~produced by or were originally purchased by the sponsor or~~ purchased by another entity on behalf of the sponsor and have both of the following characteristics:

a. The financing arrangement requires the sponsor to purchase the product, a substantially identical product, or processed goods of which the product is a component at specified prices. The specified prices are not subject to change except for fluctuations due to finance and holding costs. This characteristic of predetermined prices also is present if any of the following circumstances exist:
   1. The specified prices in the financing arrangement are in the form of resale price guarantees under which the sponsor agrees to make up any difference between the specified price and the resale price for products sold to third parties.
   2. The sponsor is not required to purchase the product but has an option to purchase the product, the economic effect of which compels the sponsor to purchase the product; for example, an option arrangement that provides for a significant penalty if the sponsor does not exercise the option to purchase.
   3. The sponsor is not required by the agreement to purchase the product, but the other entity has an option whereby it can require the sponsor to purchase the product.
b. The payments that the other entity will receive on the transaction are established by the financing arrangement, and the amounts to be paid by the sponsor will be adjusted, as necessary, to cover substantially all fluctuations in costs incurred by the other entity in purchasing and holding the product (including interest). This characteristic ordinarily is not present in purchase commitments or contractor-subcontractor relationships.

470-40-15-3 The guidance in this Subtopic does not apply to the following transactions and activities:

a. Ordinary purchase commitments in which control of the good or service is ~~the risks and rewards of ownership are~~ retained by the seller (for example, a manufacturer or other supplier) until the good or service ~~product~~ is transferred to a purchaser.
b. Typical contractor-subcontractor relationships in which the contractor is not in substance the owner of product held by the subcontractor and the

obligation of the contractor is contingent on substantial performance on the part of the subcontractor.

c. Long-term unconditional purchase obligations (for example, take-or-pay contracts) specified by Subtopic 440-10 <u>on commitments</u>. At the time a take-or-pay contract is entered into, which is an unconditional purchase obligation, either the product does not yet exist (for example, electricity) or the product exists in a form unsuitable to the purchaser (for example, unmined coal); the purchaser has a right to receive future product but is not the substantive owner of existing product.
d. Unmined or unharvested natural resources and financial instruments.
e. <u>**Contracts** within the scope of Topic 606 on **revenue** from contracts with **customers**. For example, contracts that are subject to a right of return as described in paragraph 606-10-32-10 and paragraphs 606-10-55-22 through 55-29 and contracts in which a sponsor (the entity seeking to finance product pending its future use or resale) sells the product to another entity (the entity through which the financing flows) and in a related transaction agrees to repurchase the product (or a substantially identical product). Such contracts are within the scope of Topic 606; see paragraphs 606-10-55-66 through 55-78 on repurchase agreements and paragraphs 606-10-55-36 through 55-40 on principal versus agent considerations.</u> ~~Transactions for which sales revenue is recognized currently in accordance with the provisions of Topic 605.~~
f. Typical purchases by a subcontractor on behalf of a contractor. In a typical contractor-subcontractor relationship, the purchase of product by a subcontractor on behalf of a contractor ordinarily leaves a significant portion of the subcontractor's obligation unfulfilled. The subcontractor has the risks of ownership of the product until it has met all the terms of a contract. Accordingly, the typical contractor-subcontractor relationship shall not be considered a product financing arrangement.

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98. The amendments to Section 470-40-25 eliminate the recognition guidance for transactions that are now within the scope of Topic 606.

99. Amend paragraphs 470-40-25-1 through 25-3, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

470-40-25-1 This Subtopic requires that a **product financing arrangement** <u>within the scope of this Subtopic</u> be accounted for as a borrowing rather than as a sale. The sponsor is in substance the owner of the product and the sponsor shall, therefore, report the product as an asset and the related obligation as a liability.

470-40-25-2 <u>If the sponsor is a party to an arrangement whereby another entity purchases a product on the sponsor's behalf and, in a related transaction, the sponsor agrees to purchase the product or processed goods of which the product is a component from the entity, the sponsor shall record the asset and the related liability when the product is purchased by the other entity.</u>~~Product and obligations under product financing arrangements that have both of the characteristics described in paragraphs 470-40-15-2 through 15-3 shall be accounted for by the sponsor as follows:~~

- ~~a. If a sponsor sells a product to another entity and, in a related transaction, agrees to repurchase the product (or a substantially identical product) or processed goods of which the product is a component, the sponsor shall record a liability at the time the proceeds are received from the other entity to the extent that the product is covered by the financing arrangement. The sponsor shall not record the transaction as a sale and shall not remove the covered product from its balance sheet.~~
- ~~b. If the sponsor is a party to an arrangement whereby another entity purchases a product on the sponsor's behalf and, in a related transaction, the sponsor agrees to purchase the product or processed goods of which the product is a component from the entity, the sponsor shall record the asset and the related liability when the product is purchased by the other entity.~~

470-40-25-3 Costs of the product, excluding processing costs, in excess of ~~the sponsor's original production or purchase costs or~~ the other entity's purchase costs represent financing and holding costs. The sponsor shall account for such costs in accordance with the sponsor's accounting policies applicable to financing and holding costs as those costs are incurred by the other entity. For example, if insurance costs ordinarily are accounted for as period costs by the sponsor, similar costs associated with the product covered by financing arrangements shall be expensed by the sponsor as those costs are incurred by the other entity.

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100. The amendments to Section 470-40-55 eliminate the Example that previously illustrated a transaction that should be within the scope of the newly created revenue guidance on repurchase agreements. As a result, that Example (Example 1, Case A) has been superseded from the guidance and a similar transaction is now illustrated in Topic 606 in Example 62, Case A. Paragraphs 470-40-55-6 through 55-8 have not been amended but have been included to provide context for the amendments that have been made.

101. Amend paragraphs 470-40-55-1 through 55-2 and their related heading, supersede paragraphs 470-40-55-3 through 55-5 and their related heading, and

amend paragraph 470-40-55-6 by superseding its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: <u>Sponsor Arranges for an Entity to Purchase Product and Sponsor Agrees to Purchase That Product</u> ~~Common Product Financing Arrangements~~

470-40-55-1 ~~The following Cases illustrate~~ <u>This Example illustrates</u> how the guidance in paragraphs ~~470-40-15-2 through 15-3~~ <u>470-40-25-1 through 25-4</u> applies to <u>**product financing arrangements** in which a sponsor arranges for another entity to purchase the product on the sponsor's behalf and, in a related transaction, agrees to purchase the product from the other entity.</u>~~two common **product financing arrangements**:~~

a. <u>Subparagraph superseded by Accouting Standards Update 2014-09.</u>~~Entity sells product with repurchase agreement (Case A).~~
b. <u>Subparagraph superseded by Accouting Standards Update 2014-09.</u>~~Sponsor arranges for third party to purchase product, sponsor to repurchase (Case B).~~

470-40-55-2 The facts assumed in ~~the Cases~~ <u>this Example</u> are illustrative only and are not intended to modify or limit in any way the provisions of this Subtopic. The facts assumed in ~~each Case~~<u>the Example</u> could vary in one or more respects without altering the application of the provisions of this Subtopic.

~~**> > > Case A: Entity Sells Product with Repurchase Agreement**~~

470-40-55-3 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~An entity (sponsor) sells a portion of its inventory to another entity (the entity through which the financing flows), and in a related transaction agrees to repurchase the inventory.~~

470-40-55-4 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~The sponsor arranges for the other entity to acquire a portion of the sponsor's inventory. The other entity's sole asset is the transferred inventory that is, in turn, used as collateral for bank financing. The proceeds of the bank financing are then remitted to the sponsor. The debt of the other entity is guaranteed by the sponsor. The inventory is stored in a public warehouse during the holding period. The sponsor, in connection with the sale (legal title passes to the entity), enters into a financing arrangement under which all of the following conditions are met:~~

~~a. The sponsor agrees to pay all costs of the other entity associated with the inventory, including holding and storage costs.~~

~~b. The sponsor agrees to pay the other entity interest on the purchase price of the inventory equivalent to the interest and fees incurred in connection with the bank financing.~~
~~c. The sponsor agrees to repurchase the inventory from the other entity at a specified future date for the same price originally paid by the entity to purchase the inventory irrespective of changes in market prices during the holding period.~~
~~d. The other entity agrees not to assign or otherwise encumber the inventory during its ownership period, except to the extent of providing collateral for the bank financing.~~

470-40-55-5 Paragraph superseded by Accounting Standards Update 2014-09.~~In this product financing arrangement, both of the characteristics in paragraphs 470-40-15-2 through 15-3 are present; accordingly, the sponsor neither records the transaction as a sale of inventory nor removes the inventory from its balance sheet. The sponsor recognizes a liability when the proceeds are received from the other entity. Financing and holding costs are accrued by the sponsor as incurred by the other entity and accounted for in accordance with the sponsor's accounting policies for such costs. Interest costs are separately identified and accounted for in accordance with Topic 835.~~

~~> > > Case B: Sponsor Arranges for Third Party to Purchase Product, Sponsor to Repurchase~~

470-40-55-6 A sponsor arranges for another entity to buy product on the sponsor's behalf with a related agreement to purchase the product from the other entity.

470-40-55-7 The sponsor arranges for the other entity to purchase on its behalf an existing supply of fuel. In a related agreement, the sponsor agrees to purchase the fuel from the other entity over a specified period and at specified prices. The prices established are adequate to cover all financing and holding costs of the other entity. The other entity finances the purchase of fuel using the fuel and the agreement as collateral.

470-40-55-8 In this product financing arrangement, both of the characteristics in paragraphs 470-40-15-2 through 15-3 are present; accordingly, the sponsor reports the asset (fuel) and the related liability on its balance sheet when the fuel is acquired by the other entity. Financing and holding costs are accrued by the sponsor as incurred by the other entity and accounted for in accordance with the sponsor's accounting policies for financing and holding costs. Interest costs are separately identified and accounted for in accordance with Topic 835.

Amendments to Subtopic 505-50

102. The following amendments to Subtopic 505-50 reflect the removal of the guidance on the accounting by the grantee (that is, the good or service provider) for share-based payment transactions. When an entity provides goods or services in exchange for noncash consideration, including equity, the entity should apply the guidance on noncash consideration in Topic 606.

103. Amend paragraphs 505-50-05-2 through 05-3 and 505-50-05-5 and add paragraph 505-50-05-2A, with a link to transition paragraph 606-10-65-1, as follows:

Equity—Equity-Based Payments to Non-Employees

Overview and Background

505-50-05-2 This Subtopic addresses the accounting and reporting for ~~both~~ the issuer (that is, the purchaser or grantor) ~~and recipient (that is, the goods or service provider or grantee)~~ for ~~a subset of~~ share-based payment ~~transactions.~~transactions in which the recipient (that is, the goods or service provider or grantee) is not an **employee** (see the definition for determining which guidance to apply to a particular transaction). When the grantee is an employee in a share-based payment transaction, the grantor shall apply the guidance in Topic 718 on stock compensation.~~Topic 718 also addresses a subset of these transactions.~~ The applicable accounting and reporting requirements for a specific transaction substantially depend on whether the grantee meets the definition of an **{remove glossary link}employee{remove glossary link}** ~~(see the definition for determining which guidance to apply to a particular transaction)~~. The accounting and reporting required may differ significantly depending on whether that definition of employee is met for the grantee. ~~With certain exceptions, this Subtopic provides guidance when the grantee does not meet that definition of an employee.~~

505-50-05-2A This Subtopic does not address the accounting and reporting for the grantee of a share-based payment in a **contract** with a **customer**. The grantee (that is, the provider of goods or services) shall apply the guidance in Topic 606 on revenue from contracts with customers, specifically, the guidance on noncash consideration in paragraphs 606-10-32-21 through 32-24.

505-50-05-3 The guidance in this Subtopic addresses the transactions described in this Section in which the ~~grantee receives~~grantor issues shares of stock, stock options, or other equity instruments in settlement of the entire transaction or, if the transaction is part cash and part equity instruments, in settlement of the portion of the transaction for which the equity instruments constitute the consideration.

505-50-05-5 For example, a fully vested stock option may be issued to a grantee that contains a provision that the exercise price will be reduced if the grantee completes a project by a specified date. In certain cases, the **fair value** of the equity instruments to be received may be more reliably measurable than the fair value of the goods or services to be given as consideration. The guidance in this Subtopic addresses this situation for the grantor~~, including the appropriate date or dates to be used by the grantee to measure revenue under such complex transactions~~.

104. Supersede paragraph 505-50-25-5, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

505-50-25-5 Paragraph superseded by Accounting Standards Update 2014-09.~~In the situation in which an entity is the recipient (the goods or service provider or grantee) of the equity instrument, this guidance also does not address when revenue is recognized other than to require that a liability (deferred revenue) or revenue be recognized in the same period(s) and in the same manner as it would if the grantee was to receive cash for the goods or services instead of the equity instruments.~~

105. Amend paragraphs 505-50-30-1 and 505-50-30-9 through 30-10, supersede paragraph 505-50-30-8 and amend its related heading, and supersede paragraphs 505-50-30-18 through 30-19 and their related heading and 505-50-30-29, with a link to transition paragraph 606-10-65-1, as follows:

Initial Measurement

505-50-30-1 This Section provides measurement guidance for transactions that involve the issuance~~ or receipt~~ of equity instruments in exchange for goods or services with nonemployees. This Section identifies the measurement date for such exchange transactions and addresses issues associated with the measurement of the transactions before and as of the measurement date. Measurement issues associated with these transactions after the measurement date are addressed in Section 505-50-35.

> Determining the Fair Value of the Equity Instruments Issued~~ or Received~~

505-50-30-8 Paragraph superseded by Accounting Standards Update 2014-09.~~As noted in paragraph 505-50-05-5 for transactions involving the receipt of equity instruments in exchange for providing goods or services, in certain cases, the fair value of the equity instruments to be received may be more reliably measurable than the fair value of the goods or services to be given as consideration.~~

505-50-30-9 The following guidance addresses measurement issues associated with determining the fair value of the equity instruments issued~~ or received~~ if it has been determined that the fair value of the equity instruments issued~~ or received~~ in a share-based payment transaction within the scope of this Subtopic is more reliably measurable than the fair value of the consideration received~~ or provided~~ in exchange as follows:

a. Determining the measurement date
b. Measuring before the measurement date
c. Measuring at the measurement date
d. Measuring after the measurement date.

> > Determining the Measurement Date

505-50-30-10 The following guidance identifies a measurement date, which determines some of the inputs in the determination of the fair value of equity instruments issued~~ or received~~ in a share-based payment transaction with nonemployees. ~~Guidance is provided separately for the grantor-purchaser and grantee-provider.~~

~~**> > > Grantee-Provider**~~

505-50-30-18 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~An entity (the grantee or provider) may enter into transactions to provide goods or services in exchange for equity instruments. The grantee shall measure the fair value of the equity instruments in these transactions using the stock price and other measurement assumptions as of the earlier of either of the following dates referred to as the measurement date:~~

~~a. The date the parties come to a mutual understanding of the terms of the equity-based compensation arrangement and a commitment for performance by the grantee to earn the equity instruments (a performance commitment) is reached~~
~~b. The date at which the grantee's performance necessary to earn the equity instruments is complete (that is, the vesting date).~~

505-50-30-19 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~The term *performance commitment* as it relates to the accounting by a grantee describes the same conditions as for a grantor in paragraph 505-50-30-12. That is, a performance commitment is a commitment under which performance by the grantee to earn the equity instruments is probable because of sufficiently large disincentives for nonperformance. The disincentives must result from the relationship between the grantor and the grantee. Forfeiture of the equity instruments as the sole remedy in the event of the grantee's nonperformance is not considered a sufficiently large disincentive for purposes of applying the guidance. In addition, the ability to sue for nonperformance, in and of itself, does not represent a sufficiently large disincentive to ensure that performance is~~

~~probable. (A granting entity may always be able to sue for nonperformance but it is not always clear whether any significant damages would result.)~~

505-50-30-29 Paragraph superseded by Accounting Standards Update 2014-09.~~As it relates to a grantee, if on the measurement date the quantity or any of the terms of the equity instrument are dependent on the achievement of a market condition, then the grantee shall measure revenue based on the fair value of the equity instruments inclusive of the adjustment provisions. That fair value would be calculated as the fair value of the equity instruments without regard to the market condition plus the fair value of the commitment to change the quantity or terms of the equity instruments if the market condition is met. That is, the existence of a market condition that, if achieved, results in an adjustment to an equity instrument generally affects the value of the instrument. Pricing models have been adapted to value many of those path-dependent equity instruments.~~

106. Amend paragraphs 505-50-35-1 and 505-50-35-3 and supersede paragraphs 505-50-35-13 through 35-16 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

505-50-35-1 Section 505-50-30 addresses the measurement of equity instruments issued ~~or received~~ if it has been determined that the **fair value** of the equity instruments issued ~~or received~~ in a share-based payment transaction within the scope of this Subtopic is more reliably measurable than the fair value of the consideration received ~~or provided~~ in exchange, including cases in which the quantity or any of the terms of the equity instruments are not known up front. The measurement guidance in that Section addresses time periods before and as of the measurement date. This Section provides guidance on the measurement of those same equity instruments after the measurement date.

> Transactions in Which Quantity or Any Terms Not Known Up Front

505-50-35-3 The following guidance addresses measurement by the grantor ~~and the grantee~~, in periods after the measurement date, of equity instruments issued ~~or received~~ in a share-based payment transaction within the scope of this Subtopic in which the quantity or any of the terms were not known up front.

~~**> > Grantee Accounting**~~

505-50-35-13 Paragraph superseded by Accounting Standards Update 2014-09.~~A grantee may be party to an arrangement in which the terms of the equity instruments are subject to adjustment after the measurement date. The following two paragraphs address transactions in which any of the terms of the equity instruments are subject to adjustment after the measurement date (that is, the terms of the equity instrument are subject to adjustment based on performance above the level committed to in a performance commitment, performance after the instrument is earned, or market conditions) and how the grantee shall~~

~~account for an increase in fair value as a result of an adjustment (upon resolution of the contingency after the measurement date) as revenue.~~

505-50-35-14 Paragraph superseded by Accounting Standards Update 2014-09.~~If, on the measurement date, the quantity or any of the terms of the equity instruments are dependent on the achievement of grantee performance conditions (beyond those conditions for which a performance commitment exists), then changes in fair value of the equity instrument that result from an adjustment to the instrument upon the achievement of a performance condition shall be measured as additional revenue from the transaction using a methodology consistent with modification accounting described in paragraphs 718-20-35-3 through 35-4. That is, the adjustment shall be measured at the date of the revision of the quantity or terms of the equity instrument as the difference between the then-current fair value of the revised instruments utilizing the then-known quantity and terms and the then-current fair value of the old equity instruments immediately before the adjustment.~~

505-50-35-15 Paragraph superseded by Accounting Standards Update 2014-09.~~Changes in fair value of the equity instruments after the measurement date unrelated to the achievement of performance conditions shall be accounted for in accordance with any relevant guidance on the accounting and reporting for investments in equity instruments, such as that in Topics 320, 323, 325, 825, and 855.~~

505-50-35-16 Paragraph superseded by Accounting Standards Update 2014-09. ~~Example 4, Case C (see paragraph 505-50-55-25) illustrates grantee accounting if the terms of the equity instrument are dependent on performance.~~

107. Supersede paragraph 505-50-50-2 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

~~> Grantee Disclosures~~

505-50-50-2 Paragraph superseded by Accounting Standards Update 2014-09.~~In accordance with paragraphs 845-10-50-1 through 50-2, entities shall disclose, in each period's financial statements, the amount of gross operating revenue recognized as a result of nonmonetary transactions addressed by the guidance in this Subtopic.~~

108. Amend paragraphs 505-50-55-17 through 55-18 and supersede paragraphs 505-50-55-25 through 55-27 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Example 4: Accounting After the Performance Commitment Date Through Completion of Performance

505-50-55-17 This Example illustrates the guidance in paragraph 505-50-30-30. The Cases in this Example illustrate grantor ~~and grantee~~ accounting for transactions that have a performance commitment before counterparty performance is complete. In Case A, both the quantity and all the terms of the equity instruments are known up front, whereas in ~~Cases~~Case B ~~and C~~ they are not. The Cases illustrate the following:

a. Grantor accounting—all terms known up front (Case A)
b. Grantor accounting—terms dependent on performance (Case B)
c. Subparagraph superseded by Accounting Standards Update 2014-09.~~Grantee accounting—terms dependent on performance (Case C).~~

505-50-55-18 Cases ~~A, B, and C~~ A and B share the assumption that a performance commitment has been achieved before the counterparty's performance is complete.

~~**> > > Case C: Grantee Accounting—Terms Dependent on Performance**~~

505-50-55-25 Paragraph superseded by Accounting Standards Update 2014-09.~~This Case illustrates the application of measurement date guidance for a transaction in which a performance commitment exists before the time that the grantee's performance is complete and the terms of the equity instrument are subject to adjustment after the measurement date based on the achievement of specified performance conditions. This Case does not address when revenue is recognized. However, a liability (deferred revenue) or revenue would be recognized in the same period(s) and in the same manner as it would if the entity was to receive cash for the goods or services instead of the equity instruments.~~

505-50-55-26 Paragraph superseded by Accounting Standards Update 2014-09.~~On January 1, X2, Entity B grants Service Provider 100,000 options with a life of 2 years. The options vest if Service Provider advertises products of Entity B on Service Provider's website for 18 months ending June 30, X3. Entity B also agrees that if Service Provider provides 3 million hits or clickthroughs during the first year of the agreement, the life of the options will be extended from 2 years to 5 years. If Service Provider fails to provide the agreed upon minimum of 18 months of advertising through June 30, X3, Service Provider will pay Entity B specified monetary damages that, in the circumstances, constitute a sufficiently large disincentive for nonperformance.~~

505-50-55-27 Paragraph superseded by Accounting Standards Update 2014-09. ~~Service Provider would measure the 100,000 stock options for revenue recognition purposes on the performance commitment date of January 1, X2, using the 2-year option life. Assume that at the measurement date (January 1,~~

~~X2) the fair value of the options is $400,000. On December 1, X2, Service Provider has provided 3 million hits and the life of the option is adjusted to 5 years. Service Provider would measure additional revenue pursuant to the achievement of the performance condition as the difference between the fair value of the adjusted instrument at December 1, X2 (that is, the option with the 5-year life assumed to be $700,000), and the then fair value of the old instrument at December 1, X2 (that is, the option with the 2-year life, which is assumed to be $570,000). Accordingly, additional revenue of $130,000 would be measured. The remaining $170,000 increase in fair value of the instrument should be accounted for in accordance with the relevant guidance on the accounting and reporting for investments in equity instruments, such as that in Topics 320; 323; 325; and 815.~~

Amendments to Subtopic 605-10

109. Topic 605, Revenue Recognition, provided guidance for transaction-specific revenue recognition and certain matters related to revenue-generating activities that were not specifically addressed in other Topics. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606. However, Topic 605 has been retained for two purposes:

a. For guidance retained relating to specific industries for certain contracts that are not with customers and therefore, are not within the scope of Topic 606. Those industries include:
   1. 905-605, Agriculture—Revenue Recognition, guidance on cooperatives
   2. 944-605, Financial Services—Insurance—Revenue Recognition, guidance on insurance contracts
   3. 954-605, Health Care Entities—Revenue Recognition, guidance on contributions from related fundraising entities and charity care
   4. 958-605, Not-for-Profit Entities—Revenue Recognition, guidance on contributions
   5. 980-605, Regulated Operations—Revenue Recognition, guidance on alternative revenue programs.
b. For loss contract guidance (that is, an onerous contract) in the following Subtopics:
   1. 605-20, Revenue Recognition—Services, with guidance on separately priced warranties
   2. 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts
   3. 944-605, Financial Services—Insurance
   4. 985-605, Software—Revenue Recognition.

Additionally, the Board utilized Topic 605 to outline the provision for loss (onerous contracts) guidance throughout the Codification. As a result, paragraph 605-10-05-4 has been added to reference the location of other provision for loss guidance that is included in the Codification but not within Topic 605 or industry-specific revenue Subtopics (that is, paragraphs within Topic 605 or Revenue Subtopics within the industry Topics).

110. Supersede paragraph 605-10-05-1 and add paragraphs 605-10-05-2 through 05-4, with a link to transition paragraph 606-10-65-1, as follows:

Revenue Recognition—Overall

Overview and Background

605-10-05-1 Paragraph superseded by Accounting Standards Update 2014-09.~~The Revenue Recognition Topic provides guidance for transaction-specific revenue recognition and certain matters related to revenue-generating activities that are not addressed specifically in other Topics. Other Topics may contain transaction-specific revenue recognition guidance related to transactions in those Topics. This Topic includes the following Subtopics:~~

- ~~a. Overall. The Overall Subtopic provides guidance on the following:~~
  - ~~1. Revenue and gains~~
  - ~~2. Installment and cost recovery methods of revenue recognition.~~
- ~~b. Products. The Products Subtopic provides guidance on the following:~~
  - ~~1. Sales with a right of return~~
  - ~~2. Repurchases of product sold subject to an operating lease.~~
- ~~c. Services. The Services Subtopic provides guidance on the following:~~
  - ~~1. Separately priced extended warranty and product maintenance contracts~~
  - ~~2. Commissions from certain experience-rated or retrospective insurance arrangements~~
  - ~~3. Certain loan guarantee fees~~
  - ~~4. In-transit freight service~~
  - ~~5. Advertising barter transactions.~~
- ~~d. Multiple-Element Arrangements. The Multiple-Element Arrangements Subtopic provides guidance on arrangements under which a vendor will perform multiple revenue-generating activities (that is, provide multiple deliverables).~~
- ~~e. Rights to Use.~~
- ~~f. Construction-Type and Production-Type Contracts. The Construction-Type and Production-Type Contracts Subtopic provides guidance on contracts for which specifications are provided by the customer for the performance of contracts for the construction of facilities or the production of goods.~~

g. ~~Gains and Losses. The Gains and Losses Subtopic provides guidance on miscellaneous gains and losses not addressed in other Topics in the Codification.~~
h. ~~Principal-Agent Considerations. The Principal-Agent Considerations Subtopic provides guidance on reporting revenue gross or net of certain amounts paid to others.~~
i. ~~Customer Payments and Incentives. The Customer Payments and Incentives Subtopic provides guidance on accounting by vendors and customers for consideration given by a vendor to a customer.~~
j. ~~Milestone Method. The Milestone Method Subtopic provides guidance on the application of the milestone method of revenue recognition in arrangements that include research or development deliverables.~~

605-10-05-2 The following two Subtopics within this Topic provide guidance on provision for losses:

a. 605-20, Revenue Recognition—Provision for Losses on Separately Priced Extended Warranty and Product Maintenance Contracts
b. 605-35, Revenue Recognition—Provision for Losses on Construction-Type and Production-Type Contracts.

605-10-05-3 There is no **revenue** recognition guidance located in this Topic. There is revenue guidance in the following industry Subtopics for **contracts** that are not with **customers** within the scope of Topic 606 on revenue from contracts with customers. Revenue guidance is included in the following industry-specific Subtopics:

a. 905-605, Agriculture—Revenue Recognition, for guidance on cooperatives
b. 944-605, Financial Services—Insurance—Revenue Recognition, for guidance on insurance contracts
c. 954-605, Health Care Entities—Revenue Recognition, for guidance on contributions from related fundraising entities and charity care
d. 958-605, Not-for-Profit Entities—Revenue Recognition, for guidance on contributions
e. 980-605, Regulated Operations—Revenue Recognition, for guidance on alternative revenue programs.

605-10-05-4 This Topic also provides guidance and references for the recognition and measurement of a provision for losses for certain arrangements (that is, an onerous contract). The guidance on recognizing a provision for loss is located in the following Subtopics:

a. 605-20, Revenue Recognition—Provision for Losses on Separately Priced Extended Warranty and Product Maintenance Contracts

b. 605-35, Revenue Recognition—Provision for Losses on Construction-Type and Production-Type Contracts
c. 985-605, Software—Revenue Recognition, specifically paragraph 985-605-25-7
d. 944-605, Financial Services—Insurance—Revenue Recognition, specifically paragraph 944-605-35-7
e. 912-20, Contractors—Federal Government—Contract Costs, specifically paragraph 912-20-45-5
f. 954-440, Health Care Entities—Commitments, specifically on continuing care retirement communities in paragraphs 954-440-35-1 through 35-3
g. 954-450, Health Care Entities—Contingencies, specifically on prepaid health care services in paragraphs 954-450-30-3 through 30-4
h. 980-350, Regulated Operations—Intangibles—Goodwill and Other, specifically on long-term power sales contracts in paragraph 980-350-35-3.

111. Supersede paragraphs 605-10-15-2 through 15-3 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Entities

605-10-15-1 The guidance in this Subtopic applies to all entities.

~~**> Transactions**~~

605-10-15-2 Paragraph superseded by Accounting Standards Update 2014-09.~~The guidance in this Subtopic applies to the following types of transactions and revenue recognition considerations:~~

~~a. Revenue and gains~~
~~b. Installment and cost recovery methods of revenue recognition~~

~~**> Other Considerations**~~

~~**> > Contributions Received**~~

605-10-15-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 958-605-15-4 states that accounting for contributions is an issue primarily for not-for-profit entities (NFPs) because contributions are a significant source of revenues for many of those entities. However, that paragraph states that the guidance in the Contributions Received Subsections applies to all entities (NFPs and business entities) that receive contributions.~~

112. Supersede Section 605-10-25, with a link to transition paragraph 606-10-65-1.

113. Supersede Section 605-10-60, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-15

114. Subtopic 605-15, Revenue Recognition—Products, provided guidance for sales of products if either the buyer has a right to return the product or the product sold is subsequently repurchased subject to an operating lease. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

115. Supersede Subtopic 605-15, Revenue Recognition—Products, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-20

116. Subtopic 605-20, Revenue Recognition—Services, provided guidance on the accounting for revenue from service arrangements not addressed elsewhere in the Codification, specifically, separately priced extended warranty and product maintenance contracts, commissions from certain experience-rated or retrospective insurance arrangements, certain loan guarantee fees, in-transit freight service, and advertising barter transactions. The guidance on revenue recognition in this Subtopic has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606. Paragraphs in Subtopic 605-20 that have been retained provide guidance on loss provisions relating to separately priced extended warranty and product maintenance contracts. Paragraph 605-20-25-8, primarily an explanation of loan guarantee fees, has been retained and moved to Subtopic 942-825, Financial Services—Depository and Lending.

117. Amend the title of Subtopic 605-20, Revenue Recognition—Services, and add the General Note as follows:

Revenue Recognition—Provision for Losses on Separately Priced Extended Warranty and Product Maintenance Contracts~~Services~~

General Note on Revenue Recognition—Services: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to

Revenue Recognition—Provision for Losses on Separately Priced Extended Warranty and Product Maintenance Contracts.

118. Amend paragraph 605-20-05-1 and supersede paragraphs 605-20-05-2 through 05-3 and the related heading, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

605-20-05-1 This Subtopic specifies the accounting for ~~revenue~~ the provision for losses on separately priced **extended warranty** and **product maintenance contracts**. ~~from service arrangements not addressed elsewhere in the Codification, including the following:~~

- ~~a. Separately priced **extended warranty** and **product maintenance contracts**~~
- ~~b. Commissions from certain experience-rated or **retrospective insurance arrangements**~~
- ~~c. Certain loan guarantee fees~~
- ~~d. In-transit freight service~~
- ~~e. Advertising barter transactions.~~

605-20-05-2 Paragraph superseded by Accounting Standards Update 2014-09.~~The guidance in this Subtopic covers these five service arrangements under separate headings throughout the Subtopic, as they are unrelated and the accounting is specific to the particular service or service arrangement.~~

~~**> Other Service-Related Guidance**~~

605-20-05-3 Paragraph superseded by Accounting Standards Update 2014-09.~~Other locations in the Codification provide guidance that may relate to services, for example:~~

- ~~a. For recognition of revenue from the sale of franchises, see Subtopic 952-605.~~
- ~~b. For guidance regarding revenue from lending and financing activities, see Subtopics 860-50 and 942-605.~~
- ~~c. Subtopic 605-25 specifies the allocation and recognition of revenue from arrangements under which a vendor will perform multiple revenue-generating activities (multiple-element arrangements).~~
- ~~d. For consideration (including sales incentives) given by a service vendor to a customer, see Subtopic 605-50.~~
- ~~e. For transactions in which nonmonetary assets are exchanged for barter credits, see Topic 845.~~
- ~~f. For the reporting of revenue gross as a principal versus net as an agent, see Subtopic 605-45.~~
- ~~g. For the reporting of revenue regarding construction-type contracts, see Subtopic 605-35.~~

h. ~~For incremental guidance on revenue recognition by government contractors, see Subtopic 912-605.~~

119. Amend paragraphs 605-20-15-2 through 15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Entities

605-20-15-1 The guidance in this Subtopic applies to all entities.

> Transactions

605-20-15-2 The guidance in this Subtopic applies to the following service activities and arrangements:

a. Separately priced **extended warranty** and **product maintenance contracts.**
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~Commissions from certain experience-rated or **retrospective insurance arrangements**.~~
c. Subparagraph superseded by Accounting Standards Update 2014-09.~~Fees for guaranteeing a loan (see Topic 460 for guidance on recognizing a liability for guarantees covered by this Subtopic). This Subtopic provides guidance regarding the recognition of guarantee fee income subsequent to the initial recognition of the liability.~~
d. Subparagraph superseded by Accounting Standards Update 2014-09.~~Services for freight-in-transit at the end of a reporting period.~~
e. Subparagraph is superseded by Accounting Standards Update 2014-09.~~Advertising barter transactions, whereby entities exchange rights to place advertisements with each other.~~

605-20-15-3 The guidance in this Subtopic does not apply to the following service activities and arrangements:

a. Guarantees accounted for as derivatives in accordance with Section 815-10-15
b. Product warranties, except ~~that paragraph 605-20-25-3 provides guidance on revenue recognition by sellers of~~ extended warranty or product maintenance contracts. See paragraph 605-20-25-6.
c. Guarantees required to be accounted for as financial guarantee insurance contracts in accordance with Topic 944 on insurance.

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120. Paragraphs 605-20-25-1 and 605-20-25-6 have been retained for the purpose of loss provision guidance. Paragraph 605-20-25-8, which provides

background information, has been retained and moved to Subtopic 942-825, Financial Services—Depository and Lending—Financial Instruments.

121. Amend paragraphs 605-20-25-1 and 605-20-25-6 and supersede paragraphs 605-20-25-2 through 25-5 and 605-20-25-7 through 25-19 and their related headings, with a link to transition paragraph 606-10-65-1, as follows: [**Paragraph 605-20-25-8 moved to paragraph 942-825-50-2]**

[For ease of readability, the superseded paragraphs are not shown here.]

Recognition

> Separately Priced Extended Warranty and Product Maintenance Contracts

605-20-25-1 ~~Some products include warranty obligations that are incurred in connection with the sale of the product, that is, obligations that are not separately priced or sold but are included in the sale of the product. The accounting for these is described in Topic 450.~~ **Separately priced contracts** for **extended warranty** and **product maintenance contracts** provide warranty protection or product services and the contract price of these contracts is not included in the original price of the product covered by the contracts.

605-20-25-6 A loss shall be recognized on extended warranty or product maintenance contracts if the sum of <u>the</u> expected costs of providing services under the contracts and ~~unamortized acquisition costs~~<u>any asset recognized for the incremental cost of obtaining a contract</u> exceeds <u>the</u> related unearned revenue <u>(**contract liability**)</u>. Extended warranty or product maintenance contracts shall be grouped in a consistent manner to determine if a loss exists. A loss shall be recognized first by charging <u>to expense </u>any ~~unamortized acquisition costs~~<u> recognized asset for the incremental costs of obtaining a **contract**, determined in accordance with the guidance in paragraphs 340-40-25-1 through 25-4 for contracts within scope of Topic 606 on **revenue** from contracts with **customers** </u>~~to expense~~. If the loss is greater than the ~~unamortized acquisition costs~~<u>recognized asset for the incremental costs of obtaining a contract</u>, a liability shall be recognized for the excess.

122. Supersede Section 605-20-50, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-25

123. Subtopic 605-25, Revenue Recognition—Multiple-Element Arrangements, addressed some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. That guidance has

been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

124. Supersede Subtopic 605-25, Revenue Recognition—Multiple-Element Arrangements, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-28

125. Subtopic 605-28, Revenue Recognition—Milestone Method, provided guidance on the accounting for research or development deliverables or units of accounting that include milestones that are accounted for under the milestone method of revenue recognition. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

126. Supersede Subtopic 605-28, Revenue Recognition—Milestone Method, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-30

127. Subtopic 605-30, Revenue Recognition—Rights to Use, provided links to guidance on rights to use. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

128. Supersede Subtopic 605-30, Revenue Recognition—Rights to Use, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-35

129. Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, provided guidance on the accounting for the performance of contracts for which specifications are provided by the customer for the construction of facilities or the production of goods or for the provision of related services. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606. However, certain paragraphs in Subtopic 605-35 have been retained to provide guidance on loss provisions for construction-type and production-type contracts.

130. Amend the title of Subtopic 605-35 and add the General Note as follows:

Revenue Recognition—<u>Provision for Losses on </u>Construction-Type and Production-Type Contracts

<u>**General Note on Revenue Recognition—Construction-Type and Production-Type Contracts:** Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Revenue Recognition—Provision for Losses on Construction-Type and Production-Type Contracts.</u>

131. Amend paragraph 605-35-05-1 and supersede paragraphs 605-35-05-2 through 05-13 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the superseded paragraphs are not shown here.]

Overview and Background

605-35-05-1 This Subtopic provides guidance on the accounting for<u> a provision for losses on a **contract**</u>~~ the performance of **contracts** ~~for which specifications are provided by the **{add glossary link}**customer**{add glossary link}** for the construction of facilities or the production of goods or for the provision of related services.

132. Amend paragraphs 605-35-15-2 through 15-3 and 605-35-15-6, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Entities

605-35-15-1 The guidance in this Subtopic applies to all **contractors**.

> Types of Contracts

605-35-15-2 The guidance in this Subtopic applies to:

a. The performance of **{add glossary link}**contracts**{add glossary link}** for which specifications are provided by the **{add glossary link}**customer**{add glossary link}** for the construction of facilities or the production of goods or the provision of related services. However, it applies to separate contracts to provide services essential to the construction or production of tangible property, such as design, engineering, procurement, and construction management (see paragraph 605-35-15-3 for examples). Contracts covered by this

Subtopic are binding agreements between buyers and sellers in which the seller agrees, for compensation, to perform a service to the buyer's specifications. Specifications imposed on the buyer by a third party (for example, a government or regulatory agency or a financial institution) or by conditions in the marketplace are deemed to be buyer's specifications.

> > Contracts Covered

605-35-15-3 Contracts covered by this Subtopic include, but are not limited to, the following:

a. Contracts in the construction industry, such as those of general building, heavy earth moving, dredging, demolition, design-build contractors, and specialty contractors (for example, mechanical, electrical, or paving). In general the type of contract here under consideration is for construction of a specific project. While such contracts are generally carried on at the job site, this Subtopic also would be applicable in appropriate cases to the manufacturing or building of special items on a contract basis in a contractor's own plant.
b. Contracts to design and build ships and transport vessels.
c. Contracts to design, develop, manufacture, or modify complex aerospace or electronic equipment to a buyer's specification or to provide services related to the performance of such contracts.
d. Contracts for construction consulting service, such as under agency contracts or construction management agreements.
e. Contracts for services performed by architects, engineers, or architectural or engineering design firms.
f. Arrangements to deliver software or a software system, either alone or together with other products or services, requiring significant production, modification, or customization of software. ~~The entire arrangement should be accounted for in conformity with this Subtopic. Nevertheless, transactions that normally are accounted for as products sales should not be accounted for as long-term contracts merely to avoid the delivery requirements normally associated with product sales for revenue recognition. See paragraphs 985-605-25-88 through 25-107 regarding the application of this Subtopic to software contracts.~~

605-35-15-4 Contracts covered by this Subtopic may be classified into four broad types based on methods of pricing:

a. A **fixed-price contract** is an agreement to perform all acts under the contract for a stated price.
b. A **cost-type (including cost-plus) contract** is an agreement to perform under a contract for a price determined on the basis of a defined relationship to the costs to be incurred, for example, the costs of

all acts required plus a fee, which may be a fixed amount or a fixed percentage of the costs incurred.

c. **A time-and-material contract** is an agreement to perform all acts required under the contract for a price based on fixed hourly rates for some measure of the labor hours required (for example, direct labor hours) and the cost of materials.
d. **A unit-price contract** is an agreement to perform all acts required under the contract for a specified price for each unit of output.

605-35-15-5 Each of the various types of contracts may have incentive, penalty, or other provisions that modify their basic pricing terms. The glossary definitions for each of the contract types listed in the preceding paragraph contain greater detail about the pricing features.

> > Types of Contracts Not Covered

605-35-15-6 Contracts not covered by this Subtopic include, but are not limited to, the following:

a. Sales by a manufacturer of goods produced in a standard manufacturing operation, even if produced to buyers' specifications, and sold in the ordinary course of business through the manufacturer's regular marketing channels, if such sales are normally recognized as the sale of goods~~revenue in accordance with the realization principle for sales of products~~ and if their costs are accounted for in accordance with generally accepted principles of inventory costing.
b. Sales or supply contracts to provide goods from inventory or from homogeneous continuing production over a period of time.
c. Contracts included in a program and accounted for under the program method of accounting. For accounting purposes, a program consists of a specified number of units of a basic product expected to be produced over a long period in a continuing production effort under a series of existing and anticipated contracts.
d. Service contracts of health clubs, correspondence schools, and similar consumer-oriented entities that provide their services to their clients over an extended period.
e. Magazine subscriptions.
f. Contracts of not-for-profit entities (NFPs) to provide benefits to their members over a period of time in return for membership dues.
g. Contracts ~~such as leases and real estate agreements,~~ for which other Topics in the Codification provide special methods of accounting, such as leases.
h. Cost-plus-fixed-fee government contracts, which are discussed in Topic 912, other types of cost-plus-fee contracts, or contracts such as those for products or services customarily billed as shipped or rendered.
i. Federal government contracts within the scope of that Topic.

j. Service transactions between a seller and a purchaser in which, for a mutually agreed price, the seller performs, agrees to perform at a later date, or agrees to maintain readiness to perform an act or acts, including permitting others to use entity resources that do not alone produce a tangible commodity or product as the principal intended result (for example, services, not plans, are usually the principal intended result in a transaction between an architect and the customer of an architect).

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133. Section 605-35-25, Revenue Recognition—Construction-Type and Production-Type Contracts—Recognition, provided accounting guidance on revenue and cost recognition for contracts within its scope, including provision for losses on contracts. A majority of that guidance has been superseded by the guidance in Topic 606 and Subtopic 340-40. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606. However, the provision for loss contracts guidance has been retained consistent with the Board's decisions on onerous contracts. Additionally, amendments have been made to update the guidance on determining when and how to combine or segment a contract in accordance with Topic 606 rather than the guidance that was contained in this Section on combining and segmenting contracts.

134. Amend paragraphs 605-35-25-7 (which includes adding a heading before that paragraph), 605-35-25-10 and its related heading, and 605-35-25-45 through 25-49, add paragraph 605-35-25-46A, and supersede the remaining paragraphs and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the superseded paragraphs are not shown here.]

Recognition

~~> > > Combining Contracts~~

<u>> Combining Contracts</u>

605-35-25-7 {add glossary link}Contracts**{add glossary link}** ~~may~~<u>shall</u> be combined ~~for accounting purposes~~ <u>to determine the need for a provision for losses in accordance with paragraphs 605-35-25-45 through 25-49</u> only if they meet the criteria in <u>Topic 606 on **revenue** from contracts with **customers**, specifically paragraph 606-10-25-9.</u>~~paragraphs 605-35-25-8 through 25-9.~~

<u>> Identifying Performance Obligations</u>

~~> > > Segmenting a Contract or Group of Contracts~~

605-35-25-10 A single contract or a group of contracts that otherwise meet the criteria for combining (see paragraph 605-35-25-7) may include ~~several~~ more than one **performance obligation**, identified in accordance with Topic 606 on revenue from contracts with customers, specifically paragraphs 606-10-25-14 through 25-22.~~elements or phases, each of which the contractor negotiated separately with the same customer and agreed to perform without regard to the performance of the others. If those activities are accounted for as a single profit center, the reported income may differ from that contemplated in the negotiations for reasons other than differences in performance. If the project is segmented, revenues can be assigned to the different elements or phases to achieve different rates of profitability based on the relative value of each element or phase to the estimated total contract revenue.~~

> Provisions for Losses on Contracts

605-35-25-45 For a contract on which a loss is anticipated, an entity shall recognize ~~GAAP requires recognition of~~ the entire anticipated loss as soon as the loss becomes evident. ~~An entity without the ability to update and revise estimates continually with a degree of confidence could not meet that essential requirement of GAAP.~~

605-35-25-46 When the current estimates of ~~total contract revenue~~the amount of consideration that an entity expects to receive in exchange for transferring promised goods or services to the **customer**, determined in accordance with Topic 606, and contract cost indicate a loss, a provision for the entire loss on the contract shall be made. Provisions for losses shall be made in the period in which they become evident~~ under either the percentage-of-completion method or the completed-contract method~~.

605-35-25-46A For the purpose of determining the amount that an entity expects to receive in accordance with paragraph 605-35-25-46, the entity shall use the principles for determining the transaction price in paragraphs 606-10-32-2 through 32-27 (except for the guidance in paragraphs 606-10-32-11 through 32-13 on constraining estimates of variable consideration) and allocating the transaction price in paragraphs 606-10-32-28 through 32-41. In addition, the entity shall adjust that amount to reflect the effects of the customer's credit risk.

605-35-25-47 If a group of contracts are combined based on the guidance~~criteria~~ in paragraph 606-10-25-9~~paragraphs 605-35-25-8 through 25-9~~, they shall be treated as a unit in determining the necessity for a provision for a loss. ~~If contracts are segmented based on the criteria in paragraphs 605-35-25-12 through 25-14 the individual segments~~**Performance obligations** identified in accordance with paragraphs 606-10-25-14 through 25-22 shall be considered separately in determining the need for a provision for a loss.

605-35-25-48 Losses on cost-type contracts~~, although less frequent,~~ may arise if, for example, a contract provides for guaranteed maximum reimbursable costs or target penalties. In recognizing losses for accounting purposes, the contractor's normal cost accounting methods shall be used in determining the total cost overrun on the contract, and losses shall include provisions for performance penalties.

605-35-25-49 The costs used in arriving at the estimated loss on a contract shall include all costs of the type allocable to contracts under ~~paragraph 605-35-25-37~~ paragraphs 340-40-25-5 through 25-8. Other factors that should be considered in arriving at the projected loss on a contract include all of the following:

a. Variable consideration, (for example, target~~Target~~ penalties and rewards and potential price redeterminations)
b. Nonreimbursable costs on cost-plus contracts
c. Change orders that meet the guidance to be accounted for as contract modifications in accordance with Topic 606 on revenue from contracts with customers, specifically paragraphs 606-10-25-10 through 25-13.
d. Subparagraph superseded by Accounting Standards Update 2014-09.~~Potential price redeterminations.~~

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135. Industry-specific guidance on presentation for the percentage-of-completion and completed-contract methods has been superseded. The presentation guidance on provisions for anticipated losses in Section 605-35-45 has been retained and is presented below for informational purposes only.

136. Supersede paragraphs 605-35-45-3 through 45-5 and their related headings, with a link to transition paragraph 606-10-65-1.

Other Presentation Matters

> Provisions for Anticipated Losses on Contracts

605-35-45-1 The provision for loss arises because estimated cost for the contract exceeds estimated revenue. Consequently, the provision for loss shall be accounted for in the income statement as an additional contract cost rather than as a reduction of contract revenue, which is a function of contract price, not cost. Unless the provision is material in amount or unusual or infrequent in nature, the provision shall be included in contract cost and shall not be shown separately in the income statement. If it is shown separately, it shall be shown as a component of the cost included in the computation of gross profit.

605-35-45-2 Provisions for losses on contracts shall be shown separately as liabilities on the balance sheet, if significant, except in circumstances in which related costs are accumulated on the balance sheet, in which case the provisions may be deducted from the related accumulated costs. In a classified balance sheet, a provision shown as a liability shall be shown as a current liability.

~~> Percentage-of-Completion Method~~

605-35-45-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~Under the percentage-of-completion method current assets may include costs and recognized income not yet billed, with respect to certain contracts. Liabilities, in most cases current liabilities, may include billings in excess of costs and recognized income with respect to other contracts.~~

~~> Completed-Contract Method~~

605-35-45-4 Paragraph superseded by Accounting Standards Update 2014-09. ~~When the completed-contract method is used, an excess of accumulated costs over related billings shall be shown in the balance sheet as a current asset, and an excess of accumulated billings over related costs shall be shown among the liabilities, in most cases as a current liability. If costs exceed billings on some contracts, and billings exceed costs on others, the contracts shall be segregated so that the figures on the asset side include only those contracts on which costs exceed billings, and those on the liability side include only those on which billings exceed costs.~~

605-35-45-5 Paragraph superseded by Accounting Standards Update 2014-09. ~~It is suggested that the asset item be described as costs of uncompleted contracts in excess of related billings rather than as inventory or work in process, and that the item on the liability side be described as billings on uncompleted contracts in excess of related costs.~~

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137. Supersede Section 605-35-50 and their related headings, with a link to transition paragraph 606-10-65-1.

138. Supersede Section 605-35-55 and their related headings, with a link to transition paragraph 606-10-65-1.

Amendments to 605-40

139. Subtopic 605-40, Revenue Recognition—Gains and Losses, clarified the accounting for involuntary conversions of nonmonetary assets to monetary assets. That guidance has been moved to Subtopic 610-30, Other Income—Gains and Losses from an Involuntary Conversion, consistent with the nature of those transactions that result in gains or losses, not revenue.

140. Supersede Subtopic 605-40, with a link to transition paragraph 606-10-65-1. **[Content moved to Subtopic 610-30]**

Amendments to Subtopic 605-45

141. Subtopic 605-45, Revenue Recognition—Principal Agent Considerations, provided guidance on whether an entity should report revenue gross or net of certain amounts paid to others. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

142. Supersede Subtopic 605-45, Revenue Recognition—Principal Agent Considerations, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 605-50

143. Subtopic 605-50, Revenue Recognition—Customer Payments and Incentives, provided guidance for consideration given by a vendor to a customer from two different perspectives: (a) the vendor's accounting and (b) the customer's accounting. The guidance from the perspective of the vendor has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606. The guidance from the customer's perspective has been moved to Subtopic 705-20, Cost of Sales and Services—Accounting for Consideration Received from a Vendor. See the basis paragraph for Subtopic 705-20 for a summary of the guidance that has been moved.

144. Supersede Subtopic 605-50, with a link to transition paragraph 606-10-65-1. **[Paragraphs 605-50-45-16 through 45-17 and 605-50-45-19 moved to paragraphs 705-20-25-4 through 25-5 and 705-20-25-7; paragraphs 605-50-45-15, 605-50-45-18, and 605-50-45-20 through 45-21 amended and moved to paragraphs 705-20-25-3, 705-20-25-6, and 705-20-25-8 through 25-9; and paragraphs 605-50-25-10 through 25-12 amended and moved to paragraphs 705-20-25-10 through 25-12]**

Addition of Topic 606

145. For the newly created Topic 606, Revenue from Contracts with Customers, see paragraph 4 in Section A of the Codification amendments.

Addition of Subtopic 610-10

146. Topic 610, Other Income, has been added to provide guidance on the recognition of other income (that is, a gain or loss), rather than revenue, in an entity's financial statements. Specifically, Subtopic 610-10 has been created to codify the new guidance on the sale or transfer of nonfinancial assets that are outside the scope of Topic 606 because the contract to sell or transfer is not with a customer. The addition of Subtopic 610-10 is consistent with the Board's decision that an entity should apply the existence of a contract, the control and measurement requirements (including the constraint on revenue recognized) of Topic 606 for the purposes of determining when the nonfinancial asset should be derecognized and the amount of consideration to be included in the gain or loss recognized on the sale or transfer.

147. Add Subtopic 610-10, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Other Income—Overall

Overview and Background

General

610-10-05-1 The Other Income Topic specifies standards of financial accounting and reporting for income recognized that is not in a **contract** with a **customer** within the scope of Topic 606 on **revenue** from contracts with customers, other Topics (such as Topic 840 on leases and Topic 944 on insurance), or in accordance with other revenue or income recognition guidance.

610-10-05-2 This Topic includes the following Subtopics:

a. Overall
b. Gains and Losses from the Derecognition of Nonfinancial Assets
c. Gains and Losses on Involuntary Conversions.

Scope and Scope Exceptions

General

> Overall Guidance

610-10-15-1 The scope Section of the Overall Subtopic establishes the pervasive scope for the Other Income Topic.

> Entities

610-10-15-2 The guidance in this Topic applies to all entities.

Glossary

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Customer

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Revenue

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Addition of Subtopic 610-20

148. Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, provides guidance on the recognition of other income upon the derecognition through the sale or transfer of a nonfinancial asset (including in substance nonfinancial assets) that is not a business or nonprofit activity as long as the sale or transfer is not in a contract with a customer. (Also see the amendments to Sections 350-10-40 and 360-10-40 on the derecognition of nonfinancial assets.) In addition, this Subtopic excludes from its scope a transaction in which an entity (Entity A) transfers a nonfinancial asset (or assets) to another entity (Entity B) in exchange for a noncontrolling ownership interest in that other entity (Entity B). Those transactions should be accounted for in accordance with Section 845-10-30 on exchanges of a nonfinancial asset for a noncontrolling ownership interest.

149. Add Subtopic 610-20, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets

Overview and Background

General

610-20-05-1 This Subtopic provides guidance on a gain or loss recognized upon the derecognition of a nonfinancial asset within the scope of Topic 350 on intangibles and Topic 360 on property, plant, and equipment (including in substance nonfinancial assets) if those assets are not in a **contract** with a **customer** within the scope of Topic 606 on **revenue** from contracts with customers.

Scope and Scope Exceptions

General

> Entities

610-20-15-1 The guidance in this Subtopic applies to all entities.

> Transactions

610-20-15-2 The guidance in this Subtopic applies to the following events and transactions:

a. The gain or loss recognized upon the derecognition of a nonfinancial asset within the scope of Topic 350 on intangibles or Topic 360 on property, plant, and equipment, unless the entity sells or transfers the nonfinancial asset in a **contract** with a **customer**
b. The gain or loss recognized upon the transfer of financial assets that are in substance nonfinancial assets within the scope of Topic 350 or Topic 360 (for example, the sale of a subsidiary that only consists of an asset [for example, a machine or piece of equipment]).

> Other Considerations

610-20-15-3 The guidance in this Subtopic does not apply to the following:

a. The derecognition of a nonfinancial asset, including an in substance nonfinancial asset, in a **contract** with a **customer**, see Topic 606 on revenue from contracts with customers
b. The derecognition of a subsidiary or group of assets that constitutes a **business** or **nonprofit activity** (excluding an in substance nonfinancial asset), see Section 810-10-40 on consolidation
c. Real estate sale-leaseback transactions, see Subtopics 360-20, on sale-leaseback accounting and 840-40 on leases
d. A conveyance of oil and gas mineral rights, see Subtopic 932-360 on extractive activities

e. A transfer of a nonfinancial asset to another entity in exchange for a noncontrolling ownership interest in that entity, see the guidance on exchanges of a nonfinancial asset for a noncontrolling ownership interest in Section 845-10-30.

Glossary

Business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants. Additional guidance on what a business consists of is presented in paragraphs 805-10-55-4 through 55-9.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Customer

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Disposal Group

A disposal group for a long-lived asset or assets to be disposed of by sale or otherwise represents assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

Nonprofit Activity

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a **business** or a for-profit business entity.

Performance Obligation

A promise in a **contract** with a **customer** to transfer to the customer either:

a. A good or service (or a bundle of goods or services) that is distinct
b. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Revenue

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Transaction Price

The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a **customer,** excluding amounts collected on behalf of third parties.

Initial Recognition

General

610-20-25-1 An entity shall recognize a gain or loss in accordance with the derecognition guidance in Section 610-20-40.

Measurement

General

610-20-32-1 To determine the amount of consideration to be included in the calculation of a gain or loss recognized upon the derecognition of a nonfinancial asset, an entity shall apply the following paragraphs in Topic 606 on **revenue** from **contracts** with **customers**:

a. Paragraphs 606-10-32-2 through 32-27 on determining the **transaction price,** including all of the following:
    1. Estimating variable consideration
    2. Constraining estimates of variable consideration
    3. The existence of a significant financing component
    4. Noncash consideration
    5. Consideration payable to a customer.
b. Paragraphs 606-10-32-42 through 32-45 on accounting for changes in the transaction price.

Derecognition

General

610-20-40-1 To determine when a nonfinancial asset shall be derecognized, an entity shall apply the following paragraphs in Topic 606 on **revenue** from **contracts** with **customers**:

a. Paragraphs 606-10-25-1 through 25-8 on the existence of a contract
b. Paragraph 606-10-25-30 on when an entity satisfies a **performance obligation** by transferring control of an asset.

610-20-40-2 When the guidance in paragraph 610-20-40-1 is met, an entity shall derecognize the nonfinancial asset and recognize as a gain or loss the difference between the amount of consideration measured in accordance with paragraph 610-20-32-1 and the carrying amount of the nonfinancial asset. When the guidance in paragraph 610-20-40-1 is not met, an entity shall apply the guidance in paragraphs 350-10-40-3 to intangible assets and 360-10-40-3C to property, plant, and equipment.

Other Presentation Matters

General

610-20-45-1 See paragraph 360-10-45-5 for guidance on presentation of a gain or loss recognized on the sale of a long-lived asset (**disposal group**).

Implementation Guidance and Illustrations

> Illustrations

> > Sale of a Nonfinancial Asset

610-20-55-1 The following Example illustrates the guidance in this Subtopic.

> > > Example 1—Sale of a Nonfinancial Asset for Variable Consideration

610-20-55-2 An entity sells the rights to in-process research and development that it recently acquired in a business combination and measured at fair value of $50 million in accordance with Topic 805 on business combinations. The buyer of the in-process research and development agrees to pay a nonrefundable amount of $5 million at inception plus 2 percent of sales of any products derived from the in-process research and development over the next 20 years. The entity concludes that the sale of in-process research and development is not a good or service that is an output of the entity's ordinary activities.

610-20-55-3 Topic 350 on goodwill and other intangibles requires the entity to apply the guidance on existence of a **contract,** control, and measurement in Topic 606 on **revenue** from contracts with **customers** to determine the amount and timing of income to be recognized as follows:

a. The entity concludes that the criteria for identifying a contract in paragraph 606-10-25-1 are met.
b. The entity also concludes that on the basis of the guidance in paragraph 606-10-25-30, it has transferred control of the in-process research and development asset to the buyer as of contract inception. This is because as of contract inception the buyer can use the in-process research and development's records, patents, and supporting documentation to develop potential products and the entity has relinquished all substantive rights to the in-process research and development asset.
c. In estimating the consideration received, the entity applies the guidance in Topic 606 on determining the **transaction price,** including estimating and constraining variable consideration. The entity estimates that the amount of consideration that it will receive from the sales-based royalty is $100 million over the 20-year royalty period. However, the entity cannot assert that it is probable that recognizing all of the estimated variable consideration in other income would not result in a significant reversal of that consideration. The entity reaches this conclusion on the basis of its assessment of factors in paragraph 606-10-32-12. In particular, the entity is aware that the variable consideration is highly susceptible to the actions and judgments of third parties, because it is based on the buyer completing the in-process research and development asset, obtaining regulatory approval for the output of the in-process research and development asset, and marketing and selling the output. For the same reasons, the entity also concludes that it could not include any amount, even a minimum amount, in the estimate of the consideration. Consequently, the entity concludes that the estimate of the consideration to be used in the calculation of the gain or loss upon the derecognition of the in-process research and development asset is limited to the $5 million fixed upfront payment.

610-20-55-4 At inception of the contract, the entity recognizes a net loss of $45 million ($5 million of consideration, less the in-process research and development asset of $50 million). The entity reassesses the transaction price at each reporting period to determine whether it is probable that a significant reversal would not occur from recognizing the estimate as other income and, if so, recognizes that amount as other income in accordance with paragraphs 606-10-32-14 and 606-10-32-42 through 32-45.

Addition of Subtopic 610-30

150. The guidance in Subtopic 610-30, Other Income—Gains and Losses on Involuntary Conversions, has been moved from Subtopic 605-40, Revenue Recognition—Gains and Losses. Subtopic 610-30 clarifies the accounting for involuntary conversions of nonmonetary assets to monetary assets. The

guidance has been moved to be consistent with the nature of those transactions that result in gains or losses, not revenue.

151. Add Subtopic 610-30, with a link to transition paragraph 606-10-65-1, as follows:

Other Income—Gains and Losses on Involuntary Conversions

Overview and Background

General

610-30-05-1 This Subtopic clarifies the accounting for involuntary conversions of nonmonetary assets (such as property or equipment) to monetary assets (such as insurance proceeds). Examples of such conversions are total or partial destruction or theft of insured nonmonetary assets and the condemnation of property in eminent domain proceedings. **[Content moved from paragraph 605-40-05-1]**

610-30-05-2 The terms *nonmonetary* and *monetary* as used in this Subtopic have the same meaning as those terms have in Topic 845. **[Content moved from paragraph 605-40-05-2]**

610-30-05-3 Although this Subtopic provides specific guidance for gains and losses resulting from involuntary conversions, the majority of the guidance for gains and losses is included in the Derecognition Section of the relevant asset or liability Topic. **[Content moved from paragraph 605-40-05-3]**

Scope and Scope Exceptions

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic 825. See Section 825-10-15 for guidance on the scope of the Financial Instruments Topic. **[Content moved from Section 605-40-15]**

General

> Entities

610-30-15-1 The guidance in this Subtopic applies to all entities. **[Content moved from paragraph 605-40-15-1]**

> Transactions

610-30-15-2 The guidance in this Subtopic applies to the following events and transactions:

a. Those in which nonmonetary assets are involuntarily converted (for example, as a result of total or partial destruction, theft, seizure, or condemnation) to monetary assets that are then reinvested in other nonmonetary assets. **[Content moved from paragraph 605-40-15-2]**

Recognition

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic 825-10. Those Subsections (see paragraph 825-10-05-5) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section 825-10-15 for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic. **[Content moved from Section 605-40-25]**

General

610-30-25-1 As used in this Subtopic, the term *cost* refers to the cost of a nonmonetary asset or to its carrying amount, if different. **[Content moved from paragraph 605-40-25-1]**

610-30-25-2 An involuntary conversion of a nonmonetary asset to monetary assets and the subsequent reinvestment of the monetary assets is not equivalent to an exchange transaction between an entity and another entity. The conversion of a nonmonetary asset to monetary assets is a monetary transaction, whether the conversion is voluntary or involuntary, and such a conversion differs from exchange transactions that involve only nonmonetary assets. To the extent the cost of a nonmonetary asset differs from the amount of monetary assets received, the transaction results in the realization of a gain or loss that shall be recognized. **[Content moved from paragraph 605-40-25-2]**

610-30-25-3 Involuntary conversions of nonmonetary assets to monetary assets are monetary transactions for which gain or loss shall be recognized even though an entity reinvests or is obligated to reinvest the monetary assets in replacement nonmonetary assets. However, the requirement of this Subtopic with respect to gain recognition does not apply to an involuntary conversion of a last-in, first-out (LIFO) inventory for which replacement is intended but not made by year-end and the taxpayer does not recognize gain for income tax reporting purposes. Paragraph 270-10-45-6(b) provides an exception for the liquidation of a LIFO inventory at an interim date if replacement is expected by year-end. Accordingly, that exception applies to an involuntary conversion of a LIFO inventory if replacement is expected by year-end. **[Content moved from paragraph 605-40-25-3]**

610-30-25-4 In some cases, a nonmonetary asset may be destroyed or damaged in one accounting period, and the amount of monetary assets to be received is not determinable until a subsequent accounting period. In those cases, gain or loss shall be recognized in accordance with Topic 450. **[Content moved from paragraph 605-40-25-4]**

Initial Measurement

General

610-30-30-1 The cost of subsequently acquired nonmonetary assets shall be measured by the consideration paid and not be affected by a previous transaction. **[Content moved from paragraph 605-40-30-1]**

Other Presentation Matters

General

610-30-45-1 Gain or loss resulting from an involuntary conversion of a nonmonetary asset to monetary assets shall be classified in accordance with the provisions of Subtopic 225-20. **[Content moved from paragraph 605-40-45-1]**

Relationships

General

> Income Taxes

610-30-60-1 For guidance on temporary differences resulting from involuntary conversions, see paragraph 740-10-55-66. **[Content moved from paragraph 605-40-60-1]**

Amendments to Subtopic 705-10

152. The following amendments reflect the restructuring of Topic 705, Cost of Sales and Services, to include two Subtopics 705-10, Overall, and 705-20, Accounting for Consideration Received from a Vendor. The Overall Subtopic is consistent with the prior guidance, which only provides links to other guidance rather than providing explicit guidance. Subtopic 705-20 has been created to

include the relocated guidance from Subtopic 605-50 on customer accounting for consideration received from a vendor.

153. Amend paragraphs 705-10-05-1 through 05-2 and add paragraph 705-10-05-1A, with a link to transition paragraph 606-10-65-1, as follows:

Cost of Sales and Services—Overall

Overview and Background

705-10-05-1 The Cost of Sales and Services Topic includes the following Subtopics: ~~only provides links to guidance on accounting for the cost of sales and services in other applicable Subtopics as the asset liability model used in the Codification generally results in the inclusion of that guidance in other Topics. For example, as assets are sold or remeasured (or liabilities incurred), the guidance related to the transactions is included in applicable Derecognition and Subsequent Measurement Sections of Topic 330 and Topic 360 rather than in this Topic.~~ **[Content amended and moved to paragraph 705-10-05-1A]**

a. Overall
b. Accounting for Consideration Received from a Vendor.

705-10-05-1A ~~The Cost of Sales and Services Topic only~~ The Overall Subtopic only provides links to guidance on accounting for the cost of sales and services in other applicable Subtopics ~~as~~because the asset liability model used in the Codification generally results in the inclusion of that guidance in other Topics. For example, ~~as~~because assets are sold or remeasured (or liabilities are incurred), the guidance related to the transactions is included in the applicable Derecognition and Subsequent Measurement Sections of ~~Topics~~Topic 330 on inventory and Topic 360 on plant, property, and equipment rather than in this Topic. **[Content amended as shown and moved from paragraph 705-10-05-1]**

705-10-05-2 Included in Section 705-10-25 are links to certain other Subtopics containing guidance applicable to the recognition of cost of sales and services. ~~Included in Section 705-10-45 are links to certain other Subtopics containing guidance applicable to the presentation of cost of sales and services.~~

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154. The following amendments update links to new guidance that generally supersedes the guidance in Subtopics 360-20, Property, Plant, and Equipment—Real Estate Sales; 605-15, Revenue Recognition—Products; 605-20, Revenue Recognition—Services; and 605-50, Revenue Recognition—Customer Payments and Incentives.

155. Amend paragraphs 705-10-25-4 and 705-10-25-8 through 25-9 and the related heading, add paragraph 705-10-25-4A and its related heading, and

supersede paragraphs 705-10-25-6 and its related heading and 705-10-25-10 through 25-12, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

705-10-25-1 This Section consists solely of links to other Subtopics because the asset liability model used in the Codification requires that applicable guidance be included in other Topics. In addition, the following may not represent a complete list of other Topics containing cost of sales and services guidance.

> Inventory

705-10-25-2 See paragraphs 330-10-35-1 through 35-11 for adjustments affecting cost of sales and services resulting from remeasuring inventory to the lower of cost or market.

705-10-25-3 See paragraphs 330-10-30-1 through 30-13 for adjustments affecting cost of sales and services resulting from establishing the cost basis and the use of inventory pricing methods.

705-10-25-4 See Topic 606 on **revenue** from **contracts** with **customers**, specifically paragraph 606-10-32-10 and paragraphs 606-10-55-22 through 55-29 for the accounting for a sale with a right of return. ~~For a discussion of the criteria for the recognition of revenue and the related cost of sales when the right of return exists, see the guidance beginning in paragraph 605-15-25-1.~~

> Other Assets and Deferred Costs—Contracts with Customers

705-10-25-4A See Subtopic 340-40 for guidance on the following costs related to a **contract** with a **customer** within the scope of Topic 606 on revenue from contracts with customers:

a. Incremental costs of obtaining a contract with a customer
b. Costs incurred in fulfilling a contract with a customer that are not within the scope of another Topic.

> Property, Plant, and Equipment

~~> > Real Estate Sales~~

705-10-25-6 Paragraph superseded by Accounting Standards Update 2014-09.~~See Subtopic 360-20 for discussion of the conditions resulting in the full or partial recognition of profit and their relationship to the applicable cost of sales to be recognized.~~

> Interim Financial Reporting

705-10-25-7 See paragraphs 270-10-45-4 through 45-6 for a discussion of recognition principles used for cost of sales and services used in reporting on an interim basis.

> Extended Warranty and Product Maintenance Contracts

705-10-25-8 See paragraph 605-20-25-6 ~~paragraphs 605-20-25-1 through 25-6~~ for guidance on recognizing a loss on ~~a discussion of the costs of providing services under~~ separately priced extended warranty and product maintenance contracts.

> Consideration Received from a Vendor~~Given to a Customer or Reseller~~

705-10-25-9 See Subtopic 705-20~~605-50~~ for a discussion of consideration received from a vendor by a customer.~~given by a vendor to a customer, including both a reseller of the vendor's products and an entity that purchases the vendor's products from a reseller.~~

705-10-25-10 Paragraph superseded by Accounting Standards Update 2014-09.~~See paragraphs 605-50-25-10 through 25-12 and 605-50-45-12 through 45-15 for a discussion of the accounting for cash consideration given to a reseller of a vendor's products.~~

705-10-25-11 Paragraph superseded by Accounting Standards Update 2014-09.~~See paragraphs 605-50-45-16 through 45-22 for a discussion of the applicability to resellers of sales incentives offered to customers by manufacturers.~~

705-10-25-12 Paragraph superseded by Accounting Standards Update 2014-09.~~See paragraphs 605-50-25-13 through 25-18 for a discussion of the accounting for consideration given by a service provider to a manufacturer or reseller of equipment necessary for an end-customer to receive service from the service provider.~~

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156. Subtopic 605-45, Revenue Recognition—Principal Agent Considerations, provided guidance on whether an entity should report revenue gross or net of certain amounts paid to others. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. Therefore, Section 705-10-45 has been superseded because it consisted solely of links to Subtopic 605-45.

157. Supersede Section 705-10-45, with a link to transition paragraph 606-10-65-1.

Addition of Subtopic 705-20

158. The guidance in Subtopic 605-50 on accounting by a customer (including a reseller) for certain consideration received from a vendor (formerly EITF 02-16) and a reseller's characterization of sales incentives offered to customers by manufacturers (formerly EITF 03-10) has been moved to Subtopic 705-20, Costs of Sales and Services—Accounting for Consideration Received from a Vendor. The *customer* is referred to as *the entity* in the amended guidance. The accounting for consideration given by a vendor to a customer (including a reseller of the vendor's products) is included in the scope of Topic 606 and, therefore, the guidance in Subtopic 605-50 (formerly EITF 01-9) has been superseded. Specifically, the guidance on customer accounting in Subtopic 605-50 has been rewritten and/or amended and moved to Subtopic 705-20 as follows:

Original Location of Guidance	**New Location of Guidance**
> Customer's Characterization of Certain Consideration Received from a Vendor	> Accounting for Consideration Received from a Vendor (Supplier)
605-50-45-12	705-20-25-1
605-50-45-13	705-20-25-1
> > Consideration Is Payment for Assets or Services Delivered to Vendor	> > Consideration in Exchange for a Distinct Good or Service
605-50-45-14	705-20-25-2
> > Consideration Is Reimbursement of Costs Incurred by the Customer	> > Consideration Is a Reimbursement for Costs Incurred to Sell the Vendor's Products
605-50-45-15	705-20-25-3
> > Reseller's Characterization of Sales Incentives Offered to Customers by Manufacturers	> > Consideration for Sales Incentives Offered to Customers by Manufacturers
605-50-45-16	705-20-25-4
605-50-45-17	705-20-25-5
605-50-45-18	705-20-25-6
605-50-45-19	705-20-25-7
605-50-45-20	705-20-25-8
605-50-45-21	705-20-25-9
> Customer's Accounting for Certain Consideration Received from a Vendor	> Accounting for Certain Consideration Received from a Vendor
605-50-25-10	705-20-25-10
605-50-25-11	705-20-25-11
605-50-25-12	705-20-25-12

159. Add Subtopic 705-20, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Cost of Sales and Services—Accounting for Consideration Received from a Vendor

Overview and Background

General

705-20-05-1 This Subtopic provides guidance on accounting for consideration received by an entity from a **vendor**.

Glossary

Cash Consideration

Cash payments and credits that the customer can apply against trade amounts owed to the vendor. In addition, as indicated in Section 505-50-25, consideration in the form of equity instruments is recognized in the same period or periods and in the same manner (that is, capitalize versus expense) as if the entity had paid cash for the goods or services or used cash rebates as a sales discount instead of paying with or using the equity instruments. Accordingly, guidance with respect to cash consideration is applicable to consideration that consists of equity instruments (regardless of whether a measurement date has been reached).

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Customer

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Probable

The future event or events are likely to occur.

Reseller

Any entity that purchases another vendor's products for resale, regardless of whether that entity is a distributor or wholesaler, a retailer, or other type of reseller.

Revenue

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

Standalone Selling Price

The price at which an entity would sell a promised good or service separately to a **customer**.

Vendor

A service provider or product seller, such as a manufacturer, distributor, or reseller.

Recognition

General

> Accounting for Consideration Received from a Vendor (Supplier)

705-20-25-1 Consideration from a **vendor** includes cash amounts that an entity receives or expects to receive from a vendor (or from other parties that sell the goods or services to the vendor). Consideration from a vendor also includes credit or other items (for example, a coupon or voucher) that the entity can apply against amounts owed to the vendor (or to other parties that sell the goods or services to the vendor). The entity shall account for consideration from a vendor as a reduction of the purchase price of the goods or services acquired from the vendor unless the consideration from the vendor is one of the following:

a. In exchange for a distinct good or service (as described in paragraphs 606-10-25-19 through 25-22) that the entity transfers to the vendor
b. A reimbursement of costs incurred by the entity to sell the vendor's products
c. Consideration for sales incentives offered to customers by manufacturers.

> > Consideration in Exchange for a Distinct Good or Service

705-20-25-2 If the consideration from a vendor is in exchange for a distinct good or service (see paragraphs 606-10-25-19 through 25-22) that an entity transfers to the vendor, then the entity shall account for the sale of the good or service in the same way that it accounts for other sales to **customers** in accordance with Topic 606 on revenue from contracts with customers. If the amount of consideration from the vendor exceeds the **standalone selling price** of the distinct good or service that the entity transfers to the vendor, then the entity shall account for such excess as a reduction of the purchase price of any goods or services acquired from the vendor. If the standalone selling price is not directly observable, the entity shall estimate it in accordance with paragraphs 606-10-32-33 through 32-35.

> > Consideration Is a Reimbursement of Costs Incurred to Sell the Vendor's Products ~~by the Customer~~

705-20-25-3 **{Add glossary link}**Cash consideration**{add glossary link}** represents a reimbursement of costs incurred by the ~~customer~~entity to sell the vendor's products and shall be characterized as a reduction of that cost when recognized in the ~~customer's~~entity's income statement if the cash consideration represents a reimbursement of a specific, incremental, identifiable cost incurred by the ~~customer~~entity in selling the vendor's products or services. If the amount of cash consideration paid by the vendor exceeds the cost being reimbursed, that excess amount shall be characterized in the ~~customer's~~entity's income statement as a reduction of cost of sales when recognized in the ~~customer's~~entity's income statement. **[Content amended as shown and moved from paragraph 605-50-45-15]**

> > ~~Reseller's Characterization of~~ Consideration for Sales Incentives Offered to Customers by Manufacturers

705-20-25-4 Manufacturers often sell their products to **{add glossary link}**resellers**{add glossary link}** who then sell those products to consumers or other end users. In some cases, manufacturers will offer sales discounts and incentives directly to consumers—for example, rebates or coupons—in order to stimulate consumer demand for their products. Because the **{remove glossary link}reseller{remove glossary link}** has direct contact with the consumer, the reseller may agree to accept, at the point of sale to the consumer, the manufacturer's incentives that are tendered by the consumer (for example, honoring manufacturer's coupons as a reduction to the price paid by consumers and then seeking reimbursement from the manufacturer). In other instances, the consumer purchases the product from the reseller but deals directly with the manufacturer related to the manufacturer's incentive or discount (for example, a mail-in rebate). **[Content amended as shown and moved from paragraph 605-50-45-16]**

705-20-25-5 Although the reseller often benefits from the vendor's direct-to-consumer incentives as a result of increased sales volume, the reseller generally has no control over which consumers or consumer groups participate in the incentive programs. Because the manufacturer reimburses the reseller for the value of the discount provided to the consumer, the reseller's gross margin on the product is the same regardless of whether or not the consumer purchases the product with the manufacturer's incentive. **[Content moved from paragraph 605-50-45-17]**

705-20-25-6 The issue is whether consideration received by a reseller from a vendor that is a reimbursement by the vendor for honoring the vendor's sales incentives offered directly to consumers shall be recorded as a reduction of the cost of the reseller's purchases from the vendor and, therefore, characterized as a reduction of cost of sales under the guidance in paragraph 705-20-25-1~~paragraphs 605-50-45-12 through 45-14~~. **[Content amended as shown and moved from paragraph 605-50-45-18]**

705-20-25-7 For purposes of this guidance, the term *vendor's sales incentive offered directly to consumers* is limited to a vendor's incentive that meets all the following criteria:

a. The incentive can be tendered by a consumer at any reseller in partial payment of the price charged by the reseller for the vendor's product.
b. The reseller receives a direct reimbursement from the vendor (or a clearinghouse authorized by the vendor) based on the face amount of the incentive.
c. Terms of reimbursement to the reseller for the vendor's sales incentive offered to the consumer must not be influenced by or negotiated in conjunction with any other incentive arrangements between the vendor and the reseller but, rather, may be determined only by the terms of the incentive offered to consumers.
d. The reseller is subject to an agency relationship with the vendor, whether expressed or implied, in the sales incentive transaction between the vendor and the consumer. **[Content moved from paragraph 605-50-45-19]**

705-20-25-8 An entity with sales~~Sales~~ incentive arrangements that meet all of the criteria described in ~~the preceding~~ paragraph 705-20-25-7 shall ~~are~~ not account for consideration received from a vendor as a reduction of the purchase price of the goods or services acquired from the vendor and shall consider the guidance in Topic 606 on **revenue** from **contracts** with **customers** ~~subject to the guidance in paragraphs 605-50-45-12 through 45-14~~. Sales incentives that do not meet all of the criteria in ~~the preceding~~ paragraph 705-20-25-7 shall be accounted for as a reduction of the purchase price of the goods or services acquired from the vendor. ~~are subject to the guidance in paragraphs 605-50-45-2 through 45-3, and 605-50-45-12 through 45-14, as applicable. Example 26 (see paragraph 605-50-55-124) illustrates the application of this guidance.~~ **[Content amended as shown and moved from paragraph 605-50-45-20]**

705-20-25-9 See paragraphs 705-20-25-10 through 25-11~~605-50-25-10 through 25-11~~ for guidance on the presentation of a rebate pursuant to a binding agreement. **[Content amended as shown and moved from paragraph 605-50-45-21]**

> ~~Customer's~~ Accounting for Certain Consideration Received from a Vendor

705-20-25-10 A rebate or refund of a specified amount of cash consideration that is payable pursuant to a binding arrangement only if the ~~customer~~entity completes a specified cumulative level of purchases or remains a customer for a specified time period shall be recognized as a reduction of the cost of sales based on a systematic and rational allocation of the cash consideration offered to each of the underlying transactions that results in progress by the ~~customer~~entity toward earning the rebate or refund provided the amounts are **{add glossary link to 2nd definition}**probable**{add glossary link to 2nd definition}** and can be reasonably estimated~~estimable~~. If the rebate or refund is not probable and cannot be reasonably estimated~~estimable~~, it shall be recognized as the milestones are achieved. **[Content amended as shown and moved from paragraph 605-50-25-10]**

705-20-25-11 The ability to make a reasonable estimate of the amount of future cash rebates or refunds depends on many factors and circumstances that will vary from case to case. However, any of the following factors may impair ~~a~~an ~~customer's~~entity's ability to determine whether the rebate or refund is probable and can be reasonably estimated~~estimable~~:

a. The rebate or refund relates to purchases that will occur over a relatively long period.
b. There is an absence of historical experience with similar products or the inability to apply such experience because of changing circumstances.
c. Significant adjustments to expected cash rebates or refunds have been necessary in the past.
d. The product is susceptible to significant external factors (for example, technological obsolescence or changes in demand). **[Content amended as shown and moved from paragraph 605-50-25-11]**

705-20-25-12 Changes in the estimated amount of cash rebates or refunds and retroactive changes by a vendor to a previous offer (an increase or a decrease in the rebate amount that is applied retroactively) are changes in estimate that shall be recognized using a cumulative catch-up adjustment. That is, the ~~customer~~entity would adjust the cumulative balance of its rebate recognized to the revised cumulative estimate immediately. Entities shall consider whether any portion of the cumulative effect adjustment affects other accounts (inventory, for example), in which case only a portion of that adjustment would be reflected in the income statement. **[Content amended and moved from paragraph 605-50-25-12]**

Amendments to Subtopic 720-15

160. The following amendment reflects the removal of cost guidance from Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts (specifically, industry-specific guidance on revenue and cost

recognition has been superseded), and the addition of Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers.

161. Amend paragraph 720-15-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Other Expenses—Start-Up Costs

Scope and Scope Exceptions

720-15-15-4 Certain costs that may be incurred in conjunction with start-up activities are outside the scope of this Subtopic. Such costs should be accounted for in accordance with other existing authoritative accounting literature. The guidance in this Subtopic does not apply to the following transactions and activities:

a. Ongoing customer acquisition costs, such as policy acquisition costs (see Subtopic 944-30)
b. Loan origination costs (see Subtopic 310-20)
c. Activities related to routine, ongoing efforts to refine, enrich, or otherwise improve upon the qualities of an existing product, service, process, or facility
d. Activities related to mergers or acquisitions
e. Business process reengineering and information technology transformation costs addressed in Subtopic 720-45
f. Costs of acquiring or constructing long-lived assets and getting them ready for their intended uses (however, the costs of using long-lived assets that are allocated to start-up activities [for example, depreciation of computers] are within the scope of this Subtopic)
g. Costs of acquiring or producing inventory
h. Costs of acquiring intangible assets (however, the costs of using intangible assets that are allocated to start-up activities [for example, amortization of a purchased patent] are within the scope of this Subtopic)
i. Costs related to internally developed assets (for example, internal-use computer software costs) (however, the costs of using those assets that are allocated to start-up activities are within the scope of this Subtopic)
j. Research and development costs that are within the scope of Section 730-10-15
k. Regulatory costs that are within the scope of Section 980-10-15
l. Costs of fundraising incurred by NFPs
m. Costs of raising capital
n. Costs of advertising
o. <u>Learning or start-up costs incurred in connection with existing **contracts** with **customers** and in anticipation of follow-on or future contracts for</u>

the same goods or services (see Subtopic 340-40 on other assets and deferred costs). ~~Costs incurred in connection with existing contracts as stated in paragraph 605-35-25-41(d).~~

p. Costs incurred in connection with acquiring a contract with a customer (see Subtopic 340-40).

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162. The following amendment reflects the removal of Subtopic 605-50, Revenue Recognition—Customer Payments and Incentives, and references comparable guidance on consideration payable to a customer in Topic 606.

163. Amend paragraph 720-15-55-7, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Example 2: Costs Incurred to Construct New Stores—One in New Territory

720-15-55-7 The following costs that might be incurred in conjunction with start-up activities are outside the scope of this Subtopic:

a. Store advertising costs
b. Coupon giveaways within the scope of Topic 606 on **revenue** from **contracts** with **customers** (see paragraphs 606-10-32-25 through 32-27 for guidance on consideration payable to a customer) ~~(see Subtopic 605-50 for guidance on coupon incentives)~~
c. Costs of uniforms
d. Costs of furniture and cash registers
e. Costs to obtain licenses, if any
f. Security, property taxes, insurance, and utilities costs related to construction activities
g. Deferred financing costs (see Subtopic 835-30).

Amendments to Subtopic 720-25

164. The following amendment updates the reference (formerly paragraph 605-10-15-3, which has been superseded) to directly link to the contributions received guidance for all entities, not just not-for-profit entities, to the guidance in Subtopic 958-605, Not-for-Profit—Revenue Recognition.

165. Amend paragraph 720-25-15-2, with a link to transition paragraph 606-10-65-1, as follows:

Other Expenses—Contributions Made

Scope and Scope Exceptions

> Transactions

720-25-15-2 The guidance in this Subtopic applies to **contributions** of cash and other assets, including **promises to give**. For all entities that receive contributions ~~received~~, see the contributions received guidance in paragraphs 958-605-15-3 through 15-4 ~~paragraph 605-10-15-3~~.

Amendments to Subtopic 720-35

166. The following amendments to Subtopic 720-35, Other Expenses—Advertising Costs, reflect the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs. That guidance has been superseded consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. Additionally, a portion of this guidance remains relevant for insurance contracts and, therefore, the relevant paragraphs (paragraphs 340-20-25-4 through 25-11) previously referenced in Topic 944 on insurance have been retained and moved to that industry-specific guidance. See amendments to Subtopic 944-30 because those contracts are outside the scope of Topic 606.

167. Supersede paragraph 720-35-05-2, with a link to transition paragraph 606-10-65-1, as follows:

Other Expenses—Advertising Costs

Overview and Background

720-35-05-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Subtopic does not provide guidance for direct-response advertising (see Subtopic 340-20) whose primary purpose is to elicit sales to customers who can be shown to have responded specifically to the advertising and that results in probable future benefits. If future economic benefits do result from advertising, they generally would be in the form of revenue. New technology, sources of information, and measurement techniques have given some entities the ability to better estimate the future economic benefits that could result from certain kinds of advertising.~~

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168. The following amendments reflect the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs.

169. Amend paragraphs 720-35-15-2 through 15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

720-35-15-2 The guidance in this Subtopic applies to all advertising transactions and activities, including direct-response advertising, with specific exceptions noted below.

720-35-15-3 The guidance in this Subtopic does not apply to the following transactions and activities:

a. Direct-response advertising costs of an insurance entity (for guidance, see Subtopic 944-30 on insurance) ~~340-20)~~.
b. Advertising costs in interim periods (for guidance, see paragraph 270-10-45-7).
c. Costs of advertising conducted for others under contractual arrangements.
d. Indirect costs that are specifically reimbursable under the terms of a contract.
e. Fundraising by NFPs (however, this Subtopic does apply to advertising activities of NFPs).
f. Customer acquisition activities, other than advertising.
g. The costs of premiums, contest prizes, gifts, and similar promotions, as well as discounts or rebates, including those resulting from the redemption of coupons. (Other costs of coupons and similar items, such as costs of newspaper advertising space, are considered advertising costs.)

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170. The following amendment reflects the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs.

171. Amend paragraph 720-35-25-5, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

> Communicating Advertising

720-35-25-5 Costs of communicating advertising are not incurred until the item or service has been received and shall not be reported as expenses before the item or service has been received.~~received, except as discussed in paragraph 340-20-25-2.~~ For example:

a. The costs of television airtime shall not be reported as advertising expense before the airtime is used. Once it is used, the costs shall be expensed.~~expensed, unless the airtime was used for direct-response advertising activities that meet the criteria for capitalization under paragraph 340-20-25-4.~~
b. The costs of magazine, directory, or other print media advertising space shall not be reported as advertising expense before the space is used. Once it is used, the costs shall be expensed.~~expensed, unless the space was used for direct-response advertising activities that meet the criteria for capitalization under paragraph 340-20-25-4.~~

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172. The following amendment reflects the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs.

173. Amend paragraph 720-35-35-1, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

720-35-35-1 ~~As indicated in paragraph 340-20-35-6, depreciation~~Depreciation or amortization of a tangible asset may be a cost of advertising if the tangible asset is used for advertising.

Amendments to Subtopic 730-10

174. The following amendment updates the references to paragraphs 985-605-25-86 through 25-87, which have been moved to paragraphs 730-20-15-1A and 985-20-25-12, respectively.

175. Amend paragraph 730-10-60-5, with a link to transition paragraph 606-10-65-1, as follows:

Research and Development—Overall

Relationships

730-10-60-5 For guidance related to a funded software-development arrangement, see paragraphs ~~985-605-25-86 through 25-87.~~730-20-15-1A and 985-20-25-12.

Amendments to Subtopic 730-20

176. The following amendment to paragraph 730-20-15-1A includes the guidance moved from paragraph 985-605-25-86. Subtopic 985-605 has been superseded because it provided software industry-specific guidance on revenue recognition. The following amendment to paragraph 730-20-15-4 clarifies when arrangements are not within the scope of Subtopic 730-20, Research and Development—Research and Development Arrangements.

177. Add paragraph 730-20-15-1A and amend paragraph 730-20-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Research and Development—Research and Development Arrangements

Scope and Scope Exceptions

> Overall Guidance

~~**> > > Funded Software—Developments Arrangements**~~

730-20-15-1A This Subtopic also applies to ~~Software development~~software-development arrangements that are fully or partially funded by a party other than the vendor that is developing the software and for which technological feasibility of the computer software product in accordance with the provisions of Subtopic 985-20 on software has not been established before entering into the arrangement. Those arrangements typically provide the funding party with some or all of the following benefits:

a. Royalties payable to the funding party based solely on future sales of the product by the software vendor (that is, reverse royalties)
b. Discounts on future purchases by the funding party of products produced under the arrangement
c. A nonexclusive sublicense to the funding party, at no additional charge, for the use of any product developed (a prepaid or paid-up nonexclusive sublicense). **[Content amended as shown and moved from paragraph 985-605-25-86]**

> Transactions

730-20-15-4 The guidance in this Subtopic does not apply to the following transactions and activities:

a. Government-sponsored research and development.

b. Funded software-development arrangements in which the technological feasibility of the computer software product, in accordance with the provisions of Subtopic 985-20 on software, has been established before the arrangement has been entered into (see paragraph 985-20-25-12).

Amendments to Subtopic 740-10

178. The following amendments to Subtopic 740-10 reflect the removal of references to the *percentage-of-completion method* and *completed-contract method* and add language consistent with Topic 606.

179. Amend paragraph 740-10-25-25, with a link to transition paragraph 606-10-65-1, as follows:

Income Taxes—Overall

Recognition

740-10-25-25 That occurs, for example, when r**evenue** on a long-term **{add glossary link}**contract**{add glossary link}** with a **customer** is recognized over time using a measure of progress to depict performance over time in accordance with the guidance in Subtopic 606-10, for financial reporting that is different from the recognition pattern used for tax purposes (for example, when the contract is completed).~~ is accounted for by the percentage-of-completion method for financial reporting and by the completed-contract method for tax purposes.~~ The temporary difference (income on the contract) is deferred income for tax purposes that becomes taxable when the contract is completed. Another example is organizational costs that are recognized as expenses when incurred for financial reporting and are deferred and deducted in a later year for tax purposes.

180. Amend paragraph 740-10-55-78, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > > Method of Reporting Construction Contracts Differs for Tax and Book

740-10-55-78 An entity reports ~~profits~~ **revenue** on~~ construction~~ **{add glossary link}**contracts**{add glossary link}** with **customers** using a measure of progress to depict performance over time in accordance with the guidance in paragraphs 606-10-25-31 through 25-37 and paragraphs 606-10-55-16 through 55-21 for financial reporting that is different from the recognition pattern used for tax purposes (for example, when the contract is completed) ~~on the completed contract method for tax purposes and the percentage-of-completion method for~~

~~financial reporting purposes~~. The temporary differences do not relate to an asset or liability that appears on the entity's statement of financial position; the temporary differences will only reverse when the contracts are completed. Receivables or **contract assets** that result from progress billings can be collected with no effect on the temporary differences; likewise, contract retentions can be collected with no effect on the temporary differences, and the temporary differences will reverse when the contracts are deemed to be complete even if there is a waiting period before retentions will be received. Accordingly, the entity would classify the deferred tax liability based on the estimated reversal of the related temporary differences. Deferred tax liabilities related to temporary differences that will reverse within the same time period used in classifying other contract-related assets and liabilities as current (for example, an operating cycle) would be classified as current.

Amendments to Subtopic 805-20

181. The following amendment reflects the removal of guidance in Subtopic 605-20, Revenue Recognition—Services.

182. Amend paragraph 805-20-35-7, with a link to transition paragraph 606-10-65-1, as follows:

Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest

Subsequent Measurement

805-20-35-7 Topic 944 on insurance ~~and Subtopic 605-20 provide~~provides guidance on the subsequent accounting for an insurance or reinsurance contract acquired in a business combination.

Amendments to Subtopic 808-10

183. The following amendments to Subtopic 808-10 reflect the removal of guidance in Subtopic 605-45, Revenue Recognition—Principal Agent Considerations, because it has been replaced with the new guidance in Topic 606, specifically implementation guidance on principal versus agent considerations.

184. Amend paragraphs 808-10-45-1 through 45-2, with a link to transition paragraph 606-10-65-1, as follows:

Collaborative Arrangements—Overall

Other Presentation Matters

808-10-45-1 Participants in a **collaborative arrangement** shall report costs incurred and revenue generated from transactions with *third parties* (that is, parties that do not participate in the arrangement) in each entity's respective income statement pursuant to the guidance on principal versus agent considerations in ~~Subtopic 605-45~~paragraphs 606-10-55-36 through 55-40. An entity shall not apply the equity method of accounting under Subtopics 323-10 and 323-30 to activities of collaborative arrangements.

808-10-45-2 For costs incurred and revenue generated from third parties, the participant in a collaborative arrangement that is deemed to be the principal ~~participant~~ for a given transaction under ~~Subtopic 605-45~~ paragraphs 606-10-55-36 through 55-40 shall record that transaction on a gross basis in its financial statements.

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185. The following amendments have been made to Section 808-10-55:

a. Paragraphs 808-10-55-6, 808-10-55-10, 808-10-55-14, and 808-10-55-19. These paragraphs have been amended to update terminology consistent with that in Topic 606.
b. Paragraph 808-10-55-9. This paragraph has been amended to change the reference from the guidance in Subtopic 605-50, Revenue Recognition—Customer Payments and Incentives, to the replacement guidance on consideration payable to a customer in Topic 606.
c. Paragraph 808-10-55-16. This paragraph has been amended to update the reference to industry-specific guidance in Topic 926, Entertainment—Films, which has been moved from Subtopic 926-605 to Subtopic 926-20.
d. Paragraphs 808-10-55-17 through 55-18. These paragraphs have been amended to change the reference from the guidance in Subtopic 605-45, Revenue Recognition—Principal Agent Considerations, to the replacement guidance on principal versus agent considerations in Topic 606.

186. Amend paragraphs 808-10-55-6, 808-10-55-9 through 55-10, 808-10-55-14, and 808-10-55-16 through 55-19, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Example 1: Equal Participation in Results of Research, Development, and Commercialization Arrangement, Participants Perform Different Activities

808-10-55-6 This evaluation is not intended to illustrate the appropriate revenue recognition requirements for any of the transactions described in this Example. Such an analysis would include, at a minimum, a determination of the applicable authoritative accounting literature, including whether or not the guidance in Topic 606 on **revenue** from **contracts** with **customers**, is applicable. ~~the identification of the deliverables in the arrangement, a determination of the units of accounting in the arrangement, and the appropriate revenue recognition requirements for those units of accounting.~~

> Example 2: Equal Participation in Results of Research, Development, and Commercialization Arrangement, Participants Perform Some of the Same Activities

808-10-55-9 Biotech records research and development expense ($10 million) for its research and development activities. Biotech will characterize the portion of the net receivable from Pharma related to commercialization activities ($16.25 million) as revenue, based on the fact that licensing intellectual property is part of Biotech's ongoing major or central operations. Biotech also considers performing research and development services to be part of its ongoing major or central operations. Biotech analyzes its specific facts and circumstances under ~~Subtopic 605-50~~ the guidance on consideration payable to a customer in paragraphs 606-10-32-25 through 32-27 and determines that the portion of the net receivable that relates to a reimbursement of Pharma's research and development costs ($2.5 million) should be characterized as a reduction of revenue. Biotech will not present sales, cost of sales, or marketing expenses related to the sales transactions with third parties because it is not the principal on those transactions. Biotech presents the following information in its financial statements with respect to this collaborative arrangement (in thousands):

Revenues from collaborative arrangement	$ 13,750
Cost of goods sold	-
Selling, general and administrative expense	-
Research and development expense	10,000
Net profit	$ 3,750

808-10-55-10 This evaluation is not intended to illustrate the appropriate revenue recognition requirements for any of the transactions described in this Example. Such an analysis would include, at a minimum, a determination of the applicable authoritative accounting literature, including whether or not the guidance in Topic 606 is applicable. ~~the identification of the deliverables in the arrangement, a determination of the units of accounting in the arrangement, and the appropriate revenue recognition requirements for those units of accounting.~~

> Example 3: Unequal Participation in Results of Research, Development, and Commercialization Arrangement, Participants Perform Some of the Same Activities

808-10-55-14 This evaluation is not intended to illustrate the appropriate revenue recognition requirements for any of the transactions described in this Example. Such an analysis would include, at a minimum, a determination of the applicable authoritative accounting literature, including whether or not the guidance in Topic 606 is applicable. ~~the identification of the deliverables in the arrangement, a determination of the units of accounting in the arrangement, and the appropriate revenue recognition requirements for those units of accounting.~~

> Example 4: Equal Participation in Results of Production and Distribution of Major Motion Picture, Participants Perform Some of the Same Activities

808-10-55-16 Assume that Studio A and Studio B have the same estimates of ultimate revenue and ultimate participation costs. Both studios estimate that Studio A will owe Studio B net ultimate participation costs of $45 million. Based on the individual-film-forecast-computation method in accordance with Section 926-20-35~~Subtopic 926-605~~, Studio A's current period participation cost expense (and Studio B's current period participation income) is $7 million in Year 1 following the film's initial release.

808-10-55-17 Based on an evaluation of the facts and circumstances, during (or at the completion of) production, Studio A records a receivable from Studio B for production costs and a corresponding reduction of its capitalized film costs. Studio A has determined that, considering the guidance on principal versus agent considerations in ~~Subtopic 605-45~~ paragraphs 606-10-55-36 through 55-40, it is the principal for the revenue generated in the United States. Accordingly, it characterizes all of the gross revenue generated in the United States as revenue in its income statement and likewise records all of the associated distribution costs for distribution in the United States. Studio A concludes that other authoritative accounting literature does not apply, either directly or by analogy, regarding the income statement classification of net participation costs owed to Studio B. Studio A's accounting policy with respect to participation costs due from and to its production partners is to record net amounts due from production partners as additional revenue and net amounts due to production partners as a cost of sales. Accordingly, Studio A characterizes its Year 1 participation cost expense of $7 million as cost of sales.

808-10-55-18 During production, Studio B records amounts payable to Studio A for production costs and a corresponding amount as capitalized film costs. Studio B has determined that, after considering the guidance on principal versus agent considerations in ~~Subtopic 605-45~~ paragraphs 606-10-55-36 through 55-40, it is the principal for the revenue generated in Europe and Asia. Accordingly, it characterizes all of the gross revenue generated in Europe and Asia as revenue in its income statement and likewise records all of the associated distribution costs for distribution in Europe and Asia. Studio B concludes that other authoritative accounting literature does not apply, either directly or by analogy, regarding the income statement classification of net ultimate participation costs due from Studio A. Studio B's accounting policy for profit sharing amounts due from and to its production partners is to record those amounts on a net basis in cost of sales. It views those amounts either as additional costs for production and distribution or as a reimbursement of such costs. Accordingly, Studio B characterizes its Year 1 participation cost income of $7 million as a reduction of cost of sales.

808-10-55-19 This evaluation is not intended to illustrate the appropriate revenue recognition requirements for any of the transactions described in this Example. Such an analysis would include, at a minimum, a determination of the applicable authoritative accounting literature, including whether or not the guidance in Topic 606 is applicable. ~~the identification of the deliverables in the arrangement, a determination of the units of accounting in the arrangement, and the appropriate revenue recognition requirements for those units of accounting.~~

Amendments to Subtopic 810-10

187. The following amendments to Subtopic 810-10 reflect the Board's decision that certain guidance in Topic 606, specifically the guidance on (a) existence of a contract, (b) satisfaction of performance obligations, and (c) determining the transaction price, should apply to sales or transfers of nonfinancial assets in a contract with a counterparty that does not meet the definition of a customer. The Board's decision for nonfinancial assets also includes in substance nonfinancial assets (held directly or in a subsidiary). As a result, the following amendments require an entity to use the guidance in Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, for the sale or transfer of an in substance nonfinancial asset. Finally, these amendments clarify that the revenue guidance in Topic 606 would be applicable for all contracts with customers.

188. Amend paragraphs 810-10-40-3A through 40-3B, with a link to transition paragraph 606-10-65-1, as follows:

Consolidation—Overall

Derecognition

> Deconsolidation of a Subsidiary or Derecognition of a Group of Assets

810-10-40-3A The deconsolidation and derecognition guidance in this Section applies to the following:

a. A subsidiary that is a **nonprofit activity** or a business, except for either of the following:
   1. A transfer ~~sale~~ of in substance nonfinancial assets ~~real estate~~ (for guidance on transfers ~~a sale~~ of in substance nonfinancial assets ~~real estate~~, see Subtopic 610-20) ~~360-20 or 976-605)~~
   2. A conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights and related transactions, see Subtopic 932-360).
   3. A transfer of a good or service in a **contract** with a **customer** within the scope of Topic 606.
b. A group of assets that is a nonprofit activity or a business, except for either of the following:
   1. A transfer ~~sale~~ of in substance nonfinancial assets ~~real estate~~ (for guidance on transfers ~~a sale~~ of in substance nonfinancial assets ~~real estate~~, see Subtopic 610-20) ~~360-20 or 976-605)~~
   2. A conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights and related transactions, see Subtopic 932-360).
   3. A transfer of a good or service in a contract with a customer within the scope of Topic 606.
c. A subsidiary that is not a nonprofit activity or a business if the substance of the transaction is not addressed directly by guidance in other Topics that include, but are not limited to, all of the following:
   1. ~~Topic 605~~Topic 606 on **{add glossary link}**revenue**{add glossary link}** from contracts with customers ~~recognition~~
   2. Topic 845 on exchanges of nonmonetary assets
   3. Topic 860 on transferring and servicing financial assets
   4. Topic 932 on conveyances of mineral rights and related transactions.
   5. Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets within the scope of Topic 350 on intangibles or Topic 360 on property, plant, and equipment~~Topic 360 or 976 on sales of in substance real estate~~.

810-10-40-3B The deconsolidation and derecognition guidance in this Section does not apply to a parent that ceases to have a controlling financial interest (as described in this Subtopic) in a subsidiary that is an in substance nonfinancial asset (for example, in substance real estate) ~~estate~~ as a result of default on the subsidiary's nonrecourse debt. See also paragraph 610-20-15-2(b).~~For guidance in these circumstances, see Subtopic 360-20, including the related implementation guidance in paragraphs 360-20-55-68 through 55-77~~.

189. Amend paragraph 810-10-45-21A, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

> Changes in a Parent's Ownership Interest in a Subsidiary

810-10-45-21A The guidance in paragraphs 810-10-45-22 through 45-24 applies to the following:

a. Transactions that result in an increase in ownership of a subsidiary
b. Transactions that result in a decrease in ownership of either of the following while the parent retains a controlling financial interest in the subsidiary:
   1. A subsidiary that is a business or a **nonprofit activity**, except for either of the following:
      i. A transfer ~~sale~~ of in substance nonfinancial assets ~~real estate~~ (for guidance on transfers ~~a sale~~ of in substance nonfinancial assets ~~real estate~~, see Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets) ~~360-20 or 976-605)~~
      ii. A conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights and related transactions, see Subtopic 932-360).
      iii. A transfer of a good or service in a contract with a customer within the scope of Topic 606.
   2. A subsidiary that is not a business or a nonprofit activity if the substance of the transaction is not addressed directly by guidance in other Topics that include, but are not limited to, all of the following:
      i. Topic 606~~605~~ on revenue ~~recognition~~ from contracts with customers
      ii. Topic 845 on exchanges of nonmonetary assets
      iii. Topic 860 on transferring and servicing financial assets
      iv. Topic 932 on conveyances of mineral rights and related transactions.
      v. Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets within the scope of Topic 350 on intangibles or Topic 360 on property, plant, and equipment.~~Topic 360 or 976 on sales of in substance real estate.~~

Amendments to Subtopic 815-10

190. The following amendments reflect the removal of Subtopic 605-45, Revenue Recognition—Principal Agent Considerations.

191. Amend paragraph 815-10-55-62, with a link to transition paragraph 606-10-65-1, as follows:

Derivatives and Hedging—Overall

Implementation Guidance and Illustrations

> > Other Presentation Matters

> > > Income Statement Presentation of Realized Gains And Losses

815-10-55-62 Determining whether realized gains and losses on physically settled derivative instruments not held for **trading purposes** should be reported in the income statement on a gross or net basis is a matter of judgment that depends on the relevant facts and circumstances. Consideration of the facts and circumstances should be made in the context of the various activities of the entity rather than based solely on the terms of the individual contracts. In evaluating the facts and circumstances for purposes of determining whether an arrangement should be reported on a gross or net basis, all of the following may be considered:

a. The economic substance of the transaction
b. The guidance set forth in Topic 845 relative to nonmonetary exchanges
c. The ~~gross versus net reporting~~ principal versus agent considerations~~indicators~~ provided in paragraphs 606-10-55-36 through 55-40~~Subtopic 605-45~~.

Amendments to Subtopic 815-30

192. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606.

193. Amend paragraphs 815-30-55-71 through 55-72, with a link to transition paragraph 606-10-65-1, as follows:

Derivatives and Hedging—Cash Flow Hedges

Implementation Guidance and Illustrations

815-30-55-71 Those two changes will exactly offset because the currency and the notional amount of the forward contract match the currency and the total of the expected foreign currency amounts of the forecasted transactions. Thus, if

Entity DEF dedesignates a proportion of the forward contract each time a royalty is recognized~~earned~~ (as described in the following paragraph), the hedging relationship will meet the highly effective criterion.

815-30-55-72 As each royalty is recognized~~earned~~, Entity DEF recognizes a receivable and royalty income. The forecasted transaction (the recognition ~~earning~~ of royalty income) has occurred. The receivable is an asset, not a forecasted transaction, and would separately be eligible to be designated as a fair value hedge of **foreign exchange risk** or continue to be eligible as a cash flow hedge of foreign exchange risk. Consequently, if the variability of the functional currency cash flows related to the royalty receivable is not being hedged, Entity DEF will dedesignate a proportion of the hedging instrument in the original hedge relationship with respect to the proportion of the forward contract corresponding to the recognized ~~earned~~ royalty. As the royalty is recognized in earnings and each proportion of the derivative instrument is dedesignated, the related derivative instrument gain or loss in accumulated other comprehensive income is reclassified into earnings. After that date, any gain or loss on the dedesignated proportion of the derivative instrument and any transaction loss or gain on the royalty receivable will be recognized in earnings and may substantially offset each other.

Amendments to Subtopic 820-10

194. The following amendment to paragraph 820-10-15-2 reflects the removal of industry-specific guidance on revenue recognition in Subtopics 605-25, Revenue Recognition—Multiple-Element Arrangements, and 985-605, Software—Revenue Recognition, and references to those Subtopics. The following amendment to paragraph 820-10-15-3 reflects the removal of guidance in Subtopic 605-20, Revenue Recognition—Services, and updates the reference to Topic 606.

195. Amend paragraphs 820-10-15-2 through 15-3, with a link to transition paragraph 606-10-65-1, as follows:

Fair Value Measurement—Overall

Scope and Scope Exceptions

> Other Considerations

> > Topics and Subtopics Not within Scope

820-10-15-2 The Fair Value Measurement Topic does not apply as follows:

a. To accounting principles that address share-based payment transactions (this includes Subtopic 505-50 and all Subtopics in Topic 718 except for 718-40, which is within the scope of Topic 820)
b. To Sections, Subtopics, or Topics that require or permit measurements that are similar to fair value but that are not intended to measure fair value, including both of the following:
   1. Sections, Subtopics, or Topics that permit measurements that are determined on the basis of, or otherwise use, **standalone selling price** ~~vendor-specific objective evidence of fair value~~
   2. Topic 330.
c. To accounting principles that address fair value measurements for purposes of lease classification or measurement in accordance with Topic 840. This scope exception does not apply to assets acquired and liabilities assumed in a business combination or an **acquisition by a not-for-profit entity** that are required to be measured at fair value in accordance with Topic 805, regardless of whether those assets and liabilities are related to leases.
d. To the recognition and measurement of **revenue** from **contracts** with **customers** in accordance with Topic 606
e. To the recognition and measurement of gains and losses upon the derecognition of nonfinancial assets in accordance with Subtopic 610-20.

> Practicability Exceptions to This Topic

820-10-15-3 The Fair Value Measurement Topic does not eliminate the practicability exceptions to fair value measurements within the scope of this Topic. Those practicability exceptions to fair value measurements in specified circumstances include, among others, those stated in the following:

a. The use of a transaction price (an **entry price**) to measure fair value (an **exit price**) at initial recognition, including the following:
   1. Guarantees in accordance with Topic 460
   2. Subparagraph superseded by Accounting Standards Update No. 2009-16
b. An exemption to the requirement to measure fair value if it is not practicable to do so, including the following:
   1. Financial instruments in accordance with Subtopic 825-10
   2. Subparagraph superseded by Accounting Standards Update No. 2009-16
c. An exemption to the requirement to measure fair value if fair value is not reasonably determinable, such as all of the following:
   1. Nonmonetary assets in accordance with Topic 845 and Sections 605-20-25 and 605-20-50
   2. Asset retirement obligations in accordance with Subtopic 410-20 and Sections 440-10-50 and 440-10-55
   3. Restructuring obligations in accordance with Topic 420

    4. Participation rights in accordance with Subtopics 715-30 and 715-60.
d. An exemption to the requirement to measure fair value if fair value cannot be measured with sufficient reliability (such as contributions in accordance with Topic 958 and Subtopic 720-25).
e. The use of particular measurement methods referred to in paragraph 805-20-30-10 that allow measurements other than fair value for specified assets acquired and liabilities assumed in a business combination.
<u>f.</u> <u>An exemption to the requirement to measure fair value if fair value cannot be reasonably estimated, such as the following:</u>
    <u>1.</u> <u>Noncash consideration promised in a contract in accordance with the guidance in paragraphs 606-10-32-21 through 32-24.</u>

Amendments to Subtopic 835-30

196. The following amendments reflect the new guidance on identification of a significant financing component in Topic 606.

197. Amend paragraph 835-30-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Interest—Imputation of Interest

Scope and Scope Exceptions

835-30-15-3 With the exception of guidance in paragraphs 835-30-45-1A through 45-3 addressing the presentation of **discount** and **premium** in the financial statements, which is applicable in all circumstances, and the guidance in paragraphs 835-30-55-2 through 55-3 regarding the application of the **interest method**, the guidance in this Subtopic does not apply to the following:

a. ~~Receivables and payables~~<u>Payables</u> arising from transactions with ~~customers or~~ suppliers in the normal course of business that are due in customary trade terms not exceeding approximately one year
b. Amounts that do not require repayment in the future, but rather will be applied to the purchase price of the property, goods, or service involved; for example, deposits or progress payments on construction contracts, advance payments for acquisition of resources and raw materials, advances to encourage exploration in the extractive industries (see paragraph 932-835-25-2)<u>, except for amounts promised in a **contract** with a **customer** (see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer)</u>.

c. Amounts intended to provide security for one party to an agreement (for example, security deposits, retainages on contracts)
d. The customary cash lending activities and demand or savings deposit activities of financial institutions whose primary business is lending money
e. Transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency (for example, industrial revenue bonds, tax exempt obligations, government guaranteed obligations, income tax settlements)
f. Transactions between parent and subsidiary entities and between subsidiaries of a common parent
g. The application of the present value measurement (valuation) technique to estimates of contractual or other obligations assumed in connection with sales of property, goods, or service, for example, a warranty for product performance.
h. Receivables, **contract assets**, and **contract liabilities** in contracts with customers, see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer.

Amendments to Subtopic 840-10

198. The following amendment removes the reference to the guidance in Subtopic 605-25, Revenue Recognition—Multiple-Element Arrangements, because industry-specific guidance on revenue recognition in Subtopic 605-25 has been superseded**.** The amendment also updates the guidance to refer to the term *standalone selling price*.

199. Amend paragraph 840-10-15-19, with a link to transition paragraph 606-10-65-1, as follows:

Leases—Overall

Scope and Scope Exceptions

840-10-15-19 For purposes of applying this Topic, payments and other consideration called for by the arrangement shall be separated at the inception of the arrangement or upon a reassessment of the arrangement into:

a. Those for the lease, including the related executory costs and profits thereon
b. Those for other services on a relative **standalone selling price**~~fair value~~ basis, consistent with the guidance in paragraph 606-10-15-4 and paragraphs 606-10-32-28 through 32-41 ~~paragraph 605-25-15-3A(b)~~.

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200. The following amendments address the relationship between Subtopic 360-20 (formerly FAS 66) and Topic 840.

a. The amendments to paragraphs 840-10-25-46 through 25-47 change the reference that defines real estate by including integral equipment within the definition of real estate. This guidance on integral equipment was originally included in Subtopic 360-20 and has been moved to Topic 978 on time-sharing activities because the scope of Subtopic 360-20 has been narrowed and is only applicable for sale-leaseback transactions. As a result, those paragraphs have been updated to reference the guidance in Topic 978 rather than the limited scope guidance in Subtopic 360-20.
b. The amendments in paragraphs 840-10-25-55 and 840-10-25-61 reflect the removal of guidance in Subtopic 360-20 for sale transactions other than real estate sale-leaseback transactions because those transactions are no longer subject to industry-specific guidance. Therefore, these transactions are within the scope of Topic 606 if they are in a contract with a customer and Subtopic 610-20 if they are not in a contract with a customer.

201. Amend paragraphs 840-10-25-46 through 25-47, 840-10-25-55, and 840-10-25-61, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

Lessors

> Transfer-of-Ownership Criterion—Lease Involving Integral Equipment

840-10-25-46 To maintain conformity between the guidance in this Subtopic and Subtopic 840-40, integral equipment shall be evaluated by the lessor as real estate for purposes of this Topic (because paragraph 978-10-15-7 ~~Subtopic 360-20~~ defines integral equipment as real estate for purposes of that Subtopic).

840-10-25-47 For guidance on determining whether equipment is integral equipment, see paragraphs 978-10-15-8 through 15-12 ~~paragraph 360-20-15-7~~.

> > Lease Involving Land Only

840-10-25-55 If the lease gives rise to manufacturer's or dealer's profit (or loss) and the transfer-of-ownership criterion in paragraph 840-10-25-1(a) is met, the lessor shall classify the lease as a sales-type lease and apply the guidance in Topic 606 on **revenue** from **contracts** with **customers** or Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets~~account for the transaction under the guidance in Subtopic 360-20~~ in the same manner as a seller of the same property.

> > > Lease Meets Transfer-of-Ownership Criterion

840-10-25-61 If the lease meets the transfer-of-ownership criterion in paragraph 840-10-25-1(a), the lessor shall classify and account for the lease as follows:

a. If the lease gives rise to manufacturer's or dealer's profit (or loss), the lessor shall classify the lease as a sales-type lease as appropriate under paragraph 840-10-25-43(a) and account for the lease as a single unit under the guidance ~~in Subtopic 360-20~~ in Topic 606 on revenue from contracts with customers or Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets in the same manner as a seller of the same property.
b. If the lease does not give rise to manufacturer's or dealer's profit (or loss), the lessor shall classify and account for the lease as follows:
    1. If the lease meets both criteria in paragraph 840-10-25-42, the lessor shall account for the lease as a direct financing lease or a leveraged lease as appropriate under paragraph 840-10-25-43(b) or 840-10-25-43(c).
    2. If the lease does not meet both criteria in paragraph 840-10-25-42, the lessor shall account for the lease as an operating lease.

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202. The following amendments clarify that contractually guaranteed resale values (formerly EITF 95-1) should not always be accounted for as leases. In some instances, the contract is subject to the repurchase guidance in Topic 606 if the entity has the right or the option to repurchase the asset. In other instances, a guarantee of a minimum amount of proceeds upon resale may not preclude the recognition of revenue but may require a guarantee measured in accordance with Topic 460.

203. Amend paragraph 840-10-55-14 and add paragraph 840-10-55-14A, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Sales of Equipment with Guaranteed Minimum Resale Amount

840-10-55-12 This implementation guidance addresses the application of the General Subsections of this Subtopic in the following circumstances. A manufacturer sells equipment with an expected useful life of several years to end users (purchasers) utilizing various sales incentive programs. Under one such sales incentive program, the manufacturer contractually guarantees that the purchaser will receive a minimum resale amount at the time the equipment is disposed of, contingent on certain requirements.

840-10-55-13 The manufacturer provides the guarantee by agreeing to do either of the following:

a. Reacquire the equipment at a guaranteed price at specified time periods as a means to facilitate its resale
b. Pay the purchaser for the deficiency, if any, between the sales proceeds received for the equipment and the guaranteed minimum resale value.

There may be dealer involvement in these types of transactions, but the minimum resale guarantee is the responsibility of the manufacturer.

840-10-55-14 A sales incentive program in which an entity (for example, a manufacturer) contractually guarantees that the entity has either a right or an obligation to reacquire the equipment at a guaranteed price (or prices) at a specified time (or specified time periods) as a means to facilitate its resale should be evaluated in accordance with the guidance on satisfaction of **performance obligations** in paragraph 606-10-25-30 and the guidance on repurchase agreements in paragraphs 606-10-55-66 through 55-78. If that evaluation results in a lease,~~A manufacturer is precluded from recognizing a sale of equipment if the manufacturer guarantees the resale value of the equipment to the purchaser. Rather,~~ the manufacturer should account for the transaction as a ~~lease,~~lease using the principles of lease accounting in this Subtopic.

840-10-55-14A A sales incentive program in which an entity (for example, a manufacturer) contractually guarantees that it will pay a purchaser for the deficiency, if any, between the sales proceeds received for the equipment and the guaranteed minimum resale value should be accounted for in accordance with Topic 460 on guarantees and Topic 606 on **revenue** from **contracts** with **customers**.

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204. The following amendment removes the relationship to revenue recognition for when manufacturers recognize a sale of a product to a dealer if the customer subsequently enters into an operating lease. This paragraph has been superseded because the relationship is for Subtopic 605-15, which has been superseded.

205. Supersede paragraph 840-10-60-3 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

~~**> Revenue Recognition**~~

840-10-60-3 Paragraph superseded by Accounting Standards Update 2014-09.~~For guidance on whether a manufacturer is precluded from recognizing a sale of a product to a dealer if the customer subsequently enters into an **operating lease** with the manufacturer or its finance affiliate that acquires the product subject to the lease, see paragraph 605-15-25-5.~~

Amendments to Subtopic 840-20

206. Paragraphs 840-20-40-3 through 40-4 on sales of leased property have been superseded because their risks-and-rewards notion was inconsistent with the Board's control-based model developed in Topic 606. The amendment to paragraph 840-20-40-5 adds guidance that is consistent with Topic 606.

207. Supersede paragraphs 840-20-40-3 through 40-4 and amend paragraph 840-20-40-5, with a link to transition paragraph 606-10-65-1, as follows:

Leases—Operating Leases

Derecognition

Lessors

> Transfer of Leased Property

840-20-40-3 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~The sale of property subject to an **operating lease** (or of property that is leased by or intended to be leased by the third-party purchaser to another party) shall not be treated as a sale if the seller or any party related to the seller retains substantial risks of ownership in the leased property. A seller may by various arrangements assure recovery of the investment by the third-party purchaser in some operating lease transactions and thus retain substantial risks in connection with the property. For example, in the circumstance of default by the lessee or termination of the **lease**, the arrangements may involve a formal or informal commitment by the seller to do any of the following:~~

- ~~a. Acquire the lease or the property~~
- ~~b. Substitute an existing lease~~
- ~~c. Secure a replacement lessee or a buyer for the property under a remarketing agreement.~~

840-20-40-4 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~However, a remarketing agreement by itself shall not disqualify accounting for the transaction as a sale if both of the following conditions are met:~~

- ~~a. The seller will receive a reasonable fee commensurate with the effort involved at the time of securing a replacement lessee or buyer for the property.~~
- ~~b. The seller is not required to give priority to the re-leasing or disposition of the property owned by the third-party purchaser over similar property owned or produced by the seller. (For example, a first-in, first-out [FIFO] remarketing arrangement is considered to be a priority.)~~

840-20-40-5 If a transfer to a third party of property subject to an operating lease (or of property that is leased by or intended to be leased by the third-party purchaser to another party) is not to be recorded as a sale because ~~of the guidance in paragraph 840-20-40-3~~the entity has not transferred control over the promised asset to the third party in accordance with paragraph 606-10-25-30, the transaction shall be accounted for as a borrowing in accordance with the guidance in paragraph 840-20-35-4. (Transactions of these types are in effect collateralized borrowings.)

Amendments to Subtopic 840-30

208. The following amendments reflect the removal of the reference to Subtopic 360-20. The sale of real estate is no longer subject to industry-specific guidance; therefore, it is within the scope of Topic 606 if the transaction is in a contract with a customer.

209. Amend paragraphs 840-30-25-4 and 840-30-25-6 and supersede paragraph 840-30-25-5, with a link to transition paragraph 606-10-65-1, as follows:

Leases—Capital Leases

Recognition

Lessors

> > Supply Arrangement Is a Sales-Type Lease upon Reassessment

840-30-25-4 If a supply arrangement (or a portion of a supply arrangement) becomes a **sales-type** lease due to a modification to the arrangement or other change, the following guidance shall be applied by the lessor to account for the revised categorization of the arrangement:

a. If the criteria for sale treatment in paragraph 840-10-25-42 ~~(or other applicable guidance, such as Subtopic 360-20)~~ are met, the lessor shall do both of the following:
    1. Derecognize the property, plant, or equipment
    2. Recognize in earnings any recognized asset or liability for the supply arrangement as an adjustment of the minimum lease payments.
b. If the criteria for sale treatment are not met, the lessor shall do both of the following:
    1. Consider any recognized asset or liability for the supply arrangement a reduction of (or part of) the minimum lease payments
    2. Follow the guidance in the Leases Topic with respect to recognition of the lease.

> Sales-Type Leases

840-30-25-5 Paragraph superseded by Accounting Standards Update 2014-09. ~~If a sales-type lease involves real estate, the lessor shall account for the transaction under the guidance in Subtopic 360-20 in the same manner as a seller of the same property.~~

840-30-25-6 The lessor in a sales-type lease ~~that does not involve real estate~~ shall recognize its gross investment in the **lease**, unearned income, and the sales price. The cost or carrying amount, if different, of the leased property, plus any initial direct costs minus the present value of the unguaranteed residual value accruing to the benefit of the lessor, shall be charged by the lessor against income in the same period.

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210. Consistent with the Board's decision to eliminate industry-specific guidance on sales of real estate, the following amendments eliminate the distinction between transactions involving the sale of real estate and transactions involving the sale of other assets, such as equipment. In each of the paragraphs below, an arrangement or contract was originally a lease and circumstances changed such that the arrangement or contract is no longer a lease and the formerly leased asset is required to be derecognized. That derecognition should be subject to the guidance in either Topic 606 or Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

211. Amend paragraphs 840-30-40-2 and 840-30-40-5, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

Lessees

> Supply Arrangement That Ceases to Be a Lease upon Reassessment

840-30-40-2 If a supply arrangement (or a portion of a supply arrangement) ceases to be a **lease** due to a modification to the arrangement ~~it shall be accounted for by the lessee as follows:~~, the lessee shall derecognize the leased asset in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets. The related lease obligation also shall be derecognized.

a. Subparagraph superseded by Accounting Standards Update 2014-09. ~~If the leased asset is other than real estate (including integral equipment), the property, plant, or equipment and related lease obligation shall be derecognized.~~

b. Subparagraph superseded by Accounting Standards Update 2014-09.~~If the leased asset is real estate (including integral equipment), derecognition of the property, plant, or equipment and related capital lease obligation is subject to the guidance in Subtopic 360-20.~~

> Subleases

840-30-40-5 Subleases in which the original lessee is not relieved of the primary obligation under the original capital lease are addressed in paragraph 840-30-35-12. If, under the guidance in paragraph 840-10-40-2, a **sublease** is a termination of the original capital lease, ~~it shall be accounted for by the lessee as follows:~~ the asset and obligation representing the original lease shall be derecognized, a gain or loss shall be recognized for the difference, and if the original lessee is secondarily liable, the guarantee obligation shall be recognized in accordance with the guidance in paragraph 405-20-40-2. Any consideration paid or received upon termination shall be included in the determination of gain or loss to be recognized.

a. Subparagraph superseded by Accounting Standards Update 2014-09.~~If the original lease was a capital lease of property other than real estate (including integral equipment), the asset and obligation representing the original lease shall be removed from the accounts, a gain or loss shall be recognized for the difference, and, if the original lessee is secondarily liable, the guarantee obligation shall be recognized in accordance with the guidance in paragraph 405-20-40-2. Any consideration paid or received upon termination shall be included in the determination of gain or loss to be recognized.~~
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~If the original lease was a capital lease of real estate (including integral equipment), the determination as to whether the asset held under the capital lease and the related obligation may be removed from the balance sheet shall be made in accordance with the guidance in Subtopic 360-20. If the criteria for recognition of a sale in that Subtopic are met, the asset and obligation representing the original lease shall be removed from the accounts and any consideration paid or received upon termination and any guarantee obligation shall be recognized in accordance with the guidance in (a) for property other than real estate. If the transaction results in a gain, that gain may be recognized by the lessee if the criteria in Subtopic 360-20 for recognition of profit by the full accrual method are met. Otherwise, the gain shall be recognized by the lessee in accordance with one of the other profit recognition methods discussed in that Subtopic. Any loss on the transaction shall be recognized by the lessee immediately.~~

Amendments to Subtopic 845-10

212. The following amendments reflect the removal of industry-specific revenue guidance in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales. See Subtopic 360-20 for an explanation of the changes to that Subtopic. The amendments also reflect the removal of Subtopic 976-605, Real Estate—Retail Land—Revenue Recognition, which has been superseded because it provided industry-specific guidance on revenue recognition.

213. Amend paragraph 845-10-05-11, with a link to transition paragraph 606-10-65-1, as follows:

Nonmonetary Transactions—Overall

Exchanges Involving Monetary Consideration

845-10-05-11 The Exchanges Involving Monetary Consideration Subsections provide guidance on all of the following:

a. The level of monetary consideration in a nonmonetary **exchange** that causes the transaction to be considered monetary in its entirety and, therefore, outside the scope of this Subtopic
b. Whether full or partial gain recognition is appropriate in a monetary exchange (required to be accounted for at fair value), if an entity transfers a nonfinancial asset (or assets) to another entity in exchange for a noncontrolling ownership interest in the other entity
c. Subparagraph superseded by Accounting Standards Update 2014-09. ~~Whether Subtopic 976-605 and Section 360-20-40 applies to exchanges of similar real estate when significant boot causes the exchange to be considered monetary~~.

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214. The amendments to Section 845-10-15 were made for the following reasons:

a. Paragraph 845-10-15-4(i). The amendment updates the reference to the involuntary conversion guidance that has been moved from Subtopic 605-40, Revenue Recognition—Gains and Losses, to Subtopic 610-30, Other Income—Gains and Losses from an Involuntary Conversion.
b. Paragraph 845-10-15-4(j) and (k). The amendments reflect the Board's decision to provide guidance in Topic 606 for determining the transaction price when the contract includes noncash consideration. Consequently, contracts within the scope of Topic 606 or Subtopic 610-20 have been excluded from the general nonmonetary transaction guidance within Topic 845. However, if a contract is not within the scope of Topic 606 because of the scope exclusion in paragraph 606-10-15-

2(e), that contract should be accounted for in accordance with Topic 845. Additionally, both Topic 845 and Topic 606 (see paragraph 606-10-25-1(d)) require a contract to have commercial substance.

c. Paragraph 845-10-15-4(k). In addition, this Subtopic (not Subtopic 610-20) includes transactions in which an entity (Entity A) transfers a nonfinancial asset (or assets) to another entity (Entity B) in exchange for a noncontrolling ownership interest in that entity (Entity B), see Section 845-10-30 on exchanges of a nonfinancial asset for a noncontrolling ownership interest. The guidance in paragraph 845-10-30-26 differentiates the accounting between an equity method investment and a cost method investment.
d. Paragraph 845-10-15-8. The amendments delete the scope exception for exchanges of software and exchanges of real estate. For exchanges of software and real estate, the industry-specific guidance is no longer necessary because those transactions should be accounted for in accordance with the guidance on noncash consideration for contracts with customers in Topic 606 (contracts subject to the guidance in Subtopic 610-10 should also be accounted for in accordance with the guidance in Topic 606). For nonmonetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers outside the scope of Topic 606 (see paragraph 606-10-15-2(e)), an entity should generally follow the guidance in Topic 845.
e. Paragraphs 845-10-15-14 through 15-17 and 845-10-15-20. These paragraphs are superseded or amended as they contain industry-specific guidance on real estate and software that is no longer necessary.
f. Paragraphs 845-10-15-18 through 15-19. These paragraphs are unamended and included only for context purposes.

215. Amend paragraphs 845-10-15-4, 845-10-15-8, 845-10-15-14, and 845-10-15-20 and supersede paragraphs 845-10-15-15 through 15-17 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

General

845-10-15-4 The guidance in the Nonmonetary Transactions Topic does not apply to the following transactions:

a. A business combination accounted for by an entity according to the provisions of Topic 805 or a combination accounted for by a **not-for-profit entity** according to the provisions of Subtopic 958-805
b. A transfer of nonmonetary assets solely between entities or persons under common control, such as between a parent and its **subsidiaries**

or between two subsidiaries of the same parent, or between a corporate **joint venture** and its **owners**

c. Acquisition of nonmonetary assets or services on issuance of the capital stock of an entity under Subtopics 718-10 and 505-50
d. Stock issued or received in stock dividends and stock splits that are accounted for in accordance with Subtopic 505-20
e. A transfer of assets to an entity in exchange for an equity interest in that entity (except for certain exchanges of a nonfinancial asset for a noncontrolling ownership interest, see paragraph 845-10-15-18)
f. A pooling of assets in a joint undertaking intended to find, develop, or produce oil or gas from a particular property or group of properties, as described in paragraph 932-360-40-7
g. The exchange of a part of an operating interest owned for a part of an operating interest owned by another party that is subject to paragraph 932-360-55-6
h. The transfer of a financial asset within the scope of Section 860-10-15
i. Involuntary conversions specified in paragraph 610-30-15-2~~605-40-15-2.~~
j. The transfer of goods or services in a **contract** with a **customer** within the scope of Topic 606 on **revenue** from contracts with customers in exchange for noncash consideration (see paragraphs 606-10-32-21 through 32-24)
k. The transfer of a nonfinancial asset within the scope of Subtopic 610-20 in exchange for noncash consideration (see paragraph 610-20-32-1, which requires measurement consistent with paragraphs 606-10-32-21 through 32-24). However, if the noncash consideration promised in exchange for the nonfinancial asset is a noncontrolling ownership interest, that transaction is within the scope of this Topic.

Purchases and Sales of Inventory with the Same Counterparty

845-10-15-8 The guidance in the Purchases and Sales of Inventory with the Same Counterparty Subsections does not apply to inventory purchases and sales arrangements that are accounted for as derivatives in accordance with Topic 815 on derivatives and hedging.~~the following transactions:~~

a. Subparagraph superseded by Accounting Standards Update 2014-09. ~~Inventory purchase and sales arrangements that meet either of the following criteria:~~
   ~~1. They are accounted for as derivatives under Topic 815.~~
   ~~2. They involve exchanges of software or exchanges of real estate.~~

Exchanges Involving Monetary Consideration

845-10-15-14 The guidance in these Subsections does not apply to transfers between a **joint venture** and its **owners**.~~the following transactions and activities:~~

a. Subparagraph superseded by Accounting Standards Update 2014-09.~~Transfers between a **joint venture** and its **owners**~~
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~Transfers of real estate (for guidance with respect to transfers of real estate in exchanges involving monetary consideration see Subtopics 360-20 and 976-605 and the Exchanges Involving Monetary Considerations Subsection of Section 845-10-30).~~

~~**> > Exchanges of Real Estate Involving Monetary Consideration**~~

845-10-15-15 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 360-20-15-10(c) indicates that the accounting for exchanges of real estate is covered by this Topic and not by Subtopic 360-20. However, under paragraph 845-10-25-6, an exchange of nonmonetary assets that would otherwise be based on recorded amounts under paragraph 845-10-30-3 but that involves boot shall be considered a monetary (rather than nonmonetary) transaction if the boot is at least 25 percent of the fair value of the exchange. As a result, the guidance is different for exchanges of real estate held for sale in the ordinary course of **business** for real estate to be sold in the same line of business when the boot is at least 25 percent of the fair value of the exchange (referred to as exchanges of similar real estate).~~

845-10-15-16 Paragraph superseded by Accounting Standards Update 2014-09. ~~For the receiver of boot, the monetary portion shall be accounted for under Subtopics 360-20 and 976-605 as the equivalent of a sale of an interest in the underlying real estate, and the nonmonetary portion shall be accounted for in accordance with this Subtopic.~~

845-10-15-17 Paragraph superseded by Accounting Standards Update 2014-09. ~~For the payer of boot, the monetary portion shall be accounted for as an acquisition of real estate, and the nonmonetary portion shall be accounted for pursuant to this Subtopic.~~

Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

> Overall Guidance

845-10-15-18 The Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsection of this Subtopic, see paragraph 845-10-15-1, with specific transaction exceptions noted below.

> Transactions

845-10-15-19 The guidance in the Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest Subsections applies to nonmonetary transfers of a nonfinancial asset (or assets) for a noncontrolling ownership interest.

845-10-15-20 The guidance in these Subsections does not apply to the following types of transfers:

a. Transfers between a **joint venture** and its **owners**
b. Capital contributions of real estate in return for an unconsolidated real estate investment (for guidance, see Subtopic 970-323)
c. Subparagraph superseded by Accounting Standards Update 2014-09 ~~Transfers of real estate in **exchange** for nonmonetary assets other than real estate (for guidance on the recognition of profit from the exchange, see Subtopic 976-605 and Section 360-20-40)~~
d. Subparagraph superseded by Accounting Standards Update No. 2010-08
e. A deconsolidation of a **subsidiary** that is a business or **nonprofit activity** that is within the scope of Subtopic 810-10 (see paragraph 810-10-40-3A)
f. A derecognition of a group of assets that constitutes a business or nonprofit activity that is within the scope of Subtopic 810-10 (see paragraph 810-10-40-3A).

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216. The following amendments reflect the removal of industry-specific guidance in Subtopics 360-20, Property, Plant, and Equipment—Real Estate Sales, and 976-605, Real Estate—Retail Land—Revenue Recognition.

217. Supersede paragraphs 845-10-25-7 through 25-8, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

Exchanges Involving Monetary Consideration

845-10-25-7 Paragraph superseded by Accounting Standards Update 2014-09.~~A transaction involving an exchange of similar real estate that is considered a monetary transaction because boot is at least 25 percent of the fair value of the exchange shall be allocated between two components: a monetary portion and a nonmonetary portion.~~

845-10-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~See Section 360-20-15 for guidance on when an asset is considered real estate.~~

218. The following amendments to Section 845-10-30 reflect the following three changes:

a. Paragraphs 845-10-30-17 through 30-18. These paragraphs on barter credit transactions have been superseded. The removal of this guidance is consistent with the Board's decision to include the receipt of noncash consideration (including barter credits) within the scope of Topic 606 or Subtopic 610-20.
b. Paragraph 845-10-30-23. The amendment to this paragraph reflects the removal of guidance on exchanges of real estate involving monetary consideration if there is a monetary component and a nonmonetary component. These exchanges should be accounted for in accordance with Topic 606 if in a contract with a customer or Subtopic 610-20 if not with a customer.
c. Paragraph 845-10-30-25. The amendment to this paragraph reflects the removal of guidance in Subtopics 360-20 and 976-605. The amendment also updates the reference for the transfer of an in substance nonfinancial asset, which should be accounted for in accordance with Subtopic 610-20, Other Income—Gain and Losses from the Derecognition of Nonfinancial Assets.

219. Supersede paragraphs 845-10-30-17 through 30-18, 845-10-30-23 and its related heading, and 845-10-30-25A, amend paragraph 845-10-30-25, and add paragraphs 845-10-30-25B through 30-25C, with a link to transition paragraph 606-10-65-1, as follows:

Initial Measurement

Barter Credit Transactions

845-10-30-17 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~In reporting the **exchange** of a **nonmonetary asset** for barter credits, it shall be presumed that the fair value of the nonmonetary asset exchanged is more clearly evident than the fair value of the barter credits received and that the barter credits shall be reported at the fair value of the nonmonetary asset exchanged.~~

845-10-30-18 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~However, that presumption might be overcome if an entity can convert the barter credits into cash in the near term, as evidenced by a historical practice of converting barter credits into cash shortly after receipt, or if independent quoted market prices exist for items to be received upon exchange of the barter credits. It also shall be presumed that the fair value of the nonmonetary asset does not~~

~~exceed its carrying amount unless there is persuasive evidence supporting a higher value.~~

Exchanges Involving Monetary Consideration

~~> Exchanges of Real Estate Involving Monetary Consideration~~

845-10-30-23 Paragraph superseded by Accounting Standards Update 2014-09. ~~Paragraph 845-10-25-7 addresses allocation of certain transactions between two components: a monetary portion and a nonmonetary portion. The allocation between the monetary and nonmonetary portions of the transaction shall be based on their relative fair values at the time of the transaction.~~

Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

845-10-30-24 An entity (Entity A) transfers a nonfinancial asset (or assets) to another entity (Entity B) in **exchange** for a noncontrolling ownership interest in that entity (Entity B).

845-10-30-25 Except for the transactions identified in paragraph 845-10-30-25B, the ~~The~~ following transactions shall be accounted for as a deconsolidation in accordance with paragraphs 810-10-40-3A through 40-5~~, except if the transaction is the sale of in substance real estate (for guidance on a sale of in substance real estate, see Subtopic 360-20 or 976-605) or is a conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights, see Subtopic 932-360)~~:

a. An entity transfers a subsidiary that is a **{add glossary link}**business**{add glossary link}** or **nonprofit activity** (excluding an in substance nonfinancial asset) to a second entity in exchange for a **noncontrolling interest** in that second entity
b. An entity transfers a group of assets that constitute a business or nonprofit activity (excluding an in substance nonfinancial asset) to a second entity in exchange for a noncontrolling interest in that second entity.

845-10-30-25A Paragraph superseded by Accounting Standards Update 2014-09. ~~Except for exchanges described in the preceding paragraph, if an exchange of a nonmonetary asset for a noncontrolling ownership interest in a second entity is accounted for at fair value, full or partial gain recognition is required. Paragraphs 845-10-30-26 through 30-27 provide guidance on how the gain or loss is to be determined.~~ **[Content amended and moved to paragraph 845-10-30-25C]**

845-10-30-25B The following transactions shall be accounted for in accordance with the following Subtopics:

a. The transfer of a nonfinancial asset, including an in substance nonfinancial asset (see Subtopic 610-20). However, if the noncash consideration promised in exchange for the nonfinancial asset (or in substance nonfinancial asset) to a second entity is a noncontrolling ownership interest in that second entity, see paragraphs 845-10-30-25C through 30-27.
b. A conveyance of oil and gas mineral rights (for guidance on conveyances of oil and gas mineral rights, see Subtopic 932-360).

845-10-30-25C Except for exchanges or transactions described in paragraphs 845-10-30-25 and 845-10-30-25B ~~the preceding paragraph~~, if an exchange of a nonmonetary asset for a noncontrolling ownership interest in a second entity is accounted for at fair value, full or partial gain recognition is required. Paragraphs 845-10-30-26 through 30-27 provide guidance on how the gain or loss is to be determined. **[Content amended as shown and moved from paragraph 845-10-30-25A]**

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220. The following amendment reflects the removal of disclosure guidance that has been replaced by the disclosure requirements in Topic 606.

221. Supersede paragraph 845-10-50-2, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

845-10-50-2 Paragraph superseded by Accounting Standards Update 2014-09.~~In accordance with paragraph 845-10-50-1, entities shall disclose, in each period's financial statements, the amount of gross operating revenue recognized as a result of nonmonetary transactions. See Subtopic 505-50.~~

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222. The amendments to Section 845-10-55 reflect the following:

a. Updates to the table in paragraph 845-10-55-2 to provide references to guidance
b. The removal of industry-specific guidance in Subtopic 360-20.

223. Amend paragraph 845-10-55-2 and supersede paragraphs 845-10-55-29 through 55-37 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Summary of Guidance

845-10-55-2 The following table summarizes the guidance contained in this Subtopic.

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="3">ASSET RECEIVED</td></tr>
<tr><td>Investment accounted for by the equity method</td><td>Controlled asset or group of assets that does not meet the definition of a business</td><td>Controlled group of assets that meets the definition of a business</td></tr>
<tr><td rowspan="4">ASSET GIVEN UP</td><td>Investment accounted for by the equity method</td><td>A transfer of an equity method investment should be accounted for under the provisions of Topic 860.</td><td>A transfer of an equity method investment should be accounted for under the provisions of Topic 860.</td><td>Fair value (Topic 805)</td></tr>
<tr><td>Controlled asset or group of assets that does not meet the definition of a business</td><td>If the transfer is accounted for at fair value, see paragraph ~~845-10-30-25A~~ 845-10-30-25C.</td><td>If the contract is with a customer and within the scope of Topic 606, apply Topic 606.

If the contract is not within the scope of Topic 606, evaluate if the transaction is within the scope of Subtopic 610-20. If so, apply Subtopic 610-20.

If the contract is not within the scope of Subtopic 610-20 and is within the scope of Topic 845, apply Topic 845.

Otherwise, apply other GAAP.

~~Carryover basis if any of the following conditions are met:~~
~~a. The fair value of neither the asset(s) received nor the asset(s) relinquished is determinable within reasonable limits.~~
~~b. Assets exchanged are a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than parties to the exchange.~~
~~c.The exchange lacks commercial substance.~~

~~Otherwise, fair value~~</td><td>Fair value (Topic 805)</td></tr>
<tr><td rowspan="2">Controlled group of assets that meets the definition of a business</td><td>~~This Subtopic does not provide guidance for this circumstance (see paragraph 845-10-30-25).~~</td><td>~~This Subtopic does not provide guidance for this circumstance (see paragraph 845-10-30-25).~~</td><td rowspan="2">Fair value (Topic 805)</td></tr>
<tr><td colspan="2">If the controlled group of assets that meets the definition of a business is (1) a conveyance of oil and gas mineral rights, apply Subtopic 932-360, or (2) an in substance nonfinancial asset, apply Subtopic 610-20. Otherwise, apply Subtopic 810-10.</td></tr>
</table>

Exchanges Involving Monetary Consideration

~~**> > Example 2: Exchanges of Real Estate Involving Monetary Consideration**~~

845-10-55-29 Paragraph superseded by Accounting Standards Update 2014-09.~~This Example illustrates the guidance in Section 360-20-40.~~

845-10-55-30 Paragraph superseded by Accounting Standards Update 2014-09. ~~Entity A transfers real estate with a fair value of $2,000,000 (Entity A's net book value of $1,500,000) to Entity B and receives $400,000 cash, a $400,000 note from Entity B payable to Entity A, and real estate with a fair value of $1,200,000 (Entity B's net book value of $800,000). The specifics of the transaction are as follows:~~

- ~~a. The initial investment requirement for full accrual profit recognition under paragraph 360-20-40-18 is 20 percent.~~
- ~~b. The terms of the note from Entity B to Entity A would satisfy the continuing investment provisions necessary for application of the full accrual method. The interest rate on the note from Entity B is a market rate, and the note is considered fully collectible.~~
- ~~c. The values of the real estate transferred by both parties are readily determinable and clearly realizable at the exchange date.~~
- ~~d. Neither party has any continuing involvement with the real estate transferred to the other.~~

845-10-55-31 Paragraph superseded by Accounting Standards Update 2014-09.~~The computation of allocation by both Entity A and Entity B is as follows:~~

~~a. The monetary portion of the transaction is as follows.~~

~~Total monetary consideration divided~~
~~by total fair value of exchange $800,000 ÷ $2,000,000 = 40%~~

~~For this example, the monetary portion of the transaction is the exchange of $400,000 cash and a $400,000 note for real estate with a fair value of $800,000 ($2,000,000 x 40%).~~

~~b. The nonmonetary portion of the transaction is as follows.~~

~~Fair value of real estate exchanged divided~~
~~by total fair value of exchange $1.200,000 ÷ $2,000,000 = 60%~~

~~For this Example, the nonmonetary portion of the transaction is the exchange of real estate with a fair value of $1,200,000 for similar real estate with a fair value of $1,200,000 ($2,000,000 x 60%).~~

845-10-55-32 Paragraph superseded by Accounting Standards Update 2014-09.~~The accounting by Entity A (the receiver of monetary consideration) is as follows.~~

845-10-55-33 Paragraph superseded by Accounting Standards Update 2014-09.~~The nonmonetary portion of the transaction does not qualify for gain recognition because the exchange involves similar real estate. The accounting basis of the new property equals $900,000 ($1,500,000 total net book value of the real estate exchanged less the $600,000 pro rata portion of net book value sold).~~

845-10-55-34 Paragraph superseded by Accounting Standards Update 2014-09.~~The monetary portion of the transaction qualifies for full accrual profit recognition because the cash down payment of $400,000 and the $400,000 note meet the criteria in paragraphs 360-20-40-10 through 40-12 for a buyer's initial and continuing investment when applied to the monetary portion of the transaction. Accordingly, a gain of $200,000 ($800,000 total monetary consideration less $600,000 [$1,500,000 total net book value x 40%] pro rata portion of net book value) would be recorded at the date of sale.~~

845-10-55-35 Paragraph superseded by Accounting Standards Update 2014-09.~~The accounting by Entity B (the payer of monetary consideration) is as follows.~~

845-10-55-36 Paragraph superseded by Accounting Standards Update 2014-09.~~The nonmonetary portion of the transaction does not qualify for gain recognition because the exchange involves similar real estate. The accounting basis of the new property equals $1,600,000 ($800,000 net book value of the real estate exchanged plus $800,000 total monetary consideration paid).~~

845-10-55-37 Paragraph superseded by Accounting Standards Update 2014-09.~~The monetary portion of the transaction represents an acquisition of real estate for the monetary consideration paid of $800,000.~~

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224. The following amendments update the guidance referred to for barter credit transactions from Subtopic 605-20 to Topic 606 and reflects the removal of industry-specific guidance in Subtopic 360-20.

225. Amend paragraph 845-10-60-2, supersede paragraph 845-10-60-3 and its related Subsection title and heading, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Relationships

Barter Transactions

> Revenue Recognition

845-10-60-2 For guidance on accounting for advertising barter transactions, see the guidance on noncash consideration in paragraphs 606-10-32-21 through 32-24 ~~Subtopic 605-20~~.

Note on Subsection Exchanges Involving Monetary Consideration: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Exchanges Involving Monetary Consideration, will be superseded.

~~Exchanges Involving Monetary Consideration~~

~~> Property, Plant, and Equipment~~

845-10-60-3 Paragraph superseded by Accounting Standards Update 2014-09.~~For guidance on the accounting for the monetary portion of boot received, see Subtopic 360-20-40.~~

Amendments to Subtopic 850-10

226. The following amendment updates the reference from Subtopic 952-605, Franchisors—Revenue Recognition, to Subtopic 952-10, Franchisors—Overall. Subtopic 952-605 has been superseded because it provided industry-specific revenue guidance. Paragraph 952-605-45-1, which provides guidance on the presentation of costs related to franchisor-outlets, has been retained and moved to paragraph 952-720-45-1. Similarly, paragraph 952-605-50-3, which provides disclosure guidance on nonrevenue franchise information (such as franchises sold and franchises purchased during the year), has been retained and moved to paragraph 952-10-50-1.

227. Amend paragraph 850-10-60-8, with a link to transition paragraph 606-10-65-1, as follows:

Related Party Disclosures—Overall

Relationships

> Franchisors

850-10-60-8 For guidance on franchisors disclosing certain information about franchisor-owned outlets, see paragraphs 952-10-50-1 and 952-720-45-1~~952-605-45-1 and 952-605-50-3~~.

Amendments to Subtopic 855-10

228. The following amendment reflects the removal of industry-specific guidance in Subtopic 985-605, Software—Revenue Recognition.

229. Supersede paragraph 855-10-60-4 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Events—Overall

Relationships

~~**> Software**~~

855-10-60-4 Paragraph superseded by Accounting Standards Update 2014-09.~~For guidance on the effect on the timing of revenue recognition when vendor-specific objective evidence of fair value is established by management after the balance sheet date but before the financial statements are issued or are available to be issued (as discussed in Section 855-10-25), see paragraphs 985-605-55-93 through 55-95.~~

Amendments to Subtopic 860-10

230. The following amendments update the reference from Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales, to Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets. Guidance in Subtopic 360-20 has been superseded, and guidance on the transfer of an in substance nonfinancial asset has been moved to Subtopic 610-20.

231. Amend paragraph 860-10-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Transfers and Servicing—Overall

Scope and Scope Exceptions

860-10-15-4 The guidance in this Topic does not apply to the following transactions and activities:

a. Except for transfers of servicing assets (see Section 860-50-40) and for the transfers noted in the following paragraph, transfers of nonfinancial assets
b. Transfers of unrecognized financial assets, for example, minimum lease payments to be received under operating leases
c. Transfers of custody of financial assets for safekeeping

d. Contributions (for guidance on accounting for contributions, see Subtopic 958-605)
e. Transfers of ownership interests that are in substance sales of ~~real estate~~nonfinancial assets (For guidance related to transfers of investments that are in substance a sale of ~~real estate~~ a nonfinancial asset, see Subtopic 610-20~~Topics 845 and 976~~. For guidance related to sale-leaseback transactions involving real estate, including real estate with equipment, such as manufacturing facilities, power plants, and office buildings with furniture and fixtures, see Subtopic 840-40.)
f. Investments by owners or distributions to owners of a business entity
g. Employee benefits subject to the provisions of Topic 712
h. Leveraged leases subject to Topic 840
i. **Money-over-money** and wrap lease transactions involving nonrecourse debt subject to Topic 840.

232. Amend paragraph 860-10-55-3, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > > Examples of Transactions and Activities That Are Included in the Scope

860-10-55-3 The guidance in this Topic applies to the following transactions and activities, among others:

a. All **loan participations**
b. Transfers of equity method investments, unless the transfer is of an in substance nonfinancial asset (see Subtopic 610-20)~~investment that is in substance a sale of real estate, as defined in Subtopic 360-20~~
c. Transfers of cost-method investments
d. With respect to the guidance in paragraph 860-10-40-5 only, transfers of financial assets in desecuritization transactions.

Amendments to Subtopic 860-50

233. The following amendment reflects the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606.

234. Amend paragraph 860-50-50-2, with a link to transition paragraph 606-10-65-1, as follows:

Transfers and Servicing—Servicing Assets and Liabilities

Disclosure

> > All Servicing Assets and Servicing Liabilities

860-50-50-2 For all servicing assets and servicing liabilities, all of the following shall be disclosed:

a. Management's basis for determining its classes of servicing assets and servicing liabilities.
b. A description of the risks inherent in servicing assets and servicing liabilities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities.
c. The amount of **contractually specified servicing fees**, late fees, and ancillary fees recognized ~~earned~~ for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income.
d. Quantitative and qualitative information about the assumptions used to estimate fair value (for example, discount rates, anticipated credit losses, and prepayment speeds).

Disclosure of quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and end of the period, is encouraged but not required. An entity that provides such quantitative information is also encouraged, but not required, to disclose quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments. Section 235-10-50 provides guidance on disclosures of accounting policies.

Amendments to Subtopic 905-10

235. The following amendments reflect the removal of industry-specific guidance for revenue recognition. However, a portion of Subtopic 905-605 has been retained to provide guidance for cooperative arrangements because the Board determined that those arrangements are not contracts with customers within the scope of Topic 606.

236. Amend paragraph 905-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Agriculture—Overall

Overview and Background

905-10-05-1 The Agriculture Topic includes the following Subtopics relating to **agricultural producers**, **agricultural cooperatives**, and **patrons** of such cooperatives:

a. Overall
b. Presentation of Financial Statements
c. Receivables
d. Investments—Other
e. Inventory
f. Property, Plant, and Equipment
g. Liabilities
h. Equity
i. Revenue Recognition—Cooperatives
j. Cost of Sales and Services.

Each Subtopic provides background on the guidance provided.

Amendments to Subtopic 905-310

237. The following amendments reflect the removal of industry-specific guidance in Subtopic 905-605, Agriculture—Revenue Recognition. The paragraphs in Subtopic 905-310 on receivables have been superseded because the corresponding paragraphs in Subtopic 905-605 have been superseded.

238. Supersede paragraphs 905-310-25-1 through 25-2 and their related heading and amend paragraph 905-310-25-3, with a link to transition paragraph 606-10-65-1, as follows:

Agriculture—Receivables

Recognition

Cooperatives—Patrons

~~**> Products Delivered to Pooling Cooperatives**~~

905-310-25-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Paragraphs 905-605-25-7 through 25-8 address recognition of unbilled receivables on products delivered to pooling **agricultural cooperatives**.~~

905-310-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~For other accounting guidance for patrons delivering products to pooling cooperatives, see also paragraphs 905-330-40-1 and 905-605-25-5 through 25-8.~~

> Patronage Refunds

905-310-25-3 Patrons shall recognize **patronage** refunds on either of the following occasions:

a. When the related patronage occurs if all of the following are probable:
   1. A patronage refund applicable to the period will be declared.
   2. One or more future events confirming the receipt of a patronage refund are expected to occur.
   3. The amount of the refund can be reasonably estimated.
   4. The accrual can be consistently made from year to year.
b. On notification by the distributing **{add glossary link}**agricultural cooperative**{add glossary link}**.

The accrual shall be based on the latest available reliable information.

Amendments to Subtopic 905-330

239. The following amendments reflect the removal of guidance in Subtopic 905-605.

240. Supersede paragraph 905-330-30-3 and amend paragraph 905-330-30-4, with a link to transition paragraph 606-10-65-1, as follows:

Agriculture—Inventory

Initial Measurement

Cooperatives

905-330-30-3 Paragraph superseded by Accounting Standards Update 2014-09.~~Section 905-605-25 addresses bases for recording transfers of products between **agricultural cooperatives** and their patrons.~~

905-330-30-4 ~~However, cooperatives~~**Agricultural cooperatives** operating on a pooling basis may receive products from their patrons without paying a fixed price to the patrons. A cooperative may assign amounts to products ~~based~~ on the basis of current prices paid by other buyers or on amounts established by the cooperative's board of directors, or it may assign no amount.

241. The following amendment reflects the removal of industry-specific guidance.

242. Supersede Section 905-330-40, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Derecognition

Note on Subsection Cooperatives—Patrons: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Cooperatives—Patrons, will be superseded.

~~Cooperatives—Patrons~~

905-330-40-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~For products delivered by patrons to pooling **agricultural cooperatives**, if title has not passed, the identity of the individual patron's product is maintained by the cooperative, and the price to the **patron** is to be based on the identified product's sale, the transaction is not complete, and the product shall be included in the patron's inventory until it is sold by the cooperative, at which time the patron shall record the sale.~~

Amendments to Subtopic 905-605

243. The following amendments reflect the removal of industry-specific guidance for revenue recognition. However, a portion of Subtopic 905-605 has been retained to provide guidance for cooperative arrangements because the Board determined that those arrangements are not contracts with customers within the scope of Topic 606. Paragraphs 905-605-05-2 through 05-3 have not been amended and have been included to provide context for the other amendments.

244. Amend the title of Subtopic 905-605 and add the General Note as follows:

Agriculture—Revenue Recognition—Cooperatives

General Note on Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Agriculture—Revenue Recognition—Cooperatives.

245. Amend paragraph 905-605-05-1, supersede paragraph 905-605-05-4 and its related Subsection title, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Overview and Background

General

905-605-05-1 This Subtopic addresses revenue recognition for entities in the agricultural industry. The guidance for accounting by different entities is presented in the following two~~three~~ Subsections:

a. General
b. Cooperatives
c. Subparagraph superseded by Accounting Standards Update 2014-09.~~Cooperatives—Patrons.~~

905-605-05-2 The General Subsections provide guidance for all entities in the agricultural industry.

Cooperatives

905-605-05-3 The Cooperative Subsections address revenue recognition for cooperatives in the agricultural industry.

Note on Subsection Cooperatives—Patrons: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Cooperatives—Patrons, will be superseded.

~~Cooperatives—Patrons~~

905-605-05-4 Paragraph superseded by Accounting Standards Update 2014-09.~~The Cooperative—Patrons Subsections address revenue recognition for patrons of **agricultural cooperatives**.~~

246. The following amendments reflect the removal of industry-specific guidance on revenue recognition. Paragraphs 905-605-15-1 through 15-2 have not been amended and have been included to provide context for the other amendments.

247. Supersede paragraph 905-605-15-3 and its related Subsection title and heading, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Scope and Scope Exceptions

General

> Overall Guidance

905-605-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see the General Subsection of Section 905-10-15.

Cooperatives

> Overall Guidance

905-605-15-2 The Cooperatives Subsections follow the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see the Cooperatives Subsection of Section 905-10-15.

Note on Subsection Cooperatives—Patrons: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Cooperatives—Patrons, will be superseded.

~~Cooperatives—Patrons~~

~~> Overall Guidance~~

905-605-15-3 Paragraph superseded by Accounting Standards Update 2014-09.~~The Cooperatives—Patrons Subsections follow the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see the Cooperatives—Patrons Subsection of Section 905-10-15.~~

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248. The following amendments reflect the removal of industry-specific guidance on revenue recognition. Paragraphs 905-605-25-1 through 25-4 have not been amended and have been included to provide context for the other amendments.

249. Supersede paragraphs 905-605-25-5 and 906-605-25-7 through 25-9 and their related Subsection title, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Recognition

General

> Income Replacement and Subsidy Programs

905-605-25-1 Income replacement and subsidy programs are designed to bring income from commodities to certain predetermined levels and include:

a. Deficiency payments, which are subsidy payments resulting from low prices for designated commodities.

b. Disaster payments, which may be made to producers when disasters prevent planting or reduce yields on **crops**.
c. Other programs, which are available to producers to encourage production, provide indemnity for certain types of losses, and reimburse producers for withholding land from production.

All of the above payments, while different in nature, constitute additional income and should be recorded when the amount of and right to receive the payment can be reasonably determined.

Cooperatives

905-605-25-2 A cooperative may incur an overall loss in a given year. The disposition of losses may be made based on bylaws or the board of directors' action. **Agricultural cooperatives** use a number of different methods for disposing of an overall loss, including the following:

a. Allocating the loss to **patrons** on the basis of current **patronage**. The loss may offset the patrons' equities, future patronage allocations, or future cash contributions.
b. Allocating the loss to all equities without considering current patronage. However, patrons with substantial equities and decreasing patronage may be treated inequitably if this method is used.
c. Charging the loss to unallocated retained earnings. This method is equitable when the loss is attributable to nonpatronage business.
d. Offsetting the loss against amounts available for **patronage allocation** in subsequent years before making any such allocation to patrons. This method may be acceptable if the patrons are substantially the same from year to year.

> Departmental and Functional Accounting

905-605-25-3 Cooperatives operating on a functional or departmental basis may have net earnings from one function or department and operating losses from another. It is a common practice for losses from one function or department to be absorbed by profits from another function or department before earnings to patrons are allocated. Some cooperatives distribute departmental earnings to patrons and charge departmental losses to unallocated retained earnings.

905-605-25-4 To allocate earnings to patrons equitably, cooperatives usually account for revenues and costs by function (supply or marketing) or departments within the function. Expenses common to one or more functions or departments shall be allocated on a reasonable and consistent basis. In addition, one department of a cooperative may handle several commodities, and departmental revenues and expenses may have to be allocated among them. Cooperatives may incur a loss in one department or function and realize earnings in another. Methods of accounting for these departmental and functional losses include the following:

a. Offsetting the losses of unprofitable departments against profitable ones, and allocating the remaining profit to the patrons of the profitable departments by using the allocation method adopted by the cooperative.
b. Recovering the loss from the patrons of that department or function on the basis of bylaw provisions or a marketing agreement.
c. Subtracting the loss from net nonpatronage income. Offsetting patronage losses against nonpatronage income may not eliminate the income tax due on the nonpatronage income of a nonexempt cooperative.
d. Charging the loss to unallocated retained earnings, and allocating income from profitable departments or functions to patrons on the basis of the cooperative's allocation methods.
e. Offsetting the losses against patronage allocation for subsequent years before making departmental and functional allocations to patrons.

Note on Subsection Cooperatives—Patrons: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Cooperatives—Patrons, will be superseded.

~~Cooperatives—Patrons~~

905-605-25-5 Paragraph superseded by Accounting Standards Update 2014-09.~~This guidance addresses transactions between **patrons** and marketing cooperatives; specifically, the timing and method of recording the sale of products delivered.~~

905-605-25-6 [Not used]

905-605-25-7 Paragraph superseded by Accounting Standards Update 2014-09.~~If control over the future economic benefits relating to the product has passed, which ordinarily is evidenced by the transfer of title, and if a price is available by reference to contemporaneous transactions in the market, or if the cooperative establishes an assigned amount, a delivery to the cooperative shall be recorded as a sale by the patron at that amount on the date of delivery. If there is a reasonable indication that the proceeds from the cooperative will be less than the market price or the assigned amount, the lower amount shall be used.~~

905-605-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~If control over the future economic benefits relating to the product has passed, which ordinarily is evidenced by the transfer of title, and there are neither prices determined by other market buyers nor amounts assigned by the cooperative, or if such amounts are erratic, unstable, or volatile, the patron shall record the~~

~~delivery to the cooperative as a sale at the recorded amount of the inventory and shall record an unbilled receivable. If there is a reasonable indication that the proceeds from the cooperative will be less than the receivable, the lower amount shall be used.~~

905-605-25-9 Paragraph superseded by Accounting Standards Update 2014-09.~~See also paragraph 905-310-25-3.~~

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250. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. The following amendments also reflect the removal of guidance in Topic 605.

251. Amend paragraph 905-605-45-1 and supersede paragraph 905-605-45-2 and its related Subsection title, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

Cooperatives

905-605-45-1 As indicated in paragraph 905-505-45-1, the earnings of **agricultural cooperatives** are classified as either **patronage** or nonpatronage. The excess of revenues over costs resulting from transactions for or with **patrons** is patronage source earnings. As indicated in that paragraph, nonpatronage earnings result from transactions other than those with or for patrons. Examples are nonpatronage income from investments in securities, rental income from nonpatronage activities, and income recognized~~earned~~ on sales or earned on purchases made on a nonpatronage basis.

~~Cooperatives—Patrons~~

905-605-45-2 Paragraph superseded by Accounting Standards Update 2014-09.~~A cooperative **patron** shall record the allocation of **patronage** refunds in either of the followings ways:~~

- ~~a. The classification of the allocations to patrons in their financial statements shall follow the recording of the costs or proceeds.~~
- ~~b. The allocations shall be presented separately.~~

Amendments to Subtopic 908-10

252. The following amendment to paragraph 908-10-05-1 reflects the removal of industry-specific guidance on revenue recognition. The following amendment to paragraph 908-10-05-3 reflects the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. Paragraph 908-10-05-2 has not been amended and has been included to provide context for the other amendments.

253. Amend paragraphs 908-10-05-1 and 908-10-05-3, with a link to transition paragraph 606-10-65-1, as follows:

Airlines—Overall

Overview and Background

908-10-05-1 The Airlines Topic includes the following Subtopics relating specifically to entities in the airline industry:

a. Overall
b. Segment Reporting
c. Inventory
d. Intangibles—Takeoff and Landing Slots
e. Property, Plant, and Equipment
f. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
g. Compensation—General
h. Other Expenses
i. Nonmonetary Transactions.

Each Subtopic provides background on the guidance provided.

908-10-05-2 Entities in the airline industry primarily provide carrier services for passengers and cargo, frequently as joint operations. Other services, such as maintenance or food service for other carriers, may also be provided.

908-10-05-3 The most unusual characteristic of the airline industry is its revenue cycle. Sales may be made at numerous locations by either the carrier or third parties (travel agents or other carriers); for some carriers, third parties handle a substantial portion of the ticket transactions. **Paper tickets** and **electronic tickets** usually are sold in advance of the transportation date, and the ticket sales date usually does not coincide with the revenue recognition date (the date that service is provided). Tickets sold are not necessarily used, in whole or in part, on the carrier making the sale, and some tickets are refundable if not used by the customer for up to one year after the sales date. Other tickets are nonrefundable but exchangeable with payment of a fee, and other tickets are nonrefundable and nonexchangeable. The determination of revenue recognized ~~earned~~ may be complex.

Amendments to Subtopic 908-360

254. The following amendment reflects the relocation of guidance in Subtopic 605-50, Revenue Recognition—Customer Payments and Incentives, to Subtopic 705-20, Cost of Sales and Services—Accounting for Consideration Received from a Vendor. Guidance on consideration payable to a customer falls within the scope of Topic 606, and Subtopic 705-20 has been created to codify the guidance on consideration received from a vendor.

255. Amend paragraph 908-360-55-1, with a link to transition paragraph 606-10-65-1, as follows:

Airlines—Property, Plant, and Equipment

Implementation Guidance and Illustrations

> Implementation Guidance

> > Purchase Incentives

908-360-55-1 ~~Paragraph 605-50-45-2 states, in part, that~~ ~~**cash consideration**~~ ~~(including a sales incentive) given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services. Accordingly, the credit~~Credit received as a purchase incentive from an aircraft manufacturer to induce a purchase of that manufacturer's aircraft should be accounted for in accordance with paragraphs 705-20-25-1 through 25-5~~shall be applied as a reduction of the purchase price~~ for the aircraft that is owned or under a capital lease, or, in the case of an aircraft under an operating lease, amortized over the life of the related aircraft.

Amendments to Subtopic 908-605

256. The following amendment reflects the removal of industry-specific guidance on revenue recognition relating to on-line and off-line air travel tickets for entities in the airline industry on revenue recognition. This guidance has been superseded consistent with the Board's overall objective in Topic 606. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

257. Supersede Subtopic 908-605, Airlines—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 908-720

258. The following amendment reflects the removal of guidance on advertising costs in Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs, because that guidance is no longer relevant for airlines.

259. Amend paragraph 908-720-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Airlines—Other Expenses

Recognition

> Developmental Costs

908-720-25-1 Because of the current deregulated environment and the uncertainty regarding the recoverability of route **developmental costs**, such costs~~, other than advertising costs,~~ related to the preparation of operations of new routes shall not be capitalized. ~~(For guidance on accounting for advertising costs, see Subtopics 340-20 and 720-35.)~~ Route expansion or alteration has become a recurring activity among the airlines, and any related cost shall be considered a normal and recurring cost of conducting business.

Amendments to Subtopic 910-10

260. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

261. Amend paragraph 910-10-05-2, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Construction—Overall

Overview and Background

910-10-05-2 This Topic includes the following Subtopics:

a. Overall
b. Contract Costs
c. Notes to Financial Statements
d. Receivables
e. Inventory
f. Other Assets and Deferred Costs
g. Property, Plant, and Equipment

h. Liabilities
i. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
j. Consolidation.

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262. The following amendment updates the reference to specific paragraphs in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts.

263. Amend paragraph 910-10-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

910-10-15-4 Other characteristics common to contractors and significant to accountants and users of financial statements include the following:

a. A contractor normally obtains the contracts that generate revenue or sales by bidding or negotiating for specific projects.
b. A contractor bids for or negotiates the initial contract price based on an estimate of the cost to complete the project and the desired profit margin, although the initial price may be changed or renegotiated.
c. A contractor may be exposed to significant risks in the performance of a contract, particularly a fixed-price contract.
d. Customers (usually referred to as owners) frequently require a contractor to post a performance and a payment bond as protection against the contractor's failure to meet performance and payment requirements.
e. The costs and revenues of a contractor are typically accumulated and accounted for by individual contracts or contract commitments extending beyond one accounting period, which complicates the management, accounting, and auditing processes.
f. The nature of a contractor's risk exposure varies with the type of contract. The several types of contracts used in the construction industry are described in paragraphs 605-35-15-2 through 15-5~~Subtopic 605-35~~. The four basic types of contracts used based on their pricing arrangements are **{add glossary link}**fixed-price**{add glossary link}** or **lump-sum contracts**, **{add glossary link}**unit-price contracts**{add glossary link}**, **{add glossary link}**cost-type contracts**{add glossary link}**, and **{add glossary link}**time-and-materials contracts**{add glossary link}**.

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264. The following amendment reflects the removal of industry-specific guidance and updates the references and the terminology to Topic 606.

265. Amend paragraph 910-10-60-1, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Revenue Recognition

910-10-60-1 For guidance on accounting for **{add glossary link}**revenue**{add glossary link}**recognition of construction-type **{add glossary link}**contracts**{add glossary link}**,see Topic 606~~Subtopic 605-35~~.

Amendments to Subtopic 910-20

266. The following amendment reflects the removal of reference to industry-specific guidance on revenue recognition.

267. Supersede paragraph 910-20-25-5 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Construction—Contract Costs

Recognition

~~> General and Administrative Costs~~

910-20-25-5 Paragraph superseded by Accounting Standards Update 2014-09.~~General and administrative costs may be accounted for by entities within the scope of this Subtopic as contract costs under the completed-contract method of accounting (see paragraph 605-35-25-37(c)).~~

Amendments to Subtopic 910-310

268. The following amendment reflects the removal of industry-specific guidance.

269. Supersede paragraph 910-310-45-2, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Construction—Receivables

Other Presentation Matters

910-310-45-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~For guidance on the presentation of advances on cost-plus contracts, see Section 910-405-45.~~

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270. The following amendment reflects the removal of industry-specific guidance.

271. Supersede paragraphs 910-310-50-1 through 50-2 with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

910-310-50-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~For billed or unbilled amounts under contracts representing unapproved change orders, claims, or similar items subject to uncertainty concerning their determination or ultimate realization, the balance sheet, or a note to the financial statements, shall disclose all of the following:~~

- ~~a. The amount~~
- ~~b. A description of the nature and status of the principal items comprising the amount~~
- ~~c. The portion, if any, expected to be collected after one year.~~

910-310-50-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~For amounts representing the recognized sales value of performance under contracts that have not been billed and were not billable at the date of the balance sheet, all of the following shall be disclosed:~~

- ~~a. The amounts~~
- ~~b. A general description of the prerequisites for billings~~
- ~~c. The portion, if any, expected to be collected after one year.~~

Amendments to Subtopic 910-340

272. The following amendment reflects the removal of industry-specific guidance on accounting for other assets and deferred costs. This Subtopic previously provided the guidance on disclosures for the costs deferred either in anticipation of future sales or as a result of an approved change order. Those costs will now be accounted for and disclosed in accordance with the guidance in Subtopic 340-40.

273. Supersede Subtopic 910-340, Contractors—Construction—Other Assets and Deferred Costs, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 910-405

274. The following amendment reflects the removal of industry-specific guidance.

275. Supersede Subtopic 910-405, Contractors—Construction—Liabilities, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 910-605

276. The following amendment reflects the removal of industry-specific guidance on revenue recognition for the construction industry. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

277. Supersede Subtopic 910-605, Contractors—Construction—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 912-10

278. The following amendments reflect the removal of references to industry-specific guidance for the balance sheet, notes to the financial statements, and revenue recognition.

279. Amend paragraph 912-10-05-2, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Overall

Overview and Background

912-10-05-2 This Topic includes the following Subtopics:

a. Overall
b. Contract Costs
c. <u>Subparagraph superseded by Accounting Standards Update 2014-09.</u>~~Balance Sheet~~
d. Income Statement
e. <u>Subparagraph superseded by Accounting Standards Update 2014-09.</u>~~Notes to Financial Statements~~
f. Changing Prices
g. Risks and Uncertainties
h. Receivables
i. Inventory

j. Liabilities
k. Contingencies
l. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
m. Cost of Sales and Services
n. Compensation—Retirement Benefits
o. Research and Development
p. Interest.

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280. The following amendment reflects the removal of industry-specific guidance, specifically, the guidance on contracts subject to renegotiation.

281. Amend paragraph 912-10-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

912-10-15-3 The guidance in this Topic applies to all of the following transactions and activities:

a. **Cost-plus-fixed-fee contracts**
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~Certain aspects of those government contracts and subcontracts that are subject to renegotiation. This guidance is applicable also to price redetermination estimated to result in retroactive price reduction.~~
c. Fixed-price war and defense supply contracts terminated, in whole or in part, for the convenience of the government.

Amendments to Subtopic 912-20

282. The following amendments reflect the removal of industry-specific guidance, specifically, Subtopic 912-210, Contractors—Federal Government—Balance Sheet, which provided guidance on presentation (for example, billed and unbilled costs) that will be within the scope of Topic 606 or Subtopic 340-40 for presentation and disclosure.

283. Supersede paragraph 912-20-45-1 and its related heading and amend paragraph 912-20-45-4, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Contract Costs

Other Presentation Matters

~~> Balance Sheet~~

912-20-45-1 Paragraph superseded by Accounting Standards Update 2014-09.~~For guidance on offsetting and presentation of billed and unbilled costs, current assets and liabilities, and contract-related assets and liabilities, see Section 912-210-45.~~

> Income Statement

912-20-45-4 For guidance on presentation of~~ renegotiation refunds and~~ terminated contracts, see Section 912-225-45.

Amendments to Subtopic 912-210

284. The following amendment reflects the removal of guidance for government contractors related to the presentation of contract-related assets and liabilities in the financial statements. Those industry-specific presentation requirements have been superseded and the appropriate disclosure requirements are in accordance with Topic 606.

285. Supersede Subtopic 912-210, Contractors—Federal Government—Balance Sheet, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 912-225

286. The following amendment reflects the removal of industry-specific guidance, specifically, guidance on contracts subject to renegotiation.

287. Amend paragraph 912-225-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Income Statement

Overview and Background

912-225-05-1 This Subtopic provides guidance on presentation in the income statement for amounts relating to ~~contracts subject to renegotiation and~~ terminated contracts.

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288. The following amendments to paragraphs 912-225-45-1 through 45-2 reflect the removal of industry-specific guidance because the presentation requirements are now in Topic 606.

289. Supersede paragraphs 912-225-45-1 through 45-2 and their related heading and paragraph 912-225-45-4, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

~~> Contracts Subject to Renegotiation~~

912-225-45-1 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Renegotiation refunds are commonly referred to as involving a refund of excessive profits, however, renegotiation involves an adjustment of the original contract or selling price. Because a provision for renegotiation refund indicates that the collection, or retention, of the selling price is not reasonably assured, the provision should preferably be treated in the income statement as a deduction from sales.~~

912-225-45-2 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~If a renegotiation refund applicable to a particular year is materially different from the provision made in the financial statements originally issued for such year, the difference between the renegotiation refund and the provision shall be shown as a separate item in the current income statement.~~

> Terminated Contracts

912-225-45-3 Any items the contractor retains without claim for cost or loss shall remain as inventory or deferred charges in the contractor’s accounts.

912-225-45-4 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~Sales related to terminated contracts shall be separately presented in the income statement.~~

Amendments to Subtopic 912-235

290. The guidance in this Subtopic has been superseded because the disclosure requirements (generally consistent with accounting policies for various former SOP 81-1 type assumptions and determinations) are industry-specific. The guidance in Topic 606 and Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, will require disclosures.

291. Supersede Subtopic 912-235, Contractors—Federal Government—Notes to Financial Statements, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 912-275

292. The following amendment reflects the removal of the guidance on contracts subject to renegotiation.

293. Amend paragraph 912-275-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Risks and Uncertainties

Overview and Background

912-275-05-1 This Subtopic provides guidance to government contractors related to incremental disclosures about risks and uncertainties associated with ~~contracts subject to renegotiation and~~ contracts terminated for the convenience of the government.

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294. The following amendment reflects the removal of industry-specific guidance, specifically, the guidance on contracts subject to renegotiation.

295. Supersede paragraph 912-275-50-1 and its related heading and amend paragraph 912-275-50-4, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

~~> Contracts Subject to Renegotiation~~

912-275-50-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Renegotiation uncertainties, their significance, the basis used in determining the amount of the provision (such as the prior years' experience of the contractor or of similar contractors if their experience is available and is used), and renegotiation discussions relating to the current year shall be disclosed. Such disclosure may be helpful in informing shareholders or other interested persons as to the entity's status under the renegotiation law. If conditions change, the results of a prior-year determination or settlement are not, in most circumstances, indicative of the amount probably refundable for the current year.~~

> Termination Claims

912-275-50-4 The effect of a contract termination shall be reflected in the financial statements of the contractor in the period in which the termination occurs, or earlier if the termination is a subsequent event occurring before the financial statements are issued or are available to be issued (as discussed in Section 855-10-25) and attributable to conditions that existed at the date of the balance sheet. If sufficient information is not available to predict the effect of a very recent termination, then the best information available shall be disclosed in the notes to financial statements in conformity with Topic 450. ~~Paragraph 912-605-25-22 addresses the effective date of termination.~~ The effective date of termination shall be the date at which the contractor acquires the right to receive payment on the terminated portion of the contract. **[Content moved from paragraph 912-605-25-22]**

Amendments to Subtopic 912-310

296. The following amendments to paragraphs 912-310-25-1 through 25-2 reflect the removal of the reference to the term *percentage-of-completion method* and the addition of other language consistent with Topic 606. The following amendments to paragraphs 912-310-25-6 and 912-310-25-8 through 25-9 reflect the removal of industry-specific guidance on unbilled amounts, progress payments, and advance payments.

297. Amend paragraphs 912-310-25-1 through 25-2 and supersede paragraphs 912-310-25-6 and 912-310-25-8 through 25-9 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Receivables

Recognition

> Cost-Plus-Fixed-Fee Contracts

912-310-25-1 Unbilled costs and fees under **cost-plus-fixed-fee contracts** are receivables <u>or **contract assets**</u> rather than advances or inventory.

912-310-25-2 Payments on account of the fees (minus amounts withheld until completion) are made from time to time as specified in the agreements, usually subject to the approval of the contracting officer. In most circumstances the amount of each payment is determined by the ratio of expenditures made to the total estimated expenditures rather than on the basis of deliveries or <u>other measures of progress toward complete satisfaction of a **performance obligation** in accordance with the guidance in paragraphs 606-10-25-31 through 25-37 and paragraphs 606-10-55-16 through 55-21</u>~~on the percentage of completion otherwise determined~~.

~~**> Unbilled Amounts**~~

912-310-25-6 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Receivables from the U.S. government may include billed and unbilled amounts. Unbilled amounts arise if sales or revenues cannot be billed yet under~~

~~terms of the contract or if unit prices for items shipped have not been determined. However, unbilled amounts are appropriately recorded as receivables.~~

> Progress Payments

912-310-25-7 The accounting for progress payments under a government contract depends on the progress-payments clause as follows:

a. If legal title to the related accumulated costs of contracts in progress vests with the U.S. government on the contractor's receipt of progress payments, progress payments received on fixed-price contracts shall be applied by individual contract first to amounts carried in unbilled receivables, with any remainder applied to accumulated costs of contracts in progress (often referred to as inventories).
b. If a legal determination is made that the U.S. government receives only a secured interest in the accumulated costs of contracts in progress, progress payments received shall be accounted for as a financing transaction.

912-310-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~Amounts representing progress payments billed but not yet received by the contractor are not shown in the balance sheet because it would be improper to show uncollected progress payments as an offset to the accumulated cost of contracts in progress.~~

~~**> Advance Payments**~~

912-310-25-9 Paragraph superseded by Accounting Standards Update 2014-09.~~Although **advance payments** differ from progress payments in that they are not related to progress of work on a contract, they are reported in a manner similar to progress payments. Paragraph 912-405-45-6 provides guidance on classifying advance payments received in excess of unbilled receivables and accumulated costs of contracts in progress as a liability.~~

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298. The following amendments reflect the removal of the guidance on unbilled amounts, progress payments, and advance payments.

299. Supersede paragraphs 912-310-45-9 through 45-10 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

~~**> > Unbilled Amounts**~~

912-310-45-9 Paragraph superseded by Accounting Standards Update 2014-09.~~Unbilled amounts (net of unliquidated progress payments) shall be stated~~

~~separately if the amounts constitute a significant portion of the U.S. government contract receivables.~~

~~**> > Advance Payments**~~

912-310-45-10 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Paragraph 912-405-45-6 provides guidance on classifying advance payments received in excess of unbilled receivables and accumulated costs of contracts in progress as a liability.~~

Amendments to Subtopic 912-405

300. The following amendment reflects the removal of industry-specific guidance, specifically, the guidance on contracts subject to renegotiation.

301. Amend paragraph 912-405-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Liabilities

Overview and Background

912-405-05-1 This Subtopic provides guidance to government contractors on accounting for liabilities associated with ~~contracts subject renegotiations,~~ claims of subcontractors on **cost-plus-fixed-fee** ~~**contracts**,~~<u>**contracts** and</u> progress <u>payments.</u>~~payments, and **advance payments**.~~

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302. The following amendments reflect the removal of industry-specific guidance, specifically, the guidance on contracts subject to renegotiation.

303. Supersede paragraphs 912-405-25-1 through 25-2 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

~~**> Contracts Subject to Renegotiations**~~

912-405-25-1 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~In keeping with the established accounting principle that provision shall be made in financial statements for all liabilities, including reasonable estimates for liabilities not accurately determinable, provision shall be made for probable renegotiation refunds wherever the amount of such refunds can be reasonably estimated. See Topic 450.~~

912-405-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~If experience of the entity or of comparable entities with renegotiation determinations is available and would make a reasonable estimate practicable, provision in the income account for an estimated refund shall be made.~~

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304. The following amendments to paragraphs 912-405-45-1 through 45-2 reflect the removal of guidance on contracts subject to renegotiation. The following amendment to paragraph 916-405-45-6 reflects the removal of guidance on advance payments.

305. Supersede paragraphs 912-405-45-1 through 45-2 and 912-405-45-6 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

> Balance Sheet

~~> > Contracts Subject to Renegotiation~~

912-405-45-1 Paragraph superseded by Accounting Standards Update 2014-09.~~If government contracts and subcontracts subject to renegotiation constitute a substantial part of the business done, the uncertainties resulting from the possibilities of renegotiation are usually such that separate presentation shall be given in the financial statements.~~

912-405-45-2 Paragraph superseded by Accounting Standards Update 2014-09.~~Provisions for renegotiation refunds shall be classified as current liabilities.~~

~~> > Advance Payments~~

912-405-45-6 Paragraph superseded by Accounting Standards Update 2014-09.~~Advance payments received in excess of unbilled receivables and accumulated costs of contracts in progress shall be classified as a liability with captions such as advance payments on U.S. government contracts or amounts received in excess of costs incurred under U.S. government contracts.~~

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306. The following amendments reflect the removal of guidance on contracts subject to renegotiation.

307. Supersede paragraph 912-405-50-1 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

~~> Contracts Subject to Renegotiation~~

912-405-50-1 Paragraph superseded by Accounting Standards Update 2014-09.~~If a reasonable estimate cannot be made, for example, the effect of a new or amended renegotiation act cannot be predicted within reasonable limits, or if an entity is facing renegotiation for the first time and no reliable precedent is available, disclosure of these circumstances and the consequent uncertainties is required.~~

Amendments to Subtopic 912-450

308. The following amendment reflects the removal of references to industry-specific guidance on revenue recognition in Subtopic 912-605, Contractors—Federal Government—Revenue Recognition.

309. Supersede paragraph 912-450-25-1 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Contingencies

Recognition

~~> Convenience Terminations~~

912-450-25-1 Paragraph superseded by Accounting Standards Update 2014-09.~~For a discussion of contract termination for the convenience of the government, see paragraph 912-605-25-20.~~

Amendments to Subtopic 912-605

310. The following amendment reflects the removal of industry-specific guidance for government contractors on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. Paragraph 912-605-25-22, which provides guidance on the effective date for convenience terminations, has been retained and moved to paragraph 912-275-50-4.

311. Supersede Subtopic 912-605, Contractors—Federal Government—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 912-605-25-22 moved to paragraph 912-275-50-4]**

Amendments to Subtopic 912-705

312. The following amendment to Subtopic 912-705 reflects the removal of references to industry-specific guidance on revenue recognition in Subtopic 912-605, Contractors—Federal Government—Revenue Recognition. This Subtopic previously provided guidance on accounting for both sales and costs of sales elements of a convenience termination and the related disclosure requirements. The guidance on how to account for those costs and the disclosure requirements are in Subtopic 340-40.

313. Supersede paragraphs 912-705-05-1, 912-705-15-1, 912-705-25-1 through 25-3, and 912-705-50-1 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Cost of Sales and Services

Overview and Background

General

912-705-05-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Subtopic provides guidance to government contractors on the costs included in cost of sales relating to contracts terminated for the convenience of the government and other contract considerations.~~

Scope and Scope Exceptions

General

~~> Overall Guidance~~

912-705-15-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 912-10-15.~~

Recognition

General

~~> Convenience Terminations~~

912-705-25-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Paragraph 912-605-25-34 provides guidance on accounting for both sales and cost of sales elements of a convenience termination.~~

~~> Costs Excluded from Both Sales and Costs of Sales~~

912-705-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~Subcontract costs or the cost of special equipment to perform the contract, even though included in the contract price, may represent such a substantial amount in relation to the contractor's other costs of performance that inclusion of such costs in sales and costs of sales might distort significantly the contractor's volume of activity.~~

912-705-25-3 Paragraph superseded by Accounting Standards Update 2014-09.~~For example, the contractor may be under contract to produce specific goods for which unique facilities also need to be constructed under separate contract with the government. In this circumstance, it may be preferable to exclude such costs from sales and costs of sales, as the construction of facilities is not the contractor's normal activity and the costs are not a part of the production contract. How those costs are reported by the contractor shall be based on the terms of the contractual arrangements and the approach providing the more useful financial information.~~

Disclosure

General

~~> Costs Excluded from Both Sales and Costs of Sales~~

912-705-50-1 Paragraph superseded by Accounting Standards Update 2014-09.~~If subcontract costs or the cost of special equipment to perform the contract are excluded from sales and cost of sales, the general nature of the related transactions and the accounting policy applied thereto shall be disclosed in the notes to the financial statements.~~

Amendments to Subtopic 912-730

314. The following amendments to Subtopic 912-730 reflect the removal of references to industry-specific guidance on revenue recognition in Subtopic 605-35.

315. Amend paragraphs 912-730-15-2 through 15-3, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Research and Development

Scope and Scope Exceptions

> Instruments

912-730-15-2 This Subtopic applies only to contractual arrangements meeting all of the following conditions:

a. The activities performed in connection with the contractual arrangement qualify as research and development (see Subtopic 730-10).
b. The contractor retains a right to the data and results of the research and development activities.
c. The contractual arrangement obligates the contractor to perform only on a best-efforts basis to achieve the agreed-on objectives of the research and development activity, rather than to deliver a product or service meeting defined performance or other (such as design) specifications.
d. At the inception of the contract, the contractor and the customer enter into the arrangement with the expectation that costs will be incurred in excess of amounts to be funded. This condition will be met if contractual or other documentation specifically evidences acknowledgment of this expectation by both the contractor and the customer. Implicit in this condition is the existence of significant uncertainty at the date the contractor enters into the arrangement regarding the likelihood of successfully securing follow-on contracts related to the research and development activity.
e. The research and development arrangement is not combined with other contracts~~ or segmented~~ in accordance with the guidance on combining contracts in paragraph 606-10-25-9~~paragraphs 605-35-25-5 through 25-14~~.
f. The federal government is the sole or principal expected ultimate customer (including foreign military sales) for the research and development activity or products directly resulting from the research and development activity subject to the arrangements.

912-730-15-3 Contractual arrangements meeting all of the conditions in the preceding paragraph differ from~~ production-type~~ **{add glossary link}**contracts**{add glossary link}** with **customers** addressed in Topic 606 on **revenue** from contracts with customers~~ Subtopic 605-35~~. Such activities are research and development as discussed in paragraph 730-10-15-4(c).

Amendments to Subtopic 912-835

316. The following amendments reflect the removal of the reference to the term *percentage-of-completion method* and the addition of language consistent with Topic 606.

317. Amend paragraphs 912-835-25-1 through 25-3, with a link to transition paragraph 606-10-65-1, as follows:

Contractors—Federal Government—Interest

Recognition

> Capitalization of Interest Cost on Federal Government Contracts

912-835-25-1 Some government **{add glossary link}**contracts**{add glossary link}** may appear to qualify for capitalization of interest costs (see Subtopic 835-20). However, paragraph 835-20-15-6 proscribes interest capitalization for assets employed in the earnings activities of an entity. Because many contractors recognize **{add glossary link}**revenue**{add glossary link}** over time in accordance with the guidance on the transfer of control in paragraphs 606-10-25-27 through 25-29, measuring progress toward complete satisfaction of a **performance obligation** in accordance with paragraphs 606-10-25-31 through 25-37 ~~under the percentage-of-completion method~~ as the related asset is being constructed, the asset is considered to be employed in the earnings activities of the contractor. Further, many ~~production-type~~ contracts with **customers** require the manufacture of inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis, for which interest capitalization is considered to be inappropriate. Accordingly, government contractors shall exclude capitalized interest from long-term contracts with customers that are performed over time in accordance with the guidance on the transfer of control in paragraphs 606-10-25-27 through 25-29~~accounted for under the percentage-of-completion method~~.

912-835-25-2 When revenue is recognized at a point in time in accordance with the guidance on the transfer of control in paragraph 606-10-25-30, costs may be recognized as an asset in accordance with the guidance on costs to fulfill a contract in Subtopic 340-40. ~~Revenue under the completed-contract method is recognized only when a contract is completed, and costs are accumulated on the balance sheet during the period of performance. Therefore,~~If costs are recognized as an asset accordingly, such costs incurred on a discrete project are qualifying assets when activities are underway to bring the asset to the condition and location necessary for its intended use.

912-835-25-3 If a contractor recognizes revenue at a point in time in accordance with the guidance on the transfer of control in paragraph 606-10-25-30 and ~~using the completed-contract method~~ bills all costs currently, its investment in the asset shall be limited to uncollected receivables. Such uncollected amounts shall be reduced by related non-interest-bearing liabilities, such as accounts and wages payable and accrued payroll taxes. Significant fluctuations in both outstanding receivables and accrued costs may require accumulation for each contract on a daily basis to reasonably determine the amount of such costs qualifying for interest capitalization.

Amendments to Subtopic 915-10

318. The following amendment reflects the removal of industry-specific guidance on revenue recognition. **[Note: Accounting Standards Update No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, supersedes all development stage entities guidance, which includes Subtopic 915-10. Because that Update has an earlier effective date, the following amendment to Subtopic 915-10 has not been made in this Update on revenue from contracts with customers.]**

319. Amend paragraph 915-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Development Stage Entities—Overall

Overview and Background

915-10-05-1 The Development Stage Entities Topic specifies the guidelines for identifying an entity in the development stage, addresses the applicability of generally accepted accounting principles (GAAP) to development stage entities, and provides guidance on financial reporting requirements for development stage entities, including additional information required to be presented in the basic financial statements of **development stage entities**. This Topic contains the following Subtopics:

a. Overall
b. Presentation of Financial Statements
c. Balance Sheet
d. Statement of Shareholder Equity
e. Income Statement
f. Statement of Cash Flows
g. Notes to Financial Statements
h. Other Assets and Deferred Costs
i. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
j. Consolidation.

Amendments to Subtopic 915-605

320. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. **[Note: Accounting Standards Update No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation,* supersedes all development stage entities guidance, which includes Subtopic 915-605. Although this Update on revenue from contracts with customers supersedes Subtopic 915-605, too, the following amendment is being made in the development stage entities Update because that Update has an earlier effective date.]**

321. Supersede Subtopic 915-605, Development Stage Entities—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 920-10

322. The following amendment reflects the removal of industry-specific guidance on revenue recognition. Revenue recognition for barter and other transactions in contracts with customers is within Topic 606.

323. Amend paragraph 920-10-05-2, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Broadcasters—Overall

Overview and Background

920-10-05-2 The Entertainment—Broadcasters Topic includes several Subtopics:

a. Overall
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~Receivables~~
c. Intangibles—Goodwill and Other
d. Liabilities
e. Commitments
f. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
g. Subparagraph superseded by Accounting Standards Update 2014-09.~~Nonmonetary Transactions.~~

324. The following amendment reflects the removal of Subtopic 920-845, Entertainment—Broadcasters—Nonmonetary Transactions, which provided accounting guidance to broadcasters when advertising time is exchanged for merchandise or services in a barter transaction.

325. Amend paragraph 920-10-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

920-10-15-3 The guidance in the Entertainment—Broadcasters Topic applies to all transactions and activities including the following:

a. ~~**Barter** transactions and **network**~~**Network** **affiliation agreements**.

Amendments to Subtopic 920-310

326. The following amendment reflects the removal of industry-specific guidance on revenue recognition, specifically, receivables resulting from barter transactions.

327. Supersede Subtopic 920-310, Entertainment—Broadcasters—Receivables, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 920-405

328. The following amendment reflects the removal of references to Subtopic 920-845, Entertainment—Broadcasters—Nonmonetary Transactions, consistent with the Board's decisions on noncash consideration that affected barter transactions.

329. Supersede paragraph 920-405-25-2 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Broadcasters—Liabilities

Recognition

~~> Barter Transactions~~

920-405-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~See Section 920-845-25 for guidance on recording a liability resulting from a **barter** transaction.~~

Amendments to Subtopic 920-605

330. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

331. Supersede Subtopic 920-605, Entertainment—Broadcasters—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 920-845

332. The following amendment to Subtopic 920-845 reflects the removal of industry-specific guidance, specifically, barter transactions. Subtopic 920-845 provided accounting guidance for broadcasters when advertising time was exchanged for merchandise or services in a barter transaction. The removal of Subtopic 920-845 is consistent with the Board's decisions on noncash consideration.

333. Supersede Subtopic 920-845, Entertainment—Broadcasters—Nonmonetary Transactions, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 922-10

334. The following amendment reflects the removal of industry-specific guidance on revenue recognition and deferred revenue.

335. Amend paragraphs 922-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Cable Television—Overall

Overview and Background

922-10-05-1 The Entertainment—Cable Television Topic addresses the standards of financial accounting and reporting for costs and expenses~~, expenses, and revenues~~ applicable to the construction and operation of a cable television system.

922-10-05-2 This Topic includes the following Subtopics:

a. Overall
b. Intangibles—Goodwill and Other
c. Property, Plant, and Equipment
d. Subparagraph superseded by Accounting Standards Update 2014-09.~~Deferred Revenue~~
e. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
f. Other Expenses
g. Interest.

Amendments to Subtopic 922-360

336. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. The following amendment also links terms to the Master Glossary. Additionally, the amendment includes content moved from paragraph 922-605-25-1 to provide more guidance about the prematurity period.

337. Amend paragraph 922-360-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Cable Television—Property, Plant, and Equipment

Recognition

> Prematurity Period—Certain Capitalizable Costs

922-360-25-1 Before revenue is ~~earned~~recognized from the first subscriber, management shall establish the beginning and end of the **{add glossary link}**prematurity period**{add glossary link}**, subject to a presumption that the **{remove glossary link}prematurity period{remove glossary link}** usually will not exceed two years. The prematurity period frequently will be shorter than two years; a longer period may be reasonably justified only in major urban markets. After the prematurity period is established by management, it shall not be changed except as a result of highly unusual circumstances. **[Content amended as shown and moved from paragraph 922-605-25-1]** A portion of a cable television system that is in the **{remove glossary link}prematurity period{remove glossary link}** and can be clearly distinguished from the remainder of the system shall be accounted for separately.

Amendments to Subtopic 922-430

338. The following amendment reflects the removal of industry-specific guidance on deferred revenue and the addition of conforming guidance in Topic 606.

339. Supersede Subtopic 922-430, Entertainment—Cable Television—Deferred Revenue, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 922-605

340. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. Paragraph 922-605-25-1, which provided the guidance for the prematurity period, has been amended and moved to paragraph 922-360-25-1.

341. Supersede Subtopic 922-605, Entertainment—Cable Television—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 922-605-25-1 amended and moved to paragraph 922-360-25-1]**

Amendments to Subtopic 924-10

342. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

343. Amend paragraph 924-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Casinos—Overall

Overview and Background

924-10-05-1 The Entertainment—Casinos Topic includes the following Subtopics:

a. Overall
b. Segment Reporting
c. Liabilities
d. <u>Subparagraph superseded by Accounting Standards Update 2014-09.</u>~~Revenue Recognition~~

e. Other Expenses
f. Income Taxes.

Amendments to Subtopic 924-405

344. The following amendments reflect the addition of content moved from Subtopic 924-605 on the accounting for jackpot liabilities.

345. Amend paragraph 924-405-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Casinos—Liabilities

Overview and Background

924-405-05-1 This Subtopic addresses the <u>following:</u>

<u>a.</u> <u>The </u>accounting for gaming **chips** held in inventory by casino entities and for gaming chips distributed to casino customers.
<u>b.</u> <u>The accounting for jackpot liabilities.</u>

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346. The following amendments reflect the relocation of guidance in Subtopic 924-605, Entertainment—Casinos—Revenue Recognition. Subtopic 924-605 has been superseded, and paragraph 924-605-25-2 has been retained because it provides guidance on accounting for accruing liabilities.

347. Add paragraph 924-405-25-2 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

> <u>Jackpot Liabilities</u>~~Base Jackpots~~

<u>924-405-25-2</u> An entity shall accrue a liability ~~and charge a jackpot (or a portion thereof as applicable) to revenue~~ at the time the entity has the obligation to pay the jackpot (or a portion thereof as applicable), regardless of the manner of payment. See paragraphs <u>924-405-55-1 through 55-2</u>~~924-605-55-1 through 55-2~~for implementation guidance. **[Content amended as shown and moved from paragraph 924-605-25-2]**

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348. The following amendments reflect the relocation of implementation guidance for accounting for a liability that was previously in Subtopic 924-605, Entertainment—Casinos—Revenue Recognition.

349. Add Section 924-405-55, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

General

> Implementation Guidance

924-405-55-1 The implementation guidance in this paragraph and the following paragraph addresses the application of paragraph ~~924-605-25-2~~924-405-25-2. Some **{add glossary link}**slot machines**{add glossary link}** or other games may contain **base jackpots**. Depending on the applicable gaming regulations, an entity may be able to avoid the payment of a base jackpot, for example, by removing the machine from play. In accordance with the guidance in paragraph ~~924-605-25-2~~924-405-25-2, no liability associated with the base jackpot is recognized in such cases until the entity has the obligation to pay the base jackpot. That is the case even if the entity has no intention of removing the machine from play and expects the base jackpot to ultimately be won. **[Content amended as shown and moved from paragraph 924-605-55-1]**

924-405-55-2 This implementation guidance addresses the application of paragraph 924-405-25-2~~924-605-25-2~~. Some slot machines or other gaming machines include progressive jackpots. Entities in many gaming jurisdictions cannot avoid payment of the portion of the progressive jackpot that is incremental to the base jackpot because the gaming regulators consider the incremental portion of the jackpot to be funded by customers and required to be paid out (whether as a jackpot or through other means, such as a raffle). Paragraph 924-405-25-2~~924-605-25-2~~requires that, in such cases, the incremental portion of the jackpot be accrued as a liability at the time of funding (play) by its customers. **[Content amended as shown and moved from paragraph 924-605-55-2]**

Amendments to Subtopic 924-605

350. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. Paragraphs on accounting for jackpot liabilities have been amended and moved to Subtopic 924-405.

351. Supersede Subtopic 924-605, Entertainment—Casinos—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraphs 924-605-25-2 and 924-605-55-1 through 55-2 amended and moved to paragraphs 924-405-25-2 and 924-405-55-1 through 55-2]**

Amendments to Subtopic 926-10

352. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

353. Amend paragraph 926-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Films—Overall

Overview and Background

926-10-05-1 The Entertainment—**{remove glossary link}Films{remove glossary link}** Topic provides accounting and reporting guidance for entities in the **{add glossary link}**film**{add glossary link}** production and distribution industry for ~~**revenue**,~~ **film costs**, **participation costs**, and manufacturing costs.

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354. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

355. Amend paragraph 926-10-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

926-10-15-3 The guidance in this Topic does not apply to the following transactions and activities:

a. Accounting for the creation and distribution of recorded music products. For guidance on this subject, see Topic 928.
b. Financial reporting by cable television entities. For guidance on this subject, see Topic 922.
c. Financial reporting by broadcasters. For guidance on this subject, see Topic 920.
d. Accounting for the costs of computer software to be sold, leased, or otherwise marketed. For guidance on this subject, see Topic 985.

e. <u>Subparagraph superseded by Accounting Standards Update 2014-09.</u>~~Software revenue recognition. For guidance on this subject, see Subtopic 985-605.~~
f. Accounting for the film and software costs associated with developing entertainment and educational software products. For guidance on this subject, see Subtopic 720-35.

Amendments to Subtopic 926-20

356. The following amendment removes the link to the Master Glossary in Topic 926 for the term *revenue* because that term is industry-specific and used in this context to refer to the industry-specific term *ultimate revenue*. The definition of *revenue* has been amended to no longer be industry-specific, consistent with the Board's overall objective in Topic 606.

357. Amend paragraph 926-20-25-6, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Films—Other Assets—Film Costs

Recognition

> Episodic Television Series

926-20-25-6 For an episodic television series, ultimate **{remove glossary link}revenue{remove glossary link}** (see discussion of ultimate revenue in paragraphs 926-20-35-4 through 35-8) can include estimates from the **initial market** and **secondary markets**. Until an entity can establish estimates of secondary **market** revenue in accordance with paragraph 926-20-35-5(b), capitalized costs for each episode produced shall not exceed an amount equal to the amount of revenue contracted for that episode. An entity shall expense as incurred film costs in excess of this limitation on an episode-by-episode basis, and an entity shall not restore such amounts as film cost assets in subsequent periods. For more information, see Example 3 (paragraph 926-20-55-9).

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358. The following amendments to Section 926-20-35 have been made:

a. Paragraph 926-20-35-1. The amendment removes the link to the Master Glossary for the term *revenue* because that term is industry-specific. The definition of revenue has been amended, consistent with the Board's overall objective in Topic 606. As a result, this previously industry-specific linked term is no longer relevant.

b. Paragraph 926-20-35-5. The amendments reflect the change in terminology from *earning* to *recognizing* because *earned* is not a criterion for recognizing revenue in Topic 606.
c. Paragraph 926-20-35-6. The amendment retains the guidance by conforming the terminology to concepts in Topic 606 (for example, the identification of a significant financing component and a promise to grant a license in a contract).
d. Paragraph 926-20-35-14. The amendment deletes a reference to superseded guidance in Subtopic 926-605 that referred to fair value guidance in Topic 820. The cross reference is no longer necessary.

359. Amend paragraphs 926-20-35-1, 926-20-35-5 through 35-6, and 926-20-35-14, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> Film Costs Amortization—Individual-Film-Forecast-Computation Method

926-20-35-1 An entity shall amortize **film costs** using the individual-film-forecast-computation method, which amortizes such costs in the same ratio that current period actual **{remove glossary link}revenue{remove glossary link}** (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). In this way, in the absence of changes in estimates, film costs are amortized in a manner that yields a constant rate of profit over the ultimate period, as described in paragraph 926-20-35-5(a), for each film before **exploitation costs**, manufacturing costs, and other period expenses. Unamortized film costs as of the beginning of the current fiscal year are multiplied by the individual-film-forecast-computation method fraction. That is, an entity shall begin amortization of capitalized film costs when a film is released and it begins to recognize revenue from that film. For more information, see Example 1 (paragraph 926-20-55-1).

> Ultimate Revenue

926-20-35-5 Ultimate revenue shall be limited by the following:

a. For **films** other than episodic television series, ultimate revenue shall include estimates over a period not to exceed 10 years following the date of the film's initial release. For episodic television series, ultimate revenue shall include estimates of revenue over a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, 5 years from the date of delivery of the most recent episode, if later. For previously released films acquired as part of a film library, ultimate revenue shall include estimates over a period not to exceed 20 years from the date of acquisition. For the purposes of this Topic, an entity shall categorize as part of a film library only those individual films whose initial release dates were at least three years prior to the acquisition date.

b. Ultimate revenue shall include estimates of revenue from a **market** or **territory** only if persuasive evidence exists that such revenue will occur, or if an entity can demonstrate a history of recognizing ~~earning~~ such revenue in that market or territory. Ultimate revenue shall include estimates of revenue from newly developing territories only if an existing arrangement provides persuasive evidence that an entity will realize such amounts.
c. Ultimate revenue shall include estimates of revenue from licensing arrangements with third parties to market film-related products only if persuasive evidence exists that such revenue from that arrangement will occur for that particular film (such as a signed contract to receive a **nonrefundable minimum guarantee** or a nonrefundable advance) or if an entity can demonstrate a history of recognizing ~~earning~~ such revenue from that form of arrangement.
d. Ultimate revenue shall include estimates of the portion of the wholesale or retail revenue from an entity's sale of peripheral items (such as toys and apparel) that is attributable to the exploitation of themes, characters, or other contents related to a particular film only if the entity can demonstrate a history of recognizing ~~earning~~ such revenue from that form of exploitation in similar kinds of films. For example, an entity may conclude that the portion of revenue from the sale of peripheral items that it shall include in ultimate revenue is an estimate of what would be recognized ~~earned~~ by the entity if rights for such form of exploitation had been granted under licensing arrangements with third parties. Ultimate revenue shall not, however, include estimates of the entire amount of wholesale or retail revenue from an entity's sale of peripheral items.
e. Ultimate revenue shall not include estimates of revenue from unproven or undeveloped technologies.
f. Ultimate revenue shall not include estimates of wholesale promotion or advertising reimbursements to be received from third parties. Such amounts shall be offset against exploitation costs.
g. Ultimate revenue shall not include estimates of amounts related to the sale of film rights for periods after those identified in (a).

926-20-35-6 An entity shall not discount ultimate revenue to its present value except when a significant financing component is identified (see paragraph 606-10-32-15 through 32-20) in a **contract** in which an entity promises to grant a license within the scope of Topic 606. ~~as required by paragraph 926-605-25-31.~~

926-20-35-14 ~~As discussed in paragraph 926-605-25-16, a~~A discounted cash flows model is often used to estimate fair value. If applicable, future cash flows based on the terms of any existing contractual arrangements, including cash flows over existing license periods without consideration of the limitations set forth in paragraphs 926-20-35-5 and 926-20-35-11, shall be included.

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360. The following amendment removes the link to the Master Glossary for the term *revenue* because that term is industry-specific. The definition of *revenue* has been amended consistent with the Board's overall objective in Topic 606. As a result, the definition is no longer relevant.

361. Amend paragraph 926-20-40-4, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

> Episodic Television Series

926-20-40-4 An entity shall expense all capitalized costs (including set costs) for each episode of an episodic television series as it recognizes the related **{remove glossary link}revenue{remove glossary link}** for each episode.

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362. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. The amendment also removes the link to the Master Glossary for the term *revenue.* Paragraphs 926-20-55-1, 926-20-55-5, and 926-20-55-12 have not been amended and have been included to provide context for the other amendments.

363. Amend paragraphs 926-20-55-2 through 55-4, 926-20-55-6 through 55-8, and 926-20-55-13 through 55-15, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Film Cost Amortization

926-20-55-1 This Example provides an illustration of the individual-film-forecast method of amortization for a film in its initial year of release (in accordance with paragraph 926-20-35-1).

926-20-55-2 This Example has the following assumptions:

a. Film cost: $50,000
b. Estimated ultimate **{remove glossary link}revenue{remove glossary link}**: $100,000
c. Actual revenue <u>recognized</u> ~~earned~~ in Year 1: $60,000
d. Estimated ultimate **participation costs**: $10,000.

926-20-55-3 Film Cost amortization in Year 1:

$60,000 recognized ~~earned~~ revenue/$100,000 ultimate revenue x $50,000 film cost = $30,000

926-20-55-4 Participation costs accrued in Year 1:

$60,000 recognized ~~earned~~ revenue/$100,000 ultimate revenue x $10,000 ultimate participation costs = $6,000

> > Example 2: Film Costs Amortization—Revised Estimates

926-20-55-5 This Example provides an illustration of the individual-film-forecast method of amortization for a film where estimates are revised subsequent to the initial year of release (in accordance with paragraph 926-20-35-3).

926-20-55-6 This Example has the following assumptions:

a. Film cost: $50,000
b. Estimated ultimate revenue:
   1. Year 1: $100,000
   2. Year 2: $90,000 (Note: not the remaining ultimate revenue starting from this year).
c. Actual revenue recognized ~~earned~~:
   1. In Year 1: $60,000
   2. In Year 2: $10,000
d. Estimated ultimate participation costs:
   1. Year 1: $10,000
   2. Year 2: $9,000 (Note: not the remaining ultimate participation costs starting from this year).
e. For Year 1, film cost amortization was $30,000 and participation costs accrued were $6,000.
f. Year 2 revised ultimate revenue is $90,000.

926-20-55-7 Film cost amortization in Year 2:

$10,000 recognized ~~earned~~ revenue/$30,000 remaining ultimate revenue x $20,000 unamortized **film costs** = $6,667. The $30,000 remaining ultimate revenue is computed as follows: Year 2 revised ultimate revenue of $90,000 minus cumulative prior recognized ~~earned~~ revenue of $60,000. The $20,000 unamortized film costs is computed as follows: Film cost of $50,000 minus cumulative prior amortization of $30,000.

926-20-55-8 Participation costs accrued in Year 2:

$10,000 recognized ~~earned~~ revenue/$30,000 remaining ultimate revenue x $3,000 remaining ultimate participation costs = $1,000. The $30,000 remaining ultimate revenue is computed as follows: Year 2 revised ultimate revenue of $90,000 minus cumulative prior recognized ~~earned~~ revenue of $60,000. The $3,000 remaining ultimate participation costs is as follows:

Year 2 revised ultimate participation expense of $9,000 minus cumulative prior accrual of $6,000.

> > Example 4: Episodic Television Series—Individual-Film-Forecast-Computation Method

926-20-55-12 This Example provides an illustration of the individual-film-forecast method of amortization for an episodic television series (in accordance with paragraph 926-20-35-9).

926-20-55-13 This Example has the following assumptions:

a. An entity produces and distributes an episodic television series. Five seasons of the series are ultimately produced.
b. The entity's fiscal year end corresponds directly with the completion of each production season.
c. The beginning of Season 4 is when secondary market revenue estimates are initially established.
d. Costs of production are the following:
   1. Seasons 1 to 3: $36,000 (fully expensed prior to Season 4)
   2. Season 4: $16,000
   3. Season 5: $18,000.
e. ~~Earned~~Recognized and remaining ultimate revenues are the following.

As of Season 4	
~~Earned~~Recognized and reported in Season 4	$ 8,000
~~Earned~~Recognized and reported in Season 5	N/A
Remaining ultimate revenue, Seasons 1 to 4	$40,000
Remaining ultimate revenue, Season 5	N/A
	$48,000
As of Season 5	
~~Earned~~Recognized and reported in Season 4	N/A
~~Earned~~Recognized and reported in Season 5	$11,000
Remaining ultimate revenue, Seasons 1 to 4	$40,000
Remaining ultimate revenue, Season 5	$10,000
	$61,000

f. Ultimate participation costs are as follows.

As of Seasons 1 to 3	$ -
As of Season 4	$ 2,000
As of Season 5	$ 3,000

926-20-55-14 Amortization of film costs in accordance with paragraph 926-20-35-9 is determined as follows for Seasons 4 and 5.

Season 4 $\dfrac{\$8{,}000^{(a)}}{\$48{,}000^{(b)}} \times \$16{,}000^{(c)} = \$2{,}667$

(a) ~~Earned~~Recognized and reported revenue during the current season.

(b) Remaining ultimate revenue at the beginning of the current season.

(c) Remaining unamortized film costs at the beginning of Season 4 ($0 from Seasons 1 to 3, plus the cost of production of Season 4).

Season 5 $\dfrac{\$11{,}000^{(a)}}{\$61{,}000^{(b)}} \times \$31{,}333^{(c)} = \$5{,}650$

(a) ~~Earned~~Recognized and reported revenue during the current season.

(b) Remaining ultimate revenue at the beginning of the current season.

(c) Remaining unamortized film costs at the beginning of Season 5 ($13,333 unamortized as of the end of Season 4 plus the $18,000 cost of production of Season 5).

926-20-55-15 Accrual of participation costs is determined as follows.

Season 4 $\dfrac{\$8{,}000^{(a)}}{\$48{,}000^{(b)}} \times \$2{,}000^{(c)} = \$333$

(a) ~~Earned~~Recognized and reported revenue during the current season.

(b) Remaining ultimate revenue at the beginning of the current season.

(c) Remaining unaccrued participation costs at the beginning of Season 4.

Season 5 $\dfrac{\$11{,}000^{(a)}}{\$61{,}000^{(b)}} \times \$2{,}667^{(c)} = \$481$

(a) ~~Earned~~Recognized and reported revenue during the current season.

(b) Remaining ultimate revenue at the beginning of the current season.

(c) Remaining unaccrued participation costs at the beginning of Season 5 (ultimate cost of $3,000, less prior cumulative accrual of $333).

Amendments to Subtopic 926-405

364. The following amendment removes the link to the Master Glossary for the term *revenue* because that term is industry-specific. The definition of *revenue* has been amended consistent with the Board’s overall objective in Topic 606. As a result, the definition is no longer relevant.

365. Amend paragraph 926-405-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Films—Liabilities

Recognition

> Participation Costs

926-405-25-1 An entity shall accrue (expense) **participation costs** using the individual-film-forecast-computation method, which accrues (expenses) such costs in the same ratio that current period actual **{remove glossary link}revenue{remove glossary link}** (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). That is, unaccrued (not yet expensed) ultimate participation costs at the beginning of the current fiscal year are multiplied by the individual-film-forecast-computation method fraction. In this way, in the absence of changes in estimates, participation costs are accrued (expensed) in a manner that yields a constant rate of profit over the ultimate period, as described in paragraph 926-20-35-5(a), for each film before **exploitation costs**, manufacturing costs, and other period expenses.

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366. The following amendment removes the link to the Master Glossary for the term *revenue* and reflects the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606. Paragraphs 926-405-55-1 and 926-405-55-4 have not been amended and have been included to provide context for the other amendments.

367. Amend paragraphs 926-405-55-2 through 55-3 and 926-405-55-5 through 55-6, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Participation Liabilities

926-405-55-1 This Example illustrates the adjustment of a participation liability that is in excess of a revised estimate of amounts ultimately payable (in accordance with paragraph 926-405-35-1).

926-405-55-2 In accordance with paragraph 926-405-35-1, a participation liability that exceeds the unpaid amount expected to be ultimately payable shall be offset against the remaining carrying value of the corresponding film. This scenario can result from changes in ultimate **{remove glossary link}revenue{remove glossary link}** and cost estimates that result in reduced expectations of ultimate **participation costs**.

926-405-55-3 Assume the following:

a. Film cost: $50,000
b. Estimated ultimate revenue:
   1. Year 1: $100,000
   2. Year 2: $80,000.
c. Actual revenue recognized ~~earned~~:
   1. In Year 1: $60,000
   2. In Year 2: $10,000.
d. Estimated ultimate participation costs:
   1. Year 1: $10,000
   2. Year 2: $0.
e. For Year 1, film cost amortization was $30,000, and participation costs accrued were $6,000.

926-405-55-4 Adjustments of Participation Liability and **Film Costs** in Year 2.

	Unamortized Film Costs	Participation Liability
Balance at end of Year 1	$ 20,000	$ 6,000
Adjustment to eliminate excess liability	(6,000)	(6,000)
Adjusted balances	$ 14,000	$ -

926-405-55-5 Film cost amortization in Year 2:

$10,000 recognized ~~earned~~ revenue/$20,000 remaining ultimate revenue x $14,000 unamortized film costs = $7,000

The $20,000 remaining ultimate revenue is computed as follows: Year 2 revised ultimate revenue of $80,000 minus cumulative prior recognized ~~earned~~ revenue of $60,000.

The $14,000 unamortized film costs is computed as follows: Film cost of $50,000 minus cumulative prior amortization of $30,000 and minus the excess participation liability adjustment of $6,000.

926-405-55-6 Participation costs accrued in Year 2:

$10,000 recognized ~~earned~~ revenue/$20,000 remaining ultimate revenue x $0 remaining ultimate participation costs = $0

The $20,000 remaining ultimate revenue is computed as follows: Year 2 revised ultimate revenue of $80,000 minus cumulative prior recognized ~~earned~~ revenue of $60,000.

Estimated ultimate participation costs were reduced to $0 in Year 2; accordingly, the excess liability was reversed and no further accruals are required.

Amendments to Subtopic 926-430

368. The following amendment reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue, and the addition of conforming guidance in Topic 606.

369. Supersede Subtopic 926-430, Entertainment—Films—Deferred Revenue, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 926-605

370. The following amendment reflects the removal of industry-specific guidance on revenue recognition in Subtopic 926-605, Entertainment—Films—Revenue Recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

371. Supersede Subtopic 926-605, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 926-705

372. The following amendment removes the link from the industry-specific term *revenue* to the definition in the Master Glossary.

373. Amend paragraph 926-705-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Films—Cost of Sales and Services

Recognition

> Costs of Products Held for Sale

926-705-25-1 The costs of producing a film include manufacturing costs. An entity shall charge manufacturing or duplication costs of products for sale, such as videocassettes and digital video discs, to expense on a unit-specific basis when the related product **{remove glossary link}revenue{remove glossary link}** is recognized.

Amendments to Subtopic 926-845

374. Subtopic 926-845 previously provided accounting guidance to entities in the film production and distribution industry that license programming television stations in exchange for advertising time. The removal of Subtopic 926-845 is consistent with the Board's decisions on noncash consideration (including barter credit transactions in a contract with a customer in accordance with Topic 606).

375. Supersede Subtopic 926-845, Entertainment—Films—Nonmonetary Transactions, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 928-340

376. The following amendments reflect the change in terminology from *realized* to *recognized* because the term *realized* is inconsistent for recognizing revenue in Topic 606.

377. Amend paragraph 928-340-35-2, with a link to transition paragraph 606-10-65-1, as follows:

Entertainment—Music—Other Assets and Deferred Costs

Subsequent Measurement

> > Record Master Costs

928-340-35-2 The portion of the **record master** cost recognized as an asset shall be amortized over the estimated life of the recorded performance using a method that reasonably relates the amount to the net revenue expected to be recognized ~~realized~~.

Amendments to Subtopic 928-430

378. The following amendment reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue, and the addition of conforming guidance in Topic 606.

379. Supersede Subtopic 928-430, Entertainment—Music—Deferred Revenue, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 928-605

380. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

381. Supersede Subtopic 928-605, Entertainment—Music—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 932-10

382. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

383. Amend paragraph 932-10-05-3, with a link to transition paragraph 606-10-65-1, as follows:

Extractive Activities—Oil and Gas—Overall

Overview and Background

932-10-05-3 This Topic provides guidance specific to **oil- and gas-producing activities**. It contains several Subtopics that interact with other Topics in the Codification. Guidance in these Subtopics rather than the more general guidance in the other Topics shall be applied to the specific issues addressed. These Subtopics are:

a. Overall
b. Income Statement
c. Notes to Financial Statements
d. Interim Reporting
e. Segment Reporting
f. Investments—Equity Method and Joint Ventures
g. Inventory
h. Intangibles—Goodwill and Other
i. Property, Plant, and Equipment
j. Debt
k. Subparagraph superseded by Accounting Standards Update 2014-09.~~Revenue Recognition~~
l. Other Expenses

m. Income Taxes
n. Consolidation
o. Derivatives and Hedging
p. Interest.

Amendments to Subtopic 932-235

384. The following amendment retains the requirement to disclose revenues for oil- and gas-producing activities, which are not within the scope of Topic 606.

385. Amend paragraph 932-235-50-24, with a link to transition paragraph 606-10-65-1, as follows:

Extractive Activities—Oil and Gas—Notes to Financial Statements

Disclosure

> > > Revenues

932-235-50-24 Revenues shall include sales to unaffiliated entities and sales or transfers to the entity's other operations (for example, refineries or chemical plants). <u>Sales to unaffiliated entities may be **contracts** with **customers** within the scope of Topic 606; see disclosure requirements in Section 606-10-50.</u> Sales to unaffiliated entities and sales or transfers to the entity's other operations shall be disclosed separately. Revenues shall include sales to unaffiliated entities attributable to net working interests, royalty interests, oil payment interests, and net profits interests of the reporting entity. Sales or transfers to the entity's other operations shall be based on market prices determined at the point of delivery from the producing unit. Those market prices shall represent prices equivalent to those that could be obtained in an arm's-length transaction. Production or severance taxes shall not be deducted in determining gross revenues, but rather shall be included as part of production costs. Royalty payments and net profits disbursements shall be excluded from gross revenues.

Amendments to Subtopic 932-605

386. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

387. Supersede Subtopic 932-605, Extractive Activities—Oil and Gas—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 932-835

388. The following amendment highlights the consideration that if the contract or transaction described is with a customer, it is within the scope of Topic 606.

389. Amend paragraph 932-835-25-2, with a link to transition paragraph 606-10-65-1, as follows:

Extractive Activities—Oil and Gas—Interest

Recognition

> Advances Satisfied by Delivery of Future Production

932-835-25-2 In certain transactions, pipeline entities make advances to encourage exploration. These advances are satisfied by delivery of future production, but there is also a definite obligation to repay if the future production is insufficient to discharge the obligation by a definite date. The advance is covered by the exclusion in paragraph 835-30-15-3(b) even though there may be an obligation to repay should the future production prove insufficient to discharge the obligation. <u>However, if the advance is in a **contract** with a **customer** within the scope of Topic 606 on **revenue** from contracts with customers, the guidance in Topic 606 shall be applied.</u>

Amendments to Subtopic 940-10

390. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

391. Amend paragraph 940-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Brokers and Dealers—Overall

Overview and Background

940-10-05-1 The Financial Services—Brokers and Dealers Topic includes the following Subtopics relating specifically to brokers and dealers in securities (broker-dealers):

a. Overall
b. Broker-Dealer Activities
c. Receivables

d. Investments—Debt and Equity Securities
e. Investments—All Other
f. Other Assets and Deferred Costs
g. Liabilities
h. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
i. Consolidation
j. Fair Value Measurements.~~ Measurement and Disclosures.~~

Amendments to Subtopic 940-20

392. The following amendment reflects the removal of guidance on accounting for commissions earned by a broker-dealer for its selling and administrative efforts. That accounting guidance is in Topic 606.

393. Amend paragraph 940-20-05-3, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Broker and Dealers—Broker-Dealer Activities

Overview and Background

> Commissions

940-20-05-3 Acting as an agent, a broker-dealer may buy and sell securities on behalf of its customers. In return for such services, the broker-dealer charges a commission.~~ Each time a customer enters into a buy or sell transaction, a commission is earned by the broker-dealer for its selling and administrative efforts.~~

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394. The following amendment reflects the removal of industry-specific guidance on revenue recognition in Subtopic 940-605 and the reference to the guidance in that Subtopic.

395. Amend paragraph 940-20-15-4, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

Underwriting

> Overall Guidance

940-20-15-4 The Underwriting Subsections follow the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 940-10-15.~~ Subtopic 940-605 provides incremental guidance on revenue recognition for underwriting activities.~~

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396. The following amendment adds the reference to recognize commission revenue in accordance with Topic 606 and retains the guidance to accrue commission expenses on the trade date.

397. Amend paragraph 940-20-25-2, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

> Commissions

940-20-25-2 For securities purchased, the commission shall be recorded as a receivable from customers; for securities sold, commission shall be recorded as reductions in the payable to customers. The commission income~~ and related expenses shall be accrued by the broker-dealer~~shall be recognized in revenue by the broker-dealer when (or as) it satisfies its **performance obligations** under the **contract** in accordance with Topic 606 on **revenue** from contracts with **customers**. Related expenses shall be accrued by the broker-dealer on the trade date, because substantially all the efforts in generating the commissions have been completed.

Amendments to Subtopic 940-605

398. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. Paragraphs 940-605-05-1, 940-605-15-1, and 940-605-25-4 have been amended and moved to Subtopic 940-720, Financial Services—Brokers and Dealers—Other Expenses.

399. Supersede Subtopic 940-605, with a link to transition paragraph 606-10-65-1. **[Paragraph 940-605-05-1 amended and moved to paragraph 940-720-05-1; paragraph 940-605-15-1 moved to paragraph 940-720-15-1; and paragraph 940-605-25-4 amended and moved to paragraph 940-720-25-1]**

Addition of Subtopic 940-720

400. The following amendment creates a new Subtopic 940-720 to include guidance that was previously embedded in the revenue Subtopic 940-605, specifically the recognition guidance within paragraph 940-605-25-4. As a result, the guidance on the cost deferral and recognition for distribution fees is included in this newly created Subtopic.

401. Add Subtopic 940-720, Financial Services—Brokers and Dealers—Other Expenses, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Financial Services—Brokers and Dealers—Other Expenses

Overview and Background

General

940-720-05-1 This Subtopic addresses the accounting for mutual fund distribution costs ~~revenue recognition~~ for brokers and dealers in securities (broker-dealers).~~(broker-dealers), including:~~

a. Subparagraph superseded by Accounting Standards Update 2014-09.~~Underwriting. The management fee is the fee paid to the manager or comanagers of the underwriting for services rendered in organizing the syndicate of underwriters and maintaining the records for the distribution. The underwriting fee is paid to the underwriting participants as compensation for the risk assumed through their agreement to buy a specified portion of the issue. It is usually net of the expenses directly associated with the underwriting. The selling concession is the fee paid for selling the offering. A broker-dealer may underwrite a security offering by contracting to buy the issue either at a fixed price or a price based on selling the offering on a best-effort basis.~~ **[Content amended as shown and moved from paragraph 940-605-05-1]**

Scope and Scope Exceptions

General

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic 825. See Section 825-10-15 for guidance on the scope of the Financial Instruments Topic.

> Overall Guidance

940-720-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 940-10-15. **[Content moved from paragraph 940-605-15-1]**

Glossary

12b-1

Rule 12b-1 in Chapter 17 of the Code of Federal Regulations is one of the regulations implementing the Investment Company Act of 1940.

Recognition

General

> Mutual Fund Distribution

940-720-25-1 With respect to **{add glossary link}**12b-1**{add glossary link}** fees and deferred sales charges, see the cost guidance in Subtopic 946-720. ~~the broker-dealer generally shall defer its incremental direct costs associated with the selling of the fund shares (such as sales representatives' commissions and direct marketing costs) and shall amortize these costs over the period in which the fees from the fund or fund shareholders are expected to be received. Indirect costs associated with selling the fund shares shall be expensed as incurred.~~ **[Content amended as shown and moved from paragraph 940-605-25-4]**

Amendments to Subtopic 942-10

402. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

403. Amend paragraph 942-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Depository and Lending—Overall

Overview and Background

942-10-05-1 The Financial Services—Depository and Lending Topic provides industry-specific accounting and reporting guidance for depository and lending financial institutions. This Topic includes the following Subtopics:

a. Overall
b. Balance Sheet
c. Income Statement
d. Statement of Cash Flows
e. Notes to Financial Statements
f. Financial Instruments
g. Cash and Cash Equivalents
h. Receivables
i. Investments—Debt and Equity Securities
j. Investments—Other
k. Property, Plant, and Equipment
l. Liabilities
m. Debt
n. Equity
o. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
p. Other Expenses
q. Income Taxes
r. Business Combinations
s. Consolidation.

Amendments to Subtopic 942-605

404. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606.

405. Supersede Subtopic 942-605, Financial Services—Depository and Lending—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 942-825

406. The following amendment shows the relocation and amendment of the guidance in paragraph 605-20-25-8, which principally provides a background explanation of fees received for a loan guarantee. That paragraph has been retained to provide a description of a financial guarantee contract, useful for the industry-specific guidance in Topic 942, Financial Services—Depository and Lending. Additionally, the amendment updates the disclosure requirements for a financial guarantee described in this paragraph (that is, a service) by referencing

the required disclosures for goods and services in Topic 606 because the requirements in Subtopic 605-20 have been superseded.

407. Amend paragraph 942-825-50-2, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Depository and Lending—Financial Instruments

Disclosure

942-825-50-2 Examples of activities and financial instruments with off-balance-sheet credit risk include obligations for loans sold with recourse (with or without a floating-interest-rate provision), fixed-rate and variable-rate loan commitments, financial guarantees, note issuance facilities at floating rates, and letters of credit. An entity (guarantor) may "lend" its creditworthiness to another party (borrower) for a fee, thereby enhancing that other party's ability to borrow funds. The guarantor may provide a general guarantee of repayment of the borrower's obligation or may pledge specific assets that may be claimed by the creditor in the event of the borrower's default. A loan guarantee typically involves two sets of fees: an initial fee due at the consummation of the transaction and a continuing (annual) fee due over the term of the guarantee **[Content moved from paragraph 605-20-25-8]**. A guarantor is required to disclose and account for a financial guarantee under <u>Topic 606 on revenue from contracts with customers</u> ~~paragraphs 605-20-25-8 through 25-12~~. See paragraph 825-10-55-3 regarding disclosures about fair value of financial instruments.

Amendments to Subtopic 944-30

408. The following amendments reflect the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs, and its relocation with a narrowed scope to Subtopic 944-30 on deferred acquisition costs for insurance entities. Subtopic 340-20 provided guidance on the accounting and reporting for capitalized advertising costs, specifically for direct-response advertising that may result in a reported asset. That guidance has been superseded consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. Guidance previously located in Subtopic 340-20 has been moved to Subtopic 944-30 for the following specific reasons:

a. Paragraphs 340-20-25-4 through 25-11. Accounting Standards Update 2010-26 (EITF 09-G) updated the accounting guidance for costs associated with acquiring or renewing insurance contracts. That guidance was then codified as Subtopic 944-30 and included a reference, rather than a duplication, of the guidance on the costs of direct response advertising (paragraphs 340-20-25-4 through 25-11) that already existed in Subtopic 340-20. Because Subtopic 340-20 has been superseded in its entirety consistent with the Board's decisions in the revenue project, the paragraphs referenced in the amendments in Accounting Standards Update 2010-26 have been retained and moved to Subtopic 944-30 because insurance contracts are outside the scope of Topic 606.

b. Paragraphs 340-20-25-12 through 25-18. These paragraphs have been moved to Subtopic 944-30 to clarify that the entire cost of a qualifying advertising campaign can be capitalized into direct-response advertising costs consistent with the methodology in Subtopic 340-20. Paragraph 340-20-25-12 provides the conceptual basis for capitalizing direct-response advertising costs, which is different from the general guidance for capitalizing deferred acquisition costs by insurance entities as decided in Accounting Standards Update 2010-26 (EITF 09-G). This paragraph requires the entire cost of a direct-response advertising campaign to be capitalized, whereas the existing paragraph 944-30-25-1A limits the capitalization to successful efforts only. Paragraphs 340-20-25-13 through 25-14 have been retained because they provide necessary guidance for evaluating if there are probable future economic benefits, which is one of the two capitalization criteria. Paragraphs 340-20-25-17 through 25-18 discuss the differences between primary and secondary revenues because only primary revenues are considered when determining probable future benefits and meeting the capitalization criterion. Paragraphs 340-20-25-14 through 25-15 provide context for the other retained paragraphs.

Furthermore, in the 2013 Exposure Draft, *Insurance Contracts (Topic 834),* the Board proposed that direct response advertising costs would not qualify for inclusions in deferred acquisition costs and therefore would be expensed as incurred. Final conclusions on direct response advertising being included in deferred acquisition costs for insurance entities will be determined after the Board redeliberates and codifies any final conclusions in its insurance project.

409. Amend paragraph 944-30-25-1A and add paragraphs 944-30-25-1AA and 944-30-25-1C through 25-1P and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Insurance—Acquisition Costs

Recognition

944-30-25-1A An insurance entity shall capitalize only the following as acquisition costs related directly to the successful acquisition of new or renewal insurance contracts:

a. **Incremental direct costs of contract acquisition**
b. The portion of the employee's total compensation (excluding any compensation that is capitalized as incremental direct costs of contract acquisition) and payroll-related fringe benefits related directly to time spent performing any of the following acquisition activities for a contract that actually has been acquired:
   ~~1.~~ Underwriting
   ~~2.~~ Policy issuance and processing
   ~~3.~~ Medical and inspection
   ~~4.~~ Sales force contract selling.
c. Other costs related directly to the insurer's acquisition activities in (b) that would not have been incurred by the insurance entity had the acquisition contract transaction(s) not occurred.
d. Subparagraph superseded by Accounting Standards Update 2014-09.~~Advertising costs that meet the capitalization criteria in paragraph 340-20-25-4.~~

944-30-25-1AA The costs of direct-response advertising shall be capitalized if both of the following conditions are met:

a. The primary purpose of the advertising is to elicit sales to customers who could be shown to have responded specifically to the advertising. Paragraph 944-30-25-1D~~340-20-25-6~~discusses the conditions that must exist in order to conclude that the advertising's purpose is to elicit sales to customers who could be shown to have responded specifically to the advertising.
b. The direct-response advertising results in probable future benefits. Paragraph 944-30-25-1G~~340-20-25-9~~discusses the conditions that must exist in order to conclude that direct-response advertising results in probable future benefits. **[Content amended as shown and moved from paragraph 340-20-25-4]**

944-30-25-1B To associate **acquisition costs** with related premium revenue, capitalized acquisition costs shall be allocated by groupings of insurance contracts consistent with the entity's manner of acquiring, servicing, and measuring the profitability of its insurance contracts.

~~> > Primary Purpose to Elicit Sales to Customers Responding to the Advertising~~

> Primary Purpose to Elicit Sales to Customers Responding to the Advertising

944-30-25-1C As noted ~~above~~in paragraph 944-30-25-1AA(a), the first condition for capitalizing direct-response advertising is that the primary purpose of the advertising is to elicit sales to customers who could be shown to have responded specifically to the advertising. **[Content amended as shown and moved from paragraph 340-20-25-5]**

944-30-25-1D In order to conclude that advertising elicits sales to customers who could be shown to have responded specifically to the advertising, there must be a means of documenting that response, including a record that can identify the name of the customer and the advertising that elicited the direct response. Examples of such documentation include the following:

a. Files indicating the customer names and the related direct-response advertisement
b. A coded order form, coupon, or response card, included with an advertisement, indicating the customer name
c. A log of customers who have made phone calls to a number appearing in an advertisement, linking those calls to the advertisement. **[Content moved from paragraph 340-20-25-6]**

~~> > Probable Future Benefits of Direct-Response Advertising~~

> Probable Future Benefits of Direct-Response Advertising

944-30-25-1E As noted ~~above~~in paragraph 944-30-25-1AA(b), the second condition for capitalizing direct-response advertising is that the direct-response advertising results in probable future benefits. **[Content amended as shown and moved from paragraph 340-20-25-7]**

944-30-25-1F The probable future benefits of direct-response advertising activities are probable future revenues arising from that advertising in excess of future costs to be incurred in realizing those revenues. **[Content moved from paragraph 340-20-25-8]**

944-30-25-1G Demonstrating that direct-response advertising will result in future benefits requires persuasive evidence that its effects will be similar to the effects of responses to past direct-response advertising activities of the entity that resulted in future benefits. Such evidence shall include verifiable historical patterns of results for the entity. Attributes to consider in determining whether the responses will be similar include the following:

a. The demographics of the audience
b. The method of advertising
c. The product
d. The economic conditions. **[Content moved from paragraph 340-20-25-9]**

<u>944-30-25-1H</u> Industry statistics would not be considered objective evidence that direct-response advertising will result in future benefits in the absence of the specific entity's operating history. If the entity does not have an operating history for a particular product or service but does have operating histories for other new products or services, statistics for the other products or services may be used if it can be demonstrated that the statistics for the other products or services are likely to be highly correlated to the statistics of the particular product or service being evaluated. For example, test market results for a new product or service may be used to support the view that the results of advertising for current new products or services are likely to be highly correlated with the results of advertising for new products or services previously sold by the entity. In the absence of the expectation of a high degree of correlation, a success rate based on historical ratios of successful products or services to total products or services introduced to the marketplace would not be a sufficient basis for reporting a portion of the costs of current-period advertising as resulting in assets. **[Content moved from paragraph 340-20-25-10]**

> Direct-Response Advertising That Does Not Result in Probable Future Benefits

<u>944-30-25-1I</u> Direct-response advertising costs that are not capitalized because it cannot be demonstrated that the direct-response advertising will result in future benefits shall not be retroactively capitalized in subsequent periods if historical evidence in those subsequent periods indicates that the advertising did in fact result in future benefits. **[Content moved from paragraph 340-20-25-11]**

> Basis of Measurement

<u>944-30-25-1J</u> Based on the potential customers and the probable customer response rates, direct-response advertising that is expected to produce future revenues generally is undertaken before the customers' identity is known. Such advertising is undertaken with the expectation that not all targets of the direct-response advertising will provide benefits but that the benefits created by the customers who do respond to the advertising will justify the total advertising costs. Accordingly, the cost of the direct-response advertising directed to all prospective customers, not only the cost related to the portion of the potential customers that are expected to respond to the advertising, shall be used to measure the amounts of such reported assets. **[Content moved from paragraph 340-20-25-12]**

> Period and Extent of Expected Future Benefits

<u>944-30-25-1K</u> There is no overriding guidance that would either permit or prohibit reporting the costs of direct-response advertising as assets based on the inclusion of future revenues from renewals or repeat sales. Reporting entities with an established operating history, such as certain entities in subscription businesses, may be able to measure such amounts with the required degree of reliability and, if so, shall report assets based on renewal amounts. The reporting entity must exercise judgment about both of the following:

a. The existence of the degree of reliability required to determine the probability of renewals
b. Whether those renewals result from the direct-response advertising being accounted for.

In order to conclude that the renewals result from the direct-response advertising being accounted for, the renewals must not result from significant direct-response advertising that took place subsequent to the direct-response advertising being accounted for. **[Content moved from paragraph 340-20-25-13]**

944-30-25-1L ~~As discussed in paragraph 340-20-35-1, each~~Each significant advertising effort establishes a separate standalone cost pool. Examples of situations in which that required degree of reliability may exist, without significant direct-response advertising subsequent to the direct-response advertising being accounted for, include the following:

a. The sale of subscriptions may be offered only through direct-response advertising. The entity may have objective evidence that, historically, a quantifiable percentage of subscriptions is renewed at the end of each subscription period without a significant advertising effort. After the subscription is purchased, in what is deemed to be an insignificant advertising effort, renewal subscriptions are offered for sale by mailing a renewal card to those who have subscriptions that will lapse soon. The amount of direct-response advertising reported as assets and amortized in future periods ordinarily would be based on the expected total revenue to be realized over both the initial and the renewal subscription periods.
b. A series of products, such as pieces in a chess set, may be offered for sale only through direct-response advertising. After the first piece is purchased, the remaining pieces are offered for sale by mailing a response card to those who purchased the first piece in what is deemed to be an insignificant advertising effort. The entity may have objective evidence that, historically, each customer who buys the first piece will buy a quantifiable percentage of the remaining pieces. If each of the pieces is bought separately, the amount of direct-response advertising reported as assets and amortized in future periods ordinarily would be based on total revenue from all sales, including estimated future sales.

If significant marketing efforts are required to generate subsequent revenues through renewal or repeat sales, those subsequent revenues would not qualify as revenues resulting from the direct-response advertising that resulted in the initial sale and initial standalone cost pool. For instance, in the chess set example in (b), if a pamphlet describing the chess set, its monetary and aesthetic value, and the history of the game of chess is sent to those who purchased the first piece, the amount of direct-response advertising reported as assets and amortized in future periods would be based on sales of the first piece rather than on the total of all sales including estimated future sales. However, subsequent direct-response advertising may result in the capitalization of the costs of that subsequent advertising, with its costs accumulated in a standalone cost pool, if the conditions for capitalization in this Subtopic are met. **[Content amended as shown and moved from paragraph 340-20-25-14]**

> Acquisition Costs of Assets

944-30-25-1M The costs of materials bought from a supplier in the production of advertising materials shall be reported as costs of assets from direct-response advertising if those materials can be directly attributed to specific direct-response advertising. An example of such costs and activities is the cost of paper bought from a third party used to produce catalogues. **[Content moved from paragraph 340-20-25-15]**

> Tangible Assets Used for Several Advertising Campaigns

944-30-25-1N Tangible assets, such as blimps or billboards, may be used for several advertising campaigns. The costs of such assets shall be capitalized. **[Content moved from paragraph 340-20-25-16]**

> Revenues to Consider When Evaluating Future Benefits

944-30-25-1O For purposes of considering the probable future benefits of direct-response advertising, revenues associated with such advertising are as follows:

a. Primary: Revenues from sales to customers receiving and responding to the direct-response advertising
b. Secondary: Revenues that are not from sales to customers receiving and responding to the direct-response advertising.

For example, most publishers receive revenue from customers that subscribe to the publications; these subscription revenues are primary revenues. Publishers also receive secondary revenues such as advertisements in the publications (referred to as placement fees). Placement fee revenues are affected by several factors, including the total number of subscribers to the publication and the selling efforts devoted to obtaining the placement fees. **[Content moved from paragraph 340-20-25-17]**

944-30-25-1P When determining probable future revenues, those revenues shall be limited to revenues from sales to customers receiving and responding to the direct-response advertising (primary revenues). When evaluating whether the direct-response advertising results in probable future benefits (see paragraph 944-30-25-1AA(b)~~340-20-25-4(b)~~), probable future benefits shall include only primary revenues. **[Content amended as shown and moved from paragraph 340-20-25-18]**

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410. The following amendment updates the reference to paragraph 940-30-25-1AA based on the amendments that have been made to Section 944-30-25.

411. Amend paragraph 944-30-55-1F, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > Cost Determination

944-30-55-1F All other contract acquisition-related costs, including costs related to activities performed by the insurer for soliciting potential customers (except direct-response advertising capitalized in accordance with paragraph ~~944-30-25-1A(d))~~944-30-25-1AA), market research, training, and administration, should be charged to expense as incurred. Employees' compensation and fringe benefits related to those activities, unsuccessful contract acquisition efforts, and idle time should be charged to expense as incurred. Administrative costs, rent, depreciation, and all other occupancy and equipment costs are considered indirect costs and should be charged to expense as incurred.

Amendments to Subtopic 944-80

412. The following amendment reflects the removal of guidance in Subtopic 360-20 (formerly FAS 66) for transactions other than sale-leaseback transactions. The sale of real estate no longer is subject to industry-specific guidance.

413. Supersede paragraph 944-80-35-4, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Insurance—Separate Accounts

Subsequent Measurement

944-80-35-4 Paragraph superseded by Accounting Standards Update 2014-09. ~~If the asset transferred is real estate, no gain may be recognized if recognition is inconsistent with Subtopic 360-20.~~

Amendments to Subtopic 944-720

414. The following amendment updates the reference to paragraph 940-30-25-1AA based on the amendments that have been made to Section 944-30-25.

415. Amend paragraph 944-720-55-1, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Insurance—Other Expenses

Implementation Guidance and Illustrations

> Implementation Guidance

> > Certain Acquisition-Related Costs

944-720-55-1 This implementation guidance addresses paragraph 944-720-25-2(a), which requires that an insurance entity charge to expense as incurred any acquisition-related cost that cannot be capitalized in accordance with ~~paragraph~~paragraphs 944-30-25-1A through 25-1AA. Such costs include costs of all of the following:

a. Soliciting potential customers (except direct-response advertising capitalized in accordance with paragraph ~~944-30-25-1A(d)~~944-30-25-1AA)
b. Market research
c. Training
d. Administration
e. Unsuccessful acquisition or renewal efforts (except direct-response advertising capitalized in accordance with paragraph ~~944-30-25-1A(d)~~944-30-25-1AA)
f. Product development.

Amendments to Subtopic 946-605

416. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606. The following amendment also reflects the retention and relocation of some paragraphs pertaining to the treatments of costs for Financial Services—Investment Companies, rather than the revenues.

417. Supersede Subtopic 946-605, Financial Services—Investment Companies—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 946-605-05-1 amended and moved to paragraph 946-720-05-1; paragraphs 946-605-25-1 through 25-3 and 946-605-25-8 amended and moved to paragraphs 946-720-25-1 through 25-3 and 946-720-25-4; and paragraph 946-605-25-2 moved to paragraph 946-720-25-2]**

Addition of Subtopic 946-720

418. This amendment creates a new Subtopic to retain some capitalization and recognition guidance for distribution fees that has been moved from Subtopic 946-605. Additionally, in paragraph 946-720-25-2, the change in reference from Subtopic 470-20 to Subtopic 720-15 is the result of a technical correction to conform to the original source literature.

419. Add Subtopic 946-720, Financial Services—Investment Companies—Other Expenses, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Financial Services—Investment Companies—Other Expenses

Overview and Background

946-720-05-1 This Subtopic addresses ~~all of the following matters involving revenue recognition by investment advisers~~:

a. Investment adviser's **{add glossary link}**offering costs**{add glossary link}** when both **{add glossary link}**12b-1**{add glossary link}** fees and **{add glossary link}**contingent-deferred sales fees**{add glossary link}** are not received
b. Subparagraph superseded by Accounting Standards Update 2014-09 ~~Distributor transfer of rights to certain future distribution fees~~
c. Distribution ~~fees and~~ costs for mutual funds with no front-end sales fee. **[Content amended as shown and moved from paragraph 946-605-05-1]**

Scope and Scope Exceptions

> Overall Guidance

946-720-15-1 This Subtopic has its own discrete scope, which is separate and distinct from the pervasive scope for this Topic as outlined in Section 946-10-15.

> Entities

946-720-15-2 The guidance in this Subtopic applies to all investment advisers and distributors within the scope of either the Overall Subtopic (see Section 946-10-15) or Subtopic 940-10 (see Section 940-10-15).

Glossary

12b-1

Rule 12b-1 in Chapter 17 of the Code of Federal Regulations is one of the regulations implementing the Investment Company Act of 1940.

Contingent-Deferred Sales Load

A sales charge imposed directly on redeeming shareholders based on a percentage of the lesser of the redemption proceeds or original cost. The percentage may decrease or be eliminated based on the duration of share ownership (frequently decreases by 1 percent a year). Also referred to as back-end load.

Front-End Load

A sales commission or charge payable at the time of purchase of mutual fund shares.

Offering Costs

Offering costs include all of the following:

a. Legal fees pertaining to the investment company's shares offered for sale
b. Securities and Exchange Commission (SEC) and state registration fees
c. Underwriting and other similar costs
d. Costs of printing prospectuses for sales purposes
e. Initial fees paid to be listed on an exchange
f. Tax opinion costs related to offering of shares
g. Initial agency fees of securing the rating for bonds or preferred stock issued by closed-end funds.

Recognition

> Investment Adviser's Offering Costs When Both 12b-1 Fees and Contingent-Deferred Sales Fees Are Not Received

946-720-25-1 Paragraph ~~946-605-25-8~~946-720-25-4 provides guidance on accounting by investment advisers who are reimbursed, for **offering costs** paid, through both **12b-1** fees and **{add glossary link}**contingent-deferred sales fees**{add glossary link}**. Accordingly, the accounting by those investment advisers for ~~fees and~~ offering costs are outside the scope of the guidance in paragraphs ~~946-605-25-2~~946-720-25-2 through 25-3. **[Content amended as shown and moved from paragraph 946-605-25-1]**

946-720-25-2 Benefits expected from the expenditures paid by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and **{remove glossary link}contingent-deferred sales fees{remove glossary link}** do not meet the definition of an asset of the investment adviser as provided in FASB Concepts Statement No. 6, Elements of Financial Statements. Accordingly, such offering costs paid by the investment adviser shall be expensed as incurred. Initial offering costs paid by an investment adviser that does not receive both 12b-1 fees and contingent-deferred sales fees are start-up costs of the investment adviser, which should be accounted for in accordance with Subtopic ~~470-20~~720-15. **[Content amended as shown and moved from paragraph 946-605-25-2]**

946-720-25-3 The guidance in ~~the preceding~~ paragraph 946-720-25-2 applies also to distribution plans of open-end investment companies permitted under Rule 12b-1. Some closed-end interval funds incur distribution-related fees (similar to 12b-1 fees) and impose early withdrawal charges (similar to contingent-deferred sales fees) pursuant to exemptive orders issued under the Investment Company Act of 1940. In addition, certain offshore funds not subject to regulation under the Investment Company Act of 1940 also may incur fees and impose charges that are substantially the same as 12b-1 fees and contingent-deferred sales fees, respectively. Offering costs paid by an investment adviser for distribution of those funds shall be expensed as incurred unless those costs are eligible for capitalization in accordance with the guidance on incremental costs of obtaining a contract in paragraphs 340-40-25-1 through 25-4. ~~In such instances, it would be appropriate to account for offering costs incurred for distribution of those funds in a manner similar to the accounting for distribution fees specified in paragraph 946-605-25-8.~~ **[Content amended as shown and moved from paragraph 946-605-25-3]**

> Distribution ~~Fees and~~ Costs for Mutual Funds with No Front-End Sales Fee

946-720-25-4 Distributors of mutual funds that do not have a **front-end load** ~~receive fees that are designed to compensate them for the distribution of fund shares. The fees are sometimes received over a specified future period. The cost deferral method shall be used, that is, the fees shall be recognized when received, the deferred~~ shall defer and amortize the incremental direct costs ~~shall be amortized,~~ and shall expense the indirect costs ~~shall be expensed~~ when incurred. **[Content amended as shown and moved from paragraph 946-605-25-8]**

Amendments to Subtopic 948-10

420. The following amendment reflects the removal of industry-specific guidance on revenue recognition.

421. Amend paragraph 948-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Financial Services—Mortgages Banking—Overall

Overview and Background

948-10-05-1 The Financial Services—Mortgage Banking Topic establishes accounting and reporting standards for **mortgage banking entities** and entities that engage in certain mortgage banking activities. This Topic includes the following Subtopics:

a. Overall
b. Receivables
c. Other Assets and Deferred Costs
d. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
e. Other Expenses.

Amendments to Subtopic 948-605

422. The following amendment reflects the removal of industry-specific guidance on revenue recognition. That guidance has been superseded consistent with the Board's overall objective in its revenue recognition project and the addition of Topic 606.

423. Supersede Subtopic 948-605, Financial Services—Mortgage Banking—Revenue Recognition, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 950-350

424. The following amendments reflect the changes that have been made to paragraph 350-10-40-1, which reflect the Board's decisions on the gains and losses from the derecognition of nonfinancial assets in Subtopic 610-20 and revenue recognized in contracts with customers, for example, licenses in accordance with Topic 606.

425. Amend paragraph 950-350-40-1 with a link to transition paragraph 606-10-65-1.

Financial Services—Title Plant—Intangibles—Goodwill and Other

Derecognition

950-350-40-1 The sale of a **title plant** shall be reported separately as follows:

a. If an entity sells its title plant and relinquishes all rights to its future use, the reported gain or loss shall be recognized at the amount to which the entity is entitled in accordance with Subtopic 610-20 on the gains and losses from the derecognition of nonfinancial assets~~received~~ net of the adjusted cost of the title plant.
b. If an entity sells an undivided ownership interest in its title plant (that is, the right to its joint use), the reported gain or loss shall be the amount received net of a pro rata portion of the adjusted cost of the title plant.
c. If an entity sells a copy of its title plant or the right to use it, the ~~reported~~ recognized **revenue**, if in a **contract** with a **customer,** shall be accounted for in accordance with Topic 606 on revenue from contracts with customers. If the contract is not with a customer, the gain or loss shall be accounted for in accordance Subtopic 610-20.~~the amount received.~~ Ordinarily, no cost shall be allocated to the sale of a copy of or the right to use a title plant unless the value of the title plant decreases below its adjusted cost as a result of the sale (see paragraph 950-350-35-1).

Amendments to Subtopic 952-10

426. The following amendment reflects the removal of industry-specific guidance on revenue recognition. Additionally, the following amendment reflects the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs.

427. Amend paragraphs 952-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Franchisors—Overall

Overview and Background

952-10-05-1 The Franchisors Topic establishes accounting and reporting standards for franchisors.~~ It addresses franchise fee revenue from individual and **area franchise** sales and when all material services or conditions relating to the sale have been substantially performed or satisfied by the **franchisor**. This Topic also establishes accounting standards for **continuing franchise fees**, continuing product sales, agency sales, repossessed franchises, franchising costs, commingled revenue, and relationships between a franchisor and a **franchisee**.~~

952-10-05-2 The Franchisors Topic includes the following Subtopics:

a. Overall
b. Subparagraph superseded by Accounting Standards Update 2014-09~~Other Assets and Deferred Costs~~
c. Commitments
d. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
e. Other Expenses
f. Consolidations.

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428. The following amendment reflects the removal of the guidance on franchise fee revenue because that guidance is within the scope of Topic 606.

429. Amend paragraph 952-10-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

952-10-15-3 The guidance in this Topic applies to the following:

a. Subparagraph superseded by Accounting Standards Update 2014-09~~Franchise fee revenue that is obtained through a **franchise agreement**~~
b. Costs associated with franchising activities
c. Transactions between the franchisor and franchisee.

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430. The following amendment reflects the relocation of guidance from paragraph 952-605-50-3 because it provides guidance on general disclosure requirements for franchisors.

431. Add Section 952-10-50, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

General

952-10-50-1 If there are significant changes in **franchisor**-owned outlets or franchised outlets during the period, the number of the following shall be disclosed:

a. Franchises sold
b. Franchises purchased during the period
c. Franchised outlets in operation
d. Franchisor-owned outlets in operation. **[Content moved from paragraph 952-605-50-3]**

Amendments to Subtopic 952-340

432. Subtopic 952-340, Franchisors—Other Assets and Deferred Costs, provided guidance on accounting for deferred costs by franchisors and has been superseded because of the removal of Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs. Subtopic 340-20 provided guidance on the accounting and reporting for capitalized advertising costs, specifically for direct-response advertising that may result in a reported asset. That guidance has been superseded consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers.

433. Supersede Subtopic 952-340, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 952-605

434. The following amendment reflects the removal of industry-specific guidance on revenue recognition. The following amendment also reflects the relocation to Subtopic 952-720 on other expenses of paragraph 952-605-45-1 because of its related cost guidance. Paragraph 952-605-50-3 has been moved to paragraph 952-10-50-1 because it provides guidance for general disclosures for franchisors.

435. Supersede Subtopic 952-605, Franchisors—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 952-605-50-3 moved to paragraph 952-10-50-1, and paragraph 952-605-45-1 amended and moved to paragraph 952-720-45-1]**

Amendments to Subtopic 952-720

436. The following amendment reflects the removal of the industry-specific guidance in Subtopic 952-340 on deferred franchise costs. Those costs are now subject to the guidance on other assets and deferred costs from contracts with customers in Subtopic 340-40.

437. Amend paragraph 952-720-25-2, with a link to transition paragraph 606-10-65-1, as follows:

Franchisors—Other Expenses

Recognition

952-720-25-2 Indirect costs of a regular and recurring nature that are incurred irrespective of the level of sales, such as general, selling, and administrative costs, shall be expensed as incurred. For guidance on ~~deferred franchise costs~~ accounting for the incremental costs of obtaining a **contract** with a **customer**, see Subtopic 340-40~~Section 952-340-25~~.

438. The following amendment reflects the relocation of guidance on the presentation of revenue and costs related to franchised outlets.

439. Add paragraph 952-720-45-1, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

952-720-45-1 ~~Revenue and costs~~Costs related to **franchisor**-owned outlets shall be distinguished from ~~revenue and~~ costs related to franchised outlets when practicable. That may be done by segregating ~~revenue and~~ costs related to franchised outlets. **[Content amended as shown and moved from paragraph 952-605-45-1]**

440. Supersede Section 952-720-50, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 954-10

441. The following amendment reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue, and the addition of conforming guidance in Topic 606.

442. Amend paragraph 954-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Overall

Overview and Background

954-10-05-1 The Health Care Entities Topic includes the following Subtopics relating specifically to entities in the health care industry:

a. Overall
b. Presentation of Financial Statements
c. Balance Sheet
d. Income Statement
e. Segment Reporting
f. Cash and Cash Equivalents
g. Receivables
h. Investments—Debt and Equity Securities
i. Investments—Other
j. Other Assets and Deferred Costs
k. Property, Plant, and Equipment
l. Liabilities
m. Subparagraph superseded by Accounting Standards Update 2014-09~~Deferred Revenue~~
n. Commitments
o. Contingencies
p. Guarantees
q. Debt
r. Revenue Recognition—Charity Care and Related Fundraising Entities
s. Other Expenses
t. Income Taxes
tt. Business Combinations (Mergers and Acquisitions)
u. Consolidation
v. Derivatives and Hedging
w. Financial Instruments.

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443. The following amendment adds a link to the Master Glossary for the term *prepaid health care plans.*

444. Amend paragraph 954-10-15-1B, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Overall

Scope and Scope Exceptions

954-10-15-1B The Health Care Entities Topic applies to the following types of health care entities:

a. Clinics, medical group practices, individual practice associations, individual practitioners, emergency care facilities, laboratories, surgery centers, and other ambulatory care entities
b. Continuing care retirement communities
c. Health maintenance organizations and similar **{add glossary link}**prepaid health care plans**{add glossary link}**
d. Home health agencies
e. Hospitals
f. Nursing homes that provide skilled, intermediate, and less intensive levels of health care
g. Drug and alcohol rehabilitation centers and other rehabilitation facilities
h. Integrated delivery systems that include one or more of the above types of entities.

Amendments to Subtopic 954-225

445. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606.

446. Amend paragraphs 954-225-45-4 through 45-5, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Income Statement

Other Presentation Matters

> Performance Indicator and Intermediate Operating Measures

954-225-45-4 The statement of operations for not-for-profit, business-oriented health care entities shall include a performance indicator. Because of the importance of the performance indicator, it shall be clearly labeled with a descriptive term such as revenues over expenses, revenues and gains over expenses and losses, recognized ~~earned~~ income, or performance earnings. Not-for-profit, business-oriented health care entities shall report the performance indicator in a statement that also presents the total changes in unrestricted net assets. Other changes in net assets may be presented separately or in the same statement.

954-225-45-5 Classifying revenues, expenses, gains, and losses within classes of net assets does not preclude incorporating additional classifications within the performance indicator. For example, within a class or classes of changes in net assets, an NFP may classify items as operating and nonoperating, expendable and nonexpendable, recognized and unrecognized ~~earned and unearned~~, recurring and nonrecurring, or in other ways.

Amendments to Subtopic 954-310

447. The amendment in paragraph 954-310-05-2 reflects the replacement of the term *realizable* with *recognized* because the term *realizable* is inconsistent for recognizing revenue in Topic 606. The amendment in paragraph 954-310-05-3 reflects the removal of recognition and measurement guidance for receivables that is inconsistent with the recognition and measurement guidance for revenue in Topic 606.

448. Amend paragraphs 954-310-05-2 through 05-3, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Receivables

Overview and Background

954-310-05-2 Amounts due~~realizable~~ from third-party payors for health care services are usually less than the provider's full established rates for those services. The receivable amounts may be determined by any of the following:

a. Contractual agreement with others (such as Blue Cross plans, Medicare, Medicaid, or **health maintenance organizations**)
b. Legislation or regulation (such as workers' compensation or no-fault insurance)
c. Provider policy or practice (such as courtesy discounts to medical staff members and employees or other administrative adjustments).

> Third-Party Settlements

954-310-05-3 ~~A reasonable estimate of the amount receivable from or payable to third-party payors shall be made in the same period that the related services are rendered.~~ Some third-party payors retrospectively determine final amounts reimbursable for services rendered to their beneficiaries based on allowable costs. These payors reimburse the health care entity on the basis of interim payment rates until the retrospective determination of allowable costs can be made. In most instances, the accumulation and allocation of allowable costs and other factors result in final settlements different from the interim payment rates. Final settlements are determined after the close of the fiscal periods to which they apply and may affect materially the health care entity's financial position and results of operations.

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449. The following amendment reflects the removal of the recognition and measurement guidance for receivables that is inconsistent with the recognition and measurement guidance in Topic 606.

450. Amend paragraph 954-310-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

954-310-25-1 ~~Receivables for health care services usually are recorded in the accounting records at the provider's full established rates.~~ The provision of charity care does not qualify for recognition as receivables in the financial statements.

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451. The following amendment clarifies the difference in the guidance for adjustments of a recorded receivable balance between an adjustment due to:

a. A change in variable consideration that will be accounted for in accordance with changes in the transaction price in Topic 606
b. A change in estimated collectability of a receivable that will be accounted for in accordance with Topic 310, Receivables.

452. Amend paragraph 954-310-30-1, with a link to transition paragraph 606-10-65-1, as follows:

Initial Measurement

954-310-30-1 Contractual ~~adjustments, discounts,~~adjustments and discounts are variable consideration and shall be measured in accordance with paragraphs 606-10-32-5 through 32-14. ~~and an~~An allowance for uncollectibles shall be recorded in accordance with Topic 310.~~to measure the receivables for health care services initially at net realizable value. Paragraph 954-605-25-6 explains that estimates of contractual adjustments, other adjustments, and the allowance for uncollectibles shall be reported in the period during which the services are provided even though the actual amounts may become known at a later date.~~

453. The following amendment conforms the language in paragraph 954-310-35-1 with the language used in paragraph 954-310-30-1. Receivables can be adjusted as a result of changes in estimates of variable consideration, which is governed by Topic 606, or changes in the estimated collectibility of the receivables, which is governed by Topic 310.

454. Amend paragraph 954-310-35-1, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

954-310-35-1 Contractual ~~adjustments, discounts,~~ adjustments and discounts shall be subsequently measured in accordance with paragraphs 606-10-32-5 through 32-14 and paragraphs 606-10-32-42 through 32-45. ~~and an~~An allowance for uncollectibles shall be ~~recorded~~subsequently measured in accordance with Topic 310.~~to measure the receivables for health care services subsequently at net realizable value.~~

455. Amend paragraph 954-310-45-1, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

> Accounts Receivable

954-310-45-1 Receivables shall be reported net of an allowance for doubtful accounts. (See also the guidance in paragraphs 606-10-45-1 through 45-5 on presenting receivables, **contract assets**, and **contract liabilities**). Although the aggregate amount of receivables may include balances due from patients and third-party payors (including final settlements and appeals), the amounts due from third-party payors for retroactive adjustments of items such as final settlements or appeals shall be reported separately in the financial statements.

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456. The following amendment reflects the removal of industry-specific guidance on receivables for health care entities. All contracts with customers, including the health care industry, will be subject to the guidance in Topic 606 and the impairment of receivable guidance in Topic 310.

457. Supersede paragraph 954-310-50-3, with a link to transition paragraph 606-10-65-1, as follows:

Disclosures

954-310-50-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~A health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay shall disclose both of the following for interim and annual periods:~~

- ~~a. Its policy for assessing the timing and amount of uncollectible patient service revenue recognized as bad debts by major payor source of revenue. Major payor sources of revenue shall be identified by the entity and be consistent with how the entity manages its business (for example, how it assesses credit risk). For example, one entity's accounting system may classify patient accounts receivables arising from deductibles and coinsurance as part of third-party receivables, another may classify deductibles and coinsurance as self-pay receivables, and another may classify deductibles and coinsurance as either third-party or self-pay receivables on the basis of which party has the primary remaining financial responsibility.~~
- ~~b. Qualitative and quantitative information about significant changes in the allowance for doubtful accounts related to patient accounts receivable. This may include information such as significant changes in estimates and underlying assumptions, the amount of self-pay writeoffs, the amount of third-party payor writeoffs, and other unusual transactions impacting the allowance for doubtful accounts.~~

~~See paragraphs 954-310-55-1 through 55-3 for an Example of this disclosure.~~

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458. The following amendment reflects the removal of industry-specific guidance and examples on receivables for health care entities. Those examples illustrate how the disclosure guidance in paragraph 954-310-50-3 might be applied, and paragraph 954-310-50-3 has been superseded.

459. Supersede paragraphs 954-310-55-1 through 55-3, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Receivables

Implementation Guidance and Illustrations

~~> Illustrations~~

954-310-55-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~This Example illustrates how the disclosure guidance in paragraph 954-310-50-3 might be applied. Other presentations also may be appropriate depending on~~

~~how an entity manages its business (for example, how an entity assesses credit risk).~~

954-310-55-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, Entity A analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Entity A analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Entity A records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.~~

954-310-55-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~Entity A's allowance for doubtful accounts for self-pay patients increased from 90 percent of self-pay accounts receivable at December 31, 20X1, to 95 percent of self-pay accounts receivable at December 31, 20X2. In addition, Entity A's self-pay writeoffs increased $1,000,000 from $8,000,000 for fiscal year 20X1 to $9,000,000 for fiscal year 20X2. Both increases were the result of negative trends experienced in the collection of amounts from self-pay patients in fiscal year 20X2. Entity A has not changed its charity care or uninsured discount policies during fiscal years 20X1 or 20X2. Entity A does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant writeoffs from third-party payors.~~

Amendments to Subtopic 954-340

460. The following amendments reflect the removal of the guidance on accounting for costs of acquiring initial continuing-care contracts. This industry-specific guidance has been amended consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers.

461. Supersede Section 954-340-25, with a link to transition paragraph 606-10-65-1.

462. The following amendment reflects the removal of the guidance on accounting for costs of acquiring initial continuing-care contracts. This industry-specific guidance has been amended consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers.

463. Supersede paragraph 954-340-35-1 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Other Assets and Deferred Costs

Subsequent Measurement

~~> Continuing Care Retirement Community—Costs of Acquiring Initial Continuing-Care Contracts~~

954-340-35-1 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Capitalized costs shall be amortized to expenses on a straight-line basis over the average expected remaining lives of the residents under the contract or the contract term, if shorter.~~

Amendments to Subtopic 954-405

464. The following amendment reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue and Contract Liabilities. This amendment also removes the reference to paragraph 954-605-05-3 because that paragraph has been superseded.

465. Amend paragraph 954-405-25-1 and supersede paragraph 954-405-25-3 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Liabilities

Recognition

> Health Care Contracting

954-405-25-1 If a capitation contract ~~(see paragraph 954-605-05-3)~~ obligates the provider to assume the risk of physician referrals and other outside services, a liability for unpaid claims, including incurred but not reported claims, shall be established. A lag analysis may be helpful in estimating the liability.

~~**> Continuing Care Retirement Community—Advance Fees**~~

954-405-25-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~See Subtopic 954-430 for guidance on advance fees received by a continuing care retirement community.~~

Amendments to Subtopic 954-430

466. This Subtopic provides guidance on accounting for deferred revenue for health care entities within the scope of Topic 954, specifically, deferred revenues of continuing-care retirement communities. The removal of that guidance reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue and Contract Liabilities.

467. Supersede Subtopic 954-430, Health Care Entities—Deferred Revenue, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 954-440

468. The following amendments move background information on continuing-care retirement communities that was previously included in Subtopic 954-605 and remains necessary to provide context for the provision for loss requirement that has been retained in accordance with the Board's decisions.

469. Add paragraphs 954-440-05-3 through 05-10, and their related headings with a link to transition paragraph 606-10-65-1, as follows:

Heath Care Entities—Commitments

Overview and Background

> Continuing Care Retirement Community

954-440-05-3 Continuing care retirement community facilities may be independent or they may be affiliated with other health care facilities. They usually provide less intensive care than do hospitals. They generally supply required continuous nursing service or appropriate assistance to residents who have a wide range of medical conditions and needs. **[Content moved from paragraph 954-605-05-7]**

> > Types of Contracts

954-440-05-4 Continuing care retirement communities use the following three basic types of contracts:

a. An all-inclusive continuing-care contract includes residential facilities, meals, and other amenities. It also provides long-term nursing care for little or no increase in periodic fees, except to cover normal operating costs and inflation.
b. A modified continuing-care contract also includes residential facilities, meals, and other amenities. However, only a specified amount of long-term nursing care is provided for little or no increase in periodic fees, except to cover normal operating costs and inflation. After the specified amount of nursing care is used, residents pay either a discounted rate or the full per diem rates for required nursing care.
c. A fee-for-service continuing-care contract includes residential facilities, meals, and other amenities as well as emergency and infirmary nursing care. Access to long-term nursing care is guaranteed, but it may be required at full per diem rates. **[Content moved from paragraph 954-605-05-8]**

954-440-05-5 Many continuing-care contracts are similar to annuity contracts. Under those contracts, the continuing care retirement community assumes the risks associated with both of the following:

a. Estimating the amount of the advance fee and other fees to be paid by a resident
b. Determining whether such fees will be sufficient to cover the cost of providing a resident's required services and the use of facilities.

For some contracts, residents may share the future costs without limit. The continuing care retirement community has an obligation to provide future services for the length of the contract or the life of the resident. In certain circumstances, this obligation continues regardless of whether advance fees or periodic fees are sufficient to meet the costs of providing services to a resident. **[Content moved from paragraph 954-605-05-9]**

> > Fee and Payment Methods

954-440-05-6 A continuing care retirement community may require several different payment methods for services and the use of facilities. The following are the three most prevalent methods:

a. Advance fee only. Under this method, a resident pays an advance fee in return for future services and the use of facilities. Such services generally include continuing care retirement community housing-related services (for example, meals, laundry, housekeeping, and social services) and health care. These services usually are provided to the resident for the remainder of his or her life or until the contract is terminated. Additional periodic fees are not paid, regardless of how long a resident lives or if the resident requires more services than anticipated. Generally, the resident receives no ownership interest in the facility.

b. Advance fee with periodic fees. Under this method, a resident pays an advance fee and periodic fees for services and the use of facilities. Such periodic fees may be fixed, or they may be subject to adjustment for increases in operating costs or inflation or for other economic reasons.

c. Periodic fees only. Under this method, a resident pays a fee at periodic intervals for services and the use of the facilities provided by the continuing care retirement community. Such fees may be either fixed or adjustable. **[Content moved from paragraph 954-605-05-10]**

954-440-05-7 An advance fee may be met by transferring a resident's personal assets (which may include rights to future income) or by paying a lump sum of cash to the continuing care retirement community. Advance fees received for future services may be refunded at the occurrence of some future event, such as death, withdrawal from the continuing care retirement community, termination of the contract, or reoccupancy of a residential unit. The amount of the refund generally is based on contractual provisions or statutory requirements. **[Content moved from paragraph 954-605-05-11]**

> > Refundable Advance Fees

954-440-05-8 Payment of an advance fee generally is required before a resident acquires a right to reside in an apartment or residential unit for life. A portion of advance fees may be refundable by rescission within a legally set time period or if a certain future event occurs, such as the death or withdrawal of a resident or termination of the contract. Some refunds are paid only if a residential unit is reoccupied. ~~See also Subtopic 954-430 for further guidance on advance fees.~~ **[Content amended as shown and moved from paragraph 954-605-05-12]**

> > > Refund Policies

954-440-05-9 Continuing care retirement community refund policies vary either by region or according to statutory requirements, but generally the amount of the refund is based on provisions specified in a contract. For example, some contracts require a refund of the advance fee, less a reasonable processing fee. Amounts refunded may be based on a fixed amount or percentage, an amount that declines to a fixed amount over time, an amount that declines to zero, or an amount based on the resale amount. Refunds may be contingent on vacating the unit, resale of the unit, or passage of a fixed period of time if the unit is not resold. **[Content moved from paragraph 954-605-05-13]**

> > > Fees Refundable to Residents Only from Reoccupancy Proceeds of a Contract Holder's Unit

954-440-05-10 Some contracts between a continuing care retirement community and a resident stipulate that all or a portion of the advance fee may be refundable if the contract holder's unit is reoccupied by another person. The source of money for the payment is from the proceeds of the advance fees collected by the continuing care retirement community from the next resident of the reoccupied unit. The terms governing how the proceeds from the next resident are to be paid to the previous resident vary from contract to contract.~~ In effect, the continuing care retirement community acts as if it were an agent for present and future residents.~~ **[Content amended as shown and moved from paragraph 954-605-05-14]**

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470. The following amendment removes the reference to paragraph 954-430-35-1, which has been superseded. The following amendment also adds language to conform with the language used in Topic 606. Paragraphs 954-440-35-1 through 35-2 have not been amended but are provided for context.

471. Amend paragraph 954-440-35-3, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> Continuing Care Retirement Community

954-440-35-1 The obligation of a continuing care retirement community to provide future services and the use of facilities to current residents shall be subsequently measured annually in order to determine whether a liability shall be reported in the financial statements.

954-440-35-2 If the advance fees and periodic fees charged are insufficient to meet the costs of providing future services and the use of facilities, the continuing care retirement community shall record a liability based on actuarial assumptions (such as mortality and morbidity rates), on estimates of future costs and revenues, and on the specific continuing care retirement community's historical experience and statistical data. The liability is equal to the amount that is expected to be incurred to provide services and the use of facilities to individuals over their remaining lives under continuing care contracts (including resident-care, dietary, health care, facility, interest, depreciation, and amortization costs) in excess of the related anticipated revenues.

954-440-35-3 The liability related to continuing-care contracts shall be the present value of future net cash flows, minus the balance of ~~unamortized~~ deferred revenue (**contract liability**) (see Topic 606), plus depreciation of facilities to be charged related to the contracts, plus any unamortized incremental costs of obtaining a contract (see Subtopic 340-40) ~~of acquiring the related initial continuing-care contracts~~, if applicable. The calculation shall be made by grouping contracts by type, such as all contracts with a limit on annual increases in fees, contracts with unlimited fee increases, and so forth. Cash inflows shall include revenue contractually committed to support the residents and inflows resulting from monthly fees including anticipated increases in accordance with contract terms. This shall include third-party payments, contractually or statutorily committed investment income from services related to continuing care retirement community activities, **contributions** pledged by donors to support continuing care retirement community activities, and the volume of deferred nonrefundable advance fees. Cash outflows shall be composed of operating expenses, including interest expense and excluding selling, and general and administrative expenses. Anticipated cost increases affecting these operating expenses shall be considered in determining cash outflows. The expected inflation rate as well as other factors shall be considered in determining the discount rate. In calculating the liability, the specific continuing care retirement community's historical experience or statistical data relating to the residents' life spans shall be used. The life spans used shall be the same as those used to~~ amortize deferred~~ recognize revenue~~ (see paragraph 954-430-35-1)~~. For a new continuing care retirement community, either relevant data of similar communities in the area or relevant national industry statistics may be used if they are deemed to be representative.

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472. The following amendment removes the reference to paragraph 954-430-35-1, which has been superseded. The following amendment also adds language to conform with the language used in Topic 606.

473. Amend paragraphs 954-440-55-1 and 954-440-55-4, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Continuing Care Retirement Community—Accounting for the Obligation to Provide Services and the Use of Facilities to Current Residents

954-440-55-1 This Example illustrates the guidance in Sections 954-440-25 and 954-440-35. This Example has the following assumptions:

a. All residents pay a $ 50,000 fee, which is refundable less 2 percent per month for the first 36 months. After that period, none of the fee is refundable. The continuing care retirement community opened on

1/1/X4. ~~(See Example 1 [paragraph 954-430-55-1] for an illustration of how to compute refundable and deferred revenue.)~~

b. An additional periodic fee of $1,000 is payable monthly with a 5 percent increase annually.

c. The~~ unamortized (deferred) costs of acquiring related initial contracts~~ asset recognized for the incremental cost of obtaining the contract on 12/31/X6 is~~are~~ assumed to be $17,000.

d. The ~~unamortized~~ deferred revenue (**contract liability**) on 12/31/X6 is assumed to be $27,027.

954-440-55-2 The following tables illustrate the present value of net cash flow on 12/31/X6.

Resident	**Estimated Remaining Life (in Months) on 12/31/X6**	**Estimated Cash Inflows** 19X7	19X8	19X9	20X0
A	36	$ 12,000	$ 12,600	$ 13,230	-
B	22	12,000	10,500	-	-
C	27	12,000	12,600	3,308	-
D	38	12,000	12,600	13,230	$ 2,315
Estimated cash inflows		$ 48,000	$ 48,300	$ 29,768	$ 2,315

Resident	**Estimated Remaining Life (in Months) on 12/31/X6**	**Estimated Cash Inflows** 19X7	19X8	19X9	20X0
A	36	$ 10,000	$ 12,000	$ 15,000	-
B	22	15,000	11,000	-	-
C	27	14,000	17,000	5,000	-
D	38	8,000	12,000	14,000	$ 4,000
Estimated cash outflows		$ 47,000	$ 52,000	$ 34,000	$ 4,000

Recapitulation	**19X7**	**19X8**	**19X9**	**20X0**
Cash inflows	$ 48,000	$ 48,300	$ 29,768	$ 2,315
Cash outflows	(47,000)	(52,000)	(34,000)	(4,000)
	$ 1,000	$ (3,700)	$ (4,232)	$ (1,685)
Present value of net cash flows discounted at 10 percent				$ (7,137)

954-440-55-3 The following tables illustrate the depreciation of facilities to be charged to current residents.

Original cost of facility	$	17,000,000
Cost of facility allocable to revenue-producing service areas	$	(2,000,000)
Cost of facility to be allocated to residents (including common areas)	$	15,000,000
Useful life		40 years
Annual depreciation using straight-line method	$	375,000
Number of residents expected to occupy the facility		200
Annual depreciation per resident	$	1,875
Monthly depreciation per resident	$	156

Resident	Estimated Remaining Life (in Months) on 12/31/X6	19X7	19X8	19X9	20X0
A	36	$ 1,875	$ 1,875	$ 1,875	-
B	22	1,875	1,560	-	-
C	27	1,875	1,875	468	-
D	38	1,875	1,875	1,875	$ 312
Yearly estimated depreciation of facilities to be charged to current residents		$ 7,500	$ 7,185	$ 4,218	$ 312
Total estimated depreciation of the use of facilities to be charged to the current residents					$ 19,215

954-440-55-4 The following table illustrates the liability for providing future services and the use of facilities to current residents.

Present value of future net cash outflows	$ 7,137	
Minus:		
~~Unamortized deferred~~ Deferred revenue (contract liability) on 12/31/X6	$ (27,027)	
Plus:		
Depreciation to be charged to current residents	$ 19,215	
~~Unamortized costs of acquiring initial contracts~~ Asset recognized for the incremental cost of obtaining the contract—see paragraph 954-440-55-1(c)	$ 17,000	(a)
Liability for providing future services and the use of facilities to current residents on 12/31/X6	$ 16,325	

(a) These numbers are for illustrative purposes only and no inference has been made as to the recoverability of the $17,000.

Amendments to Subtopic 954-450

474. The following amendment clarifies the existing onerous guidance.

475. Amend paragraph 954-450-30-4, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Contingencies

Initial Measurement

954-450-30-4 Losses under **prepaid health care services** contracts shall be recognized when it is probable that expected future health care costs and maintenance costs under a group of existing contracts will exceed anticipated future premiums and stop-loss insurance recoveries on those contracts. To determine the need to recognize a loss, contracts ~~Contracts~~ shall be grouped in a manner consistent with the provider's method of establishing premium rates, for example, by community rating practices, geographical area, or statutory requirements, to determine whether a loss has been incurred.

Amendments to Subtopic 954-605

476. The following amendments reflect the removal of industry-specific guidance for revenue recognition; however, a portion of Subtopic 954-605 has been retained to provide guidance for revenue not within the scope of Topic 606, specifically, guidance on contributions from related fundraising entities and charity care. The amendment to paragraph 954-605-05-6 reflects the removal of the term *earned* because *earned* is not a criterion for recognizing revenue in Topic 606. The amendment to paragraph 954-605-05-12 reflects the removal of Subtopic 954-430. Finally, the guidance on continuing-care retirement

communities (CCRCs) has been moved from this Subtopic to Subtopic 954-440, Health Care Entities—Commitments.

477. Amend the title of Subtopic 954-605 and add the General Note as follows:

Health Care Entities—Revenue Recognition—Charity Care and Related Fundraising Entities

General Note on Health Care Entities—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Health Care Entities—Revenue Recognition—Charity Care and Related Fundraising Entities.

478. Amend paragraph 954-605-05-1 and supersede paragraphs 954-605-05-2 through 05-14 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

954-605-05-1~~This Subtopic~~Topic 606 on **revenue** from **contracts** with **customers** provides guidance on revenue recognition for contracts with customers for health care entities within the scope of this Topic. This Subtopic provides recognition guidance for:

a. Charity care
b. Related fundraising entities.

954-605-05-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~Examples of revenue include all of the following:~~

~~a. Patient service revenue, which is derived from fees charged for patient care. This may be based on **diagnosis-related group** payments, resource-based relative value scales payments, per diems, discounts, or other fee-for-service arrangements.~~
~~b. Premium revenue, which is derived from capitation arrangements. See paragraph 954-605-05-6.~~
~~c. Resident service revenue, which may be related to maintenance fees, rental fees, or amortization of advance fees.~~

954-605-05-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~Generally, **capitation fees** or payments are made at the beginning of each month and obligate the provider to render covered services during the month.~~

954-605-05-4 Paragraph superseded by Accounting Standards Update 2014-09. ~~Other revenue, gains, or losses are derived from services other than providing health care services or coverage to patients, residents, or enrollees. These typically include the following:~~

a. ~~Interest and dividends from all funds held by a trustee, malpractice funds, or other miscellaneous investment activities~~
b. ~~Certain realized changes in fair values of marketable securities~~
c. ~~Fees from educational programs, which include tuition for schools (such as nursing) or laboratory and X-ray technology~~
d. ~~Rental of health care facility space~~
e. ~~Sales of medical and pharmaceutical supplies to employees, physicians, and others~~
f. ~~Fees charged for transcripts for lawyers, insurance entities, and others~~
g. ~~Proceeds from sale of cafeteria meals and guest trays to employees, medical staff, and visitors~~
h. ~~Proceeds from sale of scrap, used X-ray film, and so forth~~
i. ~~Proceeds from sales at gift shops, snack bars, newsstands, parking lots, vending machines, or other service facilities operated by the health care entity.~~

~~> Rate Setting~~

954-605-05-5 Paragraph superseded by Accounting Standards Update 2014-09. ~~Payment rates established by regulations or contractual agreements may be determined either~~ **~~prospectively~~** ~~or~~ **~~retrospectively~~**~~.~~

~~> Premium Revenue~~

954-605-05-6 Paragraph superseded by Accounting Standards Update 2014-09. ~~In many cases, revenues are generated as a result of an agreement to provide health care rather than from the actual provision of services. For example, an integrated delivery system may agree to provide all health-related services for a specified group residing within its primary service area for an agreed-upon amount per member per month. These revenues are premium revenues, not patient service revenues, since they are earned by agreeing to provide care, regardless of whether services actually are rendered.~~

~~> Continuing Care Retirement Community~~

954-605-05-7 Paragraph superseded by Accounting Standards Update 2014-09. ~~Continuing care retirement community facilities may be independent or they may be affiliated with other health care facilities. They usually provide less intensive care than do hospitals. They generally supply required continuous nursing service or appropriate assistance to residents who have a wide range of medical conditions and needs.~~ **[Content moved to paragraph 954-440-05-3]**

~~**> > Types of Contracts**~~

954-605-05-8 Paragraph superseded by Accounting Standards Update 2014-09. ~~Continuing care retirement communities use the following three basic types of contracts:~~

~~a. An all-inclusive continuing-care contract includes residential facilities, meals, and other amenities. It also provides long-term nursing care for little or no increase in periodic fees, except to cover normal operating costs and inflation.~~
~~b. A modified continuing-care contract also includes residential facilities, meals, and other amenities. However, only a specified amount of long-term nursing care is provided for little or no increase in periodic fees, except to cover normal operating costs and inflation. After the specified amount of nursing care is used, residents pay either a discounted rate or the full per diem rates for required nursing care.~~
~~c. A fee-for-service continuing-care contract includes residential facilities, meals, and other amenities as well as emergency and infirmary nursing care. Access to long-term nursing care is guaranteed, but it may be required at full per diem rates.~~ **[Content moved to paragraph 954-440-05-4]**

954-605-05-9 Paragraph superseded by Accounting Standards Update 2014-09. ~~Many continuing-care contracts are similar to annuity contracts. Under those contracts, the continuing care retirement community assumes the risks associated with both of the following:~~

~~a. Estimating the amount of the advance fee and other fees to be paid by a resident~~
~~b. Determining whether such fees will be sufficient to cover the cost of providing a resident's required services and the use of facilities.~~

~~For some contracts, residents may share the future costs without limit. The continuing care retirement community has an obligation to provide future services for the length of the contract or the life of the resident. In certain circumstances, this obligation continues regardless of whether advance fees or periodic fees are sufficient to meet the costs of providing services to a resident.~~ **[Content moved to paragraph 954-440-05-5]**

~~**> > Fee and Payment Methods**~~

954-605-05-10 Paragraph superseded by Accounting Standards Update 2014-09. ~~A continuing care retirement community may require several different payment methods for services and the use of facilities. The following are the three most prevalent methods:~~

a. ~~Advance fee only. Under this method, a resident pays an advance fee in return for future services and the use of facilities. Such services generally include continuing care retirement community housing-related services (for example, meals, laundry, housekeeping, and social services) and health care. These services usually are provided to the resident for the remainder of his or her life or until the contract is terminated. Additional periodic fees are not paid, regardless of how long a resident lives or if the resident requires more services than anticipated. Generally, the resident receives no ownership interest in the facility.~~
b. ~~Advance fee with periodic fees. Under this method, a resident pays an advance fee and periodic fees for services and the use of facilities. Such periodic fees may be fixed, or they may be subject to adjustment for increases in operating costs or inflation or for other economic reasons.~~
c. ~~Periodic fees only. Under this method, a resident pays a fee at periodic intervals for services and the use of the facilities provided by the continuing care retirement community. Such fees may be either fixed or adjustable.~~ **[Content moved to paragraph 954-440-05-6]**

954-605-05-11 Paragraph superseded by Accounting Standards Update 2014-09. ~~An advance fee may be met by transferring a resident's personal assets (which may include rights to future income) or by paying a lump sum of cash to the continuing care retirement community. Advance fees received for future services may be refunded at the occurrence of some future event, such as death, withdrawal from the continuing care retirement community, termination of the contract, or reoccupancy of a residential unit. The amount of the refund generally is based on contractual provisions or statutory requirements.~~ **[Content moved to paragraph 954-440-05-7]**

~~**> > Refundable Advance Fees**~~

954-605-05-12 Paragraph superseded by Accounting Standards Update 2014-09. ~~Payment of an advance fee generally is required before a resident acquires a right to reside in an apartment or residential unit for life. A portion of advance fees may be refundable by rescission within a legally set time period or if a certain future event occurs, such as the death or withdrawal of a resident or termination of the contract. Some refunds are paid only if a residential unit is reoccupied. See also Subtopic 954-430 for further guidance on advance fees.~~ **[Content moved to paragraph 954-440-05-8]**

~~**> > > Refund Policies**~~

954-605-05-13 Paragraph superseded by Accounting Standards Update 2014-09. ~~Continuing care retirement community refund policies vary either by region or according to statutory requirements, but generally the amount of the refund is~~

~~based on provisions specified in a contract. For example, some contracts require a refund of the advance fee, less a reasonable processing fee. Amounts refunded may be based on a fixed amount or percentage, an amount that declines to a fixed amount over time, an amount that declines to zero, or an amount based on the resale amount. Refunds may be contingent on vacating the unit, resale of the unit, or passage of a fixed period of time if the unit is not resold.~~ **[Content moved to paragraph 954-440-05-9]**

~~**> > > Fees Refundable to Residents Only from Reoccupancy Proceeds of a Contract Holder's Unit**~~

954-605-05-14 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~Some contracts between a continuing care retirement community and a resident stipulate that all or a portion of the advance fee may be refundable if the contract holder's unit is reoccupied by another person. The source of money for the payment is from the proceeds of the advance fees collected by the continuing care retirement community from the next resident of the reoccupied unit. The terms governing how the proceeds from the next resident are to be paid to the previous resident vary from contract to contract. In effect, the continuing care retirement community acts as if it were an agent for present and future residents.~~ **[Content moved to paragraph 954-440-05-10]**

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479. The following amendment to paragraph 954-605-25-1 reflects the removal of the reference to industry-specific revenue guidance that has been superseded. Paragraphs 954-605-25-2 through 25-9 provide guidance on revenue from health care services and rate-setting methods and also have been superseded because they provided industry-specific revenue guidance. Paragraphs 954-605-25-10 through 25-11 are unamended and included to provide context for the other amendments.

480. Amend paragraph 954-605-25-1 and supersede paragraphs 954-605-25-2 through 25-9 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

954-605-25-1 This Section provides recognition guidance for the following:

a. <u>Subparagraph superseded by Accounting Standards Update 2014-09</u>~~Revenue from health care services, including capitation payments made periodically during the year~~
b. <u>Subparagraph superseded by Accounting Standards Update 2014-09</u>~~Rate setting methods~~

c. **Charity care**
d. Related fundraising entities.

~~**> Revenue from Health Care Services**~~

954-605-25-2 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Revenue usually is recorded when coverage is provided to an enrollee or the service is provided to a patient or resident. An enrollee is an individual who is a subscriber or an eligible dependent of a subscriber in a **prepaid health care plan**.~~

954-605-25-3 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~In general, gross service revenue is recorded in the accounting records on an accrual basis at the provider's established rates, regardless of whether the health care entity expects to collect that amount.~~

954-605-25-4 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~The provision for contractual adjustments (that is, the difference between established rates and expected third-party payor payments) and discounts (that is, the difference between established rates and the amount billable) are recognized on an accrual basis. These amounts are deducted from gross service revenue to determine net service revenue.~~

954-605-25-5 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Paragraph 954-310-05-2 states that amounts realizable from third-party payors for health care services are usually less than the provider's full established rates for those services.~~

954-605-25-6 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Estimates of contractual adjustments, other adjustments, and the allowance for uncollectibles shall be reported in the period during which the services are provided even though the actual amounts may become known at a later date. This later date may be any one of the following:~~

~~a. When the person is discharged~~
~~b. Subsequent to discharge or completion of service~~
~~c. When the third party is billed~~
~~d. When payment or partial payment is received.~~

954-605-25-7 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~Revenue from **capitation fees** is earned as a result of agreeing to provide services to qualified beneficiaries and not as a result of actually providing the care. If the provider's accounting system records patient charges and establishes patient receivables as services are rendered, appropriate valuation allowances or adjustments shall be recorded so only the amount of contract revenue is recorded.~~

954-605-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~In addition to the capitation payments, the amount of contract revenue may be affected by factors such as reinsurance recoveries, deductibles, coinsurance, and risk pool adjustments. Risk pool adjustments may be based on factors such as utilization or cost targets.~~

~~> Rate-Setting Methods~~

954-605-25-9 Paragraph superseded by Accounting Standards Update 2014-09.~~Rate-setting methods that are described as prospective but provide for retrospective adjustments shall be accounted for as **retrospective rate setting** systems for the services to which they apply.~~

> Charity Care

954-605-25-10 Charity care does not qualify for recognition as revenue in the financial statements. Distinguishing charity care from bad-debt expense requires the exercise of judgment. Only the portion of a patient's account that meets the entity's charity care criteria shall be recognized as charity.

954-605-25-11 Although it is not necessary for the entity to make this determination on admission or registration of an individual, at some point the entity must determine that the individual meets the established criteria for charity care.

> Related Fundraising Entities

954-605-25-12 Distributions from a financially interrelated recipient entity to a nongovernmental health care entity that it supports shall generally be reported by the health care entity as a reduction of its interest in the recipient entity. However, if the distribution is made from net assets that are not includable in that interest because the health care entity does not have rights to them (that is, the recipient entity can determine to whom the assets will be distributed), the health care entity shall report a **contribution** from the related recipient entity. See Example 2 in paragraphs 958-20-55-8 through 55-13 for an illustration of a health care foundation and the affiliated entities that it supports.

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481. The following amendment to Section 954-605-35 reflects the removal of industry-specific revenue guidance because the guidance in paragraph 954-605-35-1 is now within the scope of Topic 606.

482. Supersede paragraph 954-605-35-1 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

~~> Estimated and Final Settlements Under Rate Setting Systems~~

954-605-35-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Differences between original estimates and subsequent revisions (including final settlements) are included in the statement of operations in the period in which the revisions are made.~~

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483. The following amendment reflects the removal of industry-specific guidance on presentation matters for revenue. That guidance is now within Topic 606.

484. Supersede paragraphs 954-605-45-1 through 45-5, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

954-605-45-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Revenue shall be classified based on the type of service rendered or contracted to be rendered.~~

954-605-45-2 Paragraph superseded by Accounting Standards Update 2014-09.~~Gross revenue shall not include **charity care.** Service revenue, including patient service revenue, shall be reported net of contractual and other adjustments in the statement of operations.~~

954-605-45-3 Paragraph superseded by Accounting Standards Update 2014-09.~~Significant revenue earned under capitation arrangements shall be reported separately.~~

954-605-45-4 Paragraph superseded by Accounting Standards Update 2014-09.~~Some health care entities may perform services for patients for which the ultimate collection of all or a portion of the amounts billed or billable cannot be determined at the time services are rendered. For example, some health care entities have a policy of providing services to patients and recording patient service revenue regardless of their ability to pay and, in some cases (for example, hospital emergency departments), are required by law to treat emergency conditions regardless of a patient's ability to pay. As a result, those health care entities might record revenue along with a relatively high bad-debt provision in the period of service. A health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay shall present all of the following as separate line items on the face of the statement of operations:~~

- ~~a. Patient service revenue (net of contractual allowances and discounts)~~
- ~~b. The provision for bad debts (the amount related to patient service revenue and included as a deduction from patient service revenue)~~
- ~~c. The resulting net patient service revenue less the provision for bad debts.~~

~~See paragraphs 954-605-55-1 through 55-2 for an Example of this presentation.~~

954-605-45-5 Paragraph superseded by Accounting Standards Update 2014-09.~~Bad debts that shall continue to be presented as an operating expense in the statement of operations are the following:~~

~~a. Bad debts related to receivables from revenue other than patient service revenue~~
~~b. Bad debts related to receivables from patient service revenue if the entity only recognizes revenue to the extent it expects to collect that amount.~~

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485. The following amendment reflects the removal of industry-specific disclosure requirements for revenue. That guidance is now within Topic 606. Paragraph 954-605-50-2, which provides disclosure requirements for charity care, has been retained because charity care is not within the scope of Topic 606.

486. Supersede paragraphs 954-605-50-1 through 50-2 and 954-605-50-4 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

954-605-50-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~The notes to financial statements shall disclose the methods of revenue recognition (for example, policies related to capitation revenue, patient service revenue, or **contributions**)~~.

~~**> Estimated and Final Settlements Under Rate-Setting Systems**~~

954-605-50-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~Differences between original estimates and subsequent revisions (including final settlements) under **retrospective rate setting** methods shall be disclosed.~~

> Charity Care

954-605-50-3 Management's policy for providing **charity care**, as well as the level of charity care provided, shall be disclosed in the financial statements. Such disclosure shall be measured based on the provider's direct and indirect costs of providing charity care services. If costs cannot be specifically attributed to services provided to charity care patients (for example, based on a cost accounting system), management may estimate the costs of those services using reasonable techniques. For example, one such estimation technique might involve calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. Other reasonable techniques also are permitted. The method used to identify or estimate such costs shall be disclosed. Funds received to offset or subsidize charity services provided, for example, from gifts or grants restricted for charity care or from an uncompensated care fund, also shall be separately disclosed.

~~**> Sources of Revenue**~~

954-605-50-4 Paragraph superseded by Accounting Standards Update 2014-09.~~A health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay (see paragraph 954-605-25-3) shall disclose both of the following by major payor source of revenue for interim and annual periods:~~

a. ~~Its policy for assessing collectibility in determining the timing and amount of patient service revenue (net of contractual allowances and discounts) to be recognized~~
b. ~~Its patient service revenue (net of contractual allowances and discounts) before the provision for bad debts.~~

~~Major payor sources of revenue shall be identified by the entity and be consistent with how the entity manages its business (for example, how it assesses credit risk). See paragraphs 954-605-55-3 through 55-4 for an Example of this disclosure.~~

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487. Section 954-605-55 provided examples that illustrate the guidance in paragraph 954-605-45-4 and the guidance in paragraph 954-605-50-4. Industry-specific revenue presentation and disclosure guidance has been removed; therefore, Section 954-605-55 has been superseded.

488. Supersede Section 954-605-55, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 954-720

489. The following amendment removes the industry-specific guidance for acquisition costs. The guidance for costs related to a contract with a customer, specifically, the incremental costs of obtaining a contract with a customer, is in Subtopic 340-40.

490. Supersede paragraphs 954-720-25-6 through 25-7 and the related headings, with a link to transition paragraph 606-10-65-1, as follows:

Health Care Entities—Other Expenses

Recognition

~~**> Prepaid Health Care Services—Contract Acquisition Costs**~~

954-720-25-6 Paragraph superseded by Accounting Standards Update 2014-09. ~~Although there is theoretical support for deferring certain acquisition costs, acquisition costs of providers of **prepaid health care services**—other than costs of advertising—shall be expensed as incurred. Advertising costs shall be accounted for in conformity with the guidance in Subtopic 720-35.~~

~~**> Continuing Care Retirement Community—Cost of Acquiring Initial Continuing-Care Contracts**~~

954-720-25-7 Paragraph superseded by Accounting Standards Update 2014-09. ~~The costs of acquiring continuing-care contracts after a continuing care retirement community is substantially occupied or one year following completion shall be expensed when incurred. However, costs of acquiring initial continuing-care contracts that are within the scope of Topic 970 shall be expensed in accordance with that Topic. See Subtopic 954-340 for additional information about the costs of acquiring initial continuing-care contracts.~~

Amendments to Subtopic 958-10

491. The following amendments reflect the removal of industry-specific guidance on revenue recognition. However, a portion of Subtopic 958-605 has been retained to provide guidance for revenue not within the scope of Topic 606, that is, guidance on contributions.

492. Amend paragraph 958-10-05-2, with a link to transition paragraph 606-10-65-1, as follows:

958-10-05-2 This Topic includes the following Subtopics:

a. Overall
b. Financially Interrelated Entities
c. Split-Interest Agreements
d. Presentation of Financial Statements
e. Balance Sheet
f. Income Statement
g. Statement of Cash Flows
h. Receivables
i. Investments—Debt and Equity Securities

j. Investments—Other
k. Property, Plant, and Equipment
l. Liabilities
m. Contingencies
n. Revenue Recognition<u>—Contributions</u>
o. Compensation—Retirement Benefits
p. Other Expenses
pp. Business Combinations (Mergers and Acquisitions)
q. Consolidation.

Amendments to Subtopic 958-225

493. The following amendments reflect the change in terminology from *earned* to *recognized* because *earned* is not a criterion for recognizing revenue in Topic 606.

494. Amend paragraph 958-225-45-9, with a link to transition paragraph 606-10-65-1, as follows:

Not-for-Profit Entities—Income Statement

Other Presentation Matters

> Measure of Operations

958-225-45-9 Classifying revenues, expenses, gains, and losses within classes of net assets does not preclude incorporating additional classifications within a statement of activities. For example, within a class or classes of changes in net assets, an NFP may classify items as follows:

a. Operating and nonoperating
b. Expendable and nonexpendable
c. <u>Recognized and unrecognized</u>~~Earned and unearned~~
d. Recurring and nonrecurring
e. In other ways.

Amendments to Subtopic 958-405

495. The following amendment reflects the removal of industry-specific guidance in Topic 430, Deferred Revenue. That guidance is now in Topic 606.

496. Supersede paragraph 958-405-25-2, with a link to transition paragraph 606-10-65-1, as follows:

Not-for-Profit Entities—Liabilities

Recognition

958-405-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~Deferred revenues that relate to exchange transactions (advance payments for services not yet rendered or goods not delivered) are reported as liabilities.~~

Amendments to Subtopic 958-605

497. The following amendments reflect the removal of industry-specific guidance on revenue recognition. However, a portion of Subtopic 958-605 has been retained to provide guidance for revenue not within the scope of Topic 606, that is, guidance on contributions.

498. Amend the title of Subtopic 958-605 and add the General Note as follows:

Not-for-Profit Entities—Revenue Recognition—Contributions

General Note on Not-for-Profit Entities—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Not-for-Profit Entities—Revenue Recognition—Contributions.

499. Amend paragraphs 958-605-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

General

958-605-05-1 This Subtopic provides guidance on revenue recognition by **not-for-profit entities** (NFPs). NFPs also shall comply with the applicable standards in Topic ~~605~~ 606. The guidance is presented in the following three Subsections:

a. General
b. Contributions Received
c. Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others.

958-605-05-2 The General Subsections provide guidance on the ~~recognition of exchange transactions, primarily membership dues, and~~ presentation of exchange transactions in a statement of activities. They also provide implementation guidance for distinguishing **contribution** transactions from exchange transactions.

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500. The following amendments reflect the removal of industry-specific guidance on revenue recognition for contracts with customers in Subtopic 958-605 in paragraph 958-605-25-1. A significant amount of guidance has been retained in Subtopic 958-605 on contributions; the retained guidance is provided in the following two Subsections:

a. Contributions received
b. Transfers of assets to a not-for-profit entity or charitable trust that raises or holds contributions for others.

501. Amend paragraph 958-605-25-1, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

958-605-25-1 Exchange transactions shall be accounted for in accordance with Topic 606 on **revenue** from **contracts** with **customers**.~~Revenue from exchange transactions follow generally accepted accounting principles (GAAP); for example, revenue derived from membership dues in exchange transactions shall be recognized over the period to which the dues relate. Nonrefundable initiation and life membership fees received in exchange transactions shall be recognized as revenues in the period in which the fees become receivable if future fees are expected to cover the costs of future services to be provided to members. If nonrefundable initiation and life membership fees, rather than future fees, are expected to cover those costs, nonrefundable initiation and life member fees received in exchange transactions shall be recognized as revenue over the average duration of membership, the life expectancy of members, or other appropriate time periods.~~

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502. The following amendment reflects the removal of industry-specific guidance for revenue recognition in Subtopic 958-605.

503. Supersede paragraph 958-605-45-2, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

958-605-45-2 Paragraph superseded by Accounting Standards Update 2014-09.~~If the **not-for-profit entity** (NFP) regularly provides discounts (such as financial aid for students that is not reported as an expense, reduced fees for~~

~~services, or free services) to certain recipients of its goods or services, revenues shall be reported net of those discounts (see also paragraphs 958-720-25-7 and 958-720-45-23). Net revenue may be reported as a single line item in a statement of activities, or the gross revenue is permitted to be reported less the related discount, provided that the discount is displayed immediately beneath the revenue.~~

Amendments to Subtopic 958-720

504. The following amendments reflect the removal of industry-specific guidance on reporting expenses for not-for-profit entities. This Section provided guidance on accounting for costs of activities that include fundraising. That guidance has been superseded consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers.

505. Amend paragraph 958-720-25-5 and supersede paragraphs 958-720-25-6 and 958-720-25-8, with a link to transition paragraph 606-10-65-1, as follows:

Not-for-Profit Entities—Other Expenses

Recognition

> Advertising Costs

958-720-25-5 An NFP shall comply with the guidance in Subtopic 720-35 applicable to its advertising ~~**activities**,~~**activities**. ~~as well as the following guidance.~~ Fundraising by NFPs is not considered advertising and is not within the scope of that Subtopic.

958-720-25-6 Paragraph superseded by Accounting Standards Update 2014-09.~~Advertising by an NFP includes activities to create or stimulate a desire to use the NFP's products or services that are provided without charge. If no future revenues are anticipated because the products or services advertised are being provided by the NFP without charge, there is no basis for capitalizing the costs of direct-response advertising after the first time the advertising takes place.~~

> Reductions in Amounts Charged for Goods or Services

958-720-25-7 Reductions in amounts charged for goods or services provided by an NFP shall be reported as expenses if such reductions are given in exchange for goods or services provided to the NFP, such as part of a **compensation** package.

958-720-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~If reductions in amounts charged for goods or services provided by an NFP~~

~~are given other than in exchange for services provided to the NFP, those amounts shall be reported as follows:~~

~~a. As expenses to the extent that the NFP incurs incremental expense in providing such goods or services~~
~~b. As discounts if the NFP incurs no incremental expense in providing such goods or services (see paragraph 958-605-45-2).~~

Amendments to Subtopic 970-10

506. The following amendments reflect the change of scope of the guidance in Subtopic 360-20, Property, Plant, and Equipment—Real Estate Sales (formerly FAS 66), for the sale or transfer of nonfinancial assets including real estate. The guidance in Subtopic 360-20 has been retained for purposes of sale-leaseback transactions as reflected in Section 970-10-05.

507. Amend paragraphs 970-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—General—Overall

Overview and Background

970-10-05-1 The Codification contains several Topics for Real Estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

a. Real Estate—General
b. Real Estate—Common Interest Realty Associations
c. Real Estate—Real Estate Investment Trusts
d. Real Estate—Retail Land
e. Real Estate—Time-Sharing Activities.

Additionally, Subtopic 360-20 provides accounting guidance for the sale of~~general~~ real estate ~~transactions other than retail land~~ that is part of a sale-leaseback transaction.

970-10-05-2 The Real Estate—General Topic provides general real estate industry guidance, and includes the following Subtopics:

a. Overall
b. Statement of Cash Flows
c. Subparagraph superseded by Accounting Standards Update 2014-09~~Investments—Debt and Equity Securities~~
d. Investments—Equity Method and Joint Ventures

e. Other Assets and Deferred Costs
f. Property, Plant, and Equipment
g. Debt
h. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
i. Other Expenses
j. Consolidation
k. Interest.

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508. The following amendments update the references to guidance moved from Subtopic 970-605 and remove the reference to paragraphs that have been superseded due to the removal of industry-specific revenue guidance.

509. Amend paragraph 970-10-15-9 and supersede paragraph 970-10-15-10, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

Real Estate Project Costs

970-10-15-9 Paragraphs 970-340-25-16 through ~~25-17~~25-19 and 970-340-35-2~~, 970-340-40-2, and 970-605-25-1 through 25-2~~ do not apply to real estate rental activity in which the predominant rental period is less than one month.

970-10-15-10 Paragraph superseded by Accounting Standards Update 2014-09.~~Paragraphs 970-340-25-13 through 25-15 and 970-340-40-1 do not apply to real estate time-sharing transactions. Topic 978 provides guidance on the accounting for those transactions.~~

Amendments to Subtopic 970-323

510. The following amendments reflect the removal of guidance in Subtopic 360-20 (formerly FAS 66) for sales of real estate other than sale-leaseback transactions and update the references to the revenue guidance in Topic 606. The sale or transfer of real estate to a customer is within the scope of Topic 606, and the sale or transfer of real estate to a noncustomer is within the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

511. Amend paragraphs 970-323-30-3 through 30-4 and 970-323-30-6, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—General—Investments—Equity Method and Joint Ventures

Initial Measurement

> > Contribution of Real Estate

970-323-30-3 An investor that contributes real estate to the capital of a real estate venture generally should record its investment in the venture at the investor's cost (less related depreciation and valuation allowances) of the real estate contributed, regardless of whether the other investors contribute cash, property, or services. An investor shall not recognize profit on a transaction that in economic substance is a contribution to the capital of an entity~~, because a contribution to the capital of an entity is not the culmination of the earnings process~~. Some transactions, structured in the form of capital contributions, may in economic substance be sales. ~~The recommendations in paragraph 360-20-40-49 on accounting for~~ Those in substance sales of real estate shall be accounted for in accordance with the guidance in paragraphs 360-10-40-3A through 40-3C on derecognition of nonfinancial assets within the scope of Topic 360 on property, plant, and equipment ~~to a venture by an investor apply to those transactions~~. An example of such a transaction is one in which investor A contributes to a venture real estate with a fair value of $2,000 and investor B contributes cash in the amount of $1,000 which is immediately withdrawn by investor A, and, following such contributions and withdrawals, each investor has a 50 percent interest in the venture (the only asset of which is the real estate). Assuming investor A is not committed to reinvest the $1,000 in the venture, the substance of this transaction is a sale by investor A of a one-half interest in the real estate in exchange for cash.

970-323-30-4 However, that transaction is not a derecognition of a nonfinancial asset (that is, the sale of real estate) unless ~~Unless~~ the investor that contributes real estate to the venture withdraws cash (or other hard assets) and has no commitment to reinvest in the venture~~, such a transaction is not the culmination of an earnings process~~.

970-323-30-5 An investor contributing property to a venture may obtain a disproportionately small interest in the venture based on a comparison of the carrying amount of the property with the cash contributed by the other investors. That situation might indicate that the investor contributing the property has suffered a loss that should be recognized.

> > Contribution of Services or Intangibles

970-323-30-6 The accounting considerations that apply to real property contributed to a partnership or joint venture also apply to contributions of services or intangibles. The investor's cost of such services or intangibles to be allocated to the cost of the investment shall be determined by the investor in the same manner as for an investment in a wholly owned real estate project. The provisions of this Section do not apply to real estate **syndication activities** in which the syndicators receive or retain partnership interests. Such activities are accounted for in accordance with the guidance in Topic 606 on revenue from contracts with customers. ~~discussed in Subtopic 970-605.~~

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512. The following amendment updates the reference from Subtopic 360-20 to paragraphs 360-10-40-3A through 40-3B. Guidance in Subtopic 360-20 has been superseded for sales of real estate other than sale-leaseback transactions, and guidance on the transfer of an in substance nonfinancial asset is now in Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets.

513. Amend paragraph 970-323-40-1, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

> Sale of an Investment in a Real Estate Venture

970-323-40-1 A sale of an investment in a **real estate venture** (including the sale of stock in a corporate real estate venture) is the equivalent of a sale of an interest in the underlying real estate and shall be evaluated under the guidelines set forth in paragraphs 360-10-40-3A through 40-3B ~~Subtopic 360-20~~.

Amendments to Subtopic 970-340

514. The following amendments reflect the removal of the guidance on costs incurred to sell real estate projects. That industry-specific guidance has been amended consistent with the Board's decisions on incremental costs of obtaining a contract as codified in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In addition, paragraphs 970-340-25-18 through 25-19 contain the relocated guidance from the superseded revenue Subtopic 970-605.

515. Amend paragraph 970-340-25-13, supersede paragraphs 970-340-25-14 through 25-15, and add paragraphs 970-340-25-18 through 25-19 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—General—Other Assets and Deferred Costs

Recognition

Real Estate Project Costs

> Costs Incurred to Sell and Rent Real Estate Projects, Including Initial Rental Operations

> > Costs Incurred to Sell Real Estate Projects

970-340-25-13 Costs incurred to sell real estate projects shall be evaluated for capitalization in accordance with paragraphs 340-40-25-1 through 25-8. ~~capitalized if they meet both of the following conditions:~~

a. Subparagraph superseded by Accounting Standards Update 2014-09~~They are reasonably expected to be recovered from the sale of the project or from incidental operations~~
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~They are incurred for either of the following:~~
   ~~1. Tangible assets that are used directly throughout the selling period to aid in the sale of the project~~
   ~~2. Services that have been performed to obtain regulatory approval of sales.~~

970-340-25-14 Paragraph superseded by Accounting Standards Update 2014-09.~~Examples of costs incurred to sell real estate projects that ordinarily meet the criteria for capitalization are costs of model units and their furnishings, sales facilities, legal fees for preparation of prospectuses, and semipermanent signs.~~

970-340-25-15 Paragraph superseded by Accounting Standards Update 2014-09.~~Other costs incurred to sell real estate projects shall be capitalized as prepaid costs if they are directly associated with and their recovery is reasonably expected from sales that are being accounted for under a method of accounting other than full accrual. Topic 976 discusses the circumstances under which the appropriate accounting methods are to be applied, including the full accrual method. Costs that do not meet the criteria for capitalization shall be expensed as incurred.~~

> Initial Rental Operations

970-340-25-18 When a real estate project is substantially completed and held available for occupancy:

a. Rental ~~revenues and~~ operating costs shall be charged to expense when incurred~~recognized in income and expense as they accrue~~.
b. All carrying costs (such as real estate taxes) shall be charged to expense when incurred, depreciation on the cost of the project shall be provided.

c. Costs to rent the project shall be amortized in accordance with ~~paragraphs~~paragraph 970-340-35-2~~ and 970-340-40-2~~. **[Content amended as shown and moved from paragraph 970-605-25-1]**

970-340-25-19 A real estate project shall be considered substantially completed and held available for occupancy upon completion of tenant improvements by the developer but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). **[Content moved from paragraph 970-605-25-2]**

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516. The following amendments reflect the removal of Subtopics 970-605 and 976-605.

517. Amend paragraphs 970-340-35-1 through 35-2, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

Real Estate Project Costs

> Determining Amounts to Be Capitalized or Expensed

> > Revision of Estimates

970-340-35-1 Estimates and cost allocations shall be reviewed at the end of each financial reporting period until a project is substantially completed and available for sale. Costs shall be revised and reallocated as necessary for material changes on the basis of current estimates.~~ Paragraph 976-605-35-1 discusses revisions of estimates relating to retail land sales accounted for by the percentage-of-completion method.~~ Changes in estimates shall be reported in accordance with paragraphs 250-10-45-17 through 45-20 and 250-10-50-4.

> > Costs Incurred to Rent Real Estate Projects

970-340-35-2 Capitalized rental costs directly related to revenue from a specific operating lease shall be amortized over the lease term. Capitalized rental costs not directly related to revenue from a specific operating lease shall be amortized over the period of expected benefit. The amortization period shall begin when the project is substantially completed and held available for occupancy. See paragraphs 970-340-25-18 through 25-19~~paragraphs 970-605-25-1 through 25-2~~ for the definition of substantially completed and held available for occupancy.

518. Supersede paragraph 970-340-40-1 and its related heading, with a link to transition paragraph 606-10-65-1.

Derecognition

Real Estate Project Costs

~~> Selling Costs~~

970-340-40-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned. When a sales contract is cancelled (with or without refund) or the related receivable is written off as uncollectible, the related unrecoverable capitalized selling costs shall be charged to expense or an allowance previously established for that purpose.~~

> Rental Costs

970-340-40-2 Estimated unrecoverable amounts of unamortized capitalized rental costs associated with a lease or group of leases shall be charged to expense when it becomes probable that the lease(s) will be terminated.

Amendments to Subtopic 970-360

519. The following amendment to paragraph 970-360-25-2 reflects that the project costs associated with the acquisition of a real estate project now follow the cost guidance in Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. The following amendment reflects the relocation of the guidance in Section 974-605-25 to Section 974-720-25.

520. Amend paragraphs 970-360-25-2 and 970-360-25-4, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—General—Property, Plant, and Equipment

Recognition

Real Estate Project Costs

> Capitalized Project Costs

970-360-25-2 If **project** ~~**Project**~~ **costs** ~~clearly associated with the acquisition, development, and construction of a real estate project~~are recognized as an asset in accordance with paragraphs 340-40-25-1 through 25-8, then the recognized asset shall be capitalized as a cost of that project.

> Assets Transferred Between Entities

970-360-25-4 See Section <u>974-720-25</u>~~974-605-25~~ for adjustment of assets that will be transferred between a real estate investment trust and its adviser.

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521. The following amendments reflect the partial removal of Subtopic 360-20.

522. Supersede paragraphs 970-360-55-4 through 55-5 and their related heading and the Subsection title, with a link to transition paragraph 606-10-65-1, and add the General Note as follows:

Implementation Guidance and Illustrations

<u>**Note on Subsection Real Estate Project Costs**: Upon the effective date of Accounting Standards Update 2014-09, the Subsection below, Real Estate Project Costs, will be superseded.</u>

~~Real Estate Project Costs~~

~~> Implementation Guidance~~

970-360-55-4 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~In the following transaction, a homebuilder enters into a contract for the construction of a single-family home on the homebuilder's lot. Although the transaction includes both a lot sale and construction of a house, the contract does not distinguish between those two elements. The homebuilder does not relinquish title to the lot until closing.~~

970-360-55-5 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u>~~The accounting guidance for this transaction is provided in Subtopic 360-20, that is, profit recognition is not appropriate until the conditions in paragraph 360-20-40-5 are met. Until that time, deposit accounting should be used for the construction activity and the land.~~

Amendments to Subtopic 970-470

523. The following amendment updates the reference to the relocation of the guidance in Section 974-605-25 to Section 974-720-25.

524. Amend paragraph 970-470-25-5, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—General—Debt

Recognition

970-470-25-5 See Section <u>974-720-25</u>~~974-605-25~~ for adjustment of assets (or liabilities) transferred between a real estate investment trust and its adviser.

Amendments to Subtopic 970-605

525. The following amendment reflects the removal of industry-specific guidance in Topic 605. That guidance has been superseded consistent with the Board's overall objective in Topic 606. The amendment also reflects the relocation of paragraphs 970-605-25-1 through 25-2 to 970-340-25-18 through 25-19.

526. Supersede Subtopic 970-605, Real Estate—General—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 970-605-25-1 amended and moved to paragraph 970-340-25-18, and paragraph 970-605-25-2 moved to paragraph 970-340-25-19]**

Amendments to Subtopic 972-10

527. The following amendment to paragraph 972-10-05-1 reflects the amendments that have been made to Subtopic 360-20, narrowing the scope to include only sale lease-back transactions. The following amendment to paragraph 972-10-05-2 reflects the removal of industry-specific guidance on revenue recognition and the removal of industry-specific guidance in Topic 430, Deferred Revenue.

528. Amend paragraphs 972-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Common Interest Realty Associations—Overall

Overview and Background

General

972-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

a. Real Estate—General
b. Real Estate—Common Interest Realty Associations
c. Real Estate—Real Estate Investment Trusts

d. Real Estate—**Time-Sharing** Activities
e. Real Estate—Retail Land.

See also Subtopic 360-20 for accounting guidance for the sale of real estate that is part of a sale-leaseback transaction~~other than retail land~~.

972-10-05-2 The Real Estate—Common Interest Realty Associations Topic addresses the unique accounting and reporting issues for **common interest realty associations**. This Topic includes the following Subtopics:

a. Overall
b. Presentation of Financial Statements
c. Notes to Financial Statements
d. Property, Plant, and Equipment
e. Subparagraph superseded by Accounting Standards Update 2014-09~~Deferred Revenue~~
f. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
g. Other Expenses
h. Income Taxes
i. Related Party Disclosures.

Amendments to Subtopic 972-235

529. The following amendment reflects the inclusion of content moved from paragraph 972-605-50-1.

530. Amend paragraph 972-235-50-1, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Common Interest Realty Associations—Notes to Financial Statements

Disclosure

972-235-50-1 In addition to disclosures required by generally accepted accounting principles (GAAP) for other entities, the notes to a **common interest realty association's** financial statements shall also include disclosures about ~~both~~all of the following:

a. The common interest realty association's legal form (corporation or **association**) and that of the entity for which it provides services (for example, **condominium**, **homeowners association**, cooperative), areas it controls, and the number of units. (In place of the number of units, **cooperative housing corporations** may disclose the number of shares and time-share associations may disclose the number of weeks.)

b. Services (such as maintenance) and subsidies provided by the developer
c. The number of units (shares for cooperative housing corporations and weeks for time-share associations) owned by the developer~~developer.~~
d. The proposed use for funds collected in special assessments
e. Assessments that were used for purposes other than those for which they were designated. **[Content moved from paragraph 972-605-50-1(a) through (b)]**

Amendments to Subtopic 972-430

531. The following amendment reflects the removal of industry-specific guidance on deferred revenue in Topic 430.

532. Supersede Subtopic 972-430, Real Estate—Common Interest Realty Associations—Deferred Revenue, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 972-605

533. The following amendment reflects the removal of industry-specific guidance in Topic 605. That guidance has been superseded consistent with the Board's overall objective in Topic 606.

534. Supersede Subtopic 972-605, Real Estate—Common Interest Realty Associations—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Paragraph 972-605-50-1(a) through (b) moved to paragraph 972-235-50-1(d) through (e)]**

Amendments to Subtopic 974-10

535. The following amendment to paragraph 974-10-05-1 reflects the amendments that have been made to Subtopic 360-20, narrowing the scope to include only sale-leaseback transactions. The following amendment to paragraph 974-10-05-2 reflects the removal of industry-specific guidance on revenue recognition and the addition of Subtopic 974-720, which has guidance that has been moved from Subtopic 974-605.

536. Amend paragraphs 974-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Real Estate Investment Trusts—Overall

Overview and Background

974-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

a. Real Estate—General
b. Real Estate—Common Interest Realty Associations
c. Real Estate—Real Estate Investment Trusts
d. Real Estate—Time-Sharing Activities
e. Real Estate—Retail Land.

See also Subtopic 360-20 for accounting guidance for the sale of real estate that is part of a sale-leaseback transaction~~other than retail land~~.

974-10-05-2 The Real Estate—Real Estate Investment Trusts Topic addresses the unique accounting and reporting issues for real estate investment trusts. This Topic includes the following Subtopics:

a. Overall
b. Investments—Equity Method and Joint Ventures
c. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
cc. Other Expenses
d. Consolidation
e. Interest
f. Leases.

Amendments to Subtopic 974-605

537. The following amendments reflect the removal of industry-specific guidance in Topic 605, Revenue Recognition. That guidance has been superseded consistent with the Board's overall objective in Topic 606. The following amendments also reflect the relocation of all of the paragraphs in Subtopic 974-605 to Subtopic 974-720 because the guidance does not relate to revenue recognition.

538. Supersede Subtopic 974-605, Real Estate—Real Estate Investment Trusts—Revenue Recognition, with a link to transition paragraph 606-10-65-1. **[Subtopic 974-605 amended and moved to Subtopic 974-720]**

Addition of Subtopic 974-720

539. The following amendments reflect the relocation of guidance from Subtopic 974-605 to Subtopic 974-720. That guidance has been retained and moved because it relates to the recognition, disclosure, and other presentation matters for other expenses rather than revenue recognition.

540. Add Subtopic 974-720, Real Estate—Real Estate Investment Trusts—Other Expenses, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Real Estate—Real Estate Investment Trusts—Other Expenses

Overview and Background

General

974-720-05-1 This Subtopic addresses ~~revenue~~ recognition, disclosure, and other presentation matters for **real estate investment trusts**. **[Content amended as shown and moved from paragraph 974-605-05-1]**

Scope and Scope Exceptions

General

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic 825. See Section 825-10-15 for guidance on the scope of the Financial Instruments Topic.

> Overall Guidance

974-720-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 974-10-15. **[Content moved from paragraph 974-605-15-1]**

Glossary

Real Estate Investment Trust

Real estate investment trusts generally are formed as trusts, associations, or corporations. They employ equity capital, coupled with substantial amounts of debt financing, in making real estate loans and investments. Real estate investment trusts must distribute substantially all of their taxable income to their shareholders annually in order to retain their favorable tax status (that is, dividends paid are treated as deductions in arriving at taxable income).

Recognition

General

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic 825-10. Those Subsections (see paragraph 825-10-05-5) address circumstances in which an entity may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section 825-10-15 for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

> Operating Support of the Real Estate Investment Trust by the Adviser

974-720-25-1 Various methods are employed by advisers to ensure a certain return to the **real estate investment trust** for certain periods. Some of these methods are:

a. Purchasing a loan or a property at an amount in excess of fair value
b. Forgiving indebtedness
c. Reducing advisory fees
d. Providing required compensating balances
e. Making outright cash payments. **[Content moved from paragraph 974-605-25-1]**

974-720-25-2 Accounting by a real estate investment trust for operating support from its adviser would include either of the following:

a. Adjustment of any assets (or liabilities) which will be transferred between the entities to fair value as of the date of the transaction
b. Recognition, as income or as a reduction of advisory fees, of the operating support effectively obtained. **[Content moved from paragraph 974-605-25-2]**

Other Presentation Matters

General

> Operating Support of the Real Estate Investment Trust by the Adviser

974-720-45-1 The effect of the operating support transactions described in paragraphs ~~974-605-25-2~~974-720-25-2 and 974-720-50-1~~974-605-50-1~~ shall be reported separately in the income statement. **[Content amended as shown and moved from paragraph 974-605-45-1]**

Disclosure

General

> Operating Support of the Real Estate Investment Trust by the Adviser

974-720-50-1 A **real estate investment trust** with operating support from its adviser shall make full disclosure of the relationship between the parties and the nature and amount of the transactions. **[Content moved from paragraph 974-605-50-1]**

Amendments to Subtopic 976-10

541. The following amendment to paragraph 976-10-05-1 reflects the amendments that have been made to Subtopic 360-20, narrowing the scope to include only sale-leaseback transactions. The following amendment to paragraph 976-10-05-2 reflects the removal of industry-specific guidance on revenue recognition.

542. Amend paragraphs 976-10-05-1 through 05-2, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Retail Land—Overall

Overview and Background

General

976-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

a. Real Estate—General
b. Real Estate—Common Interest Realty Associations
c. Real Estate—Real Estate Investment Trusts
d. Real Estate—Retail Land
e. Real Estate—Time-Sharing Activities.

See also Subtopic 360-20 for accounting guidance for the sale of real estate that is part of a sale-leaseback transaction~~other than retail land~~.

976-10-05-2 The Real Estate—Retail Land Topic addresses the unique accounting and reporting issues for retail land sales that are sales, on a volume basis, of lots that are subdivisions of large tracts of land. The sales are characterized by very small down payments and a sales contract or buyer's note for the balance of the purchase price. This Topic includes the following Subtopics:

a. Overall
b. Receivables
c. Inventory
d. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
e. Cost of Sales and Services.

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543. The following amendment reflects the removal of industry-specific guidance in Subtopic 360-20 (FAS 66). The guidance in Subtopic 360-20 that remains pertains only to the sale of real estate in a sale-leaseback transaction. That industry-specific guidance is now within the scope of Topic 606 if in contracts with customers, or within Subtopic 610-20 if not from contracts with customers.

544. Supersede paragraph 976-10-15-2, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Entities

976-10-15-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~The Real Estate—Retail Land Topic establishes standards for recognition of profit on retail land real estate sales transactions without regard to the nature of~~

~~the seller's business. This Topic distinguishes between retail land sales and other sales of real estate because differences in terms of sales and selling procedures lead to different profit recognition criteria and methods. Real estate sales transactions other than retail land are addressed in Subtopic 360-20~~.

Amendments to Subtopic 976-310

545. The following amendment to Section 976-310-30 reflects the removal of guidance describing the full accrual method for net receivables from a retail land sale. That guidance has been superseded because it is inconsistent with the guidance in Topic 606.

546. Supersede Section 976-310-30, with a link to transition paragraph 606-10-65-1.

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547. The following amendment reflects the removal of industry-specific guidance on revenue recognition in Subtopic 976-605.

548. Supersede paragraph 976-310-35-3, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Retail Land—Receivables

Subsequent Measurement

976-310-35-3 <u>Paragraph superseded by Accounting Standards Update 2014-09.</u> ~~Paragraphs 976-605-30-1 through 30-4 explains that many sellers have programs to accelerate collections of receivables or contract provisions that encourage prepayment with a reduction of the principal as the major incentive for prepayment. Reductions of principal balances that are given sporadically are charged to income in the period they occur.~~

Amendments to Subtopic 976-605

549. The following amendment reflects the removal of industry-specific guidance on revenue recognition in Subtopic 976-605, Real Estate—Retail Land—Revenue Recognition.

550. Supersede Subtopic 976-605, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 976-705

551. The following amendments reflect the removal of guidance on the full accrual method in paragraph 976-705-30-1 because it is inconsistent with Topic 606. The following amendment to paragraph 976-705-30-2 reflects the removal of Section 970-340-40.

552. Supersede paragraph 976-705-30-1 and amend paragraph 976-705-30-2, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Retail Land—Cost of Sales and Services

Initial Measurement

976-705-30-1 Paragraph superseded by Accounting Standards Update 2014-09.~~Under the **full accrual method** costs of sales (land and improvement costs incurred, carrying costs, and so forth) shall be based on sales net of those sales expected to be cancelled in future periods.~~

976-705-30-2 See Subtopic 340-40 for guidance on incremental costs of obtaining a contract with a customer and costs to fulfill a contract.~~See Section 970-340-25 and paragraph 970-340-40-1 for guidance on selling costs of real estate projects.~~

Amendments to Subtopic 978-10

553. Topic 978, Real Estate—Time-Sharing Activities, has been amended due to the removal of Subtopic 360-20 (formerly FAS 66), because that Subtopic has been retained only for real estate sale-leaseback transactions. The amendment to paragraph 978-10-05-1 acknowledges the narrowed scope. The amendment to paragraph 978-10-05-2 eliminates the Subtopic within this Topic that contained industry-specific guidance on revenue recognition. Additionally, the amendment to paragraph 978-10-05-4 eliminates the guidance that suggests that Topic 978 is based on Subtopic 360-20, which no longer is relevant for sales of real estate.

554. Amend paragraphs 978-10-05-1 through 05-2 and supersede paragraph 978-10-05-4, with a link to transition paragraph 605-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Overall

Overview and Background

978-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

a. Real Estate—General
b. Real Estate—Common Interest Realty Associations
c. Real Estate—Real Estate Investment Trusts
d. Real Estate—Time-Sharing Activities
e. Real Estate—Retail Land.

See also Subtopic 360-20 for accounting guidance for the sale of real estate that is part of a sale-leaseback transaction~~other than retail land~~.

978-10-05-2 The Real Estate—Time-Sharing Activities Topic addresses the unique accounting and reporting issues for real estate **time-sharing** activities. This Topic includes the following Subtopics:

a. Overall
b. Statement of Cash Flows
c. Accounting Changes and Error Corrections
d. Receivables
e. Inventory
f. Other Assets and Deferred Costs
g. Subparagraph superseded by Accounting Standards Update 2014-09~~Revenue Recognition~~
h. Other Expenses
i. Consolidation
j. Leases.

978-10-05-4 Paragraph superseded by Accounting Standards Update 2014-09.~~The accounting for real estate time-sharing transactions (also referred to in this Topic as time-sharing transactions) is based principally on Subtopic 360-20.~~

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555. The guidance on determining what is real estate for purposes of applying Subtopic 360-20, specifically if and when integral equipment is accounted for as real estate, remains critical when assessing whether or not the industry-specific guidance in Topic 978 on time-sharing activities is applicable. Specifically, paragraph 978-10-15-5 notes that this Topic does not apply to "time-sharing transactions in other long-lived assets such as cruise ships, corporate jets, and other kinds of transportation equipment." As a result, the guidance that was formerly included within Subtopic 360-20 has been moved to Section 978-10-15, and the references to the guidance on determining whether or not something is real estate have been updated. Specifically, this amendment reflects the relocation of paragraphs 360-20-15-2 and 360-20-15-4 through 15-8 to paragraphs 978-10-15-7 through 15-12.

556. Amend paragraph 978-10-15-4 and add paragraphs 978-10-15-7 through 15-12 and related headings, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

978-10-15-4 ~~Section 360-20-15~~Paragraphs 978-10-15-7 through 15-12 ~~provides~~ provide guidance that is useful in determining what constitutes real estate for purposes of this Subtopic.

> Determining What Constitutes Real Estate ~~Transactions~~

978-10-15-7 Determining whether a transaction is in substance the sale of real estate requires judgment. However, in making that determination, one shall consider the nature of the entire real estate component being sold (that is, the land plus the property improvements and **integral equipment**), and not the land only, in relation to the entire transaction. Further, that determination shall not consider whether the operations in which the assets are involved are traditional or nontraditional real estate activities. For example, if a ski resort is sold and the lodge and ski lifts are considered to be affixed to the land (that is, they cannot be removed and used separately without incurring significant cost), then it would appear that the sale is in substance the sale of real estate ~~and that the entire sale transaction would be subject to the provisions of this Subtopic~~. Transactions involving the sale of underlying land (or the sale of the property improvements or integral equipment subject to a lease of the underlying land) shall not be bifurcated into a real estate component (the sale of the underlying land) and a non-real-estate component (the sale of the lodge and lifts) ~~for purposes of determining profit recognition on the transaction~~. **[Content amended as shown and moved from paragraph 360-20-15-2]**

978-10-15-8 The determination of whether equipment is integral equipment shall be based on the significance of the cost to remove the equipment from its existing location (which would include the cost of repairing damage done to the existing location as a result of the removal), combined with the decrease in the **fair value** of the equipment as a result of that removal. **[Content moved from paragraph 360-20-15-4]**

978-10-15-9 At a minimum, the decrease in the fair value of the equipment as a result of its removal is the estimated cost to ship and reinstall the equipment at a new site. If there are multiple potential users of the leased equipment, the estimate of the fair value of the equipment as well as the costs to ship and install the equipment shall assume that the equipment will be sold to the potential user that would result in the greatest net cash proceeds to the seller ~~(current lessor)~~. **[Content amended as shown and moved from paragraph 360-20-15-5]**

978-10-15-10 The nature of the equipment, and the likely use of the equipment by other potential users, shall be considered in determining whether any additional diminution in fair value exists beyond that associated with costs to ship and install the equipment. **[Content moved from paragraph 360-20-15-6]**

978-10-15-11 When the combined total of both the cost to remove plus the decrease in fair value ~~(for leasing transactions, the information used to estimate those costs and the decrease in fair value shall be as of lease inception)~~ exceeds 10 percent of the fair value of the equipment (installed) ~~(for leasing transactions, at lease inception)~~, the equipment is integral equipment. **[Content amended as shown and moved from paragraph 360-20-15-7]**

978-10-15-12 The phrase *cannot be removed and used separately without incurring significant cost* contains both of the following distinct concepts:

a. The ability to remove the equipment without incurring significant cost
b. The ability of a different entity to use the equipment at another location without significant diminution in utility or fair value. **[Content moved from paragraph 360-20-15-8]**

Amendments to Subtopic 978-310

557. The guidance in Section 978-310-30 addresses (a) the determination of sales value and recorded amount of note receivables when there is a significant financing component and (b) the reduction of sales revenue related to the collectibility of receivables. The amendments reflect the removal of industry-specific guidance on revenue recognition.

558. Supersede paragraphs 978-310-30-1 through 30-2 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Receivables

Initial Measurement

~~> Determination of Sales Value and Recorded Amount of Receivable~~

978-310-30-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~If a **time-sharing** transaction is partially or fully financed by the seller and the stated interest rate is less than the prevailing market rate for a purchaser of similar credit quality in a similar transaction, the **sales value** and recorded amount of the note receivable shall be reduced in accordance with Topic 835.~~

~~> Collectibility of Receivable~~

978-310-30-2 Paragraph superseded by Accounting Standards Update 2014-09. ~~An estimate of **uncollectibility** that, from a historical and statistical perspective, is expected to occur shall be recorded as a reduction of sales revenue at the time~~

~~that profit is recognized on a time-sharing sale recorded under the full accrual or~~ ~~**percentage-of-completion method**. That estimate shall incorporate all forms of uncollectibility (for example, note cancellations and collection programs). See Example 5 (paragraph 978-605-55-59) for an illustration of the determination of the reduction of revenue for estimated uncollectibles. Under the **relative sales value method** (see paragraph 978-330-35-1), a corresponding adjustment is made to cost of sales and inventory, through the application of the cost-of-sales percentage, to reflect the reduction of revenue for estimated uncollectibles. See paragraph 978-605-55-37 for illustrations of the relative sales value method.~~

559. Amend paragraphs 978-310-35-4 through 35-6 and supersede paragraph 978-310-35-7 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

978-310-35-4 A note receivable modification, **deferment**, or **downgrade** represents a troubled debt restructuring involving a change to the terms of a note receivable typically to accommodate a situation in which the debtor (time-share buyer) is unable to meet the original payment obligations. Therefore, the creditor (time-share seller) shall account for a note receivable, modification, deferment or downgrade in accordance with Topic 310. Any reductions in the recorded investment in a note receivable resulting from the application of that Topic shall be charged against the allowance for uncollectibles.~~uncollectibles, because the estimated losses were recorded against revenue at the time the time-share sale was recognized or were recorded subsequently against revenue as a change in estimate.~~ Incremental, direct costs associated with uncollectibility, such as costs of collection programs, shall be charged to expense as incurred.

978-310-35-5 ~~Once an initial~~ When a time-sharing sale transaction has been recorded ~~(which includes a reduction of recognized revenue for estimated uncollectibles)~~, accounting for the allowance for uncollectibles follows similar valuation principles as any~~ receivable, except that there is no bad debt expense.~~ receivable. Each reporting period and at least quarterly a seller evaluates its receivables, estimates the amount it expects to ultimately collect, and evaluates the adequacy of its allowance pursuant to Section 310-10-35. The allowance is then~~ adjusted, with a corresponding adjustment to current-period revenue through the estimated uncollectibles account, which is a contra-revenue account.~~ adjusted in accordance with Topic 310 on receivables. A corresponding adjustment is also made to cost of sales and inventory.

978-310-35-6 The allowance for uncollectibles shall be determined based on consideration of uncollectibles by year of sale, as well as the aging of notes receivable and factors such as the location of the time-sharing units, contract terms, collection experience, economic conditions, and other qualitative factors as appropriate in the circumstances. ~~See Example 5 (paragraph 978-605-55-50) for an illustration of the determination of the allowance for uncollectibles.~~

~~**> Sale of Receivable Without Recourse**~~

978-310-35-7 Paragraph superseded by Accounting Standards Update 2014-09.~~See paragraph 978-310-40-2 for guidance concerning revenue recognition and measurement of receivables sold without **recourse**.~~

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560. The guidance in Section 978-310-40 relates to the following topics that have been removed as follows:

a. Note receivable assumption (paragraph 978-310-40-1). This paragraph provided guidance on determining how to account for a default on an original sale of a time share and the subsequent sale to a new buyer and required an entity to consider the second resale as the sale of real estate that would be subject to the guidance in Subtopic 360-20 (former FAS 66). The paragraph has been superseded because that distinction is no longer necessary.
b. Sale of receivables with recourse (paragraph 978-310-40-2). This paragraph included guidance that required an entity when selling receivables to make certain adjustments to revenue that was aligned with the overall accounting model for time-share intervals. This paragraph has been superseded because the distinction between amounts to be recorded as an adjustment to revenue (because of a change in credit quality of the portfolio of receivables) as compared with interest income is no longer necessary.

561. Supersede paragraphs 978-310-40-1 through 40-2 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Derecognition

~~**> Note Receivable Assumption**~~

978-310-40-1 Paragraph superseded by Accounting Standards Update 2014-09.~~A note receivable **assumption** shall be accounted for as two separate activities with two different parties. The termination of the arrangement with the original buyer results in an amount uncollectible to the seller equal to the remaining investment in the original note receivable. That amount shall be charged to the allowance for uncollectible receivables. The **time-sharing** transaction with a new buyer shall be accounted for in accordance with the profit recognition criteria in Subtopic 360-20.~~

~~**> Sale of Receivable Without Recourse**~~

978-310-40-2 Paragraph superseded by Accounting Standards Update 2014-09.~~If a **time-share** seller sells a portfolio of receivables without **recourse**, any gain or loss shall be recorded as an adjustment of interest income if it is attributable to a change in market interest rates between the date the receivables are generated and the date they are sold, and as an adjustment of revenue otherwise (for example, if the gain or loss is related to a difference in perceived credit quality of the portfolio between the date the receivables are generated and the date they are sold).~~

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562. The following amendment to Section 978-310-45 reflects the removal of industry-specific guidance related to Subtopic 360-20 and references to other guidance that has been superseded.

563. Supersede paragraph 978-310-45-1, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

978-310-45-1 Paragraph superseded by Accounting Standards Update 2014-09. ~~A **time-share** seller's balance sheet shall include gross notes receivable from **time-sharing** sales, a deduction from notes receivable for the allowance for uncollectibles (see paragraphs 978-310-35-5 through 35-6), and a deduction from notes receivable for any profit deferred under Subtopic 360-20.~~

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564. The following amendments to the disclosure requirements in Section 978-310-50 reflect the removal of industry-specific guidance on an assessment of the customer's commitment as formerly required for disclosure consistent with the requirements of Subtopic 360-20.

565. Amend paragraph 978-310-50-1, with a link to transition paragraph 606-10-65-1, as follows:

Disclosure

978-310-50-1 As noted in paragraph 978-330-35-1, the effects of changes in estimate in the **relative sales value method** shall be disclosed in accordance with Topic 250. In addition to the information otherwise required by generally accepted accounting principles (GAAP), the financial statements of entities with **time-sharing** transactions shall disclose all of the following:

a. Maturities of notes receivable for each of the five years following the date of the financial statements and in the aggregate for all years thereafter. The total of the notes receivable balances displayed with the various maturity dates shall be reconciled to the balance-sheet amount of notes receivable.
b. The weighted average and range of stated interest rates of notes receivable.
c. The estimated cost to complete improvements and **promised amenities**.
d. The activity in the allowance for uncollectibles, including the balance in the allowance at the beginning and end of each period, additions associated with current-period sales, direct writeoffs charged against the allowance, and changes in estimate associated with prior-period sales. If the developer sells receivables with **recourse**, the seller shall provide the same disclosure of activity on receivables sold.
e. Subparagraph superseded by Accounting Standards Update 2014-09.~~The seller's policies with respect to meeting the criteria for buyer's commitment and collectibility of sales prices in paragraphs 360-20-40-5(b) and 360-20-40-50(b), respectively.~~

Amendments to Subtopic 978-330

566. The following amendments reflect changes because of the removal of guidance in Subtopic 360-20.

567. Amend paragraphs 978-330-15-3 through 15-4, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Inventory

Scope and Scope Exceptions

> Transactions

978-330-15-3 The guidance in this Subtopic applies to the following transactions and activities:

a. All **time-sharing** sale transactions that are within the scope of Topic 606 on **revenue** from **contracts** with **customers**. ~~accounted for under the full accrual, percentage-of-completion, installment, cost recovery, or reduced profit methods of revenue recognition as discussed in Subtopic 360-20.~~

978-330-15-4 The guidance in this Subtopic does not apply to the following transactions and activities:

a. Time-sharing transactions that fail to meet all of the criteria in paragraph 606-10-25-1 and, therefore, are accounted for in accordance with paragraphs 606-10-25-6 through 25-8.~~accounted for under the **deposit method**, as discussed in paragraphs 360-20-55-17 and 360-20-55-19 through 55-20.~~

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568. The following amendments reflect the removal of Subtopic 978-605 and Section 978-310-30.

569. Amend paragraphs 978-330-30-1 and 978-330-30-3, and supersede paragraph 978-330-30-2, with a link to transition paragraph 606-10-65-1, as follows:

Initial Measurement

> Accounting for Cost of Sales and Time-Sharing Inventory

978-330-30-1 Sellers of **time-sharing** intervals shall account for cost of sales and time-sharing inventory using the **relative sales value method**. The relative sales value method shall be applied to each **phase** separately. **Common costs**, including **amenities**, shall be allocated to inventory among the phases that those costs will benefit.~~ The relative sales value method is illustrated in Example 1 (see paragraph 978-605-55-38), Example 2 (see paragraph 978-605-55-41), Example 3 (see paragraph 978-605-55-44) and Example 4 (see paragraph 978-605-55-46).~~

978-330-30-2 Paragraph superseded by Accounting Standards Update 2014-09.~~See Section 978-605-30 for additional guidance related to the impact of seller-provided incentives on the cost of sales.~~

978-330-30-3 See paragraph 978-330-35-1 for additional guidance related to the determination of total time-sharing ~~estimated~~ revenue and total cost estimates.

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570. The following amendments reflect changes in the *relative sales value method* that have been retained for use in an entity's calculation of inventory and cost of sales. Before these amendments, that method also was used for revenue recognition. In accordance with the Board's overall objective of eliminating industry-specific guidance for revenue (however, not adjusting the accounting for fulfillment costs), the method should be adjusted to allow for continued use for cost and inventory despite the deletion for revenue.

571. Amend paragraphs 978-330-35-1 through 35-4, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> Accounting for Cost of Sales and Time-Sharing Inventory

978-330-35-1 At least quarterly, both total **time-sharing** revenue (actual to-date plus expected future revenue) and total cost estimates shall be recalculated. A **{remove glossary link}time-sharing{remove glossary link}** entity shall adjust at least quarterly even if it does not issue quarterly financial reports under Securities and Exchange Commission (SEC) reporting requirements. The estimate of total time-sharing revenue (actual to-date plus expected future revenue) for use in the **relative sales value method** shall incorporate factors such as incurred or estimated uncollectibles, changes in sales prices or sales mix, repossession of intervals that the seller may or may not be able to resell, effects of **upgrade** programs, and past or expected sales incentives to sell slow-moving inventory units. Such amounts should be included in the estimate of total time-sharing revenue for use in the relative sales value method even when those amounts are recognized as bad-debt expense within the statement of comprehensive income rather than included within the revenue recognized. The cost-of-sales percentage shall be similarly recalculated each time estimated revenue (including amounts reported or expected to be reported as revenue or as bad-debt expense) or cost is adjusted, using the new estimate of total time-sharing revenue and total cost (including costs to complete, if any). The effects of changes in estimate for cost shall be accounted for in each period using a current-period adjustment, that is, the **time-share** seller shall account for a change in estimate in the period of change so that the balance sheet at the end of the period of change and the accounting in subsequent periods are as they would have been if the revised estimates had been the original estimates. The effects of changes in estimate shall be disclosed in accordance with paragraph 250-10-50-4.~~ See paragraph 978-605-55-37 for illustrations of the **relative sales value method**; Examples 2 and 4 (see paragraphs 978-605-55-41 and 978-605-55-46) illustrate changes in estimate.~~ The inventory balance reported in the balance sheet, plus estimated costs to complete that inventory, if any, represents a pool of costs that will be charged against future revenue.

978-330-35-2 ~~As discussed in paragraph 978-310-30-2, the~~The recording of an ~~a sales revenue~~ adjustment for expected uncollectibles is accompanied by a corresponding adjustment to cost of sales and inventory that is effected through the application of the cost-of-sales percentage. However, under the relative sales value method, there is no accounting effect on inventory if a time-sharing **interval** is repossessed or otherwise reacquired unless the repossession causes a change in expected~~ uncollectibles (and, thereby, estimated revenue) as discussed in the preceding paragraph.~~ uncollectibles. The seller shall, however, perform impairment testing on its inventory in accordance with paragraphs 360-10-35-38 through 35-40, 360-10-35-43, and 360-10-40-5.

978-330-35-3 Revenue from and costs of rental and other operations during holding periods shall be accounted for as **{add glossary link}**incidental operations**{add glossary link}**. **{add glossary link}**Incremental revenue from incidental operations**{add glossary link}** in excess of **{add glossary link}**incremental costs from incidental operations**{add glossary link}** shall be accounted for as a reduction of inventory costs—that is, the pool of inventory costs under the relative sales value method as described in paragraph 978-330-35-1. Estimates of future amounts of such excess should not be factored into the calculations of the relative sales value method. Incremental costs in excess of incremental revenue should be charged to expense as incurred.

> Operations During Holding Periods

978-330-35-4 Holding period operations include **{add glossary link}**sampler programs**{add glossary link}** and **{add glossary link}**mini-vacations**{add glossary link}**~~ (see paragraph 978-605-25-14)~~. During holding periods, time-sharing intervals shall be accounted for as inventory and shall not be depreciated. Costs of operations during holding periods include seller subsidies and maintenance and related costs on time-sharing intervals held for sale.

978-330-35-5 For time-sharing operations, the holding period (as that term is used in the definition of **incidental operations**) begins at the time that intervals are held for and are available for sale—for example, when units in domestic locations are legally registered for sale as time-shares. A seller shall evaluate each period as to whether units previously considered held for and available for sale shall continue to be characterized as such.

978-330-35-6 If rental activities occur other than during the holding period, the corresponding units shall be depreciated and those activities shall be accounted for as rental operations in accordance with Subtopic 840-20.

Amendments to Subtopic 978-340

572. The following amendment to paragraph 978-340-25-1 updates the referenced guidance to the new cost guidance in Subtopic 340-40. The following amendments to paragraphs 978-340-25-2 through 25-3 reflect the removal of guidance on costs to sell time-sharing intervals because guidance for the incremental cost of obtaining a contract with a customer is now in Subtopic 340-40.

573. Amend paragraph 978-340-25-1 and supersede paragraphs 978-340-25-2 through 25-3, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Other Assets and Deferred Costs

Recognition

> Costs to Sell Time-Sharing Intervals

978-340-25-1 All costs incurred to sell **time-sharing intervals** should be charged to expense as incurred unless they specifically qualify for capitalization~~ under the following conditions~~ in accordance with the guidance in paragraphs 340-40-25-1 through 25-4.~~978-340-25-1 through 25-3, 978-340-40-1 through 40-2 and 978-720-25-2. Costs incurred to sell time-sharing intervals shall be deferred until a sale transaction occurs if the costs are both:~~

a. Subparagraph superseded by Accounting Standards Update 2014-09~~Reasonably expected to be recovered from the sale of the time-sharing intervals or from **incidental operations**~~
b. Subparagraph superseded by Accounting Standards Update 2014-09.~~Incurred for either of the following:~~
   ~~1. Tangible assets that are used directly throughout the selling period to aid in the sales of the time-sharing intervals. This guidance on tangible assets is not intended to prohibit capitalization specifically addressed in other Subtopics, such as internal-use software under Subtopic 350-40. Examples of costs incurred to sell time-sharing intervals that meet the condition of this item include the costs of model units and their furnishings, sales property and equipment, and semipermanent signs.~~
   ~~2. Services that have been performed to obtain regulatory approval of sales. An example of costs that meet this condition is the costs of preparation and filing of prospectuses, including printing and legal fees.~~

978-340-25-2 Paragraph superseded by Accounting Standards Update 2014-09.~~Other costs incurred to sell time-sharing intervals shall be deferred until a sale transaction occurs if the costs are all of the following:~~

~~a. Reasonably expected to be recovered from the sale of the time-sharing units~~
~~b. Directly associated with sales transactions that are being accounted for under the percentage-of-completion, installment, reduced profit, or **deposit method** of accounting~~
~~c. Incremental, that is, the costs would not have been incurred by the seller had a particular sale transaction not occurred.~~

~~See paragraph 978-720-25-2 for examples of costs that are not eligible for deferral.~~

978-340-25-3 Paragraph superseded by Accounting Standards Update 2014-09.~~Under the deposit method of accounting, deferred selling costs shall be limited to the nonrefundable portion of the deposits received by the seller. Examples of directly associated, incremental costs include commissions and payroll and payroll benefit-related costs of sales personnel for time spent directly on successful sales efforts.~~

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574. The following amendment reflects the removal of industry-specific guidance on costs to sell time-sharing intervals. Those costs are incremental costs incurred to obtain a contract that should be accounted for in accordance with Subtopic 340-40.

575. Supersede Section 978-340-40, with a link to transition paragraph 606-10-65-1.

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576. The following amendment reflects the removal of industry-specific guidance on costs to sell time-sharing intervals.

577. Amend paragraph 978-340-60-1, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Real Estate—Time-Sharing Activities

978-340-60-1 For expense determination of all costs incurred to sell **time-sharing intervals** see Subtopic 340-40 on the incremental cost of obtaining a contract with a customer~~paragraphs 978-340-25-1 through 25-3, 978-340-40-1 through 40-2, and 978-720-25-2~~.

Amendments to Subtopic 978-605

578. The following amendment to Subtopic 978-605, Real Estate—Time-Sharing Activities—Revenue Recognition, reflects the removal of industry-specific guidance consistent with the overall objective of the Board's project on revenue recognition. See the basis for conclusions for further discussion and rationale for decisions reached in Topic 606.

579. Supersede Subtopic 978-605, with a link to transition paragraph 606-10-65-1.

Amendments to Subtopic 978-720

580. The following amendments update the references to guidance on accounting for acquisition costs.

581. Amend paragraphs 978-720-25-1 through 25-3, with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Time Sharing Activities—Other Expenses

Recognition

> Selling Costs

978-720-25-1 All costs incurred to sell **time-sharing** intervals shall be charged to expense as incurred unless they specifically qualify for capitalization under paragraphs 340-40-25-1 through 25-4~~978-340-25-1 through 25-3, 978-340-40-1 through 40-2, and 978-720-25-2~~.

978-720-25-2 Examples of costs that do not meet the requirements~~any of the criteria~~ in paragraphs 340-40-25-1 through 25-4~~978-340-25-1 through 25-2~~ for ~~deferral~~capitalization, and that shall therefore be charged to expense as incurred, include all costs incurred to induce potential buyers to take sales tours (for example, the costs of telemarketing call centers); all costs incurred for unsuccessful sales transactions; and all sales overhead such as on-site and off-site sales office rent, utilities, maintenance, and telephone expenses. Advertising costs shall be accounted for in accordance with Subtopic 720-35. Direct incremental costs of tour fulfillment, such as costs of airline tickets to bring customers to a tour location, shall be charged to expense at the time the tour takes place.

> Selling Subsidies

978-720-25-3 During early stages of **project** sellout, there are typically not enough dues-paying time-sharing **interval** owners to support the financial obligations of the **owners association**. Often a **time-share** seller, for a limited period of time, subsidizes the operations of the owners association rather than paying the dues or maintenance fees on the time-sharing intervals that it owns (that is, the unsold intervals in the project). Subsequent to that period, the time-share seller pays dues or maintenance fees on the time-sharing intervals that it owns. Payments by the seller of dues or maintenance fees, except when accounted for as **incidental operations** during holding periods under paragraphs ~~978-340-25-5 and~~ 978-330-35-3 through 35-6, shall be charged to expense as incurred. Payments by the seller of additional amounts to subsidize losses shall be charged to expense as incurred. If a seller is contractually entitled to recover from the owners association all or a portion of its subsidy, the seller shall record a receivable only if recovery is probable and measurable with reasonable reliability.

Amendments to Subtopic 978-840

582. The following amendment reflects the removal of guidance in Subtopic 360-20.

583. Amend paragraph 978-840-25-1 with a link to transition paragraph 606-10-65-1, as follows:

Real Estate—Time-Sharing Activities—Leases

Recognition

978-840-25-1 Paragraph 840-10-25-1(a) requires that title must be transferred in order to recognize a sale of real estate. For purposes of recognizing profit on **time-sharing** transactions for sales-type leases~~under Subtopic 360-20~~, it is necessary that such transfer be nonreversionary. A **contract-for-deed** arrangement meets this criterion.

978-840-25-2 If the title transfer is reversionary, the seller shall account for the transaction as if it were an operating lease.

Amendments to Subtopic 980-10

584. The following amendment reflects the change in the title of Subtopic 980-605 from Revenue Recognition to Revenue Recognition—Alternative Revenue Programs. The title has been changed because the only revenue guidance remaining in this Subtopic is for alternative revenue programs. All other industry-specific guidance has been superseded.

585. Amend paragraph 980-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Regulated Operations—Overall

Overview and Background

980-10-05-1 The Regulated Operations Topic includes the following Subtopics:

a. Overall

b. Discontinuation of Rate-Regulated Accounting
c. Accounting Changes and Error Corrections
d. Other Assets and Deferred Costs
e. Intangibles—Goodwill and Other
f. Property, Plant, and Equipment
g. Liabilities
h. Asset Retirement and Environmental Obligations
i. Contingencies
j. Debt
k. Revenue Recognition—Alternative Revenue Programs
l. Compensation—General
m. Compensation—Retirement Benefits
n. Income Taxes
o. Consolidation
p. Interest
q. Leases.

Amendments to Subtopic 980-605

586. The following amendments reflect the removal of industry-specific guidance for revenue recognition. However, a portion of Subtopic 980-605 has been retained to provide guidance for revenue not within the scope of Topic 606, specifically, for alternative revenue programs. The Board decided that alternative revenue programs are contracts between an entity and a regulator of utilities, not a contract between the entity and a customer within the scope of Topic 606. As a result, the Board decided to retain the existing guidance in Topic 980 for the recognition of regulatory assets and liabilities from alternative revenue programs and to require that an entity present revenue arising from those assets and liabilities separately from revenues arising from contracts with customers on the face of the statement of comprehensive income. In addition, the following amendment reflects the relocation of guidance on long-term power sales contracts.

587. Amend the title of Subtopic 980-605 and add the General Note as follows:

Regulated Operations—Revenue Recognition—Alternative Revenue Programs

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

588. Amend paragraph 980-605-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

980-605-05-1 This Subtopic provides guidance for revenue recognition ~~for entities with regulated operations, including~~ in alternative revenue programs ~~and long-term power sales contracts~~.

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589. The following amendment reflects the relocation of guidance in paragraph 980-605-25-10.

590. Amend paragraph 980-605-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Overall Guidance

980-605-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 980-10-15, with specific qualifications and exceptions noted below.

> Entities

980-605-15-2 The guidance in this Subtopic also applies to **nonutility generators** as they provide many of the services of entities with regulated operations.

> Transactions

980-605-15-3 ~~As described in paragraph 980-605-25-9, the~~The scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840. For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10. **[Content moved from paragraph 980-605-25-10]**

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591. The amendments to Section 980-605-25 reflect the following:

a. Guidance that has been retained. The guidance on alternative revenue programs in paragraphs 980-605-25-1 through 25-4 has been retained.
b. Guidance that has been relocated. The guidance on both long-term power sales contracts in paragraph 980-605-25-5 through 25-7 and contracts meeting the definition of a derivative in paragraphs 980-605-25-14 through 25-16 has been moved to Subtopic 980-815. In addition, paragraph 980-605-25-9 has been superseded because it is no longer necessary.

c. Guidance that has been superseded. The guidance in paragraphs 980-605-25-11 through 25-13 has been superseded because it was industry-specific guidance.

Paragraphs 980-605-25-1 through 25-4 have not been amended and have been included to provide context for the other amendments in this Section.

592. Supersede paragraphs 980-605-25-5 through 25-18 and their related headings, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

> Alternative Revenue Programs

980-605-25-1 Traditionally, regulated utilities whose rates are determined based on cost of service invoice their customers by applying approved base rates (designed to recover the utility's **allowable costs** including a return on shareholders' investment) to usage. Some regulators of utilities have also authorized the use of additional, alternative revenue programs. The major alternative revenue programs currently used can generally be segregated into two categories, Type A and Type B.

980-605-25-2 Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the utility for demand-side management initiatives (for example, no-growth plans and similar conservation efforts). Type B programs provide for additional billings (incentive awards) if the utility achieves certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service.

980-605-25-3 Both types of programs enable the utility to adjust rates in the future (usually as a surcharge applied to future billings) in response to past activities or completed events.

980-605-25-4 Once the specific events permitting billing of the additional revenues under Type A and Type B programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

a. The program is established by an order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.

~~> Long-Term Power Sales Contracts~~

980-605-25-5 Paragraph superseded by Accounting Standards Update 2014-09. ~~In general,~~ **~~nonutility generators~~** ~~are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph 980-10-15-2. However, since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators is included in paragraphs 980-605-25-5 through 25-18. That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic.~~ **[Content moved to paragraph 980-815-25-1]**

980-605-25-6 Paragraph superseded by Accounting Standards Update 2014-09. ~~Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements~~. **[Content moved to paragraph 980-815-25-2]**

980-605-25-7 Paragraph superseded by Accounting Standards Update 2014-09. ~~The long-term power sales contracts may provide for any of the following:~~

~~a. Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract~~
~~b. Formula-based prices per kilowatt hour~~
~~c. Billings that are a combination of stated prices and formula-based prices per kilowatt hour~~. **[Content moved to paragraph 980-815-25-3]**

980-605-25-8 Paragraph superseded by Accounting Standards Update 2014-09.~~One example of a combination is a contract that provides for billings pursuant to a stated price schedule but also provides for a payment to be made or received by the nonutility generator at the end of the contract so that total revenue recognized and payments made over the contract term equal the amount computed pursuant to the formula-based pricing arrangement. The differences between payments made and the amount computed under the formula-based pricing arrangement are recorded in an interest-bearing tracker account. In other cases, the cumulative balance in the tracker account at a defined point in the contract life may be amortized to zero through adjustments to subsequent billings. Another example of such a combination is a contract that provides for billings pursuant to a stated price schedule but that provides for a payment to be made by the nonutility generator, if necessary, at the end of the contract so that the total revenue recognized and total amounts received by the nonutility generator over the contract term are limited to the lesser of the amount computed pursuant to the stated price schedule or the formula-based pricing arrangement.~~

980-605-25-9 Paragraph superseded by Accounting Standards Update 2014-09.~~Long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840 are outside the scope of this Subtopic.~~

980-605-25-10 Paragraph superseded by Accounting Standards Update 2014-09.~~For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10.~~ **[Content moved to paragraph 980-605-15-3]**

~~**> > Contracts Containing Scheduled Price Changes**~~

980-605-25-11 Paragraph superseded by Accounting Standards Update 2014-09.~~For a power sales contract that contains scheduled price changes a nonutility generator shall recognize as revenue the lesser of the following:~~

~~a. The amount billable under the contract~~
~~b. An amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract.~~

980-605-25-12 Paragraph superseded by Accounting Standards Update 2014-09.~~The determination of the lesser amount shall be made annually based on the cumulative amounts that would have been recognized had each method been consistently applied from the beginning of the contract term.~~

~~**> > Contracts Providing for Revenue Determination or Limitation Under Formula-Based Pricing Arrangements**~~

980-605-25-13 Paragraph superseded by Accounting Standards Update 2014-09.~~A nonutility generator shall recognize revenue in each period determined under the separate, formula-based pricing arrangement if it determines or limits total revenues billed under the contract (see the preceding two paragraphs). The separate, formula-based pricing arrangement shall not be used to recognize revenue if its only purpose is to establish liquidating damages. The nonutility generator shall recognize a receivable only if the contract requires a payment to the nonutility generator at the end of the contract term and such payment is probable of recovery. A receivable arises when amounts billed are less than the amount computed pursuant to the formula-based pricing arrangement.~~

~~**> > Contracts Meeting Definition of Derivative**~~

980-605-25-14 Paragraph superseded by Accounting Standards Update 2014-09. ~~If a long-term power sales contract meets the definition of a derivative under Topic 815, then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in this Section would apply. Some long-term power~~

~~sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph 815-10-15-17(b), in which case the long-term power sales contract would be accounted for under this Section~~. **[Content moved to paragraph 980-815-25-4]**

980-605-25-15 Paragraph superseded by Accounting Standards Update 2014-09.~~Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in~~ ~~**all-in-one hedges**~~~~. The guidance in Section 815-10-55 may be relevant~~. **[Content moved to paragraph 980-815-25-5]**

980-605-25-16 Paragraph superseded by Accounting Standards Update 2014-09.~~For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph 815-10-45-9.~~ **[Content moved to paragraph 980-815-25-6]**

~~**> > Contracts Containing Both Fixed and Variable Pricing Terms**~~

980-605-25-17 Paragraph superseded by Accounting Standards Update 2014-09.~~The following addresses a power sales contract that has both fixed and variable-based pricing (based on market prices, actual avoided costs, or formula-based pricing arrangements) terms, where the variable-based pricing does not determine or limit the total billings under the contract. It is limited to variable price arrangements in which the rate is at least equal to expected costs. The guidance only addresses the revenue recognition associated with the energy component of these long-term power sales contracts.~~

980-605-25-18 Paragraph superseded by Accounting Standards Update 2014-09.~~Long-term power sales contracts that have both fixed and variable pricing terms shall be bifurcated and accounted for as follows:~~

- ~~a. The revenue associated with the fixed or scheduled price period of the contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12 (that is, the lesser of the amount billable under the contract or an amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract).~~
- ~~b. The revenue associated with the variable price period of the contract shall be recognized as billed, in accordance with the provisions of the contract for that period.~~

~~If the contractual terms during the separate fixed and variable portions of the contract are not representative of the expected market rates at the inception of the contract, the revenue associated with the entire contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12.~~

593. The following amendment reflects the removal of references to Section 460-10-25. Paragraph 980-605-30-1 is unamended and included to provide context for the other amendments in this Section.

594. Amend the heading before paragraph 980-605-30-1 and paragraph 980-605-30-2, with a link to transition paragraph 606-10-65-1, as follows:

Initial Measurement

> Alternative Revenue Programs—Revenue Collected Subject to Refund

980-605-30-1 In some cases, a regulated entity is permitted to bill requested rate increases before the regulator has ruled on the request.

980-605-30-2 When the revenue is originally recorded, the criteria in paragraph 450-20-25-2 shall determine whether a provision for estimated refunds shall be accrued as a loss contingency. ~~Revenue collected subject to refund is similar to sales with warranty obligations. Paragraph 460-10-25-6 states that~~The inability to make a reasonable estimate of the amount of the~~a warranty~~ obligation at the time of sale because of significant uncertainty about possible claims precludes accrual and, if the range of possible loss is wide, may raise a question about whether ~~a sale should be recorded~~revenue should be recognized. Similarly, if the range of possible refund is wide and the amount of the refund cannot be reasonably estimated, there may be a question about whether it would be misleading to recognize the provisional revenue increase as income.

595. Amend the heading before paragraph 980-605-35-1, with a link to transition paragraph 606-10-65-1, as follows:

Subsequent Measurement

> Alternative Revenue Programs—Revenue Collected Subject to Refund

980-605-35-1 If a provision for estimated refunds is required by the criteria in paragraph 450-20-25-2, it shall be adjusted subsequently if the estimate of the refund changes (see paragraph 980-405-25-1(a)).

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596. The following amendments reflect the guidance on the presentation of alternative revenue programs consistent with the Board's decisions.

597. Add Section 980-605-45, with a link to transition paragraph 606-10-65-1, as follows:

Other Presentation Matters

General

> Alternative Revenue Program Presentation

980-605-45-1 Revenue arising from alternative revenue programs shall be presented separately from revenue arising from **contracts** with **customers** within the scope of Topic 606 in the statement of comprehensive income.

Addition of Subtopic 980-815

598. The addition of Subtopic 980-815 reflects the relocation of guidance on long-term power sales contracts from Subtopic 980-605, Regulated Operations—Revenue Recognition to Regulated Operations—Derivatives and Hedging.

599. Add Subtopic 980-815, with a link to transition paragraph 606-10-65-1, as follows:

[For ease of readability, the new Subtopic is not underlined.]

Regulated Operations—Derivatives and Hedging

Overview and Background

980-815-05-1 This Subtopic provides guidance for long-term power sales contracts.

Scope and Scope Exceptions

> Overall Guidance

980-815-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section 980-10-15, with specific qualifications and exceptions noted below.

> Entities

980-815-15-2 The guidance in this Subtopic applies to **nonutility generators** as they provide many of the services of entities with regulated operations.

> Transactions

980-815-15-3 The scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840. For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10.

Glossary

All-in-One Hedge

In an all-in-one hedge, a derivative instrument that will involve gross settlement is designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be paid or received in the forecasted transaction that will occur upon gross settlement of the derivative instrument itself.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Nonutility Generators

Entities owning electric generating plants built either for their own energy needs or to sell power, usually to rate-regulated entities, under long-term power sales contracts.

Recognition

> Long-Term Power Sales Contracts

980-815-25-1 In general, **nonutility generators** are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph 980-10-15-2. However, since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators on accounting for **contracts** that meet the definition of a derivative is included in paragraphs 980-815-25-4 through 25-6~~980-605-25-5 through 25-18~~. That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic. **[Content amended as shown and moved from paragraph 980-605-25-5]**

980-815-25-2 Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements. **[Content moved from paragraph 980-605-25-6]**

980-815-25-3 The long-term power sales contracts may provide for any of the following:

a. Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract
b. Formula-based prices per kilowatt hour
c. Billings that are a combination of stated prices and formula-based prices per kilowatt hour. **[Content moved from paragraph 980-605-25-7]**

> > Contracts Meeting Definition of Derivative

980-815-25-4 If a long-term power sales contract meets the definition of a derivative under Topic 815, then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in Topic 606 on revenue from contracts with customers ~~this Section~~ would apply. Some long-term power sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph 815-10-15-13(b), in which case the long-term power sales contract would be accounted for under this Section. **[Content amended as shown and moved from paragraph 980-605-25-14]**

980-815-25-5 Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in **all-in-one hedges**. The guidance in Section 815-10-55 may be relevant. **[Content moved from paragraph 980-605-25-15]**

980-815-25-6 For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph 815-10-45-9. **[Content moved from paragraph 980-605-25-16]**

Amendments to Subtopic 985-10

600. The following amendment reflects the change in the title of Subtopic 985-605 from Software—Revenue Recognition to Software—Revenue Recognition—Provision for Losses. Subtopic 985-605 no longer contains industry-specific revenue guidance.

601. Amend paragraph 985-10-05-1, with a link to transition paragraph 606-10-65-1, as follows:

Software—Overall

Overview and Background

985-10-05-1 The Software Topic specifies standards of financial accounting and reporting for certain computer software. This Topic includes the following Subtopics:

a. Overall
b. Costs of Software to be Sold, Leased, or Marketed
c. Inventory
d. Intangibles—Goodwill and Other
e. Revenue Recognition<u>—Provision for Losses</u>
f. Cost of Sales and Services
g. Research and Development
h. Nonmonetary Transactions.

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602. The following amendment generally reflects the removal of industry-specific guidance on revenue recognition in Subtopic 985-605:

a. Paragraph 985-10-15-3(a). Subtopic 985-605 did not apply to a software element that is not more than incidental to the product and services as a whole. Because this guidance has been superseded, and because the accounting for nonmonetary exchanges of software between counterparties in the same line of business is similar to the guidance in Topic 845, this scope requirement has been removed from paragraph 985-10-15-3(a).
b. Paragraph 985-10-15-3(c). The references to the Subtopics in this paragraph have been added to clarify that the guidance in Topic 985 does not apply to service contracts requiring significant production, modification, or customization because those contracts were previously within the scope of Subtopic 605-35 and are now within the scopes of Topic 606 and Subtopic 340-40.

603. Amend paragraph 985-10-15-3, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Transactions

985-10-15-3 Except as follows, the guidance in the Software Topic applies to computer software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process:

a. Subparagraph superseded by Accounting Standards Update 2014-09. ~~As to software marketed as part of a product or process, Subtopics 985-605 and 985-845 apply only if software and software-related elements are more than incidental to the products or services as a whole.~~
b. Subtopics 985-20, 985-330, 985-350, 985-705, and 985-730 do not apply to software created for internal use (see Section 350-40-15) ~~or for others under a contractual arrangement (see paragraph 605-35-15-3(f))~~.
c. Subtopics 985-20, 985-330, 985-350, 985-705, and 985-730 do not apply to arrangements to deliver software or a software system, either alone or together with other products or services, requiring significant production, modification, or customization of software (see Topic 606 on revenue from contracts with customers and Subtopic 340-40 on costs related to a contract with a customer).

Amendments to Subtopic 985-20

604. The following amendments to Subtopic 985-20 reflect the following:

a. Paragraph 985-20-15-3. The scope paragraph previously excluded from the scope of this Subtopic those costs that were accounted for under Subtopic 350-40 on internal use software and those costs accounted for under Subtopic 605-35 (formerly SOP 81-1). The amendments to this paragraph retain the scope exception for internal use software and clarify by creating a separate subparagraph (c) those costs that previously were accounted for under Subtopic 605-35, which should use the new guidance in Subtopic 340-40.
b. Paragraphs 985-20-15-5 through 15-7. The amendments in these paragraphs reflect the retention of guidance for software development costs in a hosting arrangement. That guidance was previously located in Section 985-605-55 (formerly EITF 00-03). In a hosting arrangement, software development costs should be treated as internal-use development costs in accordance with Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software, unless the customer has the right to take possession of the software, in which case the costs should be accounted for in accordance with Subtopic 985-20.

605. Amend paragraph 985-20-15-3 and add paragraphs 985-20-15-5 through 15-7 and their related heading, with a link to transition paragraph 606-10-65-1, as follows:

Software—Costs of Software to Be Sold, Leased, or Marketed

Scope and Scope Exceptions

985-20-15-3 The guidance in this Subtopic does not apply to the following transactions and activities:

a. Software developed or obtained for internal use (see Subtopic 350-40) ~~or for others under a contractual arrangement (see Subtopic 605-35)~~.
b. Research and development assets acquired in a business combination or an **acquisition by a not-for-profit entity**. If tangible and intangible assets acquired in those combinations are used in research and development activities, they are recognized and measured at fair value in accordance with Subtopic 805-20.
c. Arrangements to deliver software or a software system, either alone or together with other products or services, requiring significant production, modification, or customization of software (see the guidance on costs to fulfill a contract in Subtopic 340-40).

> Software Subject to a Hosting Arrangement

985-20-15-5 The software subject to a~~A software element~~ **hosting arrangement** is within the scope of ~~subject to~~ this Subtopic ~~is~~ only ~~present in a hosting arrangement~~ if both of the following criteria are met:

a. The customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty.
b. It is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software.

~~Accordingly, a hosting arrangement in which the customer has an option as specified in this paragraph is within the scope of this Subtopic.~~ **[Content amended as shown and moved from paragraph 985-605-55-121]**

985-20-15-6 For purposes of ~~item~~criterion (a) in~~ the preceding~~ paragraph 985-20-15-5, the term *significant penalty* contains two distinct concepts:

a. The ability to take delivery of the software without incurring significant cost.
b. The ability to use the software separately without a significant diminution in utility or value. **[Content amended as shown and moved from paragraph 985-605-55-122]**

985-20-15-7 ~~If the vendor never sells, leases, or licenses the software in an arrangement within the scope of this Subtopic,~~ If the software subject to a hosting arrangement never meets the criteria in paragraph 985-20-15-5, then the software is utilized in providing services and is not within the scope of this Subtopic and, therefore, ~~and~~ the development costs of the software should be accounted for in accordance with Subtopic 350-40 on internal-use software (see also paragraph 985-20-55-2). **[Content amended as shown and moved from paragraph 985-605-55-125]**

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606. The following amendment reflects the removal of revenue recognition guidance in Subtopics 605-35 and 985-605 and moves the guidance on the accounting for funding received in a funded software-development arrangement from revenue-related Subtopics to the cost guidance in Subtopic 985-20.

607. Add paragraph 985-20-25-12 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Recognition

> Funded Software-Development Arrangements

985-20-25-12 A funded software-development arrangement within the scope of Subtopic 730-20 shall be accounted for in conformity with that Subtopic. If the technological feasibility of the computer software product pursuant to the provisions of ~~Subtopic 985-20~~this Subtopic has been established before the arrangement has been entered into, Subtopic 730-20 does not apply because the arrangement is not a research and development arrangement. ~~Accounting for costs related to funded software-development arrangements is beyond the scope of this Subtopic. However, if~~If capitalization of the software-development costs commences pursuant to this Subtopic ~~985-20~~ and the funding party is a collaborator or a partner, any income from the funding party under a funded software-development arrangement shall be credited first to the amount of the development costs capitalized. If the income from the funding party exceeds the amount of development costs capitalized, the excess shall be deferred and credited against future amounts that subsequently qualify for capitalization. Any deferred amount remaining after the project is completed (that is, when the software is available for general release to customers and capitalization has ceased) shall be credited to income. If the counterparty is a **customer**, the entity shall apply the guidance of Topic 606 on **revenue** from **contracts** with customers. **[Content amended as shown and moved from paragraph 985-605-25-87]**

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608. The following amendment reflects the removal of guidance in Subtopics 605-35 and 985-605.

609. Amend paragraph 985-20-55-2 and its related heading, with a link to transition paragraph 606-10-65-1, as follows:

Implementation Guidance and Illustrations

> > > Relationship to ~~Software~~ Revenue Recognition Guidance

985-20-55-2 If ~~the vendor sells, leases, or licenses software that is within the scope of Subtopic 985-605, then the development costs of such software should be accounted for in accordance with this Subtopic. Conversely, if~~ the ~~vendor~~entity never sells, leases, or licenses the software (that is, the software meets the criteria in paragraph 985-20-15-5) ~~in an arrangement within the scope of that Subtopic~~, then the software is used in providing services and the development costs of the software should be accounted for in accordance with Subtopic 350-40. However, if during such software's development or modification (accounted for in accordance with Subtopic 350-40), the ~~vendor~~entity develops a substantive plan to sell, lease, or otherwise market the software externally, the development costs of the software should be accounted for in accordance with this Subtopic (985-20). Paragraph 350-40-35-7 provides guidance if, after the development of internal-use software is completed, an entity decides to market the software.

610. Amend paragraph 985-20-60-3, with a link to transition paragraph 606-10-65-1, as follows:

Relationships

> Software

985-20-60-3 ~~For the application of income from the funding party under a funded software-development arrangement to development costs capitalized, see paragraph 985-605-25-87.~~For software-development arrangements that are fully or partially funded by a party other than the vendor that is developing the software and for which technological feasibility of the computer software product has not been established before entering into the arrangement, see Subtopic 730-20 on research and development arrangements.

Amendments to Subtopic 985-605

611. The following amendments reflect the removal of industry-specific guidance for revenue recognition. However, Subtopic 985-605 has been retained to include the requirements on how to recognize a provision for losses for certain contracts.

612. Amend the title of Subtopic 985-605 and add the General Note as follows:

Software—Revenue Recognition—Provision for Losses

General Note on Software—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Software—Revenue Recognition—Provision for Losses.

613. Amend paragraph 985-605-05-1, add paragraph 985-605-05-2, and supersede paragraphs 985-605-05-3 through 05-4 and the related heading, with a link to transition paragraph 606-10-65-1, as follows:

Overview and Background

985-605-05-1 This Subtopic provides guidance on the recognition of a provision for losses when a contract to deliver software or a software system, either alone or together with other products and services, requires significant production, modification, or customization of software. ~~when revenue should be recognized and in what amounts for **licensing**, selling, leasing, or otherwise marketing computer software.~~

985-605-05-2 This Subtopic does not provide any revenue recognition guidance.~~[Not used]~~

985-605-05-3 Paragraph superseded by Accounting Standards Update 2014-09. ~~Software arrangements range from those that provide a license for a single software product to those that, in addition to the **delivery** of software or a software system, require significant production, modification, or customization of software.~~

~~**> Hosting Arrangement**~~

985-605-05-4 Paragraph superseded by Accounting Standards Update 2014-09. ~~Structurally, the form of a **hosting arrangement** may be split into two elements:~~

- ~~a. The right to use software~~
- ~~b. The hosting service.~~

~~The arrangement may or may not include a license right to the software and the customer may or may not have an option to take delivery of the software. The guidance beginning in paragraph 985-605-55-119 addresses the scope application of this Subtopic to a hosting arrangement.~~

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614. Most of Section 985-605-15 has been superseded because it includes industry-specific revenue guidance. However, paragraph 985-605-15-3 sets out the scope for the provision for loss guidance that remains in Subtopic 985-605.

615. Amend paragraph 985-605-15-3 and supersede paragraphs 985-605-15-4 through 15-4A, with a link to transition paragraph 606-10-65-1, as follows:

Scope and Scope Exceptions

> Overall Guidance

985-605-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 985-10-15, with specific qualifications and exceptions noted below.

> Entities

985-605-15-2 The guidance in this Subtopic applies to all entities.

> Transactions

985-605-15-3 The guidance in this Subtopic applies to the following transactions and activities:

a. Subparagraph superseded by Accounting Standards Update 2014-09.~~Licensing, selling, leasing, or otherwise marketing computer software.~~
b. Subparagraph superseded by Accounting Standards Update No. 2009-14
c. Subparagraph superseded by Accounting Standards Update 2014-09.~~The software and software-related elements of arrangements that include software that is more-than-incidental to the products or services in the arrangement as a whole. Indicators that software is more-than-incidental to the products or services in an arrangement as a whole include (but are not limited to):~~
   1. ~~The software is a significant focus of the marketing effort or is sold separately.~~
   2. ~~The vendor is providing **postcontract customer support**.~~
   3. ~~The vendor incurs significant costs that are within the scope of Subtopic 985-20.~~

   ~~In such arrangements, the guidance in this Subtopic applies to the software and software-related elements in the arrangement unless a scope exception in paragraph 985-605-15-4 is present. Software-related elements include software products and services such as those listed in paragraph 985-605-25-5. A service is within the scope of this Subtopic if software in the arrangement is essential to the functionality of that service.~~
d. Subparagraph superseded by Accounting Standards Update 2014-09.~~More-than-insignificant discounts on future purchases that are offered by a vendor in a software arrangement. More-than-insignificant discounts have all of the following characteristics:~~
   1. ~~Incremental to the range of discounts reflected in the pricing of the other elements of the arrangement~~

~~2. Incremental to the range of discounts typically given in comparable transactions~~
~~3. Significant.~~

~~If the discount or other concessions in an arrangement are more than insignificant, a presumption is created that an additional element or elements (as defined in paragraph 985-605-25-5) are being offered in the arrangement. Judgment is required when assessing whether an incremental discount is significant.~~

e. Arrangements to deliver software or a software system, either alone or together with other products or services that require significant production, modification, or customization of software (see Topic 606 on revenue from contracts with customers and Subtopic 605-35 on provision for losses on contracts~~ Subtopic 605-35~~). ~~Paragraphs 985-605-25-88 through 25-107 provide guidance on applying contract accounting to certain arrangements involving software. If a software arrangement includes services that meet the criteria discussed in paragraph 985-605-25-78, those services should be accounted for separately.~~

~~The guidance beginning in paragraph 985-605-55-119 addresses the scope application of this Subtopic to a **hosting arrangement**.~~

985-605-15-4 Paragraph superseded by Accounting Standards Update 2014-09.~~The guidance in this Subtopic does not apply to the following transactions and activities:~~

~~a. Arrangements for products or services containing software that is incidental to the products or services as a whole~~
~~b. Leases of software that include a tangible product (such as property, plant, or equipment), if the software is incidental to the tangible product as a whole or the software and nonsoftware components of the tangible product function together to deliver the tangible product's essential functionality~~
~~c. Marketing and promotional activities not unique to software transactions, such as the following:~~
  ~~1. Insignificant discounts on future purchases that are offered by a vendor in a software arrangement. For example, a vendor may offer a small discount (a coupon or other form of offer for 5 percent off) on additional licenses of the licensed product or other products that exist at the time of the offer but are not part of the arrangement.~~
  ~~2. Discounts that are not incremental to discounts typically given in comparable transactions (for example, volume purchase discounts comparable to those generally provided in comparable transactions).~~
~~d. Nonsoftware components of tangible products~~

e. ~~Software components of tangible products that are sold, licensed, or leased with tangible products when the software components and nonsoftware components of the tangible product function together to deliver the tangible product's essential functionality~~
f. ~~Undelivered elements that relate to software that is essential to the tangible product's functionality in (e).~~

985-605-15-4A Paragraph superseded by Accounting Standards Update 2014-09.~~In determining whether a tangible product is delivered with software components and nonsoftware components that function together to deliver the tangible product's essential functionality, a vendor shall consider all of the following:~~

a. ~~If sales of the tangible product without the software elements are infrequent, a rebuttable presumption exists that software elements are essential to the functionality of the tangible product.~~
b. ~~A vendor may sell products that provide similar functionality, such as different models of similar products. If the only significant difference between similar products is that one product includes software that the other product does not, the products shall be considered the same product for the purpose of evaluating (a).~~
c. ~~A vendor may sell software on a standalone basis. The vendor may also sell a tangible product containing that same software. The separate sale of the software shall not cause a presumption that the software is not essential to the functionality of the tangible product.~~
d. ~~Software elements do not need to be embedded within the tangible product to be considered essential to the tangible product's functionality.~~
e. ~~The nonsoftware elements of the tangible product must substantively contribute to the tangible product's essential functionality. For example, the tangible product should not simply provide a mechanism to deliver the software to the customer.~~

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616. Most of Section 985-605-25 has been superseded because it includes industry-specific revenue guidance. However, paragraphs 985-605-25-2 and 985-605-25-7 have been retained because of the Board's decision to retain provision for loss guidance. In addition, paragraphs 985-605-25-86 through 25-87 contain guidance on funded software-development arrangements that remain relevant to distinguish between research and development costs (Subtopic 730-20, Research and Development—Research and Development Arrangements) and software product costs (Subtopic 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed). Those paragraphs have been moved to paragraphs 730-20-15-1A and 985-20-25-12.

617. Amend paragraphs 985-605-25-2 and 985-605-25-7 and its related heading, and supersede the remaining paragraphs in the Section along with their related headings, with a link to transition paragraph 606-10-65-1, as follows:

[Paragraph 985-605-25-86 amended and moved to paragraph 730-20-15-1A, and paragraph 985-605-25-87 amended and moved to paragraph 985-20-25-12]

[For ease of readability, the superseded paragraphs are not shown here.]

Recognition

> > Software Requiring Significant Production, Modification, or Customization

985-605-25-2 If an arrangement to deliver software or a software system, either alone or together with other products or services, requires significant production, modification, or customization of software, the entire arrangement shall be accounted for in conformity with Topic 606 on **revenue** from **contracts** with **customers** and Subtopic 605-35 on provision for losses on contracts~~Subtopic 605-35, using the relevant guidance in paragraphs 985-605-25-88 through 25-107 on applying contract accounting to certain arrangements involving software~~.

> > Determining the Need for a Provision for Loss on a Contract ~~Multiple-Element Arrangements~~

985-605-25-7 ~~The amount allocated to undelivered elements is not subject to later adjustment. (This does not apply to changes in the estimated percentage of customers not expected to exercise an~~ ~~**upgrade right**~~~~. See paragraph 985-605-25-45.) However, if~~ If it becomes **{add glossary link to 2nd definition}**probable**{add glossary link to 2nd definition}** that the amount of the **transaction price** allocated to an unsatisfied or partially unsatisfied **performance obligation** in accordance with Topic 606 on revenue from contracts with customers~~allocated to an undelivered element~~ will result in a loss on that ~~element of the arrangement~~performance obligation, the loss shall be recognized pursuant to Topic 450. ~~When a vendor's pricing is based on multiple factors such as the number of products and the number of users, the amount allocated to the same element when sold separately shall consider all the factors of the vendor's pricing structure.~~

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618. Section 985-605-50 has been superseded because it included industry-specific revenue disclosure requirements.

619. Supersede Section 985-605-50, with a link to transition paragraph 606-10-65-1.

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620. Section 985-605-55 has been superseded because it included industry-specific revenue guidance. See also the basis paragraph for Section 985-20-15 regarding the relocation of paragraphs 985-605-55-121 through 55-122 on distinguishing the cost and inventory accounting purposes for a hosting arrangement.

621. Supersede Section 985-605-55 and its related headings with a link to transition paragraph 606-10-65-1. **[Paragraph 985-605-55-121 amended and moved to paragraph 985-20-15-5; paragraph 985-605-55-122 moved to paragraph 985-20-15-6; and paragraph 985-605-55-125 amended and moved to paragraph 985-20-15-7]**

Amendments to Subtopic 985-845

622. The following amendments reflect the removal of industry-specific guidance on software nonmonetary transactions. That industry-specific guidance was created to ensure that a nonmonetary exchange of software products (that is, a revenue transaction) should not apply the nonmonetary exchanges guidance and use fair value as its measurement basis (consistent with Topic 845) and bypass the requirement to identify *vendor-specific objective evidence* which is required by Subtopic 985-605 to recognize revenue for software transactions. The requirement to have vendor-specific objective evidence is no longer necessary because of the Board's overall decisions regarding allocating a transaction price to performance obligations on a relative standalone selling price basis. As a result, the guidance requiring vendor-specific objective evidence in a nonmonetary exchange in this Subtopic is no longer necessary. The following are the result of Subtopic 985-845 being superseded:

a. Exchange Transactions to Facilitate Sales to Customers (paragraphs 985-845-25-1 through 25-5).
   1. Paragraphs 985-845-25-1 through 25-3. Transactions to facilitate sales to customers that are outside the scope of Topic 606 (see paragraph 606-10-15-2(e)) should apply the general guidance in Topic 845.
   2. Paragraphs 985-845-25-4 through 25-5. These paragraphs provided guidance for a revenue transaction; therefore, those transactions will be accounted for in accordance with Topic 606. Revenue should be measured based on the fair value of noncash consideration received (see paragraphs 606-10-32-21 through 32-24).
b. Exchange Transactions for Software for Internal Use (paragraphs 985-845-25-6 through 25-7). These paragraphs have been superseded as they describe a revenue transaction that should be accounted for in accordance with Topic 606. Revenue should be measured based on the fair value of noncash consideration received (see paragraphs 606-10-32-21 through 32-24).
c. Implementation Guidance and Illustrations. The corresponding implementation guidance and illustrations have been superseded.

623. Supersede Subtopic 985-845, Software—Nonmonetary Transactions, with a link to transition paragraph 606-10-65-1.

624. Add paragraph 235-10-00-1 as follows:

235-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
235-10-50-4	Amended	2014-09	05/28/2014

625. Amend paragraph 270-10-00-1, by adding the following items to the table, as follows:

270-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Contract Asset	Added	2014-09	05/28/2014
Contract Liability	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Public Business Entity	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
270-10-45-3	Amended	2014-09	05/28/2014
270-10-45-19	Amended	2014-09	05/28/2014
270-10-50-1A	Added	2014-09	05/28/2014

626. Amend paragraph 275-10-00-1, by adding the following items to the table, as follows:

275-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Performance Obligation	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
275-10-05-7	Amended	2014-09	05/28/2014
275-10-60-7	Amended	2014-09	05/28/2014

627. Amend paragraph 280-10-00-1, by adding the following items to the table, as follows:

280-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
280-10-50-1	Amended	2014-09	05/28/2014
280-10-50-3	Amended	2014-09	05/28/2014
280-10-50-4	Amended	2014-09	05/28/2014
280-10-55-3 through 55-5	Amended	2014-09	05/28/2014

628. Amend paragraph 310-10-00-1, by adding the following items to the table, as follows:

310-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
310-10-35-11	Amended	2014-09	05/28/2014
310-10-40-4	Amended	2014-09	05/28/2014
310-10-40-5	Amended	2014-09	05/28/2014
310-10-60-4	Amended	2014-09	05/28/2014

629. Amend paragraph 310-40-00-1, by adding the following items to the table, as follows:

310-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
310-40-40-6	Amended	2014-09	05/28/2014
310-40-40-6A	Superseded	2014-09	05/28/2014
310-40-40-7	Superseded	2014-09	05/28/2014
310-40-55-11	Superseded	2014-09	05/28/2014
310-40-55-12	Superseded	2014-09	05/28/2014

630. Amend paragraph 330-10-00-1, by adding the following items to the table, as follows:

330-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Customer	Added	2014-09	05/28/2014
Reseller (2nd def.)	Added	2014-09	05/28/2014
Vendor	Added	2014-09	05/28/2014
330-10-30-8	Amended	2014-09	05/28/2014
330-10-30-19	Superseded	2014-09	05/28/2014
330-10-30-20	Added	2014-09	05/28/2014
330-10-30-21	Added	2014-09	05/28/2014
330-10-35-21	Amended	2014-09	05/28/2014
330-10-35-22	Amended	2014-09	05/28/2014
330-10-45-2	Superseded	2014-09	05/28/2014

631. Amend paragraph 340-10-00-1, by adding the following items to the table, as follows:

340-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
340-10-05-1	Amended	2014-09	05/28/2014
340-10-60-5	Superseded	2014-09	05/28/2014
340-10-60-6	Superseded	2014-09	05/28/2014
340-10-60-8	Superseded	2014-09	05/28/2014

632. Amend paragraph 340-20-00-1 as follows:

340-20-00-1 ~~No updates have made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
340-20-05-1	Superseded	2014-09	05/28/2014
340-20-05-2	Superseded	2014-09	05/28/2014
340-20-15-1 through 15-4	Superseded	2014-09	05/28/2014
340-20-25-1 through 25-18	Superseded	2014-09	05/28/2014
340-20-30-1	Superseded	2014-09	05/28/2014
340-20-30-2	Superseded	2014-09	05/28/2014
340-20-35-1 through 35-7	Superseded	2014-09	05/28/2014
340-20-45-1	Superseded	2014-09	05/28/2014
340-20-50-1	Superseded	2014-09	05/28/2014
340-20-55-1	Superseded	2014-09	05/28/2014
340-20-60-1	Superseded	2014-09	05/28/2014

633. Add paragraph 340-40-00-1 as follows:

340-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Not-for-Profit Entity	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Public Business Entity	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
340-40-05-1	Added	2014-09	05/28/2014
340-40-05-2	Added	2014-09	05/28/2014
340-40-15-1 through 15-3	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
340-40-25-1 through 25-8	Added	2014-09	05/28/2014
340-40-35-1 through 35-6	Added	2014-09	05/28/2014
340-40-50-1 through 50-6	Added	2014-09	05/28/2014
340-40-55-1 through 55-9	Added	2014-09	05/28/2014
340-40-60-1	Added	2014-09	05/28/2014
340-40-60-2	Added	2014-09	05/28/2014

634. Amend paragraph 350-10-00-1, by adding the following items to the table, as follows:

350-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Nonprofit Activity	Added	2014-09	05/28/2014
350-10-40-1 through 40-4	Added	2014-09	05/28/2014
350-10-60-1	Added	2014-09	05/28/2014

635. Add paragraph 350-40-00-1 as follows:

350-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
350-40-35-8	Amended	2014-09	05/28/2014

636. Amend paragraph 360-10-00-1, by adding the following items to the table, as follows:

360-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Business	Added	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Nonprofit Activity	Added	2014-09	05/28/2014
360-10-05-1	Amended	2014-09	05/28/2014
360-10-35-7	Amended	2014-09	05/28/2014
360-10-40-1	Superseded	2014-09	05/28/2014
360-10-40-2	Amended	2014-09	05/28/2014
360-10-40-3	Superseded	2014-09	05/28/2014
360-10-40-3A through 3C	Added	2014-09	05/28/2014
360-10-45-5	Amended	2014-09	05/28/2014
360-10-60-1	Amended	2014-09	05/28/2014

637. Amend paragraph 360-20-00-1, by adding the following items to the table, as follows:

360-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Sale-Leaseback Accounting	Added	2014-09	05/28/2014
360-20-05-1	Amended	2014-09	05/28/2014
360-20-15-1 through 15-3	Amended	2014-09	05/28/2014
360-20-55-10	Amended	2014-09	05/28/2014
360-20-55-11	Superseded	2014-09	05/28/2014
360-20-55-18	Superseded	2014-09	05/28/2014
360-20-55-21	Amended	2014-09	05/28/2014
360-20-55-68 through 55-77	Superseded	2014-09	05/28/2014

638. Add paragraph 405-10-00-1 as follows:

405-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
405-10-05-2	Amended	2014-09	05/28/2014

639. Amend paragraph 410-20-00-1, by adding the following items to the table, as follows:

410-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
410-20-55-28	Amended	2014-09	05/28/2014

640. Add paragraph 430-10-00-1 as follows:

430-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Contract Liability	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
430-10-05-1	Amended	2014-09	05/28/2014
430-10-25-1	Superseded	2014-09	05/28/2014
430-10-60-1	Superseded	2014-09	05/28/2014

641. Amend paragraph 440-10-00-1 as follows:

440-10-00-1 ~~No updates have made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
440-10-15-4	Amended	2014-09	05/28/2014
440-10-60-5	Superseded	2014-09	05/28/2014
440-10-60-16	Amended	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
440-10-60-19	Superseded	2014-09	05/28/2014
440-10-60-20	Superseded	2014-09	05/28/2014

642. Amend paragraph 450-10-00-1, by adding the following items to the table, as follows:

450-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
450-10-60-3	Amended	2014-09	05/28/2014
450-10-60-4	Amended	2014-09	05/28/2014
450-10-60-12	Superseded	2014-09	05/28/2014

643. Amend paragraph 460-10-00-1, by adding the following items to the table, as follows:

460-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Customer	Added	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
460-10-15-7	Amended	2014-09	05/28/2014
460-10-15-9	Amended	2014-09	05/28/2014
460-10-25-8	Amended	2014-09	05/28/2014
460-10-25-8A	Added	2014-09	05/28/2014
460-10-50-8	Amended	2014-09	05/28/2014
460-10-55-17	Amended	2014-09	05/28/2014
460-10-60-3	Amended	2014-09	05/28/2014
460-10-60-8 through 60-10	Superseded	2014-09	05/28/2014
460-10-60-38	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
460-10-60-41	Amended	2014-09	05/28/2014

644. Add paragraph 470-40-00-1 as follows:

470-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
470-40-05-3	Amended	2014-09	05/28/2014
470-40-15-2	Amended	2014-09	05/28/2014
470-40-15-3	Amended	2014-09	05/28/2014
470-40-25-1 through 25-3	Amended	2014-09	05/28/2014
470-40-55-1	Amended	2014-09	05/28/2014
470-40-55-2	Amended	2014-09	05/28/2014
470-40-55-3 through 55-5	Superseded	2014-09	05/28/2014
470-40-55-6	Amended	2014-09	05/28/2014

645. Amend paragraph 505-50-00-1, by adding the following items to the table, as follows:

505-50-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
505-50-05-2	Amended	2014-09	05/28/2014
505-50-05-2A	Added	2014-09	05/28/2014
505-50-05-3	Amended	2014-09	05/28/2014
505-50-05-5	Amended	2014-09	05/28/2014
505-50-25-5	Superseded	2014-09	05/28/2014
505-50-30-1	Amended	2014-09	05/28/2014
505-50-30-8	Superseded	2014-09	05/28/2014
505-50-30-9	Amended	2014-09	05/28/2014
505-50-30-10	Amended	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
505-50-30-18	Superseded	2014-09	05/28/2014
505-50-30-19	Superseded	2014-09	05/28/2014
505-50-30-29	Superseded	2014-09	05/28/2014
505-50-35-1	Amended	2014-09	05/28/2014
505-50-35-3	Amended	2014-09	05/28/2014
505-50-35-13 through 35-16	Superseded	2014-09	05/28/2014
505-50-50-2	Superseded	2014-09	05/28/2014
505-50-55-17	Amended	2014-09	05/28/2014
505-50-55-18	Amended	2014-09	05/28/2014
505-50-55-25 through 55-27	Superseded	2014-09	05/28/2014

646. Amend paragraph 605-10-00-1, by adding the following items to the table, as follows:

605-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Readily Convertible to Cash	Superseded	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
605-10-05-1	Superseded	2014-09	05/28/2014
605-10-05-2 through 05-4	Added	2014-09	05/28/2014
605-10-15-2	Superseded	2014-09	05/28/2014
605-10-15-3	Superseded	2014-09	05/28/2014
605-10-25-1 through 25-5	Superseded	2014-09	05/28/2014
605-10-60-1 through 60-2	Superseded	2014-09	05/28/2014

647. Add paragraph 605-15-00-1 as follows:

605-15-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Warranty	Superseded	2014-09	05/28/2014
605-15-05-1 through 05-7	Superseded	2014-09	05/28/2014
605-15-15-1 through 15-4	Superseded	2014-09	05/28/2014
605-15-25-1 through 25-5	Superseded	2014-09	05/28/2014
605-15-45-1	Superseded	2014-09	05/28/2014

648. Amend paragraph 605-20-00-1 as follows:

605-20-00-1 ~~No updates have been made to this Subtopic.~~ <u>The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Contract Liability	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Retrospective Insurance Arrangements	Superseded	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
605-20-05-1	Amended	2014-09	05/28/2014
605-20-05-2	Superseded	2014-09	05/28/2014
605-20-05-3	Superseded	2014-09	05/28/2014
605-20-15-2	Amended	2014-09	05/28/2014
605-20-15-3	Amended	2014-09	05/28/2014
605-20-25-1	Amended	2014-09	05/28/2014
605-20-25-2 through 25-5	Superseded	2014-09	05/28/2014
605-20-25-6	Amended	2014-09	05/28/2014
605-20-25-7 through 25-19	Superseded	2014-09	05/28/2014
605-20-50-1	Superseded	2014-09	05/28/2014

649. Amend paragraph 605-25-00-1, by adding the following items to the table, as follows:

605-25-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Fair Value	Superseded	2014-09	05/28/2014
Market Participant	Superseded	2014-09	05/28/2014
Orderly Transaction	Superseded	2014-09	05/28/2014
Related Parties	Superseded	2014-09	05/28/2014
605-25-05-1	Superseded	2014-09	05/28/2014
605-25-05-2	Superseded	2014-09	05/28/2014
605-25-15-1 through 15-4	Superseded	2014-09	05/28/2014
605-25-25-1 through 25-6	Superseded	2014-09	05/28/2014
605-25-30-1 through 30-7	Superseded	2014-09	05/28/2014
605-25-50-1	Superseded	2014-09	05/28/2014
605-25-50-2	Superseded	2014-09	05/28/2014
605-25-55-1 through 55-47	Superseded	2014-09	05/28/2014
605-25-55-51 through 55-93	Superseded	2014-09	05/28/2014

650. Amend paragraph 605-28-00-1, by adding the following items to the table, as follows:

605-28-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Milestone (2nd def.)	Superseded	2014-09	05/28/2014
605-28-05-1	Superseded	2014-09	05/28/2014
605-28-15-1 through 15-4	Superseded	2014-09	05/28/2014
605-28-25-1 through 25-3	Superseded	2014-09	05/28/2014
605-28-50-1	Superseded	2014-09	05/28/2014
605-28-50-2	Superseded	2014-09	05/28/2014

651. Add paragraph 605-30-00-1 as follows:

605-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
605-30-05-1	Superseded	2014-09	05/28/2014
605-30-25-1	Superseded	2014-09	05/28/2014

652. Amend paragraph 605-35-00-1 as follows:

605-35-00-1 ~~No updates have made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Profit Center	Superseded	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
605-35-05-1	Amended	2014-09	05/28/2014
605-35-05-2 through 05-13	Superseded	2014-09	05/28/2014
605-35-15-2	Amended	2014-09	05/28/2014
605-35-15-3	Amended	2014-09	05/28/2014
605-35-15-6	Amended	2014-09	05/28/2014
605-35-25-1 through 25-6	Superseded	2014-09	05/28/2014
605-35-25-7	Amended	2014-09	05/28/2014
605-35-25-8	Superseded	2014-09	05/28/2014
605-35-25-9	Superseded	2014-09	05/28/2014
605-35-25-10	Amended	2014-09	05/28/2014
605-35-25-11 through 25-44	Superseded	2014-09	05/28/2014
605-35-25-45	Amended	2014-09	05/28/2014
605-35-25-46	Amended	2014-09	05/28/2014
605-35-25-46A	Added	2014-09	05/28/2014
605-35-25-47 through 25-49	Amended	2014-09	05/28/2014
605-35-25-50 through 25-99	Superseded	2014-09	05/28/2014
605-35-45-3 through 45-5	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
605-35-50-1 through 50-11	Superseded	2014-09	05/28/2014
605-35-55-1 through 55-10	Superseded	2014-09	05/28/2014

653. Add paragraph 605-40-00-1 as follows:

605-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
605-40-05-1 through 05-3	Superseded	2014-09	05/28/2014
605-40-15-1	Superseded	2014-09	05/28/2014
605-40-15-2	Superseded	2014-09	05/28/2014
605-40-25-1 through 25-4	Superseded	2014-09	05/28/2014
605-40-30-1	Superseded	2014-09	05/28/2014
605-40-45-1	Superseded	2014-09	05/28/2014
605-40-60-1	Superseded	2014-09	05/28/2014

654. Add paragraph 605-45-00-1 as follows:

605-45-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Handling Costs	Superseded	2014-09	05/28/2014
Shipping Costs	Superseded	2014-09	05/28/2014
605-45-05-1 through 05-3	Superseded	2014-09	05/28/2014
605-45-15-1 through 15-5	Superseded	2014-09	05/28/2014
605-45-45-1 through 45-23	Superseded	2014-09	05/28/2014
605-45-50-1 through 50-4	Superseded	2014-09	05/28/2014
605-45-55-1 through 55-45	Superseded	2014-09	05/28/2014

655. Amend paragraph 605-50-00-1 as follows:

605-50-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Breakage	Superseded	2014-09	05/28/2014
Buydowns	Superseded	2014-09	05/28/2014
Cash Consideration	Superseded	2014-09	05/28/2014
Consideration	Superseded	2014-09	05/28/2014
Cooperative Advertising	Superseded	2014-09	05/28/2014
Customer	Superseded	2014-09	05/28/2014
Reseller (2nd def.)	Superseded	2014-09	05/28/2014
Slotting Fees	Superseded	2014-09	05/28/2014
Vendor	Superseded	2014-09	05/28/2014
605-50-05-1	Superseded	2014-09	05/28/2014
605-50-05-2	Superseded	2014-09	05/28/2014
605-50-15-1 through 15-3	Superseded	2014-09	05/28/2014
605-50-25-1 through 25-18	Superseded	2014-09	05/28/2014
605-50-45-1 through 45-22	Superseded	2014-09	05/28/2014
605-50-50-1	Superseded	2014-09	05/28/2014
605-50-55-1 through 55-127	Superseded	2014-09	05/28/2014
605-50-60-1	Superseded	2014-09	05/28/2014

656. Add paragraph 606-10-00-1 as follows:

606-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Contract	Added	2014-09	05/28/2014
Contract Asset	Added	2014-09	05/28/2014
Contract Liability	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Not-for-Profit Entity	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Probable (2nd def.)	Added	2014-09	05/28/2014
Public Business Entity	Added	2014-09	05/28/2014
Revenue	Amended	2014-09	05/28/2014
Standalone Selling Price	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
606-10-05-1 through 05-6	Added	2014-09	05/28/2014
606-10-10-1 through 10-4	Added	2014-09	05/28/2014
606-10-15-1 through 15-5	Added	2014-09	05/28/2014
606-10-25-1 through 25-37	Added	2014-09	05/28/2014
606-10-32-1 through 32-45	Added	2014-09	05/28/2014
606-10-45-1 through 45-5	Added	2014-09	05/28/2014
606-10-50-1 through 50-23	Added	2014-09	05/28/2014
606-10-55-1 through 55-413	Added	2014-09	05/28/2014
606-10-60-1 through 60-16	Added	2014-09	05/28/2014
606-10-65-1	Added	2014-09	05/28/2014

657. Add paragraph 610-10-00-1 as follows:

610-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Added	2014-09	05/28/2014
610-10-05-1	Added	2014-09	05/28/2014
610-10-05-2	Added	2014-09	05/28/2014
610-10-15-1	Added	2014-09	05/28/2014
610-10-15-2	Added	2014-09	05/28/2014

658. Add paragraph 610-20-00-1 as follows:

610-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Business	Added	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Disposal Group	Added	2014-09	05/28/2014
Nonprofit Activity	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
610-20-05-1	Added	2014-09	05/28/2014
610-20-15-1 through 15-3	Added	2014-09	05/28/2014
610-20-25-1	Added	2014-09	05/28/2014
610-20-32-1	Added	2014-09	05/28/2014
610-20-40-1	Added	2014-09	05/28/2014
610-20-40-2	Added	2014-09	05/28/2014
610-20-45-1	Added	2014-09	05/28/2014
610-20-55-1 through 55-4	Added	2014-09	05/28/2014

659. Add paragraph 610-30-00-1 as follows:

610-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
610-30-05-1 through 05-3	Added	2014-09	05/28/2014
610-30-15-1	Added	2014-09	05/28/2014
610-30-15-2	Added	2014-09	05/28/2014
610-30-25-1 through 25-4	Added	2014-09	05/28/2014
610-30-30-1	Added	2014-09	05/28/2014
610-30-45-1	Added	2014-09	05/28/2014
610-30-60-1	Added	2014-09	05/28/2014

660. Amend paragraph 705-10-00-1 as follows:

705-10-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
705-10-05-1	Amended	2014-09	05/28/2014
705-10-05-1A	Added	2014-09	05/28/2014
705-10-05-2	Amended	2014-09	05/28/2014
705-10-25-4	Amended	2014-09	05/28/2014
705-10-25-4A	Added	2014-09	05/28/2014
705-10-25-6	Superseded	2014-09	05/28/2014
705-10-25-8	Amended	2014-09	05/28/2014
705-10-25-9	Amended	2014-09	05/28/2014
705-10-25-10 through 25-12	Superseded	2014-09	05/28/2014
705-10-45-1 through 45-5	Superseded	2014-09	05/28/2014

661. Add paragraph 705-20-00-1 as follows:

705-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Cash Consideration	Added	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Probable (2nd def.)	Added	2014-09	05/28/2014
Reseller (2nd def.)	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Standalone Selling Price	Added	2014-09	05/28/2014
Vendor	Added	2014-09	05/28/2014
705-20-05-1	Added	2014-09	05/28/2014
705-20-25-1 through 25-12	Added	2014-09	05/28/2014

662. Add paragraph 720-15-00-1 as follows:

720-15-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
720-15-15-4	Amended	2014-09	05/28/2014
720-15-55-7	Amended	2014-09	05/28/2014

663. Amend paragraph 720-25-00-1, by adding the following item to the table, as follows:

720-25-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
720-25-15-2	Amended	2014-09	05/28/2014

664. Amend paragraph 720-35-00-1, by adding the following item to the table, as follows:

720-35-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
720-35-05-2	Superseded	2014-09	05/28/2014
720-35-15-2	Amended	2014-09	05/28/2014
720-35-15-3	Amended	2014-09	05/28/2014
720-35-25-5	Amended	2014-09	05/28/2014
720-35-35-1	Amended	2014-09	05/28/2014

665. Amend paragraph 730-10-00-1, by adding the following item to the table, as follows:

730-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
730-10-60-5	Amended	2014-09	05/28/2014

666. Amend paragraph 730-20-00-1, by adding the following items to the table, as follows:

730-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
730-20-15-1A	Added	2014-09	05/28/2014
730-20-15-4	Amended	2014-09	05/28/2014

667. Amend paragraph 740-10-00-1, by adding the following items to the table, as follows:

740-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Contract Asset	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
740-10-25-25	Amended	2014-09	05/28/2014
740-10-55-78	Amended	2014-09	05/28/2014

668. Amend paragraph 805-20-00-1, by adding the following item to the table, as follows:

805-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
805-20-35-7	Amended	2014-09	05/28/2014

669. Amend paragraph 808-10-00-1 as follows:

808-10-00-1 ~~No updates have been made to this Subtopic.~~ <u>The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
808-10-45-1	Amended	2014-09	05/28/2014
808-10-45-2	Amended	2014-09	05/28/2014
808-10-55-6	Amended	2014-09	05/28/2014
808-10-55-9	Amended	2014-09	05/28/2014
808-10- 55-10	Amended	2014-09	05/28/2014
808-10-55-14	Amended	2014-09	05/28/2014
808-10-55-16 through 55-19	Amended	2014-09	05/28/2014

670. Amend paragraph 810-10-00-1, by adding the following items to the table, as follows:

810-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
810-10-40-3A	Amended	2014-09	05/28/2014
810-10-40-3B	Amended	2014-09	05/28/2014
810-10-45-21A	Amended	2014-09	05/28/2014

671. Amend paragraph 815-10-00-1, by adding the following item to the table, as follows:

815-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
815-10-55-62	Amended	2014-09	05/28/2014

672. Amend paragraph 815-30-00-1, by adding the following items to the table, as follows:

815-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
815-30-55-71	Amended	2014-09	05/28/2014
815-30-55-72	Amended	2014-09	05/28/2014

673. Amend paragraph 820-10-00-1, by adding the following items to the table, as follows:

820-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Standalone Selling Price	Added	2014-09	05/28/2014
820-10-15-2	Amended	2014-09	05/28/2014
820-10-15-3	Amended	2014-09	05/28/2014

674. Amend paragraph 835-30-00-1, by adding the following items to the table, as follows:

835-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Contract Asset	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Contract Liability	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
835-30-15-3	Amended	2014-09	05/28/2014

675. Amend paragraph 840-10-00-1, by adding the following items to the table, as follows:

840-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Standalone Selling Price	Added	2014-09	05/28/2014
840-10-15-19	Amended	2014-09	05/28/2014
840-10-25-46	Amended	2014-09	05/28/2014
840-10-25-47	Amended	2014-09	05/28/2014
840-10-25-55	Amended	2014-09	05/28/2014
840-10-25-61	Amended	2014-09	05/28/2014
840-10-55-14	Amended	2014-09	05/28/2014
840-10-55-14A	Added	2014-09	05/28/2014
840-10-60-3	Superseded	2014-09	05/28/2014

676. Amend paragraph 840-20-00-1, as follows:

840-20-00-1 ~~No updates have been made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
840-20-40-3	Superseded	2014-09	05/28/2014
840-20-40-4	Superseded	2014-09	05/28/2014
840-20-40-5	Amended	2014-09	05/28/2014

677. Amend paragraph 840-30-00-1, by adding the following items to the table, as follows:

840-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
840-30-25-4	Amended	2014-09	05/28/2014
840-30-25-5	Superseded	2014-09	05/28/2014
840-30-25-6	Amended	2014-09	05/28/2014
840-30-40-2	Amended	2014-09	05/28/2014
840-30-40-5	Amended	2014-09	05/28/2014

678. Amend paragraph 845-10-00-1, by adding the following items to the table, as follows:

845-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
845-10-05-11	Amended	2014-09	05/28/2014
845-10-15-4	Amended	2014-09	05/28/2014
845-10-15-8	Amended	2014-09	05/28/2014
845-10-15-14	Amended	2014-09	05/28/2014
845-10-15-15 through 15-17	Superseded	2014-09	05/28/2014
845-10-15-20	Amended	2014-09	05/28/2014
845-10-25-7	Superseded	2014-09	05/28/2014
845-10-25-8	Superseded	2014-09	05/28/2014
845-10-30-17	Superseded	2014-09	05/28/2014
845-10-30-18	Superseded	2014-09	05/28/2014
845-10-30-23	Superseded	2014-09	05/28/2014
845-10-30-25	Amended	2014-09	05/28/2014
845-10-30-25A	Superseded	2014-09	05/28/2014
845-10-30-25B	Added	2014-09	05/28/2014
845-10-30-25C	Added	2014-09	05/28/2014
845-10-50-2	Superseded	2014-09	05/28/2014
845-10-55-2	Amended	2014-09	05/28/2014
845-10-55-29 through 55-37	Superseded	2014-09	05/28/2014
845-10-60-2	Amended	2014-09	05/28/2014
845-10-60-3	Superseded	2014-09	05/28/2014

679. Add paragraph 850-10-00-1 as follows:

850-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
850-10-60-8	Amended	2014-09	05/28/2014

680. Amend paragraph 855-10-00-1, by adding the following item to the table, as follows:

855-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
855-10-60-4	Superseded	2014-09	05/28/2014

681. Amend paragraph 860-10-00-1, by adding the following items to the table, as follows:

860-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
860-10-15-4	Amended	2014-09	05/28/2014
860-10-55-3	Amended	2014-09	05/28/2014

682. Amend paragraph 860-50-00-1, by adding the following item to the table, as follows:

860-50-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
860-50-50-2	Amended	2014-09	05/28/2014

683. Amend paragraph 905-10-00-1, by adding the following item to the table, as follows:

905-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
905-10-05-1	Amended	2014-09	05/28/2014

684. Amend paragraph 905-310-00-1, by adding the following items to the table, as follows:

905-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
905-310-25-1	Superseded	2014-09	05/28/2014
905-310-25-2	Superseded	2014-09	05/28/2014
905-310-25-3	Amended	2014-09	05/28/2014

685. Amend paragraph 905-330-00-1, by adding the following items to the table, as follows:

905-330-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
905-330-30-3	Superseded	2014-09	05/28/2014
905-330-30-4	Amended	2014-09	05/28/2014
905-330-40-1	Superseded	2014-09	05/28/2014

686. Amend paragraph 905-605-00-1, by adding the following items to the table, as follows:

905-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
905-605-05-1	Amended	2014-09	05/28/2014
905-605-05-4	Superseded	2014-09	05/28/2014
905-605-15-3	Superseded	2014-09	05/28/2014
905-605-25-5	Superseded	2014-09	05/28/2014
905-605-25-7 through 25-9	Superseded	2014-09	05/28/2014
905-605-45-1	Amended	2014-09	05/28/2014
905-605-45-2	Superseded	2014-09	05/28/2014

687. Add paragraph 908-10-00-1 as follows:

908-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
908-10-05-1	Amended	2014-09	05/28/2014
908-10-05-3	Amended	2014-09	05/28/2014

688. Amend paragraph 908-360-00-1 as follows:

908-360-00-1 ~~No updates have been made to this Subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Cash Consideration	Superseded	2014-09	05/28/2014
908-360-55-1	Amended	2014-09	05/28/2014

689. Add paragraph 908-605-00-1 as follows:

908-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Air Cargo	Superseded	2014-09	05/28/2014
Airbill	Superseded	2014-09	05/28/2014
Fare	Superseded	2014-09	05/28/2014
Lifted Flight Coupon	Superseded	2014-09	05/28/2014
On-Line Lifts	Superseded	2014-09	05/28/2014
On-Line Sale and Off-Line Sale	Superseded	2014-09	05/28/2014
Revenue Passenger Mile	Superseded	2014-09	05/28/2014
908-605-05-1	Superseded	2014-09	05/28/2014
908-605-05-2	Superseded	2014-09	05/28/2014
908-605-15-1	Superseded	2014-09	05/28/2014
908-605-25-1 through 25-10	Superseded	2014-09	05/28/2014

690. Add paragraph 908-720-00-1 as follows:

908-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
908-720-25-1	Amended	2014-09	05/28/2014

691. Amend paragraph 910-10-00-1, by adding the following items to the table, as follows:

910-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contracts	Added	2014-09	05/28/2014
Cost-Type Contracts	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Time-and-Materials Contracts	Added	2014-09	05/28/2014
Unit-Price Contracts	Added	2014-09	05/28/2014
910-10-05-2	Amended	2014-09	05/28/2014
910-10-15-4	Amended	2014-09	05/28/2014
910-10-60-1	Amended	2014-09	05/28/2014

692. Add paragraph 910-20-00-1 as follows:

910-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
910-20-25-5	Superseded	2014-09	05/28/2014

693. Add paragraph 910-310-00-1 as follows:

910-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
910-310-45-2	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
910-310-50-1	Superseded	2014-09	05/28/2014
910-310-50-2	Superseded	2014-09	05/28/2014

694. Add paragraph 910-340-00-1 as follows:

910-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
910-340-05-1	Superseded	2014-09	05/28/2014
910-340-15-1	Superseded	2014-09	05/28/2014
910-340-50-1	Superseded	2014-09	05/28/2014

695. Add paragraph 910-405-00-1 as follows:

910-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
910-405-05-1	Superseded	2014-09	05/28/2014
910-405-15-1	Superseded	2014-09	05/28/2014
910-405-45-1	Superseded	2014-09	05/28/2014
910-405-45-2	Superseded	2014-09	05/28/2014
910-405-50-1	Superseded	2014-09	05/28/2014
910-405-50-2	Superseded	2014-09	05/28/2014

696. Add paragraph 910-605-00-1 as follows:

910-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
910-605-05-1	Superseded	2014-09	05/28/2014
910-605-15-1	Superseded	2014-09	05/28/2014
910-605-25-1	Superseded	2014-09	05/28/2014
910-605-50-1	Superseded	2014-09	05/28/2014
910-605-50-2	Superseded	2014-09	05/28/2014

697. Add paragraph 912-10-00-1 as follows:

912-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-10-05-2	Amended	2014-09	05/28/2014
912-10-15-3	Amended	2014-09	05/28/2014

698. Amend paragraph 912-20-00-1 as follows:

912-20-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-20-45-1	Superseded	2014-09	05/28/2014
912-20-45-4	Amended	2014-09	05/28/2014

699. Add paragraph 912-210-00-1 as follows:

912-210-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Advance Payments	Superseded	2014-09	05/28/2014
Cost-Plus-Fixed-Fee Contract	Superseded	2014-09	05/28/2014
912-210-05-1	Superseded	2014-09	05/28/2014
912-210-15-1	Superseded	2014-09	05/28/2014
912-210-45-1 through 45-8	Superseded	2014-09	05/28/2014
912-210-50-1	Superseded	2014-09	05/28/2014

700. Add paragraph 912-225-00-1 as follows:

912-225-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-225-05-1	Amended	2014-09	05/28/2014
912-225-45-1	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
912-225-45-2	Superseded	2014-09	05/28/2014
912-225-45-4	Superseded	2014-09	05/28/2014

701. Add paragraph 912-235-00-1 as follows:

912-235-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-235-05-1	Superseded	2014-09	05/28/2014
912-235-15-1	Superseded	2014-09	05/28/2014
912-235-50-1	Superseded	2014-09	05/28/2014

702. Add paragraph 912-275-00-1 as follows:

912-275-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-275-05-1	Amended	2014-09	05/28/2014
912-275-50-1	Superseded	2014-09	05/28/2014
912-275-50-4	Amended	2014-09	05/28/2014

703. Add paragraph 912-310-00-1 as follows:

912-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract Asset	Added	2014-09	05/28/2014
912-310-25-1	Amended	2014-09	05/28/2014
912-310-25-2	Amended	2014-09	05/28/2014
912-310-25-6	Superseded	2014-09	05/28/2014
912-310-25-8	Superseded	2014-09	05/28/2014
912-310-25-9	Superseded	2014-09	05/28/2014
912-310-45-9	Superseded	2014-09	05/28/2014
912-310-45-10	Superseded	2014-09	05/28/2014

704. Add paragraph 912-405-00-1 as follows:

912-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-405-05-1	Amended	2014-09	05/28/2014
912-405-25-1	Superseded	2014-09	05/28/2014
912-405-25-2	Superseded	2014-09	05/28/2014
912-405-45-1	Superseded	2014-09	05/28/2014
912-405-45-2	Superseded	2014-09	05/28/2014
912-405-45-6	Superseded	2014-09	05/28/2014
912-405-50-1	Superseded	2014-09	05/28/2014

705. Add paragraph 912-450-00-1 as follows:

912-450-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-450-25-1	Superseded	2014-09	05/28/2014

706. Amend paragraph 912-605-00-1 as follows:

912-605-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Cost-Plus-Fixed-Fee Contract	Superseded	2014-09	05/28/2014
912-605-05-1 through 05-5	Superseded	2014-09	05/28/2014
912-605-15-1	Superseded	2014-09	05/28/2014
912-605-25-1 through 25-38	Superseded	2014-09	05/28/2014
912-605-50-1	Superseded	2014-09	05/28/2014
912-605-50-2	Superseded	2014-09	05/28/2014

707. Add paragraph 912-705-00-1 as follows:

912-705-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
912-705-05-1	Superseded	2014-09	05/28/2014
912-705-15-1	Superseded	2014-09	05/28/2014
912-705-25-1 through 25-3	Superseded	2014-09	05/28/2014
912-705-50-1	Superseded	2014-09	05/28/2014

708. Add paragraph 912-730-00-1 as follows:

912-730-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contracts	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
912-730-15-2	Amended	2014-09	05/28/2014
912-730-15-3	Amended	2014-09	05/28/2014

709. Add paragraph 912-835-00-1 as follows:

912-835-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
912-835-25-1 through 25-3	Amended	2014-09	05/28/2014

710. Add paragraph 920-10-00-1 as follows:

920-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Barter	Superseded	2014-09	05/28/2014
920-10-05-2	Amended	2014-09	05/28/2014
920-10-15-3	Amended	2014-09	05/28/2014

711. Add paragraph 920-310-00-1 as follows:

920-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Barter	Superseded	2014-09	05/28/2014
920-310-05-1	Superseded	2014-09	05/28/2014
920-310-25-1	Superseded	2014-09	05/28/2014

712. Add paragraph 920-405-00-1 as follows:

920-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Barter	Superseded	2014-09	05/28/2014
920-405-25-2	Superseded	2014-09	05/28/2014

713. Add paragraph 920-605-00-1 as follows:

920-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Barter	Superseded	2014-09	05/28/2014
920-605-05-1	Superseded	2014-09	05/28/2014
920-605-25-1	Superseded	2014-09	05/28/2014

714. Amend paragraph 920-845-00-1 as follows:

920-845-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Barter	Superseded	2014-09	05/28/2014
Broadcaster	Superseded	2014-09	05/28/2014
920-845-05-1	Superseded	2014-09	05/28/2014
920-845-15-1	Superseded	2014-09	05/28/2014
920-845-25-1	Superseded	2014-09	05/28/2014
920-845-30-1	Superseded	2014-09	05/28/2014
920-845-30-2	Superseded	2014-09	05/28/2014

715. Add paragraph 922-10-00-1 as follows:

922-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
922-10-05-1	Amended	2014-09	05/28/2014
922-10-05-2	Amended	2014-09	05/28/2014

716. Add paragraph 922-360-00-1 as follows:

922-360-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
922-360-25-1	Amended	2014-09	05/28/2014

717. Add paragraph 922-430-00-1 as follows:

922-430-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Direct Selling Costs	Superseded	2014-09	05/28/2014
922-430-05-1	Superseded	2014-09	05/28/2014
922-430-15-1	Superseded	2014-09	05/28/2014
922-430-25-1	Superseded	2014-09	05/28/2014
922-430-30-1	Superseded	2014-09	05/28/2014
922-430-35-1	Superseded	2014-09	05/28/2014

718. Add paragraph 922-605-00-1 as follows:

922-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
Direct Selling Costs	Superseded	2014-09	05/28/2014
Prematurity Period	Superseded	2014-09	05/28/2014
Subscriber-Related Costs	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
922-605-05-1	Superseded	2014-09	05/28/2014
922-605-15-1	Superseded	2014-09	05/28/2014
922-605-25-1 through 25-4	Superseded	2014-09	05/28/2014

719. Add paragraph 924-10-00-1 as follows:

924-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
924-10-05-1	Amended	2014-09	05/28/2014

720. Add paragraph 924-405-00-1 as follows:

924-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Base Jackpot	Added	2014-09	05/28/2014
Slot Machine	Added	2014-09	05/28/2014
924-405-05-1	Amended	2014-09	05/28/2014
924-405-25-2	Added	2014-09	05/28/2014
924-405-55-1	Added	2014-09	05/28/2014
924-405-55-2	Added	2014-09	05/28/2014

721. Amend paragraph 924-605-00-1, by adding the following items to the table, as follows:

924-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Base Jackpot	Superseded	2014-09	05/28/2014
Slot Machine	Superseded	2014-09	05/28/2014
Win	Superseded	2014-09	05/28/2014
924-605-05-1	Superseded	2014-09	05/28/2014
924-605-15-1	Superseded	2014-09	05/28/2014
924-605-25-1 through 25-3	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
924-605-45-1	Superseded	2014-09	05/28/2014
924-605-45-2	Superseded	2014-09	05/28/2014
924-605-55-1	Superseded	2014-09	05/28/2014
924-605-55-2	Superseded	2014-09	05/28/2014

722. Add paragraph 926-10-00-1 as follows:

926-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Superseded	2014-09	05/28/2014
926-10-05-1	Amended	2014-09	05/28/2014
926-10-15-3	Amended	2014-09	05/28/2014

723. Amend paragraph 926-20-00-1, by adding the following items to the table, as follows:

926-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Revenue	Superseded	2014-09	05/28/2014
926-20-25-6	Amended	2014-09	05/28/2014
926-20-35-1	Amended	2014-09	05/28/2014
926-20-35-5	Amended	2014-09	05/28/2014
926-20-35-6	Amended	2014-09	05/28/2014
926-20-35-14	Amended	2014-09	05/28/2014
926-20-40-4	Amended	2014-09	05/28/2014
926-20-55-2 through 55-4	Amended	2014-09	05/28/2014
926-20-55-6 through 55-8	Amended	2014-09	05/28/2014
926-20-55-13 through 55-15	Amended	2014-09	05/28/2014

724. Add paragraph 926-405-00-1 as follows:

926-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Superseded	2014-09	05/28/2014
926-405-25-1	Amended	2014-09	05/28/2014
926-405-55-2	Amended	2014-09	05/28/2014
926-405-55-3	Amended	2014-09	05/28/2014
926-405-55-5	Amended	2014-09	05/28/2014
926-405-55-6	Amended	2014-09	05/28/2014

725. Add paragraph 926-430-00-1 as follows:

<u>**926-430-00-1** The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Superseded	2014-09	05/28/2014
926-430-05-1	Superseded	2014-09	05/28/2014
926-430-15-1	Superseded	2014-09	05/28/2014
926-430-25-1 through 25-3	Superseded	2014-09	05/28/2014

726. Amend paragraph 926-605-00-1, by adding the following items to the table, as follows:

926-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Cross-Collateralized	Superseded	2014-09	05/28/2014
Distributor (1st def.)	Superseded	2014-09	05/28/2014
Films	Superseded	2014-09	05/28/2014
Market (1st def.)	Superseded	2014-09	05/28/2014
Nonrefundable Minimum Guarantee	Superseded	2014-09	05/28/2014
Participation Costs	Superseded	2014-09	05/28/2014
Producer	Superseded	2014-09	05/28/2014
Revenue	Superseded	2014-09	05/28/2014
Significant	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Changes			
Street Date	Superseded	2014-09	05/28/2014
Territory	Superseded	2014-09	05/28/2014
926-605-05-1	Superseded	2014-09	05/28/2014
926-605-15-1	Superseded	2014-09	05/28/2014
926-605-25-1 through 25-31	Superseded	2014-09	05/28/2014
926-605-50-1	Superseded	2014-09	05/28/2014
926-605-55-1 through 55-13	Superseded	2014-09	05/28/2014

727. Add paragraph 926-705-00-1 as follows:

926-705-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Superseded	2014-09	05/28/2014
926-705-25-1	Amended	2014-09	05/28/2014

728. Add paragraph 926-845-00-1 as follows:

926-845-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Revenue	Superseded	2014-09	05/28/2014
926-845-05-1	Superseded	2014-09	05/28/2014
926-845-15-1	Superseded	2014-09	05/28/2014
926-845-25-1	Superseded	2014-09	05/28/2014

729. Add paragraph 928-340-00-1 as follows:

928-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
928-340-35-2	Amended	2014-09	05/28/2014

730. Add paragraph 928-430-00-1 as follows:

928-430-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
License Agreements	Superseded	2014-09	05/28/2014
Minimum Guarantee	Superseded	2014-09	05/28/2014
Record Master	Superseded	2014-09	05/28/2014
928-430-05-1	Superseded	2014-09	05/28/2014
928-430-15-1	Superseded	2014-09	05/28/2014
928-430-25-1	Superseded	2014-09	05/28/2014

731. Add paragraph 928-605-00-1 as follows:

928-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
License Agreements	Superseded	2014-09	05/28/2014
Minimum Guarantee	Superseded	2014-09	05/28/2014
Record Master	Superseded	2014-09	05/28/2014
928-605-05-1	Superseded	2014-09	05/28/2014
928-605-15-1	Superseded	2014-09	05/28/2014
928-605-25-1 through 25-3	Superseded	2014-09	05/28/2014
928-605-30-1	Superseded	2014-09	05/28/2014
928-605-60-1	Superseded	2014-09	05/28/2014

732. Amend paragraph 932-10-00-1, by adding the following item to the table, as follows:

932-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
932-10-05-3	Amended	2014-09	05/28/2014

733. Amend paragraph 932-235-00-1, by adding the following items to the table, as follows:

932-235-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
932-235-50-24	Amended	2014-09	05/28/2014

734. Amend paragraph 932-605-00-1 as follows:

932-605-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
932-605-05-1	Superseded	2014-09	05/28/2014
932-605-15-1	Superseded	2014-09	05/28/2014
932-605-25-2	Superseded	2014-09	05/28/2014
932-605-50-1	Superseded	2014-09	05/28/2014

735. Amend paragraph 932-835-00-1, by adding the following items to the table, as follows:

932-835-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
932-835-25-2	Amended	2014-09	05/28/2014

736. Amend paragraph 940-10-00-1 as follows:

940-10-00-1 ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
940-10-05-1	Amended	2014-09	05/28/2014

737. Amend paragraph 940-20-00-1, by adding the following items to the table, as follows:

940-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
940-20-05-3	Amended	2014-09	05/28/2014
940-20-15-4	Amended	2014-09	05/28/2014
940-20-25-2	Amended	2014-09	05/28/2014

738. Add paragraph 940-605-00-1 as follows:

<u>**940-605-00-1** The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
Half-Turn	Superseded	2014-09	05/28/2014
Round-Turn	Superseded	2014-09	05/28/2014
940-605-05-1	Superseded	2014-09	05/28/2014
940-605-15-1	Superseded	2014-09	05/28/2014
940-605-25-1 through 25-4	Superseded	2014-09	05/28/2014
940-605-30-1	Superseded	2014-09	05/28/2014
940-605-30-2	Superseded	2014-09	05/28/2014

739. Add paragraph 940-720-00-1 as follows:

<u>**940-720-00-1** The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
12b-1	Added	2014-09	05/28/2014
940-720-05-1	Added	2014-09	05/28/2014
940-720-15-1	Added	2014-09	05/28/2014
940-720-25-1	Added	2014-09	05/28/2014

740. Amend paragraph 942-10-00-1, by adding the following item to the table, as follows:

942-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
942-10-05-1	Amended	2014-09	05/28/2014

741. Add paragraph 942-605-00-1 as follows:

<u>**942-605-00-1** The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
942-605-05-1	Superseded	2014-09	05/28/2014
942-605-05-2	Superseded	2014-09	05/28/2014
942-605-15-1	Superseded	2014-09	05/28/2014
942-605-25-1 through 25-3	Superseded	2014-09	05/28/2014

742. Add paragraph 942-825-00-1 as follows:

<u>**942-825-00-1** The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
942-825-50-2	Amended	2014-09	05/28/2014

743. Amend paragraph 944-30-00-1, by adding the following items to the table, as follows:

944-30-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
944-30-25-1A	Amended	2014-09	05/28/2014
944-30-25-1AA	Added	2014-09	05/28/2014
944-30-25-1C through 25-1P	Added	2014-09	05/28/2014
944-30-55-1F	Amended	2014-09	05/28/2014

744. Amend paragraph 944-80-00-1, by adding the following item to the table, as follows:

944-80-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
944-80-35-4	Superseded	2014-09	05/28/2014

745. Amend paragraph 944-720-00-1, by adding the following item to the table, as follows:

944-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
944-720-55-1	Amended	2014-09	05/28/2014

746. Amend paragraph 946-605-00-1, by adding the following items to the table, as follows:

946-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	**Action**	**Accounting Standards Update**	**Date**
12b-1	Superseded	2014-09	05/28/2014
B Shares	Superseded	2014-09	05/28/2014
Closed-End Funds	Superseded	2014-09	05/28/2014
Contingent-Deferred Sales Load	Superseded	2014-09	05/28/2014
Distributor	Superseded	2014-09	05/28/2014
Front-End Load	Superseded	2014-09	05/28/2014
Offering Costs	Superseded	2014-09	05/28/2014
946-605-05-1 through 05-11	Superseded	2014-09	05/28/2014
946-605-15-1	Superseded	2014-09	05/28/2014
946-605-15-2	Superseded	2014-09	05/28/2014
946-605-25-1 through 25-8	Superseded	2014-09	05/28/2014
946-605-50-1	Superseded	2014-09	05/28/2014

747. Add paragraph 946-720-00-1 as follows:

946-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
12b-1	Added	2014-09	05/28/2014
Contingent-Deferred Sales Load	Added	2014-09	05/28/2014
Front-End Load	Added	2014-09	05/28/2014
Offering Costs	Added	2014-09	05/28/2014
946-720-05-1	Added	2014-09	05/28/2014
946-720-15-1	Added	2014-09	05/28/2014
946-720-15-2	Added	2014-09	05/28/2014
946-720-25-1 through 25-4	Added	2014-09	05/28/2014

748. Add paragraph 948-10-00-1 as follows:

948-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
948-10-05-1	Amended	2014-09	05/28/2014

749. Add paragraph 948-605-00-1 as follows:

948-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Mortgage Banking Entity	Superseded	2014-09	05/28/2014
Permanent Investor	Superseded	2014-09	05/28/2014
948-605-05-1	Superseded	2014-09	05/28/2014
948-605-15-1	Superseded	2014-09	05/28/2014
948-605-25-1 through 25-3	Superseded	2014-09	05/28/2014

750. Add paragraph 950-350-00-1 as follows:

950-350-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
950-350-40-1	Amended	2014-09	05/28/2014

751. Amend paragraph 952-10-00-1, by adding the following items to the table, as follows:

952-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Area Franchise	Superseded	2014-09	05/28/2014
Franchise Agreement	Superseded	2014-09	05/28/2014
952-10-05-1	Amended	2014-09	05/28/2014
952-10-05-2	Amended	2014-09	05/28/2014
952-10-15-3	Amended	2014-09	05/28/2014
952-10-50-1	Added	2014-09	05/28/2014

752. Add paragraph 952-340-00-1 as follows:

952-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Franchisor	Superseded	2014-09	05/28/2014
952-340-05-1	Superseded	2014-09	05/28/2014
952-340-15-1	Superseded	2014-09	05/28/2014
952-340-25-1 through 25-3	Superseded	2014-09	05/28/2014

753. Add paragraph 952-605-00-1 as follows:

952-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Area Franchise	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Bargain Purchase	Superseded	2014-09	05/28/2014
Continuing Franchise Fees	Superseded	2014-09	05/28/2014
Franchise Agreement	Superseded	2014-09	05/28/2014
Franchisee	Superseded	2014-09	05/28/2014
Franchisor	Superseded	2014-09	05/28/2014
Initial Franchise Fee	Superseded	2014-09	05/28/2014
Initial Services	Superseded	2014-09	05/28/2014
952-605-05-1	Superseded	2014-09	05/28/2014
952-605-15-1	Superseded	2014-09	05/28/2014
952-605-25-1 through 25-17	Superseded	2014-09	05/28/2014
952-605-35-1	Superseded	2014-09	05/28/2014
952-605-40-1	Superseded	2014-09	05/28/2014
952-605-45-1	Superseded	2014-09	05/28/2014
952-605-50-1 through 50-3	Superseded	2014-09	05/28/2014

754. Add paragraph 952-720-00-1 as follows:

952-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
952-720-25-2	Amended	2014-09	05/28/2014
952-720-45-1	Added	2014-09	05/28/2014
952-720-50-1	Superseded	2014-09	05/28/2014

755. Amend paragraph 954-10-00-1, by adding the following items to the table, as follows:

954-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Prepaid Health Care Plan	Added	2014-09	05/28/2014
954-10-05-1	Amended	2014-09	05/28/2014
954-10-15-1B	Amended	2014-09	05/28/2014

756. Amend paragraph 954-225-00-1, by adding the following item to the table, as follows:

954-225-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
954-225-45-4	Amended	2014-09	05/28/2014
954-225-45-5	Amended	2014-09	05/28/2014

757. Amend paragraph 954-310-00-1, by adding the following items to the table, as follows:

954-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract Asset	Added	2014-09	05/28/2014
Contract Liability	Added	2014-09	05/28/2014
954-310-05-2	Amended	2014-09	05/28/2014
954-310-05-3	Amended	2014-09	05/28/2014
954-310-25-1	Amended	2014-09	05/28/2014
954-310-30-1	Amended	2014-09	05/28/2014
954-310-35-1	Amended	2014-09	05/28/2014
954-310-45-1	Amended	2014-09	05/28/2014
954-310-50-3	Superseded	2014-09	05/28/2014
954-310-55-1 through 55-3	Superseded	2014-09	05/28/2014

758. Add paragraph 954-340-00-1 as follows:

954-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
954-340-25-1 through 25-3	Superseded	2014-09	05/28/2014
954-340-35-1	Superseded	2014-09	05/28/2014

759. Add paragraph 954-405-00-1 as follows:

954-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
954-405-25-1	Amended	2014-09	05/28/2014
954-405-25-3	Superseded	2014-09	05/28/2014

760. Amend paragraph 954-430-00-1, by adding the following items to the table, as follows:

954-430-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Nonpublic Entity	Superseded	2014-09	05/28/2014
954-430-05-1	Superseded	2014-09	05/28/2014
954-430-15-1	Superseded	2014-09	05/28/2014
954-430-25-1 through 25-1B	Superseded	2014-09	05/28/2014
954-430-30-1	Superseded	2014-09	05/28/2014
954-430-35-1 through 35-5	Superseded	2014-09	05/28/2014
954-430-40-1	Superseded	2014-09	05/28/2014
954-430-45-1	Superseded	2014-09	05/28/2014
954-430-50-1 through 50-4	Superseded	2014-09	05/28/2014
954-430-55-1 through 55-3	Superseded	2014-09	05/28/2014

761. Amend paragraph 954-440-00-1, by adding the following items to the table, as follows:

954-440-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract Liability	Added	2014-09	05/28/2014
954-440-05-3 through 05-10	Added	2014-09	05/28/2014
954-440-35-3	Amended	2014-09	05/28/2014
954-440-55-1	Amended	2014-09	05/28/2014
954-440-55-4	Amended	2014-09	05/28/2014

762. Amend paragraph 954-450-00-1, by adding the following item to the table, as follows:

954-450-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
954-450-30-4	Amended	2014-09	05/28/2014

763. Amend paragraph 954-605-00-1, by adding the following items to the table, as follows:

954-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Capitation Fee	Superseded	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Diagnosis-Related Group	Superseded	2014-09	05/28/2014
Prepaid Health Care Plan	Superseded	2014-09	05/28/2014
Prospective Rate Setting	Superseded	2014-09	05/28/2014
Retrospective Rate Setting	Superseded	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
954-605-05-1	Amended	2014-09	05/28/2014
954-605-05-2 through 05-14	Superseded	2014-09	05/28/2014
954-605-25-1	Amended	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
954-605-25-2 through 25-9	Superseded	2014-09	05/28/2014
954-605-35-1	Superseded	2014-09	05/28/2014
954-605-45-1 through 45-5	Superseded	2014-09	05/28/2014
954-605-50-1	Superseded	2014-09	05/28/2014
954-605-50-2	Superseded	2014-09	05/28/2014
954-605-50-4	Superseded	2014-09	05/28/2014
954-605-55-1 through 55-4	Superseded	2014-09	05/28/2014

764. Amend paragraph 954-720-00-1, by adding the following items to the table, as follows:

954-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Prepaid Health Care Services	Superseded	2014-09	05/28/2014
954-720-25-6	Superseded	2014-09	05/28/2014
954-720-25-7	Superseded	2014-09	05/28/2014

765. Amend paragraph 958-10-00-1, by adding the following item to the table, as follows:

958-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-10-05-2	Amended	2014-09	05/28/2014

766. Amend paragraph 958-225-00-1, by adding the following item to the table, as follows:

958-225-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-225-45-9	Amended	2014-09	05/28/2014

767. Add paragraph 958-405-00-1 as follows:

958-405-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-405-25-2	Superseded	2014-09	05/28/2014

768. Amend paragraph 958-605-00-1, by adding the following items to the table, as follows:

958-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
958-605-05-1	Amended	2014-09	05/28/2014
958-605-05-2	Amended	2014-09	05/28/2014
958-605-25-1	Amended	2014-09	05/28/2014
958-605-45-2	Superseded	2014-09	05/28/2014

769. Amend paragraph 958-720-00-1, by adding the following items to the table, as follows:

958-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
958-720-25-5	Amended	2014-09	05/28/2014
958-720-25-6	Superseded	2014-09	05/28/2014
958-720-25-8	Superseded	2014-09	05/28/2014

770. Add paragraph 970-10-00-1 as follows:

970-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
970-10-05-1	Amended	2014-09	05/28/2014
970-10-05-2	Amended	2014-09	05/28/2014
970-10-15-9	Amended	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
970-10-15-10	Superseded	2014-09	05/28/2014

771. Amend paragraph 970-323-00-1, by adding the following items to the table, as follows:

970-323-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
970-323-30-3	Amended	2014-09	05/28/2014
970-323-30-4	Amended	2014-09	05/28/2014
970-323-30-6	Amended	2014-09	05/28/2014
970-323-40-1	Amended	2014-09	05/28/2014

772. Amend paragraph 970-340-00-1, by adding the following items to the table, as follows:

970-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
970-340-25-13	Amended	2014-09	05/28/2014
970-340-25-14	Superseded	2014-09	05/28/2014
970-340-25-15	Superseded	2014-09	05/28/2014
970-340-25-18	Added	2014-09	05/28/2014
970-340-25-19	Added	2014-09	05/28/2014
970-340-35-1	Amended	2014-09	05/28/2014
970-340-35-2	Amended	2014-09	05/28/2014
970-340-40-1	Superseded	2014-09	05/28/2014

773. Amend paragraph 970-360-00-1, by adding the following items to the table, as follows:

970-360-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
970-360-25-2	Amended	2014-09	05/28/2014
970-360-25-4	Amended	2014-09	05/28/2014
970-360-55-4	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
970-360-55-5	Superseded	2014-09	05/28/2014

774. Add paragraph 970-470-00-1 as follows:

970-470-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
970-470-25-5	Amended	2014-09	05/28/2014

775. Add paragraph 970-605-00-1 as follows:

970-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Assumption	Superseded	2014-09	05/28/2014
Blind Pool or Partially Blind Pool Partnerships	Superseded	2014-09	05/28/2014
Flip Transactions	Superseded	2014-09	05/28/2014
General Partnership	Superseded	2014-09	05/28/2014
Investor Notes	Superseded	2014-09	05/28/2014
Limited Partnership	Superseded	2014-09	05/28/2014
Ownership Interests	Superseded	2014-09	05/28/2014
Partnership Notes	Superseded	2014-09	05/28/2014
Project Costs	Superseded	2014-09	05/28/2014
Syndication Activities	Superseded	2014-09	05/28/2014
Syndication Fees	Superseded	2014-09	05/28/2014
970-605-05-1 through 05-11	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
970-605-15-1 through 15-7	Superseded	2014-09	05/28/2014
970-605-25-1 through 25-7	Superseded	2014-09	05/28/2014
970-605-30-1 through 30-12	Superseded	2014-09	05/28/2014
970-605-35-1 through 35-8	Superseded	2014-09	05/28/2014
970-605-55-1 through 55-20	Superseded	2014-09	05/28/2014

776. Amend paragraph 972-10-00-1, by adding the following items to the table, as follows:

972-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
972-10-05-1	Amended	2014-09	05/28/2014
972-10-05-2	Amended	2014-09	05/28/2014

777. Add paragraph 972-235-00-1 as follows:

972-235-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
972-235-50-1	Amended	2014-09	05/28/2014

778. Add paragraph 972-430-00-1 as follows:

972-430-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Common Interest Realty Association	Superseded	2014-09	05/28/2014
972-430-05-1	Superseded	2014-09	05/28/2014
972-430-15-1	Superseded	2014-09	05/28/2014
972-430-25-1	Superseded	2014-09	05/28/2014

779. Add paragraph 972-605-00-1 as follows:

972-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Common Interest Realty Association	Superseded	2014-09	05/28/2014
972-605-05-1	Superseded	2014-09	05/28/2014
972-605-15-1	Superseded	2014-09	05/28/2014
972-605-25-1	Superseded	2014-09	05/28/2014
972-605-45-1	Superseded	2014-09	05/28/2014
972-605-45-2	Superseded	2014-09	05/28/2014
972-605-50-1	Superseded	2014-09	05/28/2014
972-605-50-2	Superseded	2014-09	05/28/2014

780. Add paragraph 974-10-00-1 as follows:

974-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
974-10-05-1	Amended	2014-09	05/28/2014
974-10-05-2	Amended	2014-09	05/28/2014

781. Amend paragraph 974-605-00-1, by adding the following items to the table, as follows:

974-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Real Estate Investment Trust	Superseded	2014-09	05/28/2014
974-605-05-1	Superseded	2014-09	05/28/2014
974-605-15-1	Superseded	2014-09	05/28/2014
974-605-25-1	Superseded	2014-09	05/28/2014
974-605-25-2	Superseded	2014-09	05/28/2014
974-605-45-1	Superseded	2014-09	05/28/2014
974-605-50-1	Superseded	2014-09	05/28/2014

782. Add paragraph 974-720-00-1 as follows:

974-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Real Estate Investment Trust	Added	2014-09	05/28/2014
974-720-05-1	Added	2014-09	05/28/2014
974-720-15-1	Added	2014-09	05/28/2014
974-720-25-1	Added	2014-09	05/28/2014
974-720-25-2	Added	2014-09	05/28/2014
974-720-45-1	Added	2014-09	05/28/2014
974-720-50-1	Added	2014-09	05/28/2014

783. Amend paragraph 976-10-00-1, by adding the following items to the table, as follows:

976-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
976-10-05-1	Amended	2014-09	05/28/2014
976-10-05-2	Amended	2014-09	05/28/2014
976-10-15-2	Superseded	2014-09	05/28/2014

784. Add paragraph 976-310-00-1 as follows:

976-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Full Accrual Method	Superseded	2014-09	05/28/2014
976-310-30-1	Superseded	2014-09	05/28/2014
976-310-35-3	Superseded	2014-09	05/28/2014

785. Add paragraph 976-605-00-1 as follows:

976-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Full Accrual Method	Superseded	2014-09	05/28/2014
976-605-05-1	Superseded	2014-09	05/28/2014
976-605-15-1	Superseded	2014-09	05/28/2014
976-605-25-1 through 25-12	Superseded	2014-09	05/28/2014
976-605-30-1 through 30-4	Superseded	2014-09	05/28/2014
976-605-35-1	Superseded	2014-09	05/28/2014
976-605-55-1 through 55-14	Superseded	2014-09	05/28/2014

786. Add paragraph 976-705-00-1 as follows:

976-705-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Full Accrual Method	Superseded	2014-09	05/28/2014
976-705-30-1	Superseded	2014-09	05/28/2014
976-705-30-2	Amended	2014-09	05/28/2014

787. Amend paragraph 978-10-00-1, by adding the following items to the table, as follows:

978-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Fair Value	Added	2014-09	05/28/2014
Integral Equipment	Added	2014-09	05/28/2014
978-10-05-1	Amended	2014-09	05/28/2014
978-10-05-2	Amended	2014-09	05/28/2014
978-10-05-4	Superseded	2014-09	05/28/2014
978-10-15-4	Amended	2014-09	05/28/2014
978-10-15-7 through 15-12	Added	2014-09	05/28/2014

788. Amend paragraph 978-310-00-1, by adding the following items to the table, as follows:

978-310-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Assumption	Superseded	2014-09	05/28/2014
Percentage-of-Completion Method	Superseded	2014-09	05/28/2014
Sales Value	Superseded	2014-09	05/28/2014
978-310-30-1	Superseded	2014-09	05/28/2014
978-310-30-2	Superseded	2014-09	05/28/2014
978-310-35-4 through 35-6	Amended	2014-09	05/28/2014
978-310-35-7	Superseded	2014-09	05/28/2014
978-310-40-1	Superseded	2014-09	05/28/2014
978-310-40-2	Superseded	2014-09	05/28/2014
978-310-45-1	Superseded	2014-09	05/28/2014
978-310-50-1	Amended	2014-09	05/28/2014

789. Amend paragraph 978-330-00-1 as follows:

978-330-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Deposit Method	Superseded	2014-09	05/28/2014
Incremental Costs from Incidental Operations	Added	2014-09	05/28/2014
Incremental Revenue from Incidental Operations	Added	2014-09	05/28/2014
Mini-Vacation	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Sampler Program	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
978-330-15-3	Amended	2014-09	05/28/2014
978-330-15-4	Amended	2014-09	05/28/2014
978-330-30-1	Amended	2014-09	05/28/2014
978-330-30-2	Superseded	2014-09	05/28/2014
978-330-30-3	Amended	2014-09	05/28/2014
978-330-35-1 through 35-4	Amended	2014-09	05/28/2014

790. Amend paragraph 978-340-00-1, by adding the following items to the table, as follows:

978-340-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Deposit Method	Superseded	2014-09	05/28/2014
Incidental Operations	Superseded	2014-09	05/28/2014
Phase	Superseded	2014-09	05/28/2014
Project	Superseded	2014-09	05/28/2014
978-340-25-1	Amended	2014-09	05/28/2014
978-340-25-2	Superseded	2014-09	05/28/2014
978-340-25-3	Superseded	2014-09	05/28/2014
978-340-40-1	Superseded	2014-09	05/28/2014
978-340-40-2	Superseded	2014-09	05/28/2014
978-340-60-1	Amended	2014-09	05/28/2014

791. Amend paragraph 978-605-00-1, by adding the following items to the table, as follows:

978-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Affinity Program	Superseded	2014-09	05/28/2014
Amenities	Superseded	2014-09	05/28/2014
Assumption	Superseded	2014-09	05/28/2014
Continuing Investments	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Continuing Involvement (2nd def.)	Superseded	2014-09	05/28/2014
Contract-for-Deed	Superseded	2014-09	05/28/2014
Fixed Time	Superseded	2014-09	05/28/2014
Full Accrual Method	Superseded	2014-09	05/28/2014
Incentive	Superseded	2014-09	05/28/2014
Independent Third Party	Superseded	2014-09	05/28/2014
Inducement	Superseded	2014-09	05/28/2014
Interval	Superseded	2014-09	05/28/2014
Mini-Vacation	Superseded	2014-09	05/28/2014
Other than Retail Land Sales	Superseded	2014-09	05/28/2014
Owners Association	Superseded	2014-09	05/28/2014
Percentage-of-Completion Method	Superseded	2014-09	05/28/2014
Phase	Superseded	2014-09	05/28/2014
Planned Amenities	Superseded	2014-09	05/28/2014
Points	Superseded	2014-09	05/28/2014
Project	Superseded	2014-09	05/28/2014
Promised Amenities	Superseded	2014-09	05/28/2014
Recourse	Superseded	2014-09	05/28/2014
Relative Sales Value Method	Superseded	2014-09	05/28/2014
Reload	Superseded	2014-09	05/28/2014
Reload Transaction	Superseded	2014-09	05/28/2014
Rescission	Superseded	2014-09	05/28/2014
Right-to-Use	Superseded	2014-09	05/28/2014
Sales Value	Superseded	2014-09	05/28/2014
Sampler Program	Superseded	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
Tenancy-for-Years	Superseded	2014-09	05/28/2014
Time-Share	Superseded	2014-09	05/28/2014
Time-Sharing	Superseded	2014-09	05/28/2014
Time-Sharing Interest	Superseded	2014-09	05/28/2014
Time-Sharing Special-Purpose Entity	Superseded	2014-09	05/28/2014
Uncollectibility	Superseded	2014-09	05/28/2014
Unit	Superseded	2014-09	05/28/2014
Upgrade	Superseded	2014-09	05/28/2014
Upgrade Transaction	Superseded	2014-09	05/28/2014
Vacation Club	Superseded	2014-09	05/28/2014
978-605-05-1	Superseded	2014-09	05/28/2014
978-605-10-1	Superseded	2014-09	05/28/2014
978-605-15-1	Superseded	2014-09	05/28/2014
978-605-25-1 through 25-21	Superseded	2014-09	05/28/2014
978-605-30-1 through 30-10	Superseded	2014-09	05/28/2014
978-605-55-1 through 55-95	Superseded	2014-09	05/28/2014

792. Amend paragraph 978-720-00-1, by adding the following item to the table, as follows:

978-720-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
978-720-25-1 through 25-3	Amended	2014-09	05/28/2014

793. Amend paragraph 978-840-00-1, by adding the following item to the table, as follows:

978-840-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
978-840-25-1	Amended	2014-09	05/28/2014

794. Amend paragraph 980-10-00-1, by adding the following item to the table, as follows:

980-10-00-1 ~~No updates have been made to this Subtopic.~~The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
980-10-05-1	Amended	2014-09	05/28/2014

795. Add paragraph 980-605-00-1 as follows:

980-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
980-605-05-1	Amended	2014-09	05/28/2014
980-605-15-3	Amended	2014-09	05/28/2014
980-605-25-5 through 25-18	Superseded	2014-09	05/28/2014
980-605-30-2	Amended	2014-09	05/28/2014
980-605-35-1	Amended	2014-09	05/28/2014
980-605-45-1	Added	2014-09	05/28/2014

796. Add paragraph 980-815-00-1 as follows:

980-815-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
All-in-One Hedge	Added	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Nonutility Generators	Added	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
980-815-05-1	Added	2014-09	05/28/2014
980-815-15-1 through 15-3	Added	2014-09	05/28/2014
980-815-25-1 through 25-6	Added	2014-09	05/28/2014

797. Amend paragraph 985-10-00-1 as follows:

985-10-00-1 ~~No updates have been made to this subtopic.~~ <u>The following table identifies the changes made to this Subtopic.</u>

Paragraph Number	Action	Accounting Standards Update	Date
985-10-05-1	Amended	2014-09	05/28/2014
985-10-15-3	Amended	2014-09	05/28/2014

798. Amend paragraph 985-20-00-1, by adding the following items to the table, as follows:

985-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Contract	Added	2014-09	05/28/2014
Customer	Added	2014-09	05/28/2014
Hosting Arrangement	Added	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
985-20-15-3	Amended	2014-09	05/28/2014
985-20-15-5 through 15-7	Added	2014-09	05/28/2014
985-20-25-12	Added	2014-09	05/28/2014
985-20-55-2	Amended	2014-09	05/28/2014
985-20-60-3	Amended	2014-09	05/28/2014

799. Amend paragraph 985-605-00-1, by adding the following items to the table, as follows:

985-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Authorization Code	Superseded	2014-09	05/28/2014
Contract	Added	2014-09	05/28/2014
Core Software	Superseded	2014-09	05/28/2014
Customer	Amended	2014-09	05/28/2014
Delivery	Superseded	2014-09	05/28/2014
Enhancement	Superseded	2014-09	05/28/2014
Fixed Fee	Superseded	2014-09	05/28/2014
Hosting Arrangement	Superseded	2014-09	05/28/2014
Licensing	Superseded	2014-09	05/28/2014
Maintenance	Superseded	2014-09	05/28/2014
Milestone (1st def.)	Superseded	2014-09	05/28/2014
Off-the-Shelf Software	Superseded	2014-09	05/28/2014
Performance Obligation	Added	2014-09	05/28/2014
Platform	Superseded	2014-09	05/28/2014
Platform-Transfer Right	Superseded	2014-09	05/28/2014
Postcontract Customer Support	Superseded	2014-09	05/28/2014
Probable (2nd def.)	Added	2014-09	05/28/2014
Product Master	Superseded	2014-09	05/28/2014
Reseller (1st def.)	Superseded	2014-09	05/28/2014
Revenue	Added	2014-09	05/28/2014
Site License	Superseded	2014-09	05/28/2014
Transaction Price	Added	2014-09	05/28/2014
Upgrade (2nd def.)	Superseded	2014-09	05/28/2014
Upgrade Right	Superseded	2014-09	05/28/2014
User	Superseded	2014-09	05/28/2014
When-and-If-Available	Superseded	2014-09	05/28/2014
985-605-05-1	Amended	2014-09	05/28/2014

Paragraph Number	Action	Accounting Standards Update	Date
985-605-05-2	Added	2014-09	05/28/2014
985-605-05-3	Superseded	2014-09	05/28/2014
985-605-05-4	Superseded	2014-09	05/28/2014
958-605-15-3	Amended	2014-09	05/28/2014
985-605-15-4	Superseded	2014-09	05/28/2014
985-605-15-4A	Superseded	2014-09	05/28/2014
985-605-25-1	Superseded	2014-09	05/28/2014
985-605-25-2	Amended	2014-09	05/28/2014
985-605-25-3 through 25-6	Superseded	2014-09	05/28/2014
985-605-25-7	Amended	2014-09	05/28/2014
985-605-25-8 through 25-107	Superseded	2014-09	05/28/2014
985-605-50-1	Superseded	2014-09	05/28/2014
985-605-55-2 through 55-119	Superseded	2014-09	05/28/2014
985-605-55-121 through 55-236	Superseded	2014-09	05/28/2014

800. Add paragraph 985-845-00-1 as follows:

985-845-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Customer	Superseded	2014-09	05/28/2014
985-845-05-1	Superseded	2014-09	05/28/2014
985-845-15-1	Superseded	2014-09	05/28/2014
985-845-15-2	Superseded	2014-09	05/28/2014
985-845-25-1 through 25-7	Superseded	2014-09	05/28/2014
985-845-55-1 through 55-8	Superseded	2014-09	05/28/2014