

MINUTES



To: Board Members
From: Stoviak (x471)
Subject: Minutes of the March 23, 2011 Joint Board Meeting: Revenue Recognition
Date: March 28, 2011
cc: Sutay

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Boards' deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Revenue Recognition: Determining the Transaction Price

Basis for Discussion: FASB Memorandums 140, 140A, 140C, 140D, and 140E

Length of Discussion: 8:00 a.m. to 12:45 a.m. EDT

Attendance:

Board members present: FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith
IASB: Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, McGregor, Scott, Smith, Yamada, and Zhang

Board members absent: FASB: None
IASB: Tweedie, McConnell, Pacter, and König

Staff in charge of topic: FASB: Bement, Breen, and Stoviak
IASB: Rees, Brady, and McManus

Other staff at Board table: FASB: Cadambi and Proestakes
IASB (via video): Brady, McManus, and Pitman

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Boards met to discuss issues relating to the development of a final standard. The Boards' technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached:

The IASB and the FASB discussed collectibility and uncertain consideration.

Collectibility

The Boards discussed how an entity should account for the effects of a customer's credit risk, and changes in that risk, in a contract with a customer.

The Boards tentatively decided that:

1. An entity should not reflect the effects of a customer's credit risk in the measurement of the transaction price and, hence, revenue upon transfer of a good or service to the customer. Consequently, an entity would recognize revenue at the promised amount of consideration (that is, at the stated contract price). That decision is a change from the Boards' proposals in the Exposure Draft.
2. The final revenue standard should not include a revenue recognition criterion that requires an assessment of the customer's ability to pay the promised amount of consideration.
3. An entity should recognize an allowance for any expected impairment loss from contracts with customers. The corresponding amounts in profit or loss should be presented as a separate line item adjacent to the revenue line item (as contra revenue).

The Boards will discuss the interaction between the revenue model and the impairment model at a future meeting.

Uncertain Consideration

The Boards discussed how an entity would determine the transaction price and recognize revenue when the promised amount of consideration is uncertain. No decisions were reached.

Next Steps

In April, the Boards will discuss the following topics:

1. Uncertain consideration
2. Allocation of the transaction price
3. Costs
4. Licenses and rights to use
5. Disclosures
6. Scope.

General Announcements: None