

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** FASB staff  
**Subject:** Minutes of March 18, 2015 Joint Board Meeting  
**Date:** March 24, 2015  
**cc:** Stacey Sutay

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's 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—Narrow Scope Improvements and Practical Expedients; Update on Research Agenda Project on Revenue Recognition—Principal versus Agent

Basis for Discussion: FASB Memo 1/IASB Memo 7A: Practical Expedients Upon Transition—Contract Modifications and Completed Contracts; FASB Memo 1/IASB Memo 7B: Sales Tax Presentation: Gross versus Net; FASB Memo 1: Revenue Recognition—Noncash Consideration; FASB Memo 1: Revenue Recognition—Collectibility; FASB Memo 1: Revenue Recognition—Gross Versus Net Revenue Reporting

Length of Discussion: 9:10 a.m to 1:00 p.m. EDT

Attendance:

Board members present: FASB: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith  
IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Edelmann, Finnegan, Gomes, Kabureck, Lloyd, Ochi, Scott, Suh, Tokar, and Zhang

Board members absent: N/A

Staff in charge of topic: Barton, Hood, May, Mazzella, Muir, Walsh, Willette, and Winters  
Other staff at Board table: Floyd  
Outside participants: None

**Type of Document:**

The FASB and the IASB (the Boards) met to discuss issues emerging from meetings of the Joint Transition Resource Group for Revenue Recognition (TRG). The Boards discussed the following implementation issues related to the guidance in Topic 606, Revenue from Contracts with Customers, and IFRS 15, *Revenue from Contracts with Customers* (collectively, the new revenue standard):

1. Practical expedients upon transition—contract modifications and completed contracts
2. Presentation of sales taxes collected from customers: gross versus net
3. Noncash consideration
4. Collectibility
5. Principal versus agent (reporting revenue gross versus net).

**Practical Expedients upon Transition—Contract Modifications and Completed Contracts**

*Contract Modifications*

The Boards decided to provide a practical expedient on transition that would permit an entity to account for a modified contract by:

1. Identifying all the satisfied and unsatisfied performance obligations in the contract at the contract modification adjustment date (CMAD) reflecting all modifications from contract inception to the CMAD
2. Determining the transaction price at the CMAD reflecting all modifications from inception to the CMAD
3. Allocating the transaction price to the performance obligations identified at the CMAD based on the historic standalone selling price of each good or service.

(FASB: 5-2; IASB: 11-3)

The FASB decided that entities electing the full retrospective transition method would use the beginning of the earliest period presented as the CMAD and that entities electing the modified retrospective transition method would use the date of initial application as the CMAD.

(FASB: 7-0)

The IASB decided that entities electing either the full retrospective or modified retrospective transition method would use the beginning of the earliest period presented as the CMAD.

(IASB: 13-1)

#### *Completed Contracts*

The IASB decided to provide a practical expedient that would permit an entity electing the full retrospective approach to apply the new revenue standard retrospectively only to contracts that are not completed contracts as of the beginning of the earliest period presented. A completed contract is a contract for which the entity has transferred all of the goods and services identified in accordance with IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and related Interpretations.

(IASB: 9-5)

The FASB decided not to add a similar practical expedient to Topic 606.

(FASB: 5-2)

#### *Transition Disclosures*

The Boards decided to require entities to disclose the use of either of the above practical expedients and, to the extent reasonably possible, a qualitative assessment of the estimated effect of applying the expedient(s).

(FASB: 7-0; IASB: 13-1)

#### *Technical Correction*

The FASB decided to make a technical correction for application of the full retrospective approach upon transition. An entity would not be required to disclose what its financial information would have been under legacy GAAP in the period of adoption of the new revenue standard.

(FASB: 7-0)

#### **Presentation of Sales Taxes Collected from Customers: Gross versus Net**

The FASB decided to provide a practical expedient that would permit entities, as an accounting policy election, to present amounts collected from customers for taxes within the scope of Subtopic 605-45 (paragraph 606-10-15-2(e)) net of the related amounts remitted (that is, such amounts would be excluded from the

determination of the transaction price in the new revenue standard). An entity not electing this practical expedient would apply the new revenue standard, as issued, in determining whether those taxes should, or should not, be included in the transaction price. An entity would be required to disclose its accounting policy election to present tax amounts collected from customers on a net basis.

(FASB: 5-2)

The IASB decided not to add a similar practical expedient to IFRS 15.

(IASB: 14-0)

### **Noncash Consideration**

The FASB decided to clarify the guidance in the new revenue standard to require that noncash consideration be measured at contract inception.

(FASB: 7-0)

The FASB also decided to clarify that when the fair value of the noncash consideration varies due to both the form of the consideration and reasons other than the form of consideration, the constraint on variable consideration would only apply to variability resulting from reasons other than the form of the consideration.

(FASB: 7-0)

The IASB decided not to make any amendments to the requirements for noncash consideration or the accompanying Illustrative Example No. 31. The IASB noted that the approach required by the FASB's amendment, if finalized, would not be the only acceptable interpretation of IFRS 15. The IASB directed its staff to monitor the progress of the FASB on this topic.

### **Collectibility**

The FASB decided to amend the collectibility guidance in Step 1 (Identifying the Contract) in Topic 606 to clarify:

1. When a contract is "terminated" in accordance with paragraph 606-10-25-7.
2. That the objective of the collectibility threshold in paragraph 606-10-25-1(e) is to assess an entity's exposure to credit risk for the goods and services that will be transferred to the customer. Therefore, in some circumstances, an entity might not assess its ability to collect all of the consideration in the contract in order to meet the collectibility threshold.

(FASB: 7-0)

The IASB made no technical decisions at this meeting with respect to collectibility but will decide whether, and if so how, to clarify the requirements at a future meeting.

### **Principal versus Agent (Reporting Revenue Gross versus Net)**

The staff provided the Boards with an update about the ongoing work on principal versus agent considerations (gross versus net revenue reporting).

The FASB research project includes consideration of legacy GAAP and the new revenue standard, both with respect to principal versus agent considerations and scenarios in which an entity sells goods or services to end customers using an agent but does not know how much the end customer was charged. The discussion of this topic was educational; the FASB did not reach any technical decisions.

The IASB decided that it would focus its ongoing work on determining whether an entity is acting as a principal or an agent. It decided that it would not address implementation questions relating to scenarios in which an entity sells goods or services to end customers using an agent but does not know how much the end customer was charged.

### **Next Steps**

The FASB directed the staff to draft a proposed Accounting Standards Update for vote by written ballot that will include the tentative decisions reached by the FASB.

(FASB: 7-0)

The FASB decided on a 45-day comment period for the proposed Update.

(FASB: 6-1)

The IASB decided to incorporate its tentative decisions with respect to contact modifications and completed contracts into the Exposure Draft of proposed clarifications to IFRS 15 that it decided to develop at its February meeting. The IASB expects to approve the clarifications to be included in this Exposure Draft at its meeting in June 2015.

**General Announcements:** None.