

## MINUTES



## MEMORANDUM

**To:** Board Members  
**From:** FASB Staff  
**Subject:** Minutes of the August 31, 2015 Board Meeting  
**Date:** September 10, 2015

*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

Basis for Discussion: FASB Board Memorandums No. 5–7

Length of Discussion: 8:00 a.m. to 9:00 a.m. EDT

Attendance:

Board members present: Golden, Kroeker, Buck, Linsmeier, Schroeder, Smith, and Siegel

Board members absent: None

Staff in charge of topic: Mazzella (Collectibility) and Barton (Completed Contracts at Transition)

Other staff at Board table: Cospers, Walsh, Muir, Winters, Floyd, and Kallner

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss two issues relating to the development of a proposed Accounting Standards Update addressing a few narrow-scope improvements and practical expedients for Topic 606, Revenue from Contracts with Customers.

The Board's technical plan calls for that document to be issued in the third quarter of 2015.

**Tentative Board Decisions:**

*Collectibility*

The Board discussed proposed changes to the collectibility guidance in Topic 606 made at its March 18, 2015 Board meeting, specifically, whether to affirm those decisions or pursue a different approach.

The Board affirmed its previous decision that collectibility should be assessed in determining whether a contract exists (that is, whether an entity has passed Step 1 of the revenue model in Topic 606) and decided to proceed with clarifying the existing guidance in Topic 606 based on previous decisions reached related to the Topic.

**(Vote: 4 to 3)**

In addition, the Board decided to propose the following improvements to the collectibility guidance:

1. Clarify 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 **(Vote: 7 to 0)**
2. Add a criterion to the alternate recognition model in paragraph 606-10-25-7 such that if collectibility is not probable, an entity should recognize revenue in the amount of consideration received when the entity has transferred control of the goods or services, the entity as stopped transferring additional goods or services (and has no obligation to transfer additional goods or services), and the consideration received from the customer to date is nonrefundable. **(Vote: 7 to 0)**

*Completed Contracts at Transition*

The Board discussed whether and how to clarify the transition guidance on completed contracts included in Topic 606.

The Board decided to clarify the transition guidance on completed contracts included in Topic 606.

**(Vote: 7 to 0)**

Specifically, the Board decided to clarify that a completed contract is one for which all (or substantially all) of the revenue was recognized under revenue guidance in effect before the date of initial application. Accounting for elements of a contract that do not affect revenue under legacy GAAP would not be relevant to the assessment of whether a contract is complete.

**(Vote: 7 to 0)**

The Board also decided to amend the transition guidance in Topic 606 to permit an entity to apply the modified retrospective transition approach to all contracts rather than only those contracts that are not complete at the date of initial application.

**(Vote: 4 to 3)**

*Next Steps*

The Board had previously granted the staff permission to prepare a ballot draft of proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The Board affirmed that decision and instructed the staff to include the proposed amendments to the transition guidance for completed contracts in that proposed Update.

**(Vote: 6 to 1)—One Board member plans to dissent on the basis of collectibility concerns.**

**General Announcements:** None