

PROPOSED CONSENSUS MODIFICATION

Issue No. 01-9

Title: Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)

Date Discussed: June 15–16, 2005

The FASB staff has received questions about the scope of Issue 4 in Issue 01-9 and whether the decision tree¹ appropriately reflects the consensus. The decision tree indicates that consideration that is delivered at the point of sale is within the scope of Issue 01-9 and that consideration that is delivered at other than the point of sale is not within the scope of Issue 01-9. The FASB staff believes that if the consideration is cash and it is exercisable by the customer as a result of a single exchange transaction, then Issue 01-9 applies, regardless of when the customer receives the cash (for example, a cash rebate that is mailed to the customer after the sales transaction). In contrast, if a sales incentive is offered in the form of product or services, and the delivery is after the point of sale, Issue 01-9 does not apply. Accordingly, the FASB staff proposes certain changes to the decision tree. Those proposed changes are included in the attached exhibit.

Additionally, the FASB staff proposes that the following footnote be added to Issue 4 to clarify the interaction between the consensus in Issue 4 and the scope of Issue 01-9 (changes underlined).

Issue 4—If a vendor offers a sales incentive voluntarily and without charge to customers that is exercisable by a customer as a result of a single exchange transaction, when should the vendor recognize and how should the vendor measure the cost of the sales incentive if it will not result in a loss on the sale of a product or service?*

* As indicated in paragraph 7, this issue does not address the accounting for an offer to a customer, in connection with a current revenue transaction, for free or discounted products or services from the vendor that is redeemable by the customer at a future date without a further exchange transaction with the vendor.

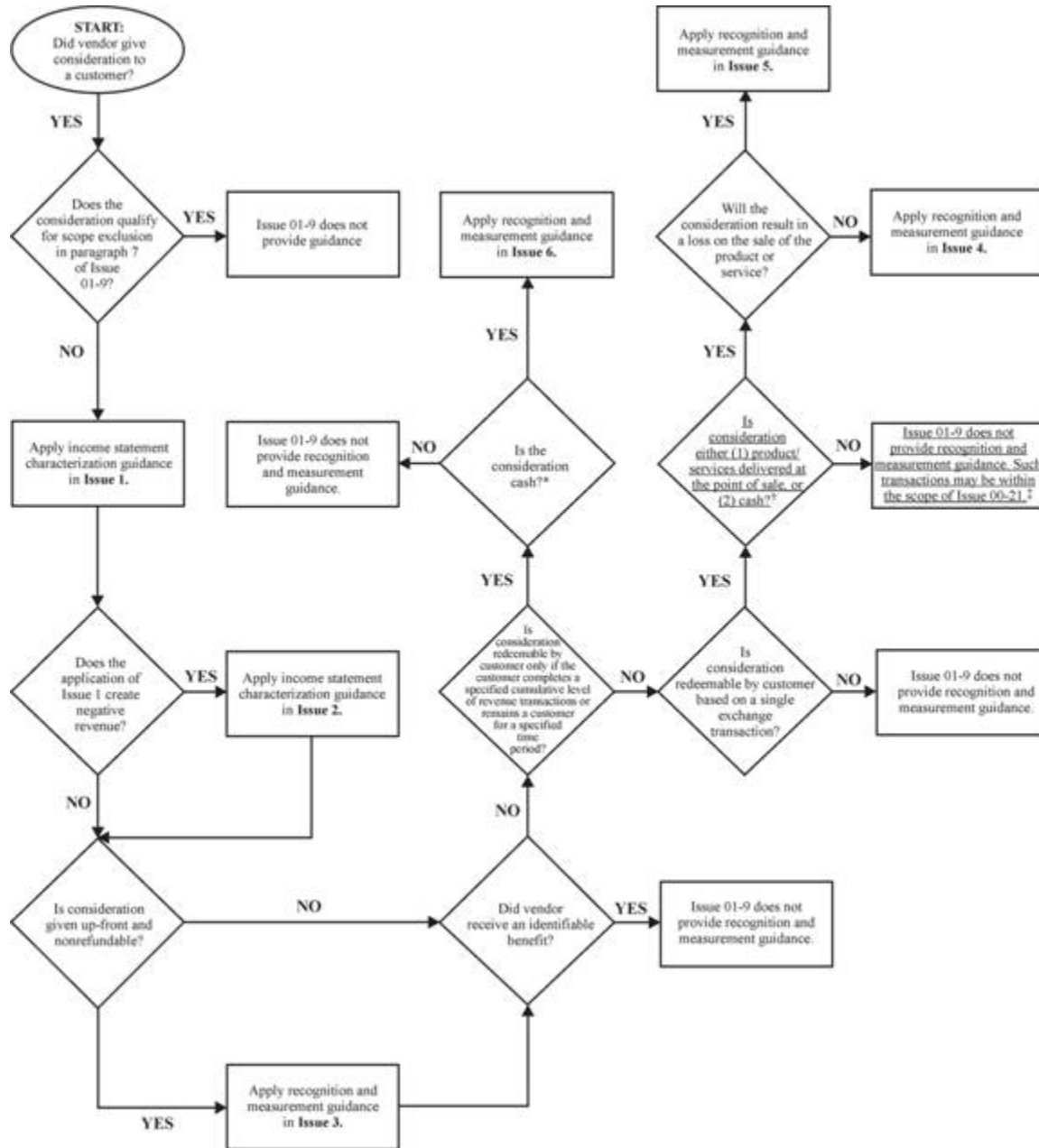
The FASB staff will ask Task Force members whether they agree with the proposed changes to the decision tree and the addition of the footnote. The FASB staff believes that these changes are clarifications of the consensus and, accordingly, transition does not need to be considered.

¹ The decision tree was included as Exhibit 01-9F of Issue 01-9.

Exhibit 01-9A

PROPOSED REVISIONS TO EXHIBIT 01-9F OF ISSUE 01-9
(additions are underscored and deletions are included as footnotes)

**DECISION TREE FOR USE IN THE APPLICATION OF THE GUIDANCE
 IN ISSUE 01-9**



* For purposes of this Issue, cash consideration includes "credits" that the customer can apply against trade amounts owed to the vendor. In addition, under the consensus on Issue 2 of Issue 96-18, consideration in the form of equity instruments is recognized "in the same period(s) and in the same manner (that is, capitalize versus expense) as if the

enterprise 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, for purposes of this Issue, guidance with respect to cash consideration is applicable to consideration that consists of equity instruments (regardless of whether a measurement date has been reached).

† The Task Force agreed to revise this cell at its June 15-16, 2005 EITF meeting. It previously stated the following: "Is consideration delivered at point of sale?"

†† The Task Force agreed to revise this cell at its June 15-16, 2005 EITF meeting. It previously stated the following: "Issue 01-9 does not provide recognition and measurement guidance."