

MINUTES



MEMORANDUM

To: Board Members

From: Recognition and Measurement of Revenue Contracts with Customers under Topic 805 Team

Subject: Minutes of September 23, 2020 Board Meeting on Recognition and Measurement of Revenue Contracts with Customers under Topic 805

Date: September 25, 2020

cc: Tosches

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: Recognition and Measurement of Revenue Contracts with Customers under Topic 805

Basis for Discussion:

FASB Memo 2, "Agenda Decision"

Length of Discussion: 1:00 p.m. to 2:10 p.m. EDT

Attendance:

Board members present: Jones, Kroeker, Botosan, Buesser, Cospers, Hunt, and Schroeder

Staff in charge of topic: Carter

Other staff at Board table: Salo, Kuhaneck, and Blair

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update addressing the recognition and measurement of revenue contracts with customers under Topic 805. The Board's technical plan calls for that document to be issued in the fourth quarter of 2020.

Tentative Board Decisions:

The Board discussed the potential alternatives for recognition and measurement of revenue contracts with customers acquired in a business combination. The Board also addressed whether to add this project to its technical agenda as well as the scope of the project, disclosures, and whether to issue a proposed Accounting Standards Update.

The Board decided to add a project to its technical agenda to address the following issues related to accounting for acquired revenue contracts with customers in a business combination:

1. Recognition of a contract liability or contract asset
2. Payment terms and their effect on subsequent revenue recognized by the acquirer. **(Vote: 6-1)**

The Board decided that the performance obligation concept under Topic 606, Revenue from Contracts with Customers, should be used as the recognition criteria for a contract liability arising from a revenue contract with a customer acquired in a business combination. **(Vote: 7-0)**

The Board decided that the timing of consideration or payment terms of an acquired revenue contract should not affect the subsequent amount of revenue recognized by the acquirer. The Board also decided that the Topic 606 approach should be used to measure an acquired revenue contract in a business combination. The Topic 606 approach would require that any contract assets or contracts liabilities arising from revenue contracts with customers be accounted for in accordance with Topic 606 at the acquisition date. **(Vote: 5-2)**

The Board decided that the scope of this project would cover all contracts that are required to apply the recognition and measurement provisions of Topic 606, such as contracts within the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets. **(Vote: 6-1)**

Transition

The Board decided that with the adoption of the Topic 606 approach, no incremental or transition disclosures would be necessary. **(Vote: 5-2)**

The Board decided that the proposed amendments should be adopted prospectively and that there should be an option for early adoption. **(Vote: 7-0)**

Comment Period of the Proposed Accounting Standards Update

The Board decided on a 90-day comment period for the proposed Update. **(Vote: 7-0)**

Next Steps

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot. **(Vote: 5-2)**

General Announcements: None.