

Board Meeting Handout

Recognition and Measurement of Revenue Contracts with Customers under Topic 805

October 6, 2021

Meeting Purpose

1. The purpose of this meeting is to discuss a sweep issue related to whether the completed contract practical expedient that was identified during the drafting of final Accounting Standards Update, *Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Revenue Contracts with Customers*, should be included in the final Update.
2. This handout is organized as follows:
 - (a) Issue Background
 - (b) Staff Observation and Recommendation.

Question for the Board

1. Does the Board want to remove the completed contract practical expedient from the final Update?

Issue Background

3. Some stakeholders provided feedback on the proposed Update, *Business Combinations (Topic 805)—Accounting for Contract Assets and Contract Liabilities from Revenue Contracts with Customers*, that broadly suggested that the Board consider whether practical expedients in paragraph 606-10-65-1 should be provided to acquirers when applying the final Update in situations in which the acquiree has not previously applied Topic 606 or prepared GAAP financial statements. Paragraph 606-10-65-1(f)(2) includes a practical expedient for completed contracts that have variable consideration. That practical expedient allowed entities that adopted Topic 606 using the full retrospective adoption method to use the transaction price at the date that the contract was completed to measure amounts reflected in comparative reporting periods for customer contracts for which all (or substantially all) of the

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revenue had been recognized in accordance with legacy revenue guidance in effect before the date of Topic 606 adoption.

4. At the July 28, 2021 meeting, the Board decided to provide practical expedients to the recognition and measurement guidance for revenue acquired in a business combination related to the following areas:
 - (a) Completed contracts with remaining variable consideration
 - (b) Contracts that have previously been modified
 - (c) Determination of standalone selling prices.

Staff Observation and Recommendation

5. During drafting of the final Update, the staff identified that providing a practical expedient that allows an acquirer to use the transaction price at the date that an acquired contract is completed when measuring contract assets and contract liabilities related to completed contracts may not be necessary. Therefore, the staff recommends that the Board remove the practical expedient from the final Update.