

Proposed Technical Corrections to the New Revenue Recognition Standard

January 22, 2016 — At its meeting on January 20, 2016, the FASB discussed certain technical corrections to the guidance in its new revenue standard (ASC 606¹) and to other ASC topics and subtopics as a result of the consequential amendments in [ASU 2014-09](#).²

The Board tentatively decided to propose amendments that would:

- Remove the guidance in ASC 340-10 on accounting for preproduction costs related to long-term supply arrangements.³ Instead, entities would account for such costs in accordance with ASC 340-40.
- Amend ASC 340-40 to clarify that for impairment testing, an entity should:
 - Consider contract renewals and extensions when measuring the remaining amount of consideration the entity expects to receive.⁴
 - Include in the amount of consideration the entity expects to receive both (1) the amount of cash *expected* to be received and (2) the amount of cash *already* received but not yet recognized as revenue.
 - Test for and recognize impairment in the following order: (1) assets outside the scope of ASC 340-40 (such as inventory under ASC 330), (2) assets accounted for under ASC 340-40, and (3) reporting units and asset groups under ASC 350 and ASC 360.
- Amend certain guidance in ASC 605-35 that will not be superseded by ASC 606 (i.e., the requirement for an entity to test for onerous contracts) to specify that the contract level is the lowest level on which loss provisions are required to be recorded. However, the amended guidance would also state that an entity would not be precluded from recording, at the performance-obligation level, a loss that results in a contract with a customer.
- Clarify the scope exception in ASC 606 related to contracts subject to ASC 944; in ASC 606-10-15-2(b), the phrase “insurance contracts” would be changed to the term “contracts.”
- Revise the analysis in Example 7 of ASC 606-10-55-125 through 55-128, which illustrates the modification of a services contract, to better align it with the modification guidance in ASC 606-10-25-12.

¹ For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte’s [“Titles of Topics and Subtopics in the FASB Accounting Standards Codification.”](#)

² FASB Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers*.

³ This topic was discussed at the November 9, 2015, meeting of the FASB-IASB joint revenue transition resource group (TRG) meeting. See Deloitte’s November 2015 [TRG Snapshot](#) for more information.

⁴ This topic was discussed at the July 18, 2014, TRG meeting. See Deloitte’s July 2014 [TRG Snapshot](#) for more information.

- Include a scope exception in ASC 924 for fixed-odds wagering contracts by adding a new subtopic, ASC 924-815, *Entertainment — Casinos: Derivatives and Hedging*, clarifying that such contracts are revenue contracts within the scope of ASC 606.⁵
- Amend ASC 946 to remove a portion of a conforming amendment from ASU 2014-09 to eliminate the potential for diversity in accounting for incurred costs by private funds and public funds.

The Board also tentatively agreed to (1) issue these technical corrections separately from technical corrections to other ASC topics, (2) use the same effective date and transition provisions as those in ASC 606 (as amended), and (3) permit a 45-day comment period.

⁵ This topic was discussed at the November 9, 2015, TRG meeting. See Deloitte's November 2015 [TRG Snapshot](#) for more information.

This publication is provided as an information service by Deloitte's National Office and may contain summaries of Deloitte's observations at meetings or other events. Such summaries are believed to be accurate; however, no representation can be made that it is complete or without error. Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.