

FASB Proposes Additional Technical Corrections and Improvements to New Revenue Standard

On May 18, 2016, the FASB issued a proposed [Accounting Standards Update \(ASU\)](#)¹ (the “May proposed ASU”) that would amend certain aspects of the Board’s new revenue standard, ASU 2014-09.² On August 31, 2016, the FASB met to discuss the feedback received in response to the nine issues included in the May proposed ASU.³ The FASB also discussed additional potential technical corrections (the “phase two amendments”) that were not included in the May proposed ASU because they were not identified until after the January 20, 2016, Board meeting on the revenue technical corrections. These items include:

1. Amendments⁴ to clarify the scope for fees from financial guarantees in ASC 942-825-50-2 and ASC 310-10-60-4.
2. Amendment of Example 38, Case B, of ASU 2014-09 to “more clearly link the analysis in that example with the receivables presentation guidance in paragraph 606-10-45-4.”⁵
3. Amendment to clarify Example 40 of ASU 2014-09 by removing the reference to “contract liability” to describe a refund obligation.
4. Reinstatement of the guidance in ASC 340-20-25-2, which addresses the accrual of certain advertising expenses.

The Board tentatively agreed with the staff’s recommendations, and, as a result, issued an additional [proposed ASU](#)⁶ on September 19, 2016 (the “September proposed ASU”). Comments on the September proposed ASU are due by October 4, 2016.

All of the amendments being proposed are in response to feedback received from several sources, including the TRG⁷ for revenue recognition, and would clarify, rather than change, the new revenue standard’s core revenue recognition principles. Once feedback is received on the September proposed ASU, one final ASU is expected to be issued that will contain the amendments from both the May proposed ASU and the September proposed ASU.

¹ FASB Proposed Accounting Standards Update, *Technical Corrections and Improvements to Update No. 2014-09, Revenue From Contracts With Customers* (Topic 606).

² FASB Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers* (Topic 606).

³ The nine issues, along with the decisions reached at the meeting, are summarized within Deloitte’s September 1, 2016, [journal entry](#).

⁴ These corrections were also discussed at the April 18, 2016, TRG meeting; see Deloitte’s April 20, 2016, [TRG Snapshot](#) for additional information.

⁵ Quoted text is from the meeting [handout](#).

⁶ FASB Proposed Accounting Standards Update, *Technical Corrections and Improvements to Update 2014-09, Revenue From Contracts With Customers* (Topic 606) — *Additional Corrections*.

⁷ The transition resource group (TRG) for revenue recognition was established by the FASB and IASB to seek and provide feedback on potential issues related to implementation of the new revenue standard. Early this year, the IASB announced that it completed its decision-making process related to clarifying the new revenue standard and that it no longer plans to schedule TRG meetings for IFRS constituents.

Effective Date and Transition Requirements

The effective date and transition requirements under the proposed ASU would be the same as those in the new revenue standard.

Editor's Note: In August 2015, the FASB issued [ASU 2015-14](#)⁸ which deferred for one year the effective date of the new revenue standard for public and nonpublic entities reporting under U.S. GAAP. For public business entities, as well as certain nonprofit entities and employee benefit plans, the effective date is annual reporting periods, and interim periods therein, beginning after December 15, 2017. The effective date for all other entities is one year later (i.e., December 15, 2018). Early adoption is permitted only as of annual reporting periods, and interim periods therein, beginning after December 15, 2016.

Appendix — Questions for Respondents

The September proposed ASU's questions for respondents are reproduced below for ease of reference.

Question 1: The proposed amendments are intended to improve the clarity of the scope of Topic 606 for guarantees (other than product or service warranties) that are within the scope of Topic 460, Guarantees. Would the proposed amendments clarify the scope of the guidance? If not, please explain why and suggest alternatives. (Issue 1)

Question 2: The proposed amendments are intended to provide a better link between Example 38, Case B in Topic 606 and the presentation guidance in paragraphs 606-10-45-2 through 45-4. Would the proposed amendments better align the example with the guidance? If not, please explain why and suggest alternatives. (Issue 2)

Question 3: The proposed amendments are intended to improve the clarity of Example 40 in Topic 606 by removing the term *contract liability* from the journal entry in the example. Would the proposed amendments improve the clarity of the example? If not, please explain why and suggest alternatives. (Issue 3)

Question 4: The proposed amendments would reinstate the guidance on accrual of advertising costs that was previously included in paragraph 340-20-25-2. Do the proposed amendments improve the clarity of the accounting? If not, please explain why and suggest alternatives. (Issue 4)

⁸ FASB Accounting Standards Update No. 2015-14, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date*.

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