



PRESS RELEASE

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IASB and FASB publish revised proposal for revenue recognition

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) today issued for public comment a revised draft standard to improve and converge the financial reporting requirements of International Financial Reporting Standards (IFRSs) and US General Accepted Accounting Principles (GAAP) for revenue (and some related costs) from contracts with customers.

The boards decided to re-expose the proposals because of the importance of the financial reporting of revenue to all entities and the boards' desire to avoid unintended consequences arising from the final standard.

The proposed standard would improve IFRSs and US GAAP by:

- providing a more robust framework for addressing revenue recognition issues;
- removing inconsistencies from existing requirements;
- improving comparability across companies, industries and capital markets;
- providing more useful information to users of financial statements through improved disclosure requirements; and
- simplifying the preparation of financial statements by streamlining the volume of accounting guidance.

The core principle of this revised proposed standard is the same as that of the 2010 exposure draft: that an entity would recognise revenue from contracts with customers when it transfers promised goods or services to the customer. The amount of revenue recognised would be the amount of consideration promised by the customer in exchange for the transferred goods or services. However, in response to feedback received from nearly 1000 comment letters on the 2010 exposure draft and extensive outreach activities, the boards further refined their original proposals.

In particular they:

- added guidance on how to determine when a good or service is transferred over time;
- simplified the proposals on warranties;
- simplified how an entity would determine a transaction price (including collectibility, time value of money, and variable consideration);
- modified the scope of the onerous test to apply to long-term services only;
- added a practical expedient that permits an entity to recognise as an expense costs of obtaining a contract (if one year or less); and
- provided exemption from some disclosures for non-public entities that apply US GAAP.

If adopted, the proposed standard would replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related Interpretations. In US GAAP, it would replace the guidance on revenue recognition in Topic 605 of the FASB Accounting Standards Codification®.

Commenting on the exposure draft, Hans Hoogervorst, chairman of the IASB, said:

Revenue is the top line and it is important to every business. Our proposals will give analysts and investors the confidence that revenue is being presented on a consistent basis, across industries and continents.

Leslie F. Seidman, chairman of the FASB, said:

This revised exposure draft on revenue recognition is based on the same underlying principles as the original draft, but we have simplified and clarified several aspects of the guidance in response to feedback we received. Because this proposed standard would affect companies across a wide range of industries, we are taking this additional quality control step to ensure that the final standard is well understood by companies, auditors and investors before it is issued as a final standard. We plan to conduct additional outreach with interested parties during the comment period to help people understand the proposed guidance and to listen to any remaining concerns.

The exposure draft is open for comment until 13 March 2012 and can be accessed via the ‘Comment on a Proposal’ section of www.ifrs.org or on www.fasb.org. Further information including a podcast, an IASB ‘Snapshot’ and a ‘FASB In Focus’, which are high level summaries of the proposals, are available on the IASB and FASB websites.

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Notes to editors**About the IASB**

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities. For more information visit www.ifrs.org

About the Financial Accounting Standards Board

Since 1973, the US Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its Website at www.fasb.org.