

TENTATIVE BOARD DECISIONS TO DATE: REVENUE AND EXPENSE RECOGNITION

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The Board tentatively decided the following:

Scope:

- Scope should be defined as a broad positive statement for recognition and measurement of revenue and expense, with the following two scope exclusion principles:
 - Scope Exclusion Principle 1—not to include guidance related to financial instruments in the scope of the project, except for contracts that meet normal purchase and normal sales exceptions as specified in paragraph 14 of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. As a result, the following pronouncements are outside the scope of the project:
 - Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*
 - Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*
 - Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*
 - Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*
 - Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*
 - Statement No. 30, *Risk Financing Omnibus*
 - Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*
 - Statement No. 40, *Deposit and Investment Risk Disclosures*
 - Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*
 - Statement 53
 - Statement No. 59, *Financial Instruments Omnibus*
 - Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*
 - Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
 - Statement No. 72, *Fair Value Measurement and Application*
 - Statement No. 79, *Certain External Investment Pools and Pool Participants*
 - Statement No. 86, *Certain Debt Extinguishment Issues*
 - Statement No. 87, *Leases*
 - Statement No. 91, *Conduit Debt Obligations*
 - Statement No. 93, *Replacement of Interbank Offered Rates*

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- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities*
- Interpretation No. 3, *Financial Reporting for Reverse Repurchase Agreements*
- Interpretation No. 4, *Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools*
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.
- Scope Exclusion Principle 2—not to include guidance for postemployment benefits, compensated absences, or termination benefits in the scope of the project. As a result, the following pronouncements are outside the scope of the project:
 - Statement No. 16, *Accounting for Compensated Absences*
 - Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, paragraphs 7–13
 - Statement No. 47, *Accounting for Termination Benefits*
 - Statement No. 67, *Financial Reporting for Pension Plans*
 - Statement No. 68, *Accounting and Financial Reporting for Pensions*
 - Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*
 - Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
 - Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
 - Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
 - Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
 - Statement No. 82, *Pension Issues*
 - Statement No. 85, *Omnibus 2017*, paragraphs 8–25
 - Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.
- In addition to the two scope exclusion principles, guidance issued after Statement No. 65, *Items Previously Reported as Assets and Liabilities*, including guidance being developed in projects on the Board’s current technical agenda, is outside the scope of the project.
- The following topics are considered in the scope of the project:
 - Revenue recognition guidance for exchange transactions provided in paragraphs 23–28 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

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- Expense recognition guidance for exchange transactions (including purchases of inventory) provided in paragraph 16 of Statement No. 34, *Basic Financial Statements —and Management’s Discussion and Analysis —for State and Local Governments*
- Revenue and expense recognition guidance for nonexchange transactions (including donations of tangible capital assets and inventory) provided in Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
- Revenue and certain expense recognition guidance for special assessments (reexamination of Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, is not considered in scope)
- Revenue recognition of escheated property, if applicable (reexamination of escheat guidance provided in Statement No. 21, *Accounting for Escheat Property*, is not considered in scope)
- Revenue and expense recognition guidance for cable television systems provided in paragraphs 397 and 398 of Statement 62
- Revenue and expense recognition guidance of service components excluded from the scope of Statements 87, 94, and 96
- Consideration provided in the form of a financing component is in the scope developing measurement guidance.
- Purchases and sales of tangible capital assets, including nonmonetary exchanges, provided in various sections of Statement 62.
- The following topics are excluded from the scope of the project:
 - Guidance for accounting and financial reporting of voluntary and government-mandated nonexchange transactions provided in paragraph 5 of Statement 24
 - Reexamination of contingency guidance provided in paragraphs 96—113 of Statement 62
 - Guidance for regulated operations provided in paragraphs 476-500 of Statement 62
 - Guidance for interfund activity provided in paragraph 112 of Statement 34 and in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, as well as reclassifying transactions between the primary government and a blended component unit as internal activity
 - Guidance closely related to capital assets provided in the following pronouncements:
 - Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*
 - Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*
 - Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
 - Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
 - Statement No. 83, *Certain Asset Retirement Obligations*
 - Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

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- Topics related to the presentation of revenues and expenses, such as classification of operating and nonoperating revenue or program revenue
- Topics related to required supplementary information, supplementary information, and notes to financial statements.
- Transactions with characteristics of both loans and qualifying requirements
- Donations of intangible right to use assets that are outside the scope of Statements 87 (Leases), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and 96 (Subscription-Based Information Technology Arrangements).
- Decisions about whether to address the following topics in the scope of the project are postponed:
 - Guidance on governmental funds measurement focus and basis of accounting, including guidance provided in paragraphs 62–69 and 70–73 of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*.
- The scope should not be defined in the context of contracts with customers.
- A collectibility threshold should not be included as a scope boundary for transactions in the project.
- Alternative recognition methods for transactions in the scope of this project—specifically, the installment method and the cost recovery method—should not be retained.
- Moral and constructive obligations are included in the scope of the project.
- The scope of the project does not include guidance related to fraudulent or illegal activities, though they will not be explicit scope exclusions.
- The scope of the project does not include the development of a principal-agent model.

Foundational Principles:

- The following five model assumptions are retained as part of the underpinnings of the revenue and expense recognition model:
 - Model assumption 1—revenues and expenses are of equal importance in resource flows statements.
 - Model assumption 2—revenues and expenses should be categorized independently and not in relation to each other.
 - Model assumption 3—establishing that the government is not acting as an agent for the citizenry, with the intent to prevent netting for revenues and expense should be continued.
 - Model assumption 4—symmetry should be considered, to the extent possible, in the application of the three components of the model.
 - Model assumption 5—a consistent viewpoint, from the resource provider perspective, should be applied in the analysis of revenues and expenses.
- The expense recognition model based on the five model assumptions will be retained.
- The recognition methodology proposed in the Preliminary Views, which includes an anchor, should be retained as the structural basis for the project.
 - Wholly unperformed contracts should not be recognized.

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- For transactions that require a contractual binding arrangement, recognition of elements should not be considered before the execution of the contractual binding arrangement.
- Recognition Attributes:
 - Refundability should not be considered a relevant recognition attribute for revenue or expense transactions.
 - The recognition attributes used to determine the applicability to a reporting period should be limited to be applied to transactions in the scope of the project with a prohibition for analogy.
 - Revenue Recognition Methodology:
 - The anchor for a revenue transaction should be identified as (1) an item of information that meets the definition of an asset that is a receivable or (2) the receipt of consideration before a receivable arises.
 - A liability should be recognized for consideration received in advance of an enforceable claim that is a receivable in both Category A and Category B revenue transactions.
 - Recognition of a deferred inflow of resources should be based on the flow's applicability to a reporting period.
 - For Category A revenue transactions, the characteristic used to determine applicability to a reporting period is the satisfaction of a performance obligation.
 - For Category B revenue transactions, the characteristic used to determine the applicability to a reporting period is the satisfaction of time requirements.
 - Expense Recognition Methodology:
 - The anchor for an expense transaction should be identified as (1) an item of information that meets the definition of a liability that is a payable or (2) the provision of consideration before a payable arises.
 - A prepaid asset should be recognized for resources provided in advance of a present obligation that is a payable in both Category A and Category B expense transactions.
 - Recognition of a deferred outflow of resources should be based on the flow's applicability to a reporting period.
 - For Category A expense transactions, the characteristic used to determine applicability to a reporting period is the satisfaction of a performance obligation.
 - For Category B expense transactions, the characteristic used to determine the applicability to a reporting period is the satisfaction of time requirements.
 - A probability threshold for the likelihood of the occurrence of a recognizable event should not be broadly incorporated into the recognition principles developed in this project.

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Categorization:

- The categorization methodology proposed in the Preliminary Views and subsequently refined will be relied upon in the development of the next due process document.
- The categorization unit of account represents the level of aggregation or disaggregation applicable to an item of information to assess attributes that are relevant in the identification of the scope of specific guidance.
- Transaction:
 - A transaction is a type of economic activity between the government and at least one counterparty that is evidenced by one or more binding arrangements.
 - A transaction is the most suitable categorization unit of account in this project.
 - In instances in which a transaction is evidenced by more than one binding arrangement, the binding arrangements should be combined for the purpose of identifying the categorization unit of account.
 - For circumstances in which a government has transactions with similar characteristics, the government can opt to apply a portfolio approach to categorization.
- Binding Arrangement:
 - A binding arrangement is an understanding between two or more parties that creates rights, obligations, or both among the parties to a binding arrangement.
 - The first step of the categorization methodology should be modified to a requirement to “identify the binding arrangement.”
 - Components of consideration are not a suitable categorization unit of account for purposes of the categorization methodology.
 - Reassessment of categorization should be made only when the terms and conditions of the binding arrangement have changed significantly, and changes in the binding arrangement amount generally should not trigger reassessment.
 - Unless otherwise stated in the guidance, an assessment related to a binding arrangement should be made in the context of both (1) explicit terms and conditions and (2) customary practices associated with the binding arrangement.
 - Economic substance is a characteristic of the binding arrangement.
 - Economic substance results in an expected change in the risk, amount, or timing of the government’s cash flows, or an expected change in the government’s service potential.
 - Binding arrangements should be considered as broadly as possible to include contracts that (1) are unilateral, (2) are conditional, and (3) can be terminated without cause, thereby rejecting limiting the definition to firm commitments.
 - Rebuttable presumption of enforceability should be retained as a characteristic of the binding arrangement.
 - Rebuttable presumption of enforceability and economic substance should be retained as part of the explanation of the model in the Basis for Conclusions.
 - Parties of capacity should be retained as a characteristic of the rebuttable presumption of enforceability.

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- The identification of a binding arrangement also should include the identification of the parties to the binding arrangement.
- Mutual Assent of the Parties of Capacity: the assessment of mutual assent should be removed from the categorization methodology.
- The assessment of substantive rights and substantive obligations for all the parties of the binding arrangement should be retained as part of the categorization methodology.
 - The characteristic of *substantive* denotes importance.
 - The rights and obligations that should be considered in the categorization assessment are *additional* rights that arise from the binding arrangement such that those rights and obligations generally can be expressed as (1) goods and services and (2) consideration.
- The assessment of interdependence between the rights and obligations of the binding arrangement should be retained as part of the categorization methodology.
- The identification of sequential steps in the categorization assessment should be removed.
- The categorization methodology does not support the concept of bifurcating a single transaction that would be partially identified as a Category A transaction and partially identified as a Category B transaction.

Recognition:

- Recognition Unit of Account:
 - The recognition unit of account represents the level of aggregation or disaggregation applicable to an item of information to assess whether it meets the definition of an element of financial statements.
 - The recognition unit of account for Category A revenue and expense transactions is the distinct goods or services.
 - The recognition unit of account for Category B derived and imposed transactions is the transaction.
 - The recognition unit of account for Category B general aid and shared revenue transactions is identified through the point at which the payments are due.
- Category A Transactions—Recognition Attributes:
 - The identification of a distinct good or service should be made in the context of a transaction at the inception of the binding arrangement.
 - The assessment of whether obligations to a customer represent distinct goods or services should be made from the perspective of the customer.
 - The criteria for determining distinct goods or services should not be assessed for setup and administrative activities.
 - Criteria Used to Identify a Distinct Good or Service:
 - Criterion 1: The customer can obtain the service capacity of the good or service on its own or together with other readily available resources.
 - A readily available resource is one that is sold separately (by the vendor or other vendors), that the customer has previously obtained, including goods or services that the customer already received in the same

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transaction, or that the customer obtained from other transactions or events.

- Factors that indicate that the customer can obtain the service capacity of a good or service include:
 - The customer can use, consume, or sell the good or service for an amount that is greater than nominal
 - The vendor has the ability to sell the good or service on a stand-alone basis.
- Criterion 2: The goods or services are separately identifiable from other goods or services in the context of the transaction.
 - Factors That Indicate That Two or More Obligations Are Not Separately Identifiable:
 - Goods or services in the transaction are significantly integrated.
 - Goods or services in the transaction require significant modifications or customizations.
 - Goods or services in the transaction are highly interrelated.
- If the assessment of an obligation to provide goods or services in a transaction does not meet both criteria for a distinct good or service, the obligation should be combined with additional obligations into a bundle until it meets the two criteria for identifying a bundle of goods, a bundle of services, or a bundle of goods and services that is distinct.
- In certain circumstances, the assessment of the criteria for distinct goods or services can result in all the goods or services in a transaction representing a single performance obligation.
- Performance obligations should not encompass material rights in revenue or expense transactions.
- Goods or services are assets, even if momentarily.
- Control over goods or services is described as the customer's ability to utilize the present service capacity of the goods or services by determining the nature and manner of use of the present service capacity embodied in the resource.
- Control over goods or services establishes that the customer can deploy the present service capacity in any of the following ways:
 - Directly use the present service capacity to provide services
 - Exchange the present service capacity for another asset
 - Employ the asset in any other way in which it provides a benefit.
- Control over goods or services by a customer (a government or its counterparty) prevents another entity from controlling those resources.
- The satisfaction of a performance obligation occurs when or as there is a transfer of control of distinct goods, distinct services, or distinct bundles.
- Making a service available to a customer (a government or its counterparty) is a form of satisfying a performance obligation.
- There are two modes for the transfer of control of goods or services—the transfer of control over time and the transfer of control at a point in time.

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- Governments should first determine whether the transfer of control occurs over time (by assessing the criteria). If the characteristics of the transaction fail the over-time criteria, the mode of transfer of control is at a point in time.
- The assessment of the mode of transfer of control of goods or services should be made at the inception of the binding arrangement.
- At least one of the following criteria identifies the transfer of control of goods or services over time:
 - Criterion (a): A customer (government or counterparty) simultaneously receives and consumes the present service capacity of the asset as the seller (counterparty or government) performs.
 - To assist in determining whether criterion (a) is met, a government is permitted (but not required) to use a reperformance test in which the government hypothetically assumes that the binding arrangement is transferred to another seller, mid performance. The government evaluates whether the other seller would need to reperform the work the original seller has completed to date if that other seller were to fulfill the remainder of the performance obligation to the customer.
 - Assumptions to be included when using the hypothetical reperformance test:
 - Potential contractual restrictions or practical limitations that otherwise would prevent the seller from transferring the remainder of the performance obligation to another seller should be disregarded.
 - The seller fulfilling the remainder of the performance obligation would not have access to any asset that is presently controlled by the original seller and that asset would remain controlled by the original seller if the performance obligation were to transfer to another seller.
 - Criterion (b): A seller's (government or counterparty) performance creates or enhances an asset that the customer (counterparty or government) controls as the asset is created or enhanced.
 - Criterion (c): A seller's (government or counterparty) performance creates an asset for the customer (counterparty or government) that does not have an alternative use to the seller and the seller has a right to payment for performance completed to date.
 - The assessment of whether the performance of a seller (government or counterparty) creates an asset that does not have an alternative use should be made at the inception of the binding arrangement.
 - When a seller (government or counterparty) creates an asset that has no alternative use, except to provide the asset to its customer (counterparty or government), it transfers control of the asset as it is created.

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- In determining that the performance of a seller (government or counterparty) creates an asset that does not have an alternative use, either of the following should be identified:
 - A contractual provision that restricts the seller from directing the asset for another use or
 - A practical limitation on the seller's ability to readily direct the asset in its completed state for another use.
 - A practical limitation exists if the seller who is performing would either:
 - Incur significant costs to repurpose the asset for sale to another party or
 - Forgo significant revenues when selling it to another party.
 - The identification of practical limitations for a seller to readily direct an asset for an alternative use should be made in the context of the asset in its completed form.
 - When assessing a contractual provision or practical limitation that restricts the seller from directing the asset for another use, the potential effect of a termination clause should not be considered.
- A reassessment of whether the performance of a seller (government or counterparty) creates an asset that does not have an alternative use should only occur if a modification to the binding arrangement is agreed upon by the parties that changes the nature of the previously agreed-upon performance obligation.
- A right to payment for performance to date should be evaluated as an amount that a seller (government or counterparty) is entitled to that is proportionate to the seller's performance completed to date if the contract is terminated by the customer (counterparty or government) or another party for reasons other than failure to perform.
 - The assessment of a right to payment for performance to date should be made within the context of the terms and conditions of the binding arrangement in conjunction with relevant laws and legal precedent.
- For each performance obligation satisfied over time, governments should select a method to determine the proportion of progress toward the complete satisfaction of that performance obligation that is most representative of the government's performance in transferring control of goods or services to the customer (in a revenue transaction) or the counterparty's performance in transferring control of goods or services to the government (in an expense transaction).
 - Governments should apply a single method to determine the proportion of progress for each performance obligation satisfied over time and apply that method consistently to similar performance obligations that arise from binding arrangements with similar terms and conditions.

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- The method to determine the proportion of progress toward the complete satisfaction of a performance obligation should be selected at the inception of the binding arrangement.
- At the end of each reporting period, governments should determine the proportion of progress toward the complete satisfaction of a performance obligation from the inception of the binding arrangement to date.
- When selecting a suitable method to determine the proportion of progress at the end of each reporting period, a government should, to the extent practicable, select a method that is reflective of the six qualitative characteristics of financial information as identified in Concepts Statement No. 1, *Objectives of Financial Reporting*.
- Input or output methods may be relied upon in determining the proportion of progress toward the complete satisfaction of a performance obligation over time.
- Methods other than input and output methods, including time elapsed, may be relied upon in determining the proportion of progress toward the complete satisfaction of a performance obligation over time, provided that such methods are representative of the seller's performance in transferring control of goods or services to the customer.
- For circumstances in which it is not practicable for a government to obtain the information needed to select a suitable method to determine the proportion of progress that is representative of the seller's performance in transferring control of goods or services to the customer, a cost recovery approach may be used as a proxy until such a time that the government has access to better information in order to select a suitable method of determining the proportion of progress.
- A change in the method to determine the proportion of progress toward the complete satisfaction of a performance obligation should be applied prospectively, except for a change in method that results from an error correction.
- Indicators to be used to assist governments in determining at which point in time a transfer of control of goods or services has occurred:
 - The seller has the right to receive consideration.
 - The customer has legal title to the asset.
 - The asset has been physically transferred to the customer.
 - The customer has accepted the asset.
- The point in time at which a customer has significant risks and rewards associated with the ownership of an asset is not consistent with the performance obligation model and therefore should not be relied upon as an indicator of the transfer of control of goods or services.
- Category B Transactions—Recognition Attributes:
 - Imposed Transactions:
 - Property Ownership:

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- A government should recognize assets (that are receivables) at the imposition date.
- For property taxes, the imposition date is the date on which a governing body approves a local ordinance or similar legal action that specifies the property tax rate or total property tax amount that citizens are expected to provide for a specific fiscal period or periods.
- For other impositions on property ownership, the imposition date is the date on which a governing body approves a local ordinance or similar legal action that specifies the tax rate or total tax amount that citizens are expected to provide for a specific fiscal period or periods.
- A government should recognize a liability for resources received before a receivable for property taxes or other imposition on property ownership arises.
- A government should recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements.
- A government should recognize revenue for circumstances in which the government has complied with time requirements, if applicable.
- Derived Transactions:
 - The description of derived revenue transactions should focus on two characteristics: (1) the imposition of a requirement to provide resources and (2) the occurrence of the underlying transaction (on which the imposition is made).
 - A government should recognize assets (that are receivables) when the underlying transaction on which the resource is imposed has occurred.
 - A government should recognize a liability for resources received before a receivable from a derived transaction arises.
 - A government should recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements.
 - A government should recognize revenue for circumstances in which the government has complied with time requirements, if applicable.
- Other Imposed Transactions:
 - A government should recognize assets (that are receivables) when an individual or entity commits or omits an action for which the government has imposed the provision of resources.
 - A government should recognize a liability for resources received before a receivable arises.
 - A government should recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements.

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- A government should recognize revenue for circumstances in which the government has complied with time requirements, if applicable.
- General Aid to Governments and Shared Revenue Transactions:
 - General Aid to Governments and Shared Revenue with Periodic Appropriations:
 - Government recipients should recognize assets (that are receivables) and government providers should recognize liabilities (that are payables) when payments are due, if the following two criteria are met:
 - The resource provider has appropriated funds for the provision of resources and the period applicable to the appropriation has begun, and
 - The resource provider intends to provide the resources to the resource recipient.
 - As it relates to the intent criterion, a resource recipient should presume the resource provider intends to provide the resources and should only evaluate the provider's intent to not provide the resources to the recipient if there is a sufficient need to reassess.
 - Shared Revenue with Continuing Permission to Spend:
 - Government recipients should recognize assets (that are receivables) and government providers should recognize liabilities (that are payables) when the underlying transaction that is shared has occurred if the following two criteria are met:
 - The resource provider has a continuing permission to spend funds, and
 - The resource provider intends to provide the resources to the resource recipient.
 - As it relates to the intent criterion, a resource recipient should presume the resource provider intends to provide the resources and should only evaluate the provider's intent to not provide the resources to the recipient if there is a sufficient need to reassess.
 - Continuing permission to spend should be defined as "permission to spend that, once established, is automatically renewed without further legislative action, period after period, until altered or revoked."
 - A recipient government should recognize a liability for resources received before a receivable arises, and a provider government should recognize a prepaid asset for resources disbursed before a liability arises.
 - A recipient government should recognize a deferred inflow of resources and a provider government should recognize a deferred outflow of resources for circumstances in which the recipient government has not yet complied with time requirements.

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- A recipient government should recognize revenue and a provider government should recognize an expense for circumstances in which the recipient government has complied with time requirements, if applicable.
- For both general aid to government and shared revenue transactions, in circumstances in which the resource provider cancels the appropriation and either intends to postpone the payment to a subsequent period or does not intend to disburse a payment in the future, neither a payable nor a receivable should be reported at the end of the fiscal period by the parties.
- Shared Revenue should be identified as being composed of two transactions: (1) the imposition of the provision of resources and (2) the sharing of those resources with another government.
- Transactions Subject to Qualifying Requirements:
 - Administrative Requirements:
 - Administrative requirements should not be considered recognition attributes in grant transactions.
 - Entering into a grant agreement is not an administrative requirement but a condition precedent.
 - Qualifying requirements are conditions either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation that are required to be satisfied by the recipient before said recipient is entitled to the resources.
 - Pursuant to an executed grant agreement or a legislative binding arrangement that is in effect, qualifying requirements should be identified by relying on any of the following three criteria:
 - The incurrence of qualifying costs in compliance with all other applicable requirements that are associated with the determination of qualifying costs.
 - Other qualifying requirements, which are specified actions of the government that are not associated with the incurrence of qualifying costs.
 - Output and outcome requirements are a specific type of other qualifying requirement because they are described as actions of the government.
 - The characteristics of a nongovernmental resource recipient that are not associated with qualifying costs.
 - The recognition criterion applicable to the anchoring elements of transactions subject to qualifying requirements should be as follows:
 - Recipients should recognize assets (that are receivables) for transactions that are subject to qualifying requirements when (or as) the recipient complies with all applicable qualifying requirements.
 - In addition, for transactions that arise from legislative binding arrangements, recipients should recognize assets (that are

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- receivables) when the provider has appropriated funds (if required) and the period applicable to the appropriation has begun.
- Providers should recognize liabilities (that are payables) for transactions that are subject to qualifying requirements when (or as) the recipient complies with all applicable qualifying requirements.
 - In addition, for transactions that arise from legislative binding arrangements, providers should recognize liabilities (that are payables) when the provider has appropriated funds (if required) and the period applicable to the appropriation has begun.
- A recipient government should recognize a liability for resources received before compliance with qualifying requirements.
- A provider government should recognize an asset for resources provided before the recipient's compliance with qualifying requirements.
- A recipient government should recognize a deferred inflow of resources for circumstances in which the government has complied with qualifying requirements but has not yet complied with time requirements.
- A provider government should recognize a deferred outflow of resources for circumstances in which the recipient government has complied with qualifying requirements but has not yet complied with time requirements.
- A recipient government should recognize revenue for circumstances in which the government has complied with both qualifying and time requirements.
- A provider government should recognize expense for circumstances in which the recipient government has complied with both qualifying and time requirements.
- A probability threshold for future compliance should not be incorporated into the recognition criterion applicable to the receivable and the payable for transactions subject to qualifying requirements.
- A separate recognition model, based on an income approach or a cost accumulation approach, applicable to capital grants should not be developed.
- Time requirements should be retained as a recognition attribute that establishes the recognition of deferred inflows and outflows of resources.
 - Time requirements are explicit conditions either (1) externally imposed by grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation that establish the period or periods when the use (sale, disbursement, or consumption) of resources may begin or should end.
 - A government should recognize revenue when the usage of resources may begin, as stipulated by time requirements.
 - Time requirements should be identified as circumstances that represent temporary limitations to use resources, not permanent constraints.

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- Appropriations of the resource provider should not be considered time requirements.
- Contract terms—specifically, grant performance periods—should not be identified as time requirements.
- Time requirements should be limited to circumstances in which the resource provider or enabling legislation explicitly stipulates limitations about when resource usage may begin or should end. Furthermore, time requirements should be consistently reflected in the recognition of elements of financial statements among the parties of the transaction, symmetrically.
- Modifications should not be made to identify either (1) payment schedules or (2) the timing of collection, as a time requirement that requires the recognition of a deferred inflow of resources.
- Purpose restrictions are constraints either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation that limit the types of activities or programs for which resources can be deployed.
 - Purpose restrictions should not be considered a recognition attribute that informs recognition and, therefore, should not be combined with eligibility requirements.
 - Purpose restrictions can only be imposed by a resource provider or enabling legislation.
 - Purpose restrictions can be either broad or narrow.
 - Purpose restrictions can simultaneously exist with eligibility requirements and time requirements.
 - A right of return or release in a transaction should not be relied upon as a criterion to distinguish between purpose restrictions and qualifying requirements.
- Contravention of Qualifying Requirements, Purpose Restrictions, and Time Requirements:
 - Recognition guidance for contravention of qualifying requirements, purpose restrictions, and time requirements should be incorporated to address circumstances in which the discovery of contravention occurred after the financial statements were available to be issued.
 - Recognition guidance to account for contraventions of qualifying requirements, purpose restrictions, and time requirements should be as follows:
 - Resource recipient: recognize a payable (or a reduction of an asset) and an expense in the period in which the contravention is identified.
 - Resource provider: recognize a receivable (or a reduction of a liability) and revenue in the period in which the contravention is identified.
 - Contravention guidance would be applicable for circumstances in which it is *probable* that the resource provider will request the return of resources or a release from a claim to resources.

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- Contractual Binding Arrangements That Are Not Subject to Qualifying Requirements:
 - Governments should recognize assets (that are receivables) when the government receives or becomes aware of a binding arrangement.
 - Term endowments should be treated the same as permanent endowments.
 - A specific principle should not be crafted for endowments (permanent and term) that stipulates that not spending resources represents a time requirement and compliance with that time requirement begins when the collection of the resources occurs.
 - A government should recognize a liability for resources received before a receivable arises.
 - A government should recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements.
 - A government should recognize revenue for circumstances in which the government has complied with time requirements, as applicable.

Measurement:

- The measurement unit of account represents the level of aggregation or disaggregation applicable to assets and liabilities to assess the relevant measurement attribute applicable to them.
- When measurement uncertainty is present, a government should, to the extent practicable, develop estimates that are reflective of the six qualitative characteristics of financial information, as identified in Concepts Statement No. 1, *Objectives of Financial Reporting*.
- Note disclosure requirements should be considered for the assessment of essentiality when it is impracticable to develop estimates that are reflective of the six qualitative characteristics of financial information, as identified in Concepts Statement 1 (that is, nonrecognition).
- If, in a given reporting period, a government does not recognize a transaction because it is not practicable to develop a measurement estimate, the government should re-assess the practicability of an estimation for each subsequent period to determine whether, in that reporting period, it is practicable to develop an estimate that is reflective of the six qualitative characteristics of financial information as identified in Concepts Statement 1.
- Initial recognition of a transaction in a subsequent period as a result of developing an estimate that reflects the six qualitative characteristics of financial information, does not affect the assessment of an inflow's or outflow's applicability to a reporting period.
- The measurement principle that focuses on the most liquid item in the transaction should be retained as a principle underpinning measurement.
- Revenues and expenses should be measured indirectly based on the most liquid item of the transaction; that is, revenues should be measured through receivables and expenses should be measured through payables. As a result, performance obligations should not be measured.

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- Measurement principles for transactions in the scope of the project should be based on the terms and conditions of an executed binding arrangement and not consider the effects of potential (unexecuted) binding arrangement modifications.
- Measurement principles should be applied to both Category A and Category B transactions, unless explicitly stated otherwise.
- Significant Financing Component:
 - For circumstances in which a binding arrangement includes payment terms that exceed 12 months from the recognition of the anchoring elements (receivables and payables), a government should be permitted but not required to measure the reported amount as a discounted amount by relying on the provisions in paragraphs 173–187 of Statement 62.
 - Governments that choose to apply discounting should adopt an applicable accounting policy and apply the treatment in the policy (1) to all similar transactions and (2) consistently from reporting period to reporting period.
- Variable Consideration:
 - The distinction between variable and fixed consideration should be based on the effects of measurement uncertainty on the total binding arrangement amount; fixed consideration does not result in measurement uncertainty, but variable consideration does result in measurement uncertainty.
 - Variable consideration that depends on future use or performance should be included in the estimate of the total binding arrangement amount.
 - Variable consideration that increases the total binding arrangement amount and that depends on the probable occurrence or nonoccurrence of a future event, condition, or other factor should be included in the estimate of the total binding arrangement amount.
 - Constraining estimates of variable consideration should not be included in this project.
 - Consideration payable to a customer should not be explicitly addressed in this project.
 - Measurement guidance should not address share-based consideration, vouchers, or coupons.
 - Discounts, price concessions, credits, and incentives should be identified as types of variable consideration that reduce the total binding arrangement amount.
 - The accounting treatment for incentives should be applicable to Category A and Category B transactions.
 - The accounting treatment for a right of refund should be applicable to Category A and Category B revenue transactions.
 - The accounting treatment for a right of refund should be applicable to revenue transactions that include the provision of goods and services.
 - A right of refund in a revenue transaction that is probable to occur should be identified as a type of variable consideration that is recognized as a refund liability, which reduces the amount of revenue reported.

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- A rebate should be assessed to determine whether it functions in a similar manner as a right of refund or as a Category B expense transaction.
- If a rebate in a revenue transaction functions in a similar manner as a right of refund, it should be accounted for the same as a right of refund.
- **Nonmonetary Consideration:**
 - Consistent with Statement 72, governments receiving a donated tangible capital asset should measure it at acquisition value.
 - Governments providing a donation of a tangible capital asset should measure it at the carrying amount.
 - Governments receiving donated commodities should measure them at acquisition value.
 - Governments providing donations of commodities should measure them at the carrying amount.
 - Note disclosure requirements should be considered for the assessment of essentiality for information associated with donations of tangible capital assets that are measured at the carrying amount and for which their respective fair values are significantly different.
 - For Category A and Category B revenue transactions, a government should measure the amount of nonmonetary consideration agreed upon in the binding arrangement at fair value at inception.
 - Nonmonetary consideration should not be remeasured for changes in fair value between the inception of the binding arrangement and the receipt of nonmonetary consideration.
 - If a government agrees to receive payment in nonmonetary form that can be identified either as a capital asset or as an investment, a determination of the use of the present service capacity of the resource should be made when the government receives the nonmonetary consideration.
 - Governments should treat the difference between the fair value estimate at inception and the acquisition value measurement at receipt of a capital asset as a change in estimate.
 - Upon receipt of nonmonetary consideration that is reported at fair value, the difference between the initial fair value measurement estimate and the fair value measurement of the nonmonetary consideration received should be treated as a gain or a loss in the reporting period.
 - Measurement guidance related to nonmonetary consideration should not address circumstances in which the changes in fair value of the nonmonetary consideration arise for reasons other than its form.
- **Allocation of Consideration:**
 - The total binding arrangement amount should be allocated to each recognition unit of account.
 - The objective for allocating the total binding arrangement amount should be that consideration is allocated in a manner that provides a faithful representation of the economic activity in each transaction.

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- The objective for allocating the total transaction amount of a Category A transaction to each performance obligation should be to allocate consideration as an amount that reflects what the seller is entitled to for transferring control of a distinct good or service to the customer.
- Allocation methodologies and practicality provisions in existing guidance, specifically those in Statements 87, 94, and 96, should remain intact and not be disrupted by the proposals in this project.
- Collectibility:
 - The threshold for estimating uncollectible amounts should be *probable*.
 - A current expected credit losses model (similar to CECL) should not be developed for measuring collectibility.
 - Existing guidance, specifically that in Statements 33 and 62, regarding recognizing revenue net of uncollectible amounts should be retained and should be applicable to both Category A and Category B transactions.
 - A reduction of revenue associated with uncollectible amounts should be recognized through an allowance for uncollectible amounts (a contra asset account) that reduces the reported amount of receivables but does not directly reduce the recognized receivable.
 - Existing guidance provided in footnote 41 of Statement 34 should be superseded.
 - Professional judgement should be applied when determining the size and composition of groups of revenue transactions (that is, the measurement unit of account) for purposes of assessing collectibility.
 - A definition for customer credit risk should not be developed in this project.
 - The clarifications associated with collectibility should be limited to amending existing guidance related to revenues arising from exchange and nonexchange transactions and should not be applied to any other transaction outside the scope of this project.

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