Revenue Recognition: New Disclosures

The deadline for adoption of the new revenue recognition guidance is fast approaching. For public entities[1], implementation is required for the 2018 financial statements. All other entities will have an additional year. Certain industries will see greater changes to revenue recognition than others; however, all entities will be subject to extensive new disclosure requirements. In addition to affecting an entity's internal controls and business process around external financial reporting, the new standard will likely affect the core systems used to produce the numbers required in the quantitative disclosures. Feedback from companies with implementation efforts underway have indicated disclosures requirements have proven to be more challenging than initially estimated. Do not wait to review disclosure requirements. Companies should be assessing this information simultaneously with their implementation of the standard's recognition and measurement principles. Developing a disclosure requirement working plan upfront can avoid duplication of efforts and make data gathering more efficient. Questions entities should consider:

- What controls are in place to test the completeness and accuracy of the information disclosed?
- Is the current accounting information system capable of providing the required information?
- Is the current accounting system within the scope of internal control over financial reporting?
- How do current-year acquisitions or divestitures affect the revenue disclosures?
- What qualitative information would the financial statement user find interesting to supplement quantitative information?
- Have there been material changes in the timing of when performance obligations will result in revenue recognition?
- What payment terms, *e.g.*, payments in arrears, milestones, contingent payments and postpaid customers, give rise to contract assets?
- How does the satisfaction of performance obligations correlate with customer payment?
- Are all significant judgments and estimates related to variable consideration, noncash consideration and determining the transaction price disclosed?

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[1] *The new revenue standard defines a public entity as any one of these:*

- *A public business entity*
- *A not-for-profit entity that has issued, or is a conduit bond obligor for, securities traded, listed or quoted on an exchange or over-the-counter market*
- *An employee benefit plan that files or furnishes financial statements to the U.S. Securities and Exchange Commission*

- Has the entity adequately disclosed information about the methods, inputs and assumptions used in the annual financial statements?
- What judgments are made in selecting an appropriate measure of progress?
- What estimates help determine the level of completion?
- What information does management consider to determine when performance obligations are satisfied?

Even if the timing or amount of revenue recognized is not affected by the new revenue standard, disclosures will change.

Internal Controls

Entities should consider the need to design and implement new internal controls or modify existing controls to address risk areas resulting from the new processes, judgments and estimates. New risk areas may arise from changes to information technology systems and reports that provide data inputs used to support the new estimates and judgments. To the extent that data are needed to comply with the standard's requirements, entities will need to consider the internal controls that will be necessary to ensure the completeness and accuracy of this information, especially if the data were not previously captured.

Initial Adoption Timing

U.S. Securities and Exchange Commission (SEC) registrants are required to provide both annual and interim disclosures in the first interim period after the adoption of new accounting standards and in each subsequent quarter in the year of adoption, to the extent they are not duplicative.

New Disclosures

Objective

The objective of the disclosure requirements is to enable financial statement users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Current disclosure requirements are included in industry-specific and general recognition standards, but are limited and lack cohesion. The SEC also requires certain revenue disclosures for publicly traded companies.

Current disclosure requirements include:

- General requirements – accounting policies, seasonal revenue, segments, related parties
- Specific requirements – multiple-element arrangements, nonmonetary revenue transactions, bill-and-hold, fees for services
- Industry requirements – construction contractors, franchisors

The new disclosure requirements reflect the belief that disclosure should be more than just a compliance exercise. Qualitative information will be just as important as quantitative information for helping the reviewer better understand the nature of the organization's contract revenue. Companies should avoid standard "boilerplate" language.

Revenue from Contracts with Customers

An entity shall disclose all of the following amounts for the reporting period unless those amounts are separately presented in the financial statements:

- Revenue recognized from contracts with customers, which the entity shall separately disclose from its other sources of revenue
- Any impairment losses recognized (in accordance with Topic 310 on receivables) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall separately disclose from impairment losses from other contracts

An entity must determine which of its contracts or revenue streams are accounted for in accordance with Accounting Standards Codification (ASC) 606 rather than in accordance with guidance on other revenue transactions, *e.g.*, financial instruments (interest income), leases (lease income) or insurance contracts. For example, an entity may be a lessor and derive revenue from its leasing operations in addition to various services it provides in contracts with customers. Some contracts with customers (or portions of them) are outside of ASC 606's scope. In those circumstances, unless the lessor's two sources of revenue are separately presented in the income statement, the lessor must disclose the breakdown of those two revenue sources:

Revenue from contracts with customers	$	6,000
Interest income		2,000
Lease income		3,000
Revenue	$	11,000

Disaggregation of Revenue from Contracts with Customers

The first set in planning for the new disclosure requirements is determining the correct level of detail for financial statement reporting. Revenue from contracts with customers must be disaggregated according to the nature, amount, timing and uncertainty of revenue and cash flows. This will require significant judgment. Information cannot be obscured by too much insignificant detail or aggregation of items with different characteristics. The disaggregated revenue must be reconciled to the revenues in the financial statements. The Financial Accounting Standards Board (FASB) did not prescribe a specific characteristic of revenue as the basis for disaggregation because it intended for entities to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful for their businesses. An entity may need to use more than one type of category to disaggregate its revenue.

Segment disclosures may not be sufficiently disaggregated to achieve the disclosure objectives. Segment disclosures on revenue may not always provide users of financial statements with enough information to help them understand the composition of revenue recognized in the period.

Examples of categories that might be appropriate include, but are not limited to, all of these:

- Type of good or service, *e.g.*, major product lines
- Geographical region, *e.g.*, country or region
- Market or type of customer, *e.g.*, governmental and nongovernmental customers
- Type of contract, *e.g.*, fixed-price and time-and-materials contracts
- Contract duration, *e.g.*, short-term and long-term contracts
- Timing of transfer of goods or services, *e.g.*, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time
- Sales channels, *e.g.*, goods directly sold to consumers and goods sold through intermediaries

When selecting the type of category (or categories) to use to disaggregate revenue, an entity should consider how information about the entity's revenue has been presented for other purposes, including all of these:

- Disclosures presented outside the financial statements, *e.g.*, in earnings releases, annual reports or investor presentations
- Information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments
- Other information that is similar to the types of information identified in (a) and (b) and used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions

Public companies are required to provide a quantitative disclosure.

- Information about performance obligations, including when the entity typically satisfies performance obligations, *e.g.*, upon shipment, upon delivery or as services are rendered
- Significant payment terms (when payment is due, variable consideration and significant financing components)
- Nature of goods and services
- Obligations for returns, refunds and similar obligations
- Types of warranties and related obligations

Nonpublic entities may elect to only disclose qualitative information about how economic factors affect the nature, timing and uncertainty of revenue and cash flows.

These disclosures do not need to be in a particular format; as a result, some entities may describe the interaction between the two required disclosures in the revenue footnote, while others may include the disclosures in the segment footnote. In addition, since the guidance is not prescriptive, the disclosures also may be presented in a tabular or narrative format.

The standard provided these examples:

Example: Disaggregation of Revenue—Quantitative Disclosure

An entity reports the following segments: consumer products, transportation and energy in accordance with Topic 280 on segment reporting. When the entity prepares its investor presentations, it disaggregates revenue into primary geographical markets, major product lines and timing of revenue recognition, *i.e.*, goods transferred at a point in time or services transferred over time.

The entity determines that the categories used in the investor presentations can be used to meet the objective of the disaggregation disclosure requirements, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following table illustrates the disaggregation disclosure by primary geographical market, major product line and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties in with the consumer products, transportation and energy segments.

Public companies would be required to disclose the following:

Segments	Consumer Products	Transportation	Energy	Total
Primary Geographical Markets				
North America	$ 990	$ 2,250	$ 5,250	$ 8,490
Europe	300	750	1,000	2,050
Asia	700	260	-	960
	$ 1,990	$ 3,260	$ 6,250	$ 11,500
Major Goods/Service Lines				
Office supplies	$ 600	-	-	$ 600
Appliances	990	-	-	990
Clothing	400	-	-	400
Motorcycles	-	500	-	500
Automobiles	-	2,760	-	2,760
Solar panels	-	-	1,000	1,000
Power plant	-	-	5,250	5,250
	$ 1,990	$ 3,260	$ 6,250	$ 11,500
Timing of Revenue Recognition				
Goods transferred at a point in time	$ 1,990	$ 3,260	$ 1,000	$ 6,250
Services transferred over time	-	-	5,250	5,250
	$ 1,990	$ 3,260	$ 6,250	$ 11,500

Contact Balances

The disclosure requirements have been developed to allow financial statement users to understand the relationship between the revenue recognized and changes in the overall balances of an entity's total contract assets and liabilities during a particular reporting period.

Disclosing contract assets and liabilities and the revenue recognized from changes in contract liabilities and performance obligations satisfied in previous periods will likely be a change in practice for most entities.

Some industries may already provide "backlog" information or have information readily available to produce these disclosures. The backlog definition varies from industry to industry and may not be consistent with the new required disclosures. In addition, the requirement to disclose revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied in previous periods) may require additional information.

Required information includes:

- Opening and closing balances of receivables, contract assets and contract liabilities (if not presented elsewhere)
- Amount of revenue recognized that was included in the contract liability balance at the beginning of the period
- How the timing of satisfaction of its performance obligations relates to the typical timing of payment and the effect on the contract asset or liability. The explanation provided may use qualitative information
- Quantitative and qualitative description of significant changes, which could include changes due to business combinations, impairment, changes in estimates, timing or measure of progress

FASB has provided relief for nonpublic entities. Nonpublic entities may elect to only disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed.

Entities are permitted to use different descriptions of contract assets, contract liabilities and receivables and could use additional line items to present those assets and liabilities if the entity also provides sufficient information for financial statement users to distinguish them.

The Transition Resource Group addressed several questions about the presentation of contract assets:

- Should the contract assets, contract liabilities and receivables be offset and a net asset or liability be presented in the statement of financial position?
    - Contract assets or liabilities are presented for each contract on a net basis. For contracts meeting the criteria for combination under the new guidance, a contract asset or liability would be presented for the combined contract net.
- In contracts with multiple performance obligations, how should a contract liability, *e.g.*, advance received, be set off as the entity satisfies performance obligations?
    - The contract—not individual performance obligations—is the unit of account for presenting contract assets and liabilities.

Excerpt from General Dynamics 1Q17 10-Q SEC filing

***Contract Balances**. The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheet. In our defense groups, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, we sometimes receive advances or deposits from our customers, particularly on our international contracts, before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Balance Sheet on a contract-by-contract basis at the end of each reporting period. In our Aerospace group, we generally receive deposits from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognized. Changes in the contract asset and liability balances during the three-month period ended April 2, 2017, were not materially impacted by any other factors.*

Revenue recognized for the three-month periods ended April 2, 2017, and April 3, 2016, that was included in the contract liability balance at the beginning of each year was $1.7 billion and $1.4 billion, respectively, and represented primarily revenue from the sale of business-jet aircraft.

Performance Obligations

The standard adds disclosures about performance obligations to help financial statement users understand the relationship between a company's revenue accounting policies and its contracts with customers. All entities are required to disclose general information about performance obligations:

- When the entity typically satisfies its performance obligations, *e.g.*, upon shipment, upon delivery, as services are rendered or upon completion of service, including when performance obligations are satisfied in a bill-and-hold arrangement
- Significant payment terms, *e.g.*, when payment typically is due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained
- The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services, *i.e.*, if the entity is acting as an agent
- Obligations for returns, refunds and other similar obligations
- Types of warranties and related obligations

Excerpt from Ford Motor Company 1Q17 10-Q SEC filing

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our vehicles, parts, accessories, or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with our base warranties and field service actions continue to be recognized as expense when the products are sold. We recognize revenue for vehicle service contracts that extend mechanical and maintenance beyond our base warranties over the life of the contract.

***Other Revenue**. Other revenue consists primarily of net commissions received for serving as the agent in facilitating the sale of a third party's products or services to our customers and payments for vehicle-related design and testing services we perform for others. We have applied the practical expedient to recognize Automotive revenues for vehicle-related design and testing services over the two to three year term of these agreements in proportion to the amount we have the right to invoice.*

Excerpt from Raytheon 1Q17 10-Q SEC filing

The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer. For our U.S. government cost-type contracts, the customer generally pays us for our actual costs incurred within a short period of time. For non-U.S. government contracts, we typically receive interim payments as work progresses, although for some contracts, we may be entitled to receive an advance payment. We recognize a liability for these advance payments in excess of revenue recognized and present it as contract liabilities on the balance sheet. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

Remaining Performance Obligations

Public entities[1] also are required to disclose information about remaining performance obligations and the amount of the transaction price allocated to such obligations, including an explanation of when it expects to recognize the amounts in its financial statements.

A technical correction in Accounting Standards Update 2016-20 reordered some of the disclosure requirements to clarify that the disclosure of revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods applies to **all** performance obligations and is not limited to performance obligations with corresponding contract balances.

Practical Expedients for Remaining Performance Obligations

1. An entity need not disclose this information for a performance obligation if either condition is met:

a. The performance obligation is part of a contract with an original expected duration of one year or less.

b. The entity recognizes revenue in the amount to which the entity has a right to invoice.

2. An entity need not disclose this information for variable consideration if either condition is met:

a. The variable consideration is a sales-based or usage-based royalty for a license of intellectual property.

b. The variable consideration is entirely allocated to a wholly unsatisfied performance obligation or a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation under the series provision.

If either expedient is elected, additional disclosure is required. An entity shall disclose which optional exemptions it is applying as well as the nature of the performance obligations, the remaining duration and a description of the variable consideration that has been excluded. An entity shall explain whether any consideration is not included in the transaction price and, therefore, not included in the information disclosed, e.g., an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained.

The standard provides these examples:

Example: Disclosure of the Transaction Price Allocated to the Remaining Performance Obligations

On June 30, 20X7, an entity enters into three contracts (Contracts A, B and C) with separate customers to provide services. Each contract has a two-year noncancellable term.

Contract A

Cleaning services are to be provided for the next two years, typically at least once per month. For services provided, the customer pays an hourly rate of $25. Because the entity bills a fixed amount for each hour of service provided, the entity has a right to invoice the customer in the amount that directly corresponds with the value of the entity's performance completed to date. The entity could elect to apply the optional exemption. If the entity elects not to disclose the transaction price allocated to remaining performance obligations for Contract A, the entity would disclose that it has applied the optional exemption and the nature of the performance obligation, the remaining duration and a description of the variable consideration excluded from the disclosure of remaining performance obligations.

Contract B

Cleaning and lawn maintenance services are to be provided as and when needed with a maximum of four visits per month for the next two years. The customer pays a fixed price of $400 per month for both services. The entity measures its progress toward complete satisfaction of the performance obligation using a time-based measure.

The entity discloses the amount of the transaction price that has not yet been recognized as revenue in a table with quantitative time bands that illustrates when the entity expects to recognize the amount as revenue. The information for Contract B included in the overall disclosure is as follows.

	20X8	20X9	Total
Revenue expected to be recognized on this contract as of December 31, 20X7	$ 4,800 (a)	$ 2,400 (b)	$ 7,200

(a) $4,800 = $400 × 12 months

(b) $2,400 = $400 × 6 months

Contract C

Cleaning services are to be provided as and when needed for the next two years. The customer pays fixed consideration of $100 per month plus a one-time variable consideration payment ranging from $0 to $1,000 corresponding to a one-time regulatory review and certification of the customer's facility, *i.e.*, a performance bonus. The entity estimates that it will be entitled to $750 of the variable consideration. On the basis of the entity's assessment of the factors in paragraph 606-10-32-12, the entity includes its estimate of $750 of variable consideration in the transaction price because it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The entity measures its progress toward complete satisfaction of the performance obligation using a time-based measure.

The entity discloses the amount of the transaction price that has not yet been recognized as revenue in a table with quantitative time bands that illustrates when the entity expects to recognize the amount as revenue. The entity also includes a qualitative discussion about any significant variable consideration that is not included in the disclosure. The information for Contract C included in the overall disclosure is as follows:

	20X8	20X9	Total
Revenue expected to be recognized on this contract as of December 31, 20X7	$ 1,575 (a)	$ 788 (b)	$ 2,363

(a) Transaction price = $3,150 ($100 × 24 months + $750 variable consideration) recognized evenly over 24 months at $1,575 per year

(b) $1,575 ÷ 2 = $788 (that is, for six months of the year)

In addition, the entity qualitatively discloses that part of the performance bonus has been excluded from the disclosure because it was not included in the transaction price. That part of the performance bonus was excluded from the transaction price in accordance with the guidance on constraining estimates of variable consideration.

The entity does not meet the criteria to apply the optional exemption because the monthly consideration is fixed and the variable consideration does not meet the conditions specified.

Example: Disclosure of the Transaction Price Allocated to the Remaining Performance Obligations—Qualitative Disclosure

On January 1, 20X2, an entity enters into a contract with a customer to construct a commercial building for fixed consideration of $10 million. The construction of the building is a single performance obligation that the entity satisfies over time. As of December 31, 20X2, the entity has recognized $3.2 million of revenue. The entity estimates that construction will be completed in 20X3 but it is possible that the project will be completed in the first half of 20X4.

At December 31, 20X2, the entity discloses the amount of the transaction price that has not yet been recognized as revenue in its disclosure of the transaction price allocated to the remaining performance obligations. The entity also discloses an explanation of when the entity expects to recognize that amount as revenue. The explanation can be disclosed either on a quantitative basis using time bands that are most appropriate for the duration of the remaining performance obligation or by providing a qualitative explanation. Because the entity is uncertain about the timing of revenue recognition, the entity qualitatively discloses this information as follows:

As of December 31, 20X2, the aggregate amount of the transaction price allocated to the remaining performance obligation is $6.8 million, and the entity will recognize this revenue as the building is completed, which is expected to occur over the next 12 to 18 months.

Significant Judgments

The new revenue standard significantly expands current disclosure requirements related to judgments associated with revenue recognition due to the importance placed on revenue by financial statement users. FASB has provided some relief for companies that do not meet the definition of a public entity[1]. Private companies may elect not to disclose the items underlined.

General

- Timing of satisfaction of performance obligations
- The transaction price and the allocations to performance obligations

Timing of Satisfaction of Performance Obligations

- For obligations satisfied over time:
  - The methods used to recognize revenue, *e.g.*, a description of the output or input methods used and how those methods are applied)
  - An explanation of why the methods used provide a faithful depiction of the transfer of goods or services
- For obligations satisfied at a point in time:
  - Judgments made in evaluating when a customer obtains control

Excerpt from Raytheon 1Q17 10-Q SEC filing

We generally recognize revenue over time as we perform because of continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Similarly, for non-U.S. government contracts, the customer typically controls the work in process as evidenced either by contractual termination clauses or by our rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company.

Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We generally use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of assets to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Costs to fulfill include labor, materials and subcontractors' costs, other direct costs and an allocation of indirect costs including pension and any other postretirement benefit (PRB) expense under U.S. government Cost Accounting Standards (CAS).

Determining the Transaction Price & the Amounts Allocated to Performance Obligations

Entities must disclose information about the methods, inputs and assumptions used for all of these:

- Determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring noncash consideration
- Assessing whether an estimate of variable consideration is constrained
- Allocating the transaction price, including estimating standalone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable)
- Measuring obligations for returns, refunds and other similar obligations

Excerpt from Raytheon 1Q17 10-Q SEC filing

If a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. We infrequently sell standard products with observable standalone sales. In cases where we do, the observable standalone sales are used to determine the standalone selling price. More frequently, we sell a customized customer specific solution, and in these cases we typically use the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

Entities with diverse contracts will need to make sure they have the processes and procedures in place to capture all of the different methods, inputs and assumptions used.

Contract Costs

The standard specifies the accounting for costs an entity incurs to obtain and fulfill a contract to provide goods and services to customers. Companies are required to disclose closing balances of capitalized contract costs by main category of asset (cost to obtain contract, setup costs, etc.) as well as the amount of amortization recognized in the period and a description of the assumptions used in capitalizing contract acquisition costs.

Nonpublic companies are exempt from contract cost disclosure requirements.

Practical expedients:

(a) An entity may recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(b) An entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Disclosure is required if either expedient is elected.

Excerpt from Raytheon 1Q17 10-Q SEC filing
Costs incurred to fulfill a contract prior to contract award, including general and administrative expenses that are specifically chargeable to the customer, are capitalized in inventories if we determine that the costs are probable of recovery under a specific anticipated contract. All other precontract costs, including start-up costs, are expensed as incurred. Costs that are deferred are recognized as contract costs upon the receipt of the anticipated contract. We included capitalized precontract costs of $185 million and $189 million in inventories as work in process at April 2, 2017 and December 31, 2016, respectively.

BKD has prepared a library of **BKD Thoughtware®** on revenue recognition issues. Visit our Hot Topics page to learn more. If you have questions about the revenue recognition rules, contact your BKD advisor.

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Appendix A

New or Modified Revenue Disclosures				
Description	Public[1]	Private	Annual	Interim (Public[1] only)
Contracts with Customers				
Revenue recognized from contracts with customers, separate from other sources of revenue	✚	✚	✚	
Any impairment loss on any receivable or contract assets arising from a contract with a customer, separate from impairment losses on other contracts	✚	✚	✚	
Disaggregation of Revenue				
An entity shall disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors	✚	✖	✚	✚
An entity shall disclose sufficient information to enable the users of financial statements to understand the relationship between the disclosures of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies Topic 280	✚	✖	✚	✚
Disaggregation Practical Expedient for Private Companies				
Nonpublic entities electing not to disclose the quantitative disaggregation information above shall disclose, at a minimum, revenue disaggregated according to the timing or transfer of goods or services and qualitative information about how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows	N/A	✚	✚	
Contract Balances				
Opening and closing balances of receivables, contract assets and liabilities from contracts with customers, if not otherwise separately presented or disclosed	✚	✚	✚	✚
Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period	✚	✖	✚	✚

Contract Balances				
Explanation of how the timing of satisfaction of its performance obligations related to the typical timing of payment and the effect those factors have on the contract asset and liability balances, may use qualitative information	✚	✖	✚	
Explanation of significant changes in the contract asset and liability balances during the reporting period	✚	✖	✚	
Performance Obligations – Some Practical Expedients Available				
When an entity typically satisfies its performance obligations, including when performance obligations are satisfied in a bill-and-hold arrangement	✚	✚	✚	
Significant payment terms (when payment is typically due, existing of significant financing component, any variable consideration, any constraints on variable consideration)	✚	✚	✚	
Nature of goods or services promised, highlighting if entity is acting as an agent	✚	✚	✚	
Obligations for returns, refunds and other similar obligations	✚	✚	✚	
Types of warranties and related obligations	✚	✚	✚	
Aggregate transaction price allocated to unsatisfied or partially satisfied performance obligations at the end of the reporting period	✚	✖	✚	✚
Revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods[2] [3]	✚	✖	✚	✚
When an entity expects to recognize as revenue the amount disclosed on either a quantitative basis using the time banks that would be most appropriate for the duration of the remaining performance obligations or using qualitative information[2] [3]	✚	✖	✚	

[2] *An entity need not disclose this information for a performance obligation if either condition is met:*

a. The performance obligation is part of a contract with an original expected duration of one year or less.

b. The entity recognizes revenue in the amount to which the entity has a right to invoice.

[3] *An entity need not disclose this information for variable consideration if either condition is met:*

*a. The **variable** consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property.*

*b. The **variable** consideration is entirely allocated to a wholly unsatisfied performance obligation or wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation under the series provision.*

If Practical Expedients Are Elected for Performance Obligations				
An entity shall disclose what optional exemptions it is applying as well as the nature of the performance obligations, the remaining duration and a description of the variable consideration that has been excluded. An entity shall explain whether any consideration is not included in the transaction price and, therefore, not included in the information disclosed, *e.g.*, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained				
Significant Judgments				
Judgments and changes in judgments that significantly affect the amount and timing of revenue from contracts from customers. This includes the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations	✚	✚	✚	
For performance obligations satisfied over time: • The method used to recognize revenue • Explanation of why the methods used faithfully depict the transfer of goods or services	 ✚ ✚	 ✚ ✖	 ✚ ✚	
For performance obligations satisfied at a point in time, the significant judgments made in evaluating when a customer obtains control of the promised goods or services	✚	✖	✚	
Methods, inputs and assumptions used for:				
Determining the transaction price, including estimating variable consideration, adjusting the price consideration for the time value of money and measuring noncash consideration	✚	✖	✚	
Assessing whether an estimate of variable consideration is constrained	✚	✚	✚	
Allocating the transaction price, including estimating the standalone selling price of promised goods or services and allocating discounts and variable consideration to a specific part of a contract	✚	✖	✚	
Measuring obligations for returns, refunds and similar obligations	✚	✖	✚	

Assets Arising from Contract Costs – Practical Expedients Available				
Judgments made in determining the amount of cost incurred to obtain or fulfill a contract and the method used to determine amortization for each reporting period	✚	✖	✚	
Closing balances of assets recognized from the cost incurred to obtain or fulfill a contract by main category of asset, *e.g.*, cost to obtain a contract, precontract costs, setup costs	✚	✖	✚	
Amount of amortization and any impairment losses recognized in the reporting period	✚	✖	✚	