

Final Updates to Revenue Rules

In late December 2016, the Financial Accounting Standards Board released the last set of anticipated amendments to the new revenue standard, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2016-20 summarized below affect narrow aspects of the guidance issued in ASU 2014-09 and do not change any of the new standard's principles.

The effective date and transition requirements for the amendments are the same as those for ASU 2014-09. The rules will be effective for public business entities, conduit bond obligors and employee benefit plans that file with the U.S. Securities and Exchange Commission for annual periods beginning after December 15, 2017. All other entities have an additional year to adopt.

ASU 2016-20 Technical Corrections & Improvements to Topic 606, <i>Revenue from Contracts with Customers</i>	
Topic	Summary
Loan Guarantee Fees	Guarantee fees within the scope of Topic 460, <i>Guarantees</i> (other than product or service warranties), are not within the scope of Topic 606. Entities should see Topic 815, <i>Derivatives and Hedging</i> , for guarantees accounted for as derivatives.
Contract Costs—Impairment Testing	When performing impairment testing, an entity should consider expected contract renewals and extensions and include both the amount of consideration it already received but has not recognized as revenue and the amount it expects to receive in the future.
Contract Costs—Interaction of Impairment Testing with Guidance in Other Topics	Impairment testing first should be performed on assets not within the scope of Topic 340, <i>Other Assets and Deferred Costs</i> ; Topic 350, <i>Intangibles—Goodwill and Other</i> or Topic 360, <i>Property, Plant, and Equipment</i> (such as Topic 330, <i>Inventory</i>), then assets within the scope of Topic 340 and then asset groups and reporting units within the scope of Topic 360 and Topic 350.
Provisions for Losses on Construction- and Production-Type Contracts	The provision for losses is required to be determined at least at the contract level. However, the amendments allow an entity to determine the provision for losses at the performance obligation level as an accounting policy election.
Scope: Insurance	All contracts within the scope of Topic 944, <i>Financial Services—Insurance</i> , are excluded from the scope of Topic 606.
Disclosure of Remaining Performance Obligations	New optional exemptions from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Expanded disclosure is required when an entity applies one of the optional exemptions.
Disclosure of Prior-Period Performance Obligations	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.
Advertising Costs	Guidance on the accrual of advertising costs in Subtopic 340-20, <i>Other Assets and Deferred Costs—Capitalized Advertising Costs</i> , is reinstated and moved to Topic 720, <i>Other Expenses</i> .

Final Updates to Revenue Rules

Fixed-Odds Wagering Contracts in the Casino Industry	Creation of a new Subtopic 924-815, <i>Entertainment—Casinos—Derivatives and Hedging</i> , which includes a scope exception from derivatives guidance for fixed-odds wagering contracts and a scope exception within Topic 815 for fixed-odds wagering contracts issued by casino entities.
Cost Capitalization for Advisors to Private and Public Funds	Aligns the cost-capitalization guidance for advisors to public and private funds in Topic 946, <i>Financial Services—Investment Companies—Other Expenses</i> .
Updates to Illustrative Examples	Contract Modifications Example 7 Contract Asset versus Receivable Example 38 Refund Liability Example 40

BKD continues to monitor developments related to the new revenue recognition standard. Visit [BKD's Hot Topics page](#) to learn more.

Contributor

Anne Coughlan
Director
317.383.4000
acoughlan@bkd.com

