

Learning Objectives

- Recognize the improvements over the revenue accounting through the release of ASC 606
- Cite the key changes of the revenue recognition practice compared to former ASC 605
- Recognize the impact of the revenue standard on the organizations
- Identify the applicability of the revenue standard
- Recognize the steps involved in implementing the new revenue guidelines
- Identify the presentation and disclosure requirements
- Recognize the requirements for other revenue topics (e.g., warranties, principal-versus agent, licensing)
- Recognize the indicators for potential misstated revenue recognition
- Identify control activities that reduce the risk of misstatement in revenue

Part I - The Fundamentals of the Revenue Standard

- I. Background
 - A. Rising to the Challenge
 - B. Key Changes of Revenue Recognition Practice
 - C. Consideration for SEC Registrants
- II. Applicability
 - A. Scope of Revenue Standard
 - B. Collaborative Arrangements
- III. Practical Expedients
- IV. Key Concepts of ASC 606
 - A. Attributes of a Contract
 - B. Essence of a Performance Obligation
 - C. Determination of the Transaction Price
 - D. Allocation of the Transaction Price
 - E. Recognition of Revenue
- V. Significant Impacts
 - A. More Efforts to Determine the Contract Existence
 - B. Differing Revenue Streams and Related Activities
 - C. Additional Estimates and Judgment
 - D. More Comprehensive Presentation and Disclosure Requirements
 - E. Practices of Certain Industries
- VI. U.S. GAAP vs. IFRS

Part II - The Application of the Revenue Recognition Model

- Step 1: Identify the Contract with a Customer
 - A. Required Criteria - Contracts with Customers
 - B. Reassessment of Criteria
 - C. Combining Contracts
 - D. Modifying Contracts
- Step 2: Identify the Performance Obligations
 - A. Identification of Promises in a Contract
 - B. Determination of Distinct Goods or Services
- Step 3: Determine the Transaction Price
 - A. Components of the Transaction Price
- Step 4: Allocate the Transaction Price to the Performance Obligations
 - A. Definition of Standalone Selling Prices
 - B. Estimating Standalone Selling Prices
 - C. Allocating Discounts
 - D. Allocating Variable Consideration
 - E. Changes to the Transaction Price
- Step 5: Recognize Revenue
 - A. Transfer of Control
 - B. Satisfaction of Performance Obligations

Part III - Other Revenue Topics

- I. Contract Costs
 - A. Costs to Obtain a Contract
 - B. Costs to Fulfill a Contract
- II. Sale with a Right of Return
- III. Accounting for Warranties
- IV. Principal versus Agent Considerations
 - A. Definitions of Principal and Agent
 - B. Principal and Agent Indications
- V. Licensing
 - A. Scope of the Licensing Guidance
 - B. Determining Whether a License Is Distinct
 - C. Identifying the Nature of a Distinct License
 - D. Determining Whether Contractual Provisions Represent Attributes of a License or Additional Rights
 - E. Accounting for Sales- or Usage-Based Royalties
- VI. Customer Options for Additional Goods or Services
- VII. Nonrefundable Upfront Fees

- VIII. Repurchase Agreements
 - A. Forward or Call Option
 - B. A Put Option
 - C. Consignment Arrangements
 - D. Bill-and-Hold Arrangements

Part IV - Presentation and Disclosure

- I. Presentation
 - A. Statement of Financial Position
 - B. Contract Asset vs. Receivable
- II. Disclosure
 - A. General Rules
 - B. Disclosure for Public Entities
 - C. Disclosure for Nonpublic Entities

Part V - Implications to Internal Controls

- I. Responsibilities of SEC Registrants
 - A. The Role of Internal Control over Financial Reporting
 - B. Regulatory Compliance
- II. Design and Implementation of Controls
 - A. Control Environment
 - B. Risk Assessment
 - C. Control Activities
 - D. Information and Communication
 - E. Monitoring