WESTERN™ CPE

Innovative Education

Complete Hands-on Guide to the New Revenue Recognition Rules

Ray Thompson and William Engelbret

Course # 1143405, Version 2004, 4 CPE Credits

your self-study.
your way.

Course CPE Information

Course Expiration Date
Per AICPA and NASBA Standards (S9-06), QAS Self-Study courses must include an expiration date that is ***no longer than one year from the date of purchase or enrollment***.

Field of Study
Accounting. Some state boards may count credits under different categories—check with your state board for more information.

Course Level
Basic.

Prerequisites
There are no prerequisites.

Advance Preparation
None.

Course Description
If you're like most CPAs, you're evaluating whether the new revenue recognition standard is a game changer for you and your clients. Are your current methods still okay? Will your accounting software measure up? Will your financial statement users see drastic changes? How much time, money, and personnel will it take to comply? One thing is certain: we can expect far-reaching impacts from the converged FASB/IASB revenue recognition standard. The new rules replace nearly all of the current GAAP and IFRS guidance and require significant accounting judgment regarding necessary changes to accounting processes and systems.

The standard's pervasive nature calls for significant planning before its 2017 effective date. Companies must address the transition beginning now, especially for retroactive application and presentation of comparative statements. This course, presented by Ray Thompson, Bill Engelbret, and Janice Rummell, will help you decide what actions you must take now to prepare for implementation.

Publication/Revision Date
April 2020

Instructional Design

This Self-Study course is designed to lead you through a learning process using instructional methods that will help you achieve the stated learning objectives. You will be provided with course objectives and presented with comprehensive information and facts demonstrated in exhibits and/or case studies. Review questions will allow you to check your understanding of the material, and a qualified assessment will test your mastery of the course.

Please familiarize yourself with the following instructional features to ensure your success in achieving the learning objectives.

Course CPE Information

The preceding section, “Course CPE Information,” details important information regarding CPE. If you skipped over that section, please go back and review the information now to ensure you are prepared to complete this course successfully.

Table of Contents

The table of contents allows you to quickly navigate to specific sections of the course.

Learning Objectives and Content

Learning objectives clearly define the knowledge, skills, or abilities you will gain by completing the course. Throughout the course content, you will find various instructional methods to help you achieve the learning objectives, such as examples, case studies, charts, diagrams, and explanations. Please pay special attention to these instructional methods, as they will help you achieve the stated learning objectives.

Review Questions

The review questions accompanying this course are designed to assist you in achieving the course learning objectives. The review section is not graded; do not submit it in place of your qualified assessment. While completing the review questions, it may be helpful to study any unfamiliar terms in the glossary in addition to course content. After completing the review questions, proceed to the review question answers and rationales.

Review Question Answers and Rationales

Review question answer choices are accompanied by unique, logical reasoning (rationales) as to why an answer is correct or incorrect. Evaluative feedback to incorrect responses and reinforcement feedback to correct responses are both provided.

Glossary

The glossary defines key terms. Please review the definition of any words you are not familiar with.

Index

The index allows you to quickly locate key terms or concepts as you progress through the instructional material.

Qualified Assessment

Qualified assessments measure (1) the extent to which the learning objectives have been met and (2) that you have gained the knowledge, skills, or abilities clearly defined by the learning objectives for each section of the course. Unless otherwise noted, you are required to earn a minimum score of 70% to pass a course. If you do not pass on your first attempt, please review the learning objectives, instructional materials, and review questions and answers before attempting to retake the qualified assessment to ensure all learning objectives have been successfully completed.

Answer Sheet

Feel free to fill the Answer Sheet out as you go over the course. To enter your answers online, follow these steps:

1. Go to www.westerncpe.com.
2. Log in with your username and password.
3. At the top right side of your screen, hover over "My Account" and click "My CPE."
4. Click on the big orange button that says "View All Courses."
5. Click on the appropriate course title.
6. Click on the blue wording that says "Qualified Assessment."
7. Click on "Attempt assessment now."

Evaluation

Upon successful completion of your online assessment, we ask that you complete an online course evaluation. Your feedback is a vital component in our future course development.

Western CPE Self-Study
243 Pegasus Drive
Bozeman, MT 59718
Phone: (800) 822-4194
Fax: (206) 774-1285
Email: wcpe@westerncpe.com
Website: www.westerncpe.com

Master Table of Contents

OnDemand Webcast Table of Contents

Learning Objectives

Learning Objectives

Upon successful completion of this course, participants will be able to:

Section 1

- Cite areas where current industry-based GAAP has been superseded or changed by ASU 2014-09.
- Identify differences between the earnings-based and contract-based models for revenue recognition and define the terms related to each.
- Identify a contract as set out in ASU 2014-09.
- Cite the rules-based and principles-based approaches to recognizing revenue.
- Identify a performance obligation as set out in ASU 2014-09 and identify the appropriate accounting treatment based on combining or separating them.

Section 2

- Recall the differences between the earnings-based and contract-based models for revenue recognition and define the terms related to each.
- Identify performance obligation as set out in ASU 2014-09 and identify the appropriate accounting treatment based on combining or separating them.
- Cite transition timing and implementation guidance.

Section 3

- Identify earnings-based and contract-based models for revenue recognition and define the terms related to each.
- Recongize a contract as set out in ASU 2014-09 and determine the appropriate capitalization or expenses of various items within the contract.
- Cite transition timing and implementation guidance.
- Identify appropriate disclosures for revenue under the new standard.

Section 4

- Identify elements of the contract and determine the appropriate treatment of these elements under the new standard.
- Recognize a performance obligation as set out in ASU 2014-09 and identify the appropriate accounting treatment based on combining or separating them.

Western CPE
Innovative Education

Complete Hands-On Guide to the New Revenue Recognition Rules

Presented by

Dr. Ray Thompson, CMA, AVA, CBA
William G. Engelbret, CPA, Ph.D.

Learning Objectives

At the conclusion of this course participants should be able to:

- List five areas where current industry-based GAAP has been superseded by ASU 2014-09
- Differentiate between the earnings--based and contract-based models for revenue recognition
- Define a contract as set out in ASU 2014-09
- Contrast the rules based and the principles-based approaches to recognizing revenue
- Define a contract as set out in ASU 2014-09
- Define a performance obligation as set out in ASU 2014-09

 Western CPE Innovative Education 2

Learning Objectives

At the conclusion of this course participants should be able to:

- Define transaction price as set out in ASU 2014-09
- Describe the criteria for contract separation or combination
- Explain the process of revenue allocation based on relative sales value
- Describe the effective date guidance for public and private entities for ASU 2014-09
- Contrast retrospective and cumulative approaches to transition for ASU 2014-09
- Differentiate between point in time and over time delivery processes

Seminar Outline

1. Overview: where are we heading and why?
2. Earnings-based versus contract-based: how different in practice?
3. The core principles—five steps, it is really a change?
4. Effective date and transition: when must we start?
5. Practice issue #1: what happened to percent of completion?

Seminar Outline

6. Practice issue #2: when do we combine or separate contracts?
7. Practice issues #3: what's about disclosures?
8. Specific topics in revenue recognition
9. Where to find additional guidance

WESTERN CPE
Innovative Education

WESTERN™ CPE
Innovative Education

Part One:

Where Are We Headed and Why?

Problems with Standards?

FASB and IASB believed that revenue was "broken and required fixing"	Do you agree?
I didn't have any major problems with current U.S. GAAP standards	
GAAP in this area gave us a lot of practice problems	
I'm not sure	

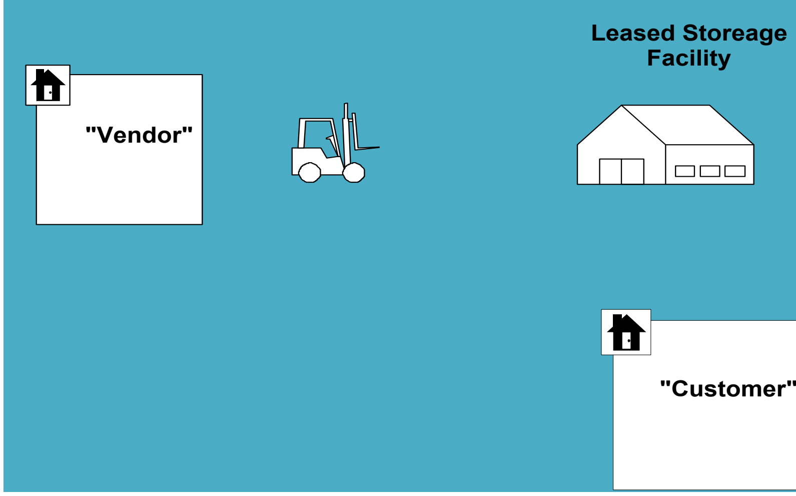
PWC on Revenue Recognition's Impact

- New, comprehensive accounting standard set to change the way many companies recognize revenue in their financial statements.
- Significant internal changes at many firms— redesign of the information gathering systems and processes, potential adjustments in business practices.
- Companies have about three years before implementing the new standards, but shouldn't delay preparations.

What's Wrong with U.S. GAAP

- Hundreds of pages
- Many, many rules
- Few coherent principles
- Industry based (inconsistent) rules
- Abuse-driven guidance
  - Role of SEC
  - "Bolting on guidance" to rein in abuses
- Rules have facilitated structuring and form over substance arrangements

STRUCTURED TRANSACTIONS & REVENUE RECOGNITION



Proposed Guidance

FASB has suggested that in most cases, the proposed guidance will have little, if any, effect on current practice.

- Devil may be in the details
- You won't know how changes affect you until you analyze the standard
- Supersedes industry guidance
- Extended implementation period (1/1/2017)

WESTERN CPE
Innovative Education

Major Changes to Industry Guidance Include

Superseded	Radically Altered
• Construction contracting	• Agriculture
• Government contracting	• Regulated entities
• Software	• Health care
• Real estate	• Not-for-profits
• Airlines	• Investment companies and REITs
• Broadcasting, motion pictures, and entertainment	• Casinos
• Development stage enterprises	• Franchisors
• Extractive industries	

WESTERN CPE
Innovative Education

Where Will Issues Arise?

- Straightforward transactions
  - Point of sale
- "Complex" transactions
  - Multiple products/services/deliverables
  - Customized services
  - Long time periods involved
  - Licenses
- Industry guidance
- Disclosure

Diamond Foods, Inc.

- Diamond Foods, Inc. is charged by the SEC in January 2014 for accounting fraud
- Agrees to pay $5 million to settle the suit
- Classic accounting fraud case
  - Pressure to meet analysts' earnings estimates
  - Incentive and bonus pay at stake
  - Cost of walnuts increased, had to pay higher price to maintain the grower contracts, didn't want to report the decrease in profit

Diamond Foods (continued)

- CFO hides the increased costs as deferred charges
  - Company hits its EPS target
  - Diamond announces “12 consecutive quarters of outperformance”
  - Bonuses all around
- Diamond Foods is questioned about “momentum” and “continuity” payments in the 10-K, scheme unravels
  - Income overstated $10.5M in 2010, $23.6M in 2011
  - Stock price falls from $90 in September 2011 to $17 in November 2012
  - Loss of market value $1.7 Billion

 WESTERN CPE Innovative Education

Riding the Tiger

- Satyam Computer Services
- Fraud revealed January 7, 2009
- $1 billion fraud (inflated revenues)
- Verdict expected end of July
- Chairman Ramalinga Raju of Satyam Computer Services says maintaining the fraud scheme “was like riding a tiger, not knowing how to get off without being eaten.”

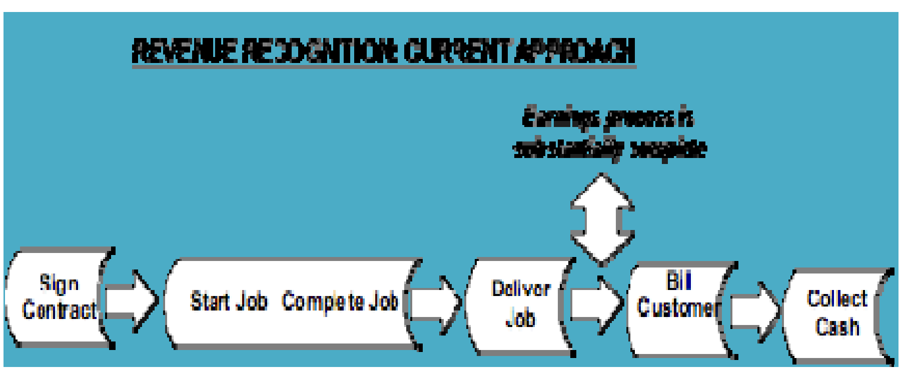
 WESTERN CPE Innovative Education

Part Two:

Earnings Based vs. Contract Based

How Different in Practice?

Where Are We Now? Earnings Process



Where Are We Now? Earnings Process

Concepts Statement 5 specifies that an entity should recognize revenue only when realized or realizable and earned. (SAB) No. 101 et seq. on *Revenue Recognition,* provide interpretive guidance on the realized or realizable and earned criteria.

1. **Persuasive evidence of an agreements exists**
2. **Sellers price is determinable**
3. **Delivery has occurred**
4. **Collectability is reasonably assured**

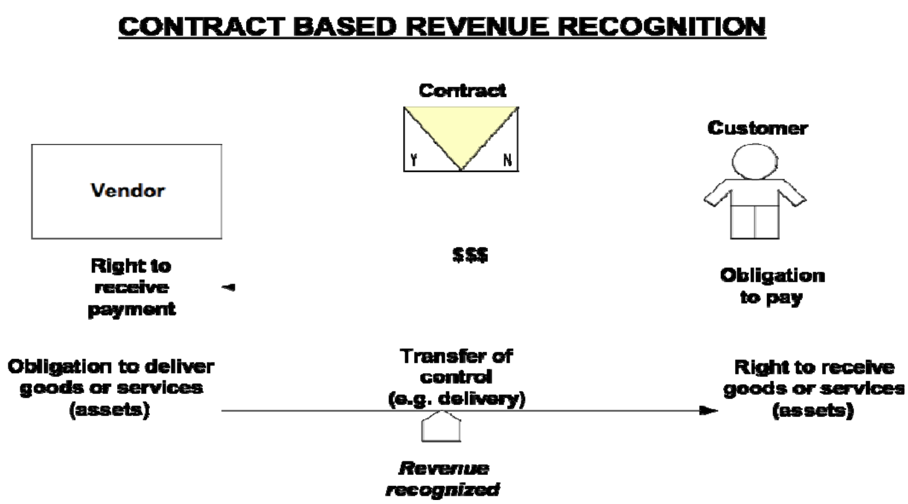
Revenue Recognition (Procter & Gamble)

- Sales recognized when revenue is realized or realizable and earned.
- Revenue transactions represent sales of inventory.
- Revenue recorded is presented as the net of sales and other taxes collected on behalf of governmental authorities.
- Revenue includes shipping and handling costs, generally are included in the list price to the customer.
- Our policy is to recognize revenue when title to the product, ownership, and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer.
- Provision for payment discounts and product return allowances are recorded as a reduction of sales in the same period that the revenue is recognized.

Core Principles

- Core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
  - Depicts: emphasizes describing as well as recording
  - Expects: emphasizes the importance of estimates
- Revenue is generally an increase in assets associated with the producing or delivery of goods or services that are the company's ongoing operations.
  - Based on the balance sheet (assets and obligations)
  - Based on control

The New Approach: Contracts



What's Different: Words, Principles & Rules

Percent of completion

Implementation guidance and bright line rules

Completed contract

Continuous delivery

Gray area
Use professional judgment
Disclose & justify

Point in time delivery

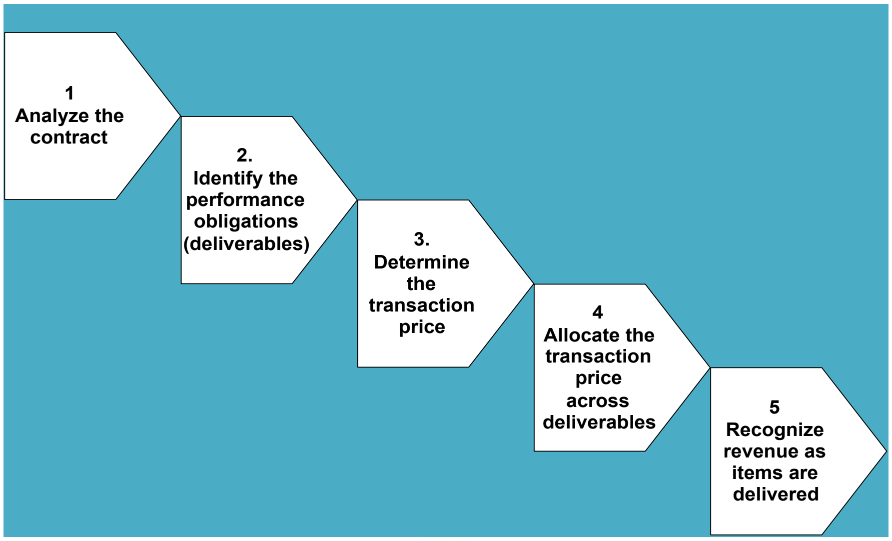
Clear examples in ASC 2014-09

Clear examples in ASC 2014-09

Part Three:
The Core Principles

Five Steps: Is it Really a Change?

The Five Step Model



THE FOUR PILLARS VERSUS THE FIVE STEPS FOR ANALYZING REVENUE

Current GAAP

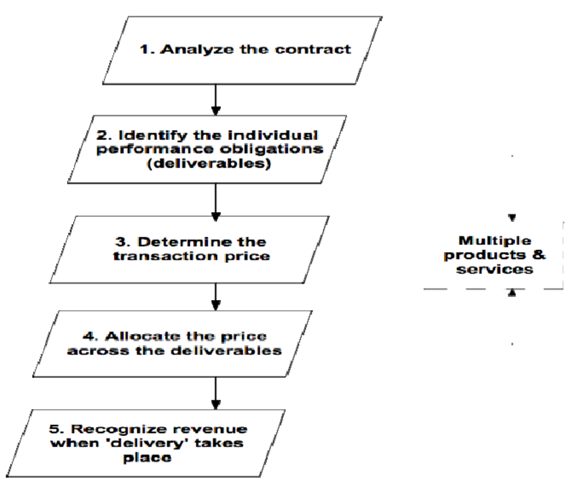
1. Persuasive evidence of an arrangement exists,

3. The seller's price to the buyer is fixed or determinable,

2. Delivery has occurred or services have been rendered,

4. Collectibility is reasonably assured. ???

ASC ***



Step 1: Analyze the Contract

A contract is an agreement between two or more parties that creates enforceable rights and obligations.

1. Does the contract have commercial substance?
2. Have the parties approved the contract and have they committed to satisfying their performance obligations?
3. Can enforceable rights be identified?
4. Can the terms and manner of payment be identified?
5. Is it probable the entity will collect payment?

 WESTERN CPE Innovative Education 27

Where Do Contracts Come from?

- Written contracts
- Verbal contracts
- Normal business practices

"Remember, 'accounting' and 'accountability': nothing in common."

The terms of the contract will drive revenue recognition. It may be important to get corporate attorneys involved in the documentation process early.

 WESTERN CPE Innovative Education 28

Indicators of Commitment to a Contract

1. Routine transactions are straightforward
2. Are payment terms uncertain?
3. Does the contract fit the way the parties normally do business?
4. Do we have (or lack) experience with customers for similar transactions?

Example 1: Is This a Contract?

Situation

No Mercy Hospital provides medical services to an uninsured patient in their emergency room. They are required, by law, to provide such care in cases of emergency, irrespective of the patient's financial circumstances. Because of patient R's condition, they provide services immediately, before they have made any evaluation of the patient's ability or willingness to pay. The standard rate for such services is $10,000. The hospital determines the services are not charity care based upon their policies and the patient's income level. They review historical collection patterns and conclude they are expected to be entitled to $1,000.

Finding

Since No Mercy believes it will collect $1,000, they account for this as a contract, recognizing $1,000.

Normal Business Practices?

- ArthroCare case: SEC cease and desist action brought in February 2011
- ArthroCare initiated transactions with a supplier for purposes of increasing revenues to meet analyst expectations.
- ArthroCare allowed return of the items in the following quarter, recorded sales transactions for items unneeded by the purchaser, and included sales of medical items past their expiration date.

WESTERN CPE
Innovative Education

UTStarcom Case

- Improperly recognized $350 million in revenue between 2000-2005 from sales subject to unreported side agreements for future performance
- Restated in 2007 to reverse $271 million in revenue from 2000-2006
- Auditor sent management letters to notify of internal control weaknesses in regards to improper accounting for side agreements
- SEC issues a cease and desist order
- 2009: Foreign Corrupt Practices Act charges; $3 million in settlement and fines

UTSTARCOM™
A WORLD OF BETTER COMMUNICATION

WESTERN CPE
Innovative Education

Foreign Corrupt Practices Act (FCPA)

- Passed in 1977 following an SEC investigation/report on the "falsification of payments in corporate records"
- Prohibits payments to foreign interests to "assist in obtaining or retaining business"
- Includes a record keeping and internal control provision
- SEC has announced a stepped up enforcement initiative on FCPA violations
- 2014: charges against Hewlett-Packard (paid $108 million to settle charges) and Alcoa (paid $384 million to settle charges)

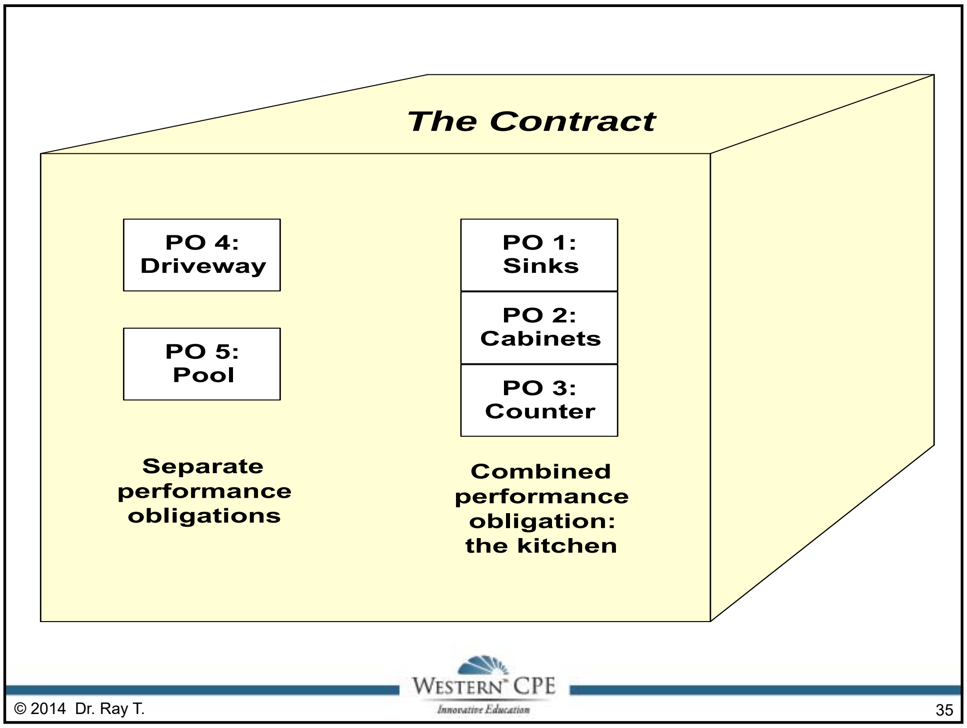
WESTERN CPE
Innovative Education

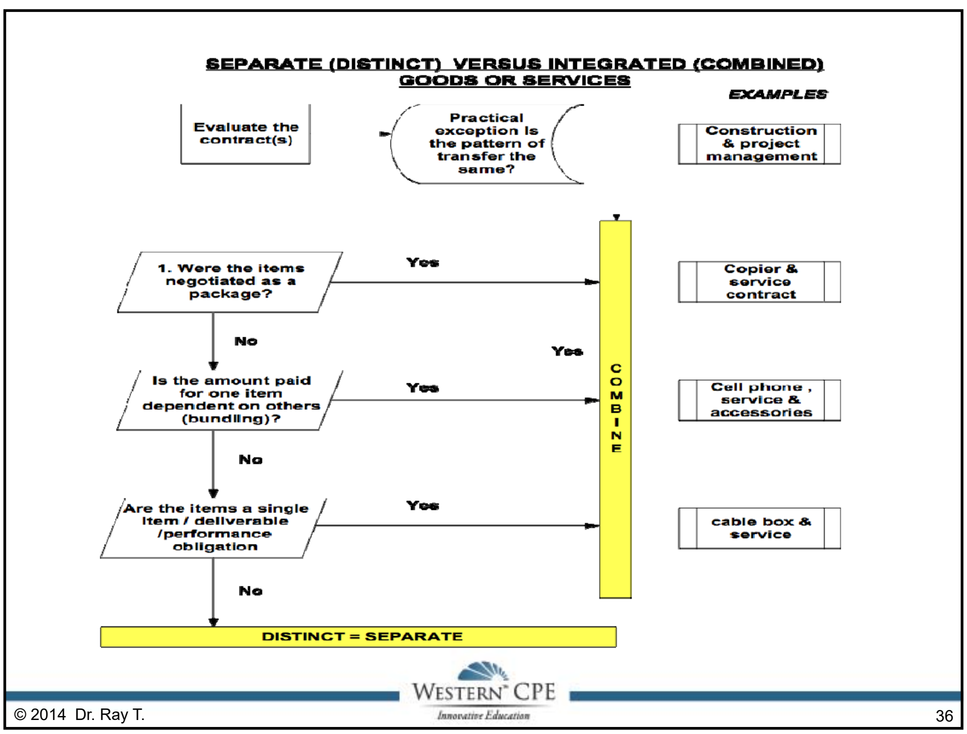
Step 2: Identify the "Performance Obligations" in the Contract

- Performance obligation is a promise to transfer a good or service to the customer.
- If an entity promises in a contract to transfer more than one good or service, they should account for each promised good or service as a performance obligation only if it is:
  - Distinct (or capable of being distinct) and:
  - A series of distinct goods or services that are substantially the same and have the same pattern of transfer.

1. This step determines when to separate or combine performance obligations
2. If they are distinct, we treat them individually
3. If they are interrelated we combine them
4. It may be obvious or may require considerable judgment

WESTERN CPE
Innovative Education


The Contract
PO 4: Driveway
PO 5: Pool
PO 1: Sinks
PO 2: Cabinets
PO 3: Counter
Separate performance obligations
Combined performance obligation: the kitchen
WESTERN CPE
Innovative Education
© 2014 Dr. Ray T.
35


SEPARATE (DISTINCT) VERSUS INTEGRATED (COMBINED) GOODS OR SERVICES
EXAMPLES
Evaluate the contract(s)
Practical exception is the pattern of transfer the same?
Construction & project management
1. Were the items negotiated as a package?
Yes
Copier & service contract
No
Yes
Is the amount paid for one item dependent on others (bundling)?
Yes
Cell phone , service & accessories
COMBINE
No
Are the items a single item / deliverable /performance obligation
Yes
cable box & service
No
DISTINCT = SEPARATE
WESTERN CPE
Innovative Education
© 2014 Dr. Ray T.
36

Example 2a: How Many Items?

Situation

A software developer contracts to provide licensed software, installation services, unspecified software updates, and technical support. They are sold separately. The software is delivered before the other items and can function without them.

Findings

Assuming installation does not significantly modify or customize the software, these two constitute separate items. There are therefore four separate items in the contract:

- Software license
- Installation service
- Software updates
- Technical support

Example 2b: How Many Items?

Situation

Same as 2a, except that, as part of the installation process, the software has to be **customized to add significant functionality** to enable it to operate with the customer's other applications.

Findings

Since the software and installation are **no longer distinct** they would be a single (combined) item. Stated more properly, the two are "inputs used to produce a combined output" (i.e., a functional, operating software system). Updates and technical support would continue to be viewed as separate items.

NEC Corporation

- Engaged in multi-element arrangements with customers for provision of hardware, software, and customer support
- Sales of $42 billion per year, Japanese company, U.S. SEC registrant, listed on NASDAQ
- Never applied U.S. GAAP SOP 97-2 (VSOE)
- Improperly recognized revenue from 2000-2005
  - Recorded revenue on the hardware and software upon delivery; deferred the revenue from the customer support
- Kept bad records, had weak internal controls, couldn't figure out U.S. GAAP, couldn't restate or file timely with SEC
- Delisted by NASDAQ, SEC registration revoked in 2008

Step 3: Determine the Transaction Price

Transaction price is the amount of consideration (for example, payment) to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

- In most cases, it is fairly straightforward
- We are used to dealing with returns, discounts, etc. and this will not change significantly
- There are more complicated situations:
  - Incentives or penalties in contracts
  - Discounts for volume purchases
  - Rebates, coupons, and other credits
  - Providing long-term financing as part of purchases

Accounting for BOGOFs

- Scottish government among the first in the world to introduce a ban on multi-buy promotion (for example, “2 for £8” and “buy-one-get-one-free”).
- Multi-buy promotions seen by health campaigners as stimulating bulk purchase and greater consumption of alcohol.
- Research showed no evidence that ban on multi-buy reduced the purchasing of beer, cider, wine, spirits, and did not reduce the total amount of units of alcohol purchased.
- Some retailers may also have moved to selling only multipacks or adding larger pack formats, as the multi-buy ban only applies where an outlet stocks an alcoholic product in single units and then offers a discount on the purchase of more than one of those units.

Example 3: Volume Discounts

VOLUME REBATES

Contract Terms	Price
Less than 1,000 units	$ 100
More than 1,000 units	$ 90

Period Ending	Sales	Expectation	Revenue
March	90	<1,000 = $100	$ 9,000
June	500	>1,000 = $80	$ 44,100

$44,100 = (500*$90) - (90*($100-$90))

- JKL contracts to sell a product for $100 per unit, but if purchases exceed 1,000 units, the price will be retroactively reduced to $80.
- Based on first quarter purchases, it seems unlikely the price break will be realized, but volume picks up significantly in the second quarter.
- This is a change in accounting estimate.

Step 4: Allocate the Price to the Deliverables

For a contract with more than one performance obligation, an entity should allocate the transaction price in an amount and manner that depicts the amount of consideration to which the entity expects to be entitled to each performance obligation.

- Where items are discrete this is fairly straightforward
- "Bundled" items may require allocation:
  - Standalone selling prices (SSPs) are best evidence
  - Discounts on bundles: use SSPs and allocate
  - If some items have no SSP: management's best estimate
  - This is tricky and requires judgment and documentation
  - We don't postpone until we get "good numbers"

Example 4: Allocating Selling Price

	Standalone Sales		
	A	B	C
Separate Sales	$ 9.00	$ 11.00	$ 20.00
	Standalone Sale		
Combined Sales	$16.00		
Combined Sale		$ 36.00	
Allocate to:			
A&B	$16.00		
C			$ 20.00
A,B & C	$ 8.10	$ 9.90	$ 18.00

- XYZ sells three products separately as shown
- It offers a $4 discount if the customer buys A&B together
- It offers a $4 discount if the customer buys A,B & C together

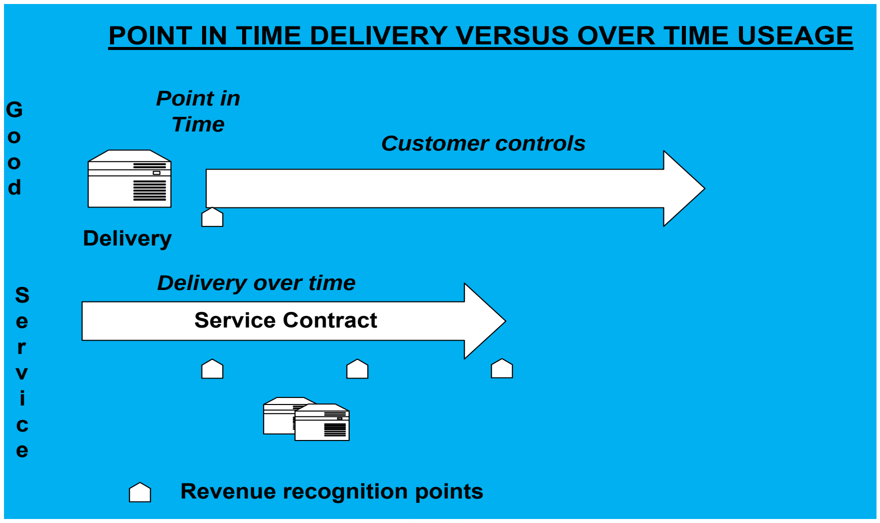
Step 5: Recognize Revenue When "Delivery" Takes Place

- Entity should recognize revenue when transferring goods or services when the customer obtains control of that good or service.
- Entity should determine whether the entity satisfies the performance obligation over time by transferring control of a good or service over time.
- If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.
- An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time.
- If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a point in time. This is when customer obtains control of (the deliverable) . Indicators of transfer of control include, but are not limited to, the following:

Step 5 Continued

- This is what happened to percent of completion!
- New terminology
- Applies to a wider range of transactions
- This may be one of the trickiest distinctions to apply in practice

Example: The Copier Contract

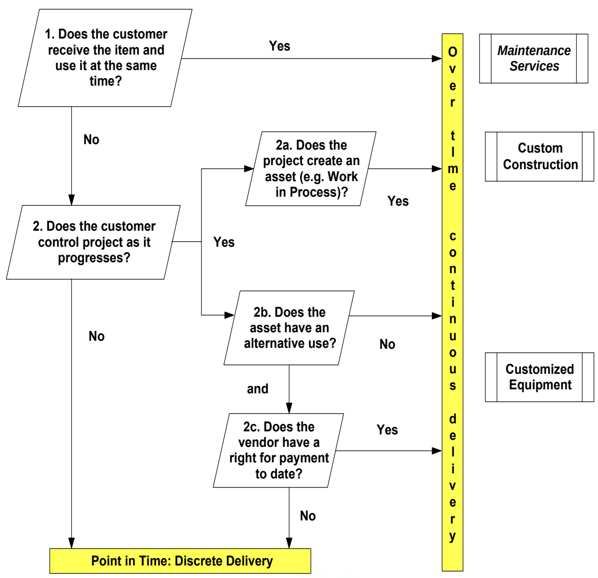


Point in Time versus Continuous Delivery

- Point in time
  - Obligation to pay
  - Legal title
  - Physical possession
  - Value to the entity
- Continuous
  - Customer controls
  - Specific asset

"I don't want to brag, but I have a loophole named after me."

CONTINUOUS VERSUS POINT IN TIME DELIVERY



Example 5:

Using the Cost to Cost Method

Transaction Price	$ 500,000
Cost of specialized equipment	150,000
Other costs to fulfill	100,000
Estimated Costs to complete	250,000
Incurred costs to date	
Cost of specialized equipment	150,000
Other fulfillment costs	50,000
Percent Completion Calculation	
=(50,000/(250,000-150000))	50%
Revenue Recognized	$ 125,000
=(50% * (500,000 - 250,000)	
Revenue recognized when equipment transfers	$ 150,000

- LMN agrees to purchase specialized equipment and to install and integrate it into the client’s manufacturing system
- Because LMN is not involved in manufacturing the equipment, its cost is excluded from the measurement of progress
- It will use the cost to cost method for the fulfillment costs

Part Four

Effective Date and Transition: When Must We Start?

Effective Dates

- For a public entity, the amendments in this update are effective for annual reporting periods beginning after December 15, 2016; early application is not permitted
- For all other entities (nonpublic entities), the amendments in this update are effective for annual reporting periods beginning after December 15, 2017; a nonpublic entity may elect to apply this guidance earlier (subject to limits)
- Early application not permitted
- One year delay for nonpublic companies

Transition

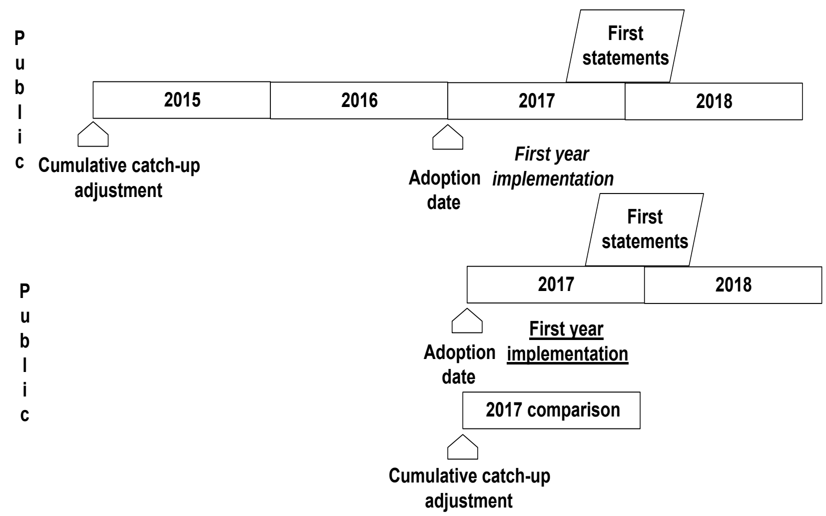
An entity should apply the amendments, using one of the following two methods:

1. **Retrospectively to each prior reporting period** presented and the entity may elect any of the following **practical expedients:**
   a. For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
   b. For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed.
   c. For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations.

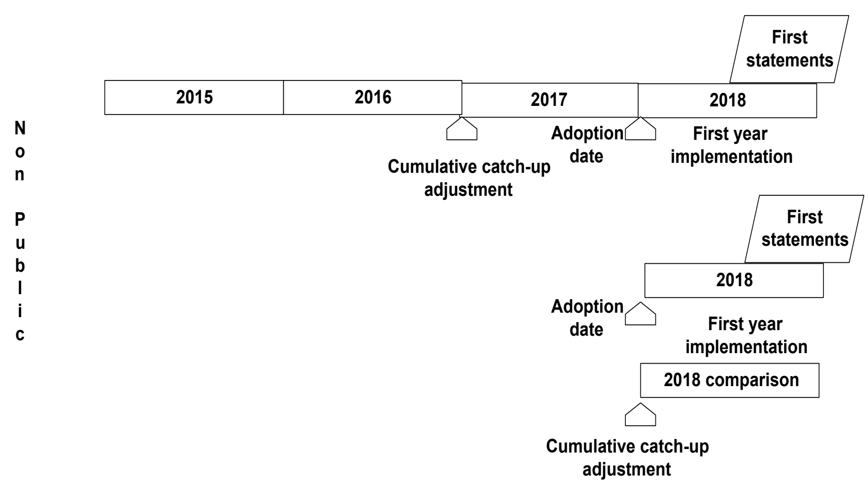
Transition Continued

2. **Retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application.** If an entity elects this transition method, it also should provide the additional disclosures in reporting periods that include the date of initial application of:
   a. The amount by which each financial statement line item is affected in the current reporting period by the application of this update as compared to the guidance that was in effect before the change.
   b. An explanation of the reasons for significant changes.

Effective Date for Calendar Year Entities



Effective Date for Calendar Year Entities



Retrospective versus Cumulative

- What does cumulative mean?
  - o All open contracts at date of adoption
  - o How we get there is just as important as where we are going
  - o Two parallel systems?
  - o Staffing implications
  - o Systems implications
- SEC five-year summary?

Example: Cumulative Catch-up on Open Contracts

- ABC Construction has two contracts, X and Y.
- Both offered the company a performance bonus of $10,000 if they finished on time and within specs.
- Using prior GAAP they did not recognize either bonus.
- Contract X was completed during 2016 and contract Y is still under construction as of 12/31/2016
- ABC will adopt ASU 2014-9 as of 1/1/2017
- Contract Y will be adjusted to recognize the performance bonus by debiting contract receivable for $10,000.
- Contract X will not be adjusted since it is complete as of 12/31/2016

EY Comment: Cumulative Catch-up Is Not an Easy Way Out

- Contracts not completed before the date of initial application will have to be evaluated as if the entity had applied the new standard to these arrangements since inception of the arrangement.
- Under this approach, an entity will (in the year of adoption) disclose the amount by which **each financial statement line item** was affected as a result of applying the new standard and an explanation of significant changes
- Entities should also consider that the modified retrospective approach effectively requires an entity to keep **two sets of accounting records** in the year of adoption in order to comply with the requirement to disclose all line items in the financial statements as if they were prepared under today's guidance.

MediFast Inc. Case

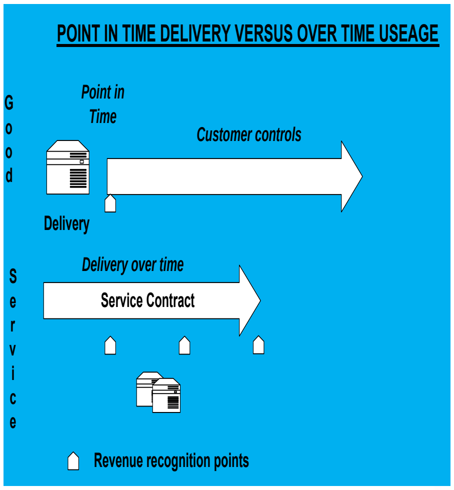
- MediFast Inc. sells weight loss programs and health related products
- Restated in 2010 to correct overstatements in income for 2006 through 2008 resulting from incorrect treatment of tax liability
- Restated in 2011 to correct overstatement of income in 2008 ($523,000) and 2009 ($606,000) due in part to improper recognition of revenue on prepaid weight loss programs
- Recognized the revenue when the prepayments were made
- Was issued a cease and desist order, ordered to pay a $200,000 civil money penalty to the U.S. Treasury

Part Five

Practice Issue #1

What Happened to Percent of Completion?

What Happened to Percent of Completion?



1. New names for familiar concepts
2. Initial confusion
3. Not restricted to construction (SOP 81-1)
4. Not an election
5. Result is broadly similar
6. IASB had limited guidance

Point in Time versus Continuous Delivery

- Point in time
  - o Obligation to pay
  - o Legal title
  - o Physical possession
  - o Value to the entity
- Continuous
  - o Customer controls
  - o Specific asset

Specifically, entities cannot presume that arrangements currently within the scope of ASC 605-35 (formerly SOP 81-1) that were accounted for by using a percentage-of-completion method will meet the ASU's requirements for recognition of revenue over time (i.e., revenue for certain arrangements may (now) need to be recognized at a point in time).

–*Deloitte Heads Up Vol. 21 #14*

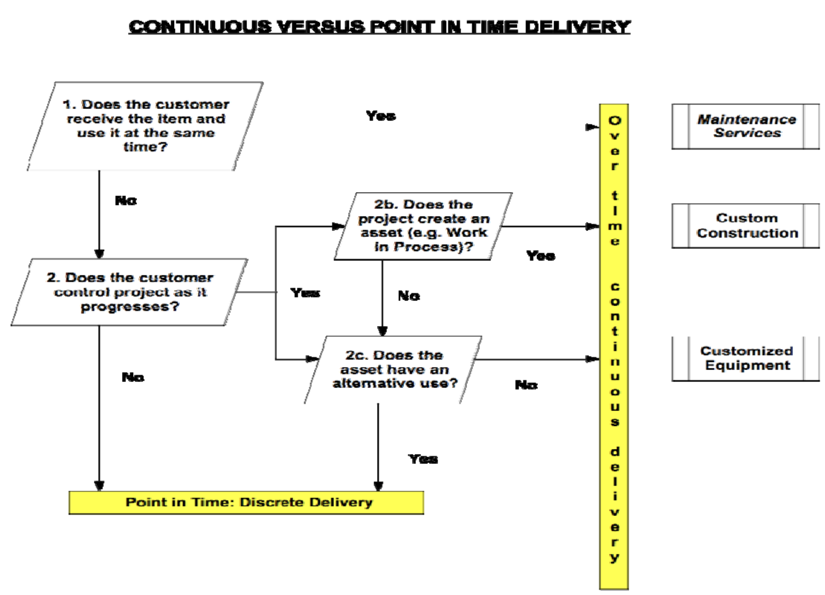
Service Contracts: Example

- Most of these will, currently, be recognized over time as service is provided
- An entity enters into a contract to provide monthly payroll processing services to a customer for one year
- The performance obligation is satisfied over time, because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each payroll transaction when each transaction is processed

Point in Time versus Continuous Delivery

606-10-25-27 An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time if **one** of the following criteria is met:

1. The customer **simultaneously receives and consumes** the benefits provided by the entity's performance as the entity performs.
2. The entity's performance **creates or enhances an asset** (for example, work in process) that **the customer controls** as the asset is created or enhanced.
3. The entity's performance does not create an asset with an **alternative use** to the entity and the entity has an **enforceable right to payment** for performance completed to date.



Measuring "Progress" on Contracts

- For each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress toward complete satisfaction of that performance obligation.
- The objective when measuring progress is to depict an entity's performance in transferring control of goods or services to a customer (that is, the satisfaction of an entity's performance obligation).
- An entity shall apply a single method of measuring progress for each performance obligation satisfied over time, and the entity shall apply that method consistently to similar performance obligations and in similar circumstances.
- At the end of each reporting period, an entity shall re-measure its progress toward complete satisfaction of a performance obligation satisfied over time.
- An entity shall recognize revenue for a performance obligation satisfied over time only if the entity can reasonably measure its progress toward complete satisfaction of the performance obligation.
- If it lacks reliable information, it would be required to apply an appropriate method of measuring progress.

WESTERN CPE
Innovative Education

Recognizing Contract Revenue using the Cost-to-Cost Model

Contract duration	3 years	
Estimated contract revenue	$ 300	
Estimated contract cost	$ 200	
Year 1 cost (total)	$ 120	
Contractor inefficiencies	$ 20	
Using cost-to-cost method: Year 1		
Costs to date	$ 120	
Less: Contract ineffiecencies	$ 20	
Net costs to date	$ 100	
Percent completion factor	50%	
Year 1		
Revenue	= 300*50%	$ 150
Contract costs		$ 100
Gross contract margin		$ 50
Less: contract inefficiencies		$ 20
Net contract margin		$ 30
Year 2		
Estimated cost to complete	250	
Cumulative costs incurred	200	
Cumulative revenue recognized	= $300 * (200/250)	$ 240
Less: recognized in year 1		$ 150
Recognized in Year 2		$ 90
Gross contract margin year 2	=($90 - $100)	$ (10)
Gross contract margin to date	= $240 - $200	$ 40
Net contract margin to date	= $240 - $200 - $20	$ 20

Adapted from PWC: Revenue Recognition Supplement

WESTERN CPE
Innovative Education

Example A: Distinguishing Point in Time and Delivery over Time

- An entity is developing a multi-unit residential complex. A customer enters into a binding sales contract with the entity for a specified unit that is under construction. Each unit has a similar floor plan and is of a similar size, but other attributes of the units are different (for example, the location of the unit within the complex).
- The customer pays a deposit upon entering into the contract, and the deposit is refundable only if the entity fails to complete construction of the unit in accordance with the contract. The remainder of the contract price is payable on completion of the contract when the customer obtains physical possession of the unit. If the customer defaults on the contract before completion of the unit, the entity only has the right to retain the deposit.
- Because the entity does not have a right to payment for work completed to date, the entity's performance obligation is not a performance obligation satisfied over time. Instead, the entity accounts for the sale of the unit as a performance obligation satisfied at a point in time.

WESTERN CPE Innovative Education

 69

Example B: Distinguishing Point in Time and Delivery over Time

- The same facts as previously, except that in the event of a default by the customer, either the entity can require the customer to perform as required under the contract or the entity can cancel the contract in exchange for the asset under construction, and an entitlement to a penalty of a proportion of the contract price.
- Notwithstanding that the entity could cancel the contract, the entity has a right to payment for performance completed to date because the entity also could choose to enforce its rights to full payment under the contract. The fact that the entity may choose to cancel the contract in the event the customer defaults on its obligations would not affect that assessment, provided that the entity's rights to require the customer to continue to perform as required under the contract (that is, pay the promised consideration) are enforceable.

WESTERN CPE Innovative Education

 70

Part Six

Practice Issue #2

When Do We Combine or Separate Performance Obligations?

Why Does Separation Matter?

Vendor DEF sells equipment to a client. They will also install it and integrate it into the client's manufacturing system.

a. If the vendor determines that this is a single performance obligation, they would use the service approach. Upon delivery of the equipment, they would recognize revenue equal to its cost (i.e., no margin). They would recognize the remaining revenue, together with profit, based on the pattern that best tracks the remaining services provided (or)

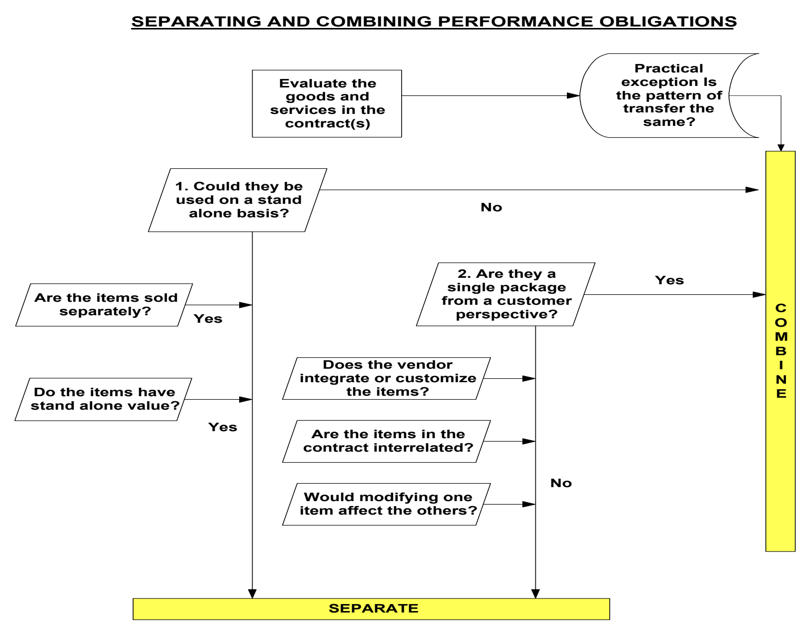
b. If the vendor determines that these are separate performance obligations, transaction price would be allocated between equipment and integration services, based on relative selling prices. Revenue (typically, including a profit margin) would be recognized on the equipment at the time of delivery. The installation and integration revenue would then be recognized over the period the service will be provided.

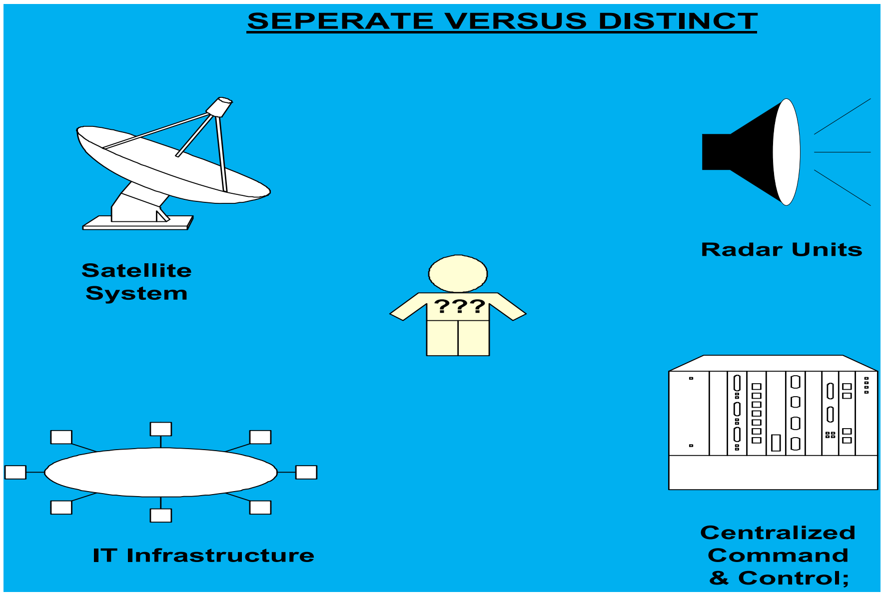
Separate (Distinct) vs. Combined

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- The customer can benefit from the good or service either on its own or together with other resources that are readily available
- The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract

If a good or service is not distinct, an entity shall combine that good or service with other goods or services until it identifies a bundle that is distinct. In some cases, that would result in the entity accounting for all the goods or services in a contract as a single performance obligation.





Criteria for Separation

Factors that indicate that an entity's promise to transfer a good or service to a customer is separately identifiable include, but are not limited to, the following:

- The entity does not provide a significant service of integrating the good or service with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted.
- The good or service does not significantly modify or customize another good or service in the contract.
- The good or service is not highly dependent on, or highly interrelated with, other goods or services promised in the contract. For example, the fact that a customer could decide to not purchase the good or service without significantly affecting the other promised goods or services in the contract might indicate that the good or service is not highly dependent on, or highly interrelated with, those other goods or services.

Example: Custom Construction

- A contractor enters into a contract to build a facility for a customer.
- The entity is responsible for the overall management of the project and identifies various goods and services to be provided,
- This includes engineering, site clearance, foundation, procurement, construction of the structure, piping and wiring, installation of equipment, and finishing.

Example: Custom Construction (continued)

a. The promised goods and services **are capable of being distinct.** That is, the customer can benefit from the goods and services either on their own or together with other readily available resources. This is evidenced by the fact that the entity, or competitors of the entity, regularly sell(s) many of these goods and services separately to other customers.

b. However, the goods and services **are not distinct within the context of the contract**. That is, the entity's promise to transfer individual goods and services in the contract are not separately identifiable from other promises in the contract. This is evidenced by the fact that the entity provides a significant service of integrating the goods and services.

c. Because both criteria are not met, the goods and services are not distinct. The entity accounts for all of the goods and services in the contract as a single performance obligation.

Part Seven

Practice Issue #3

What about Disclosures?

Disclosures: A Different Approach?

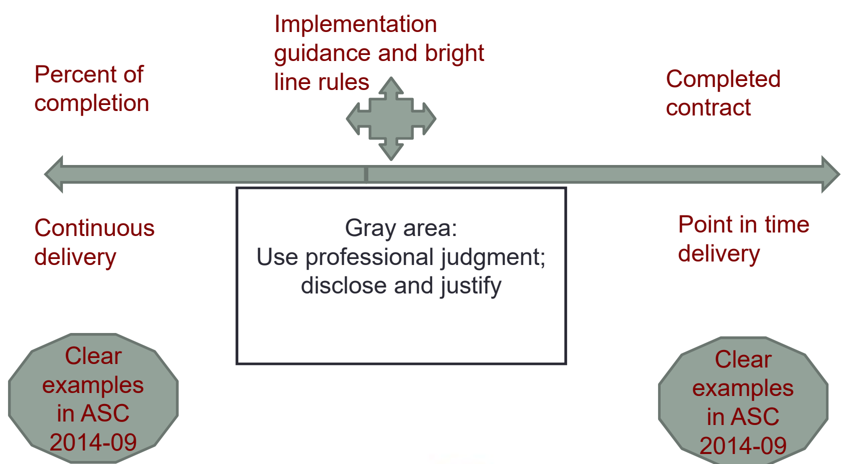
An entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Qualitative and quantitative information is required about:

- Contracts with customers—including revenue and impairments recognized, disaggregation of revenue, and information about contract balances and performance obligations (including the transaction price allocated to the remaining performance obligations)
- Significant judgments and changes in judgments determining the timing of satisfaction of performance obligations (over time or at a point in time), and determining the transaction price and amounts allocated to performance obligations
- Assets recognized from the costs to obtain or fulfill a contract

How Much Disclosure Is Enough?

- An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements.
- An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.
- Both boards felt current disclosures told users little: “We followed the rules.”
- What is now required is narrative, background, and explanation.

What’s Different: Words, Principles & Rules



Revenue Breakdown

- 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.
- In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment.

Revenue Breakdown

Nonpublic entities may elect not to apply the quantitative disaggregation disclosure guidance. Where an entity elects not to provide those disclosures, the entity shall disclose, at a minimum:

- Revenue disaggregated according to the timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred to customers over time), and
- Qualitative information about how economic factors (such as type of customer, geographical location of customers, and type of contract) affect the nature, amount, timing, and uncertainty of revenue and cash flows.

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

Performance Obligations

An entity shall disclose information about its performance obligations:

a. When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service
b. The significant payment terms (for example, 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)
c. 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 (that is, if the entity is acting as an agent)
d. Obligations for returns, refunds, and other similar obligations
e. Types of warranties and related obligations

Relief for Nonpublic Entities

A (nonpublic) entity may elect not to provide any or all of the following disclosures:

- For performance obligations satisfied over time, an explanation of why the methods used to recognize revenue provide a faithful depiction of the transfer of goods or services to a customer.
- For performance obligations satisfied at a point in time, the significant judgments made in evaluating when a customer obtains control of promised goods or services.
- The methods, inputs, and assumptions used to determine the transaction price and to allocate the transaction price
- If an entity elects to use this practical expedient it shall disclose that fact.

 87

Example: Can We Reverse Engineer Disclosures?

- FASB elected not to provide explicit examples
- However, there are 65 illustrations
- Can we:
  - o Identify the situation closest to one of the examples?
  - o Use the explanatory part of the example to build a note and adapt it to the specifics?

 88

Example: Products & Warranties

- An entity—a manufacturer—provides its customer with a warranty with the purchase of a product. The warranty provides assurance that the product complies with agreed upon specifications and will operate as promised for one year from the date of purchase. The contract also provides the customer with the right to receive up to 20 hours of training services on how to operate the product at no additional cost.
- The entity assesses the goods and services in the contract to determine whether they are distinct and therefore give rise to separate performance obligations.

Narrative Disclosure: Example 1

The product is distinct because it meets both criteria in paragraph 606-10-25-19. The product is capable of being distinct in accordance with paragraphs 606-10-25-19(a) and 606-10-25-20, because the customer can benefit from the product on its own without the training services. The entity regularly sells the product separately without the training services. In addition, the product is distinct within the context of the contract in accordance with paragraphs 606-10-25-19(b) and 606-10-25-21, because the entity's promise to transfer the product is separately identifiable from other promises in the contract.

Narrative Disclosure: Example 1 (continued)

606-10-55-312: In addition, the training services are distinct because they meet both criteria in paragraph 606-10-25-19.

The training services are capable of being distinct in accordance with paragraphs 606-10-25-19(a) and 606-10-25-20 because the customer can benefit from the training services together with the product that has already been provided by the entity.

WESTERN CPE
Innovative Education

Narrative Disclosure: Example 1 (continued)

606-10-55-312: In addition, the training services are distinct within the context of the contract in accordance with paragraphs 606-10-25-19(b) and 606-10-25-21 because the entity's promise to transfer the training services are separately identifiable from other promises in the contract. The entity does not provide a significant service of integrating the training services with the product (see paragraph 606-10-25-21(a)). The training services are not significantly modified or customized by the product (see paragraph 606-10-25-21(b)). The training services are not highly dependent on, or highly interrelated with, the product as described in paragraph 606-10-25-21(c).

WESTERN CPE
Innovative Education

Narrative Disclosure: Example 2

The product is distinct because it is capable of being distinct and because the customer can benefit from the product on its own without the training services. The entity regularly sells the product separately without the training services. In addition, the product is distinct within the context of the contract because the entity's promise to transfer the product is separately identifiable from other promises in the contract.

Narrative Disclosure: Example 2 (continued)

In addition, the training services are distinct because the customer can benefit from the training services together with the product that has already been provided by the entity. In addition, the training services are distinct within the context of the contract 1 because the entity's promise to transfer the training services are separately identifiable from other promises in the contract. The entity does not provide a significant service of integrating the training services with the product. The training services are not significantly modified or customized by the product. The training services are not highly dependent on, or highly interrelated with, the product.

SEC & Disclosures

- Another prominent issue with regards to disclosure is the continued use of pro-forma and non-GAAP earnings disclosures.
- The first SEC action brought for pro-forma disclosures was against Trump Casinos in January 2002 (cease and desist order).
- Trump Casinos achieved an earnings target by reporting pro-forma income in 1999 (3^{rd} Q), disclosing an excluded one time charge of $81 million, but failing to disclose the inclusion of a one time gain of $17 million, which allowed the company to hit its target.
- SEC Regulation G soon followed in January 2003.
- Requires disclosure of GAAP numbers for the corresponding non-GAAP numbers, and a schedule of reconciliation between the two
- Recent abuses noted in companies with an online business model

Part Eight

Specific Topics in Revenue Recognition

Troublesome Issues

1. GAAP contained explicit guidance on many of the more troublesome practice issues in revenue recognition.
2. While these issues are now analyzed in terms of the five step model, the board has often provided specific examples in many of these areas.

- Refunds and rights of return
- Warranties and defects
- Volume discounts
- Upfront fees
- Contract costs
- Contract modifications

A. Refunds & Rights of Return

- An entity shall recognize a refund liability if the entity expects to refund some or all of that consideration to the customer.
- A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (that is, amounts not included in the transaction price).
- The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) shall be updated at the end of each reporting period for changes in circumstances.

Refund Example

Rights of Return

Quantity Sold	100		
Price	$ 100.00		
Cost	$ 60.00		
Number of expected returns	3		
Revenue Recognized	=(100-3)*$100	$ 9,700	Cr
Refund Liability	=3* $100	$ 300	Cr
Asset (right to recover)	=3* $60	$ 180	Dr
Cost of Sales	=97*$60	$ 5,820	Dr

WESTERN CPE
Innovative Education

B. Warranties

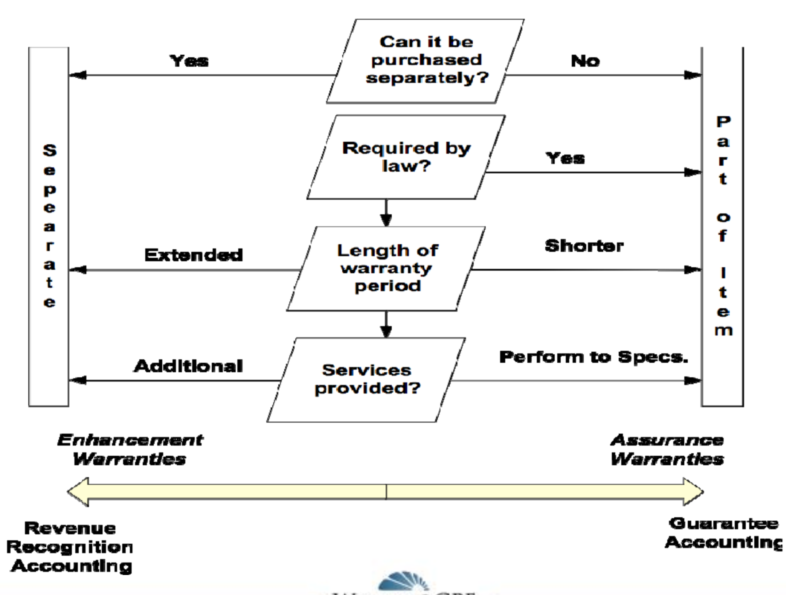
- Warranties involve many different types of obligations to fix defects or provide services after sale.
- They may be legal, contractual, or constructive obligations.
- ASU 2014-09 distinguished two types:
  - o Those that assure the customer the item will perform to specifications
  - o Those providing additional coverage
- This involves contract separation or combination.

WESTERN CPE
Innovative Education

Guidelines for Warranties

- If optional, it is a separate item
- If required by law, it is not separate
- If it ensures it is defect-free (performs to specifications), it is not separate
- Laws requiring payments for damages, etc. for defective products involve contingencies, not warrantees

ANALYZING WARRANTIES & DEFECTS



Example

- An entity—a manufacturer—provides its customer with a warranty with the purchase of a product.
- The warranty provides assurance that the product complies with agreed upon specifications and will operate as promised for one year from the date of purchase.
- The contract also provides the customer with the right to receive up to 20 hours of training services on how to operate the product at no additional cost.
- The product and training services are each distinct and therefore give rise to two separate performance obligations.
- The warranty does not provide the customer with a good or service in addition to that assurance and, therefore, the entity does not account for it as a (separate) performance obligation.
- The entity accounts for the assurance-type warranty in accordance with the requirements on product warranties.

C. Volume Discounts

- These involve variable consideration
- The vendor would estimate the price it expects to be receive
- If experience during the contract differs, they will adjust these estimates as additional information becomes available
- This would be accounted for as a change in estimate (i.e. prospectively)

VOLUME REBATES

Contract Terms	Price
Less than 1,000 units	$ 100
More than 1,000 units	$ 90

Period Ending	Sales	Expectation	Revenue
March	90	<1,000 = $100	$ 9,000
June	500	>1,000 = $90	$ 44,100

$44,100 = (500*$90) - (90*($100-$90))

D. Upfront Fees

- In some contracts, an entity charges a customer a nonrefundable upfront fee at or near contract inception.
- Examples include joining fees in health club membership contracts, activation fees in telecommunication contracts, setup fees in some services contracts, and initial fees in some supply contracts.

Upfront Fees (continued)

- An entity should assess whether the fee relates to the transfer of a promised good or service.
- In many cases, even though a nonrefundable upfront fee relates to an activity that the entity is required to undertake at or near contract inception, it does not result in the transfer of a promised good or service to the customer.
- Instead, the upfront fee is an advance payment for future goods or services and, therefore, would be recognized as revenue when those future goods or services are provided.
- The revenue recognition period would extend beyond the initial contractual period if the entity grants the customer the option to renew the contract.

Upfront Fees (continued)

- If the nonrefundable upfront fee relates to a good or service, the entity should evaluate whether to account for the good or service as a separate performance obligation.
- An entity may charge a nonrefundable fee, in part, as compensation for costs incurred in setting up a contract (or other administrative tasks).
- If those setup activities do not satisfy a performance obligation, the entity should disregard those activities (and related costs) when measuring progress.
- That is because the costs of setup activities do not depict the transfer of services to the customer.
- The entity should assess whether costs incurred in setting up a contract have resulted in an asset.

Upfront Fees?

- Many are advance payments
- Allocate over life of contract

An accounting service provider charges a nonrefundable setup fee in addition to its monthly services. It is compensation for establishing the necessary records and systems. The customer can renew the contract annually without having to pay the setup fee. The Boards believe this setup fee is part of the transaction price and should be combined with other charges. It is not a separate performance obligation, however, and no revenue would be recognized for it. The fee would be recognized as revenue over the period the vendor expects to provide the service. This would include renewal periods.

E. Contract Costs

- **Example 36—Incremental Costs of Obtaining a Contract**
- 606-10-55-281. For an illustration of the incremental costs of obtaining a contract, see example 1 in Subtopic 340-40 on other assets and deferred costs—costs related to a contract with a customer (paragraphs 340-40-55-2 through 55-4).
- **Example 37—Costs That Give Rise to an Asset**
- 606-10-55-282. For an illustration of costs that give rise to an asset, see example 2 in Subtopic 340-40 on other assets and deferred costs—costs related to a contract with a customer (paragraphs 340-40-55-5 through 55-9).

Incremental Costs of Obtaining a Contract

- An entity shall recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.
- The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract that it would not have incurred if the contract had not been obtained (for example, a sales commission).
- Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.
- As a practical expedient, an entity may recognize the incremental costs of obtaining a contract as an expense when the period is one year or less.

Fulfillment Costs

An entity shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

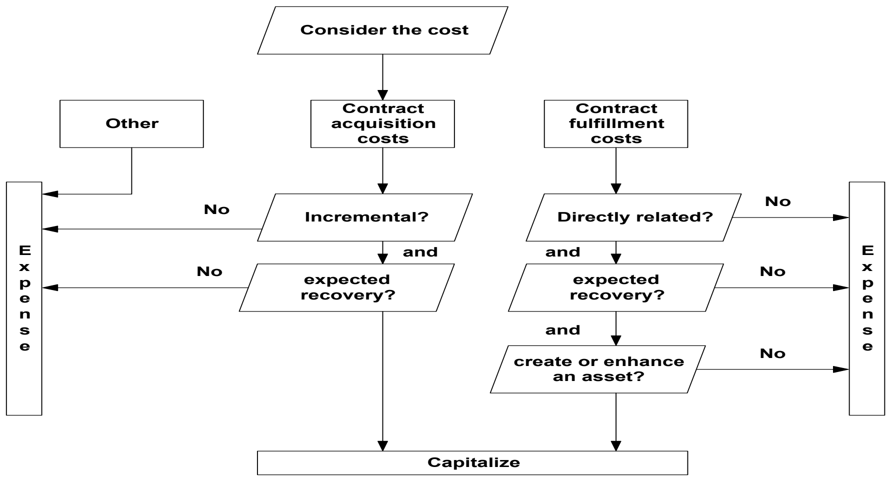
Direct Costs

- Direct labor (for example, salaries and wages of employees who provide the promised services directly to the customer)
- Direct materials (for example, supplies used in providing the promised services to a customer)
- Allocations of costs that relate directly to the contract or to contract activities (for example, costs of contract management and supervision, insurance, and depreciation of tools and equipment used in fulfilling the contract)
- Costs that are explicitly chargeable to the customer under the contract
- Other costs that are incurred only because an entity entered into the contract (for example, payments to subcontractors)

Expensed as Incurred

- General and administrative costs, unless those costs are explicitly chargeable to the customer under the contract
- Costs of wasted materials, labor, or other resources to fulfill the contract that were not reflected in the price of the contract
- Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (that is, costs that relate to past performance)
- Costs for which an entity cannot distinguish whether the costs relate to unsatisfied or satisfied performance obligations

CAPITALIZING CONTRACT COSTS



Disclosures for Costs

- The judgments made in determining the amount of the costs incurred to obtain or fulfill a contract with a customer
- The method it uses to determine the amortization for each reporting period
- The closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer, by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs, and setup costs)
- The amount of amortization and any impairment losses recognized in the reporting period.
- Nonpublic entities may elect not to provide the disclosures

Contract Costs

- Capitalization limited
  - Directly related
  - Create future resource
  - Recovered

Costs to Obtain Contracts

Contract fee (fixed)	$20,000/month	
Contract term	5 years	
Incremental costs to obtain contract	$ 10,000	Evaluate for capitalization

Setup Costs		Treatment
Design Services	$ 40,000	Evaluate for capitalization
Hardware	120,000	Topic 360 PPE
Software	90,000	Topic 350 Software
Migration & testing	100,000	Evaluate for capitalization
Total	$ 350,000	

F. Contract Modifications

- A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract.
- In some industries and jurisdictions, a contract modification may be described as a change order, a variation, or an amendment.

Contract Modifications (continued)

An entity shall account for a contract modification as a separate contract if **both** of the following conditions are present:

a. The **scope** of the contract increases because of the addition of promised goods or services that are distinct

b. The **price** of the contract increases by an amount that reflects the entity's standalone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract

Contract Modifications (continued)

If a contract modification is not accounted for as a separate contract, an entity shall account for the remaining goods or services in whichever of the following ways is applicable:

- As if it were a termination of the existing contract and the creation of a new contract if the remaining goods or services are distinct, or
- An entity shall account for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct

DEF initially promises to deliver 120 units to a customer for $12,000. After 60 units are delivered, DEF contracts to provide an additional 30 units (total 150) for $95 each. As illustrated below, the 30 units would be recognized differently depending whether it is considered to be a new contract or an amendment to the first one.

A: Assuming Contract is new and separate

	Units	Price	Revenue Recognized
Initial Contract	120	$ 100	
Delivered	60	$ 100	$ 6,000
If Contracts Separate			
Remainder	60	$ 100	$ 6,000
Additional	30	$ 95	$ 2,850
Total			$ 8,850

B: Assuming it is a contract modfication

	Units	Price	Revenue Recognized
Initial Contract	120	$ 100	
Delivered	60	$ 100	$ 6,000
Remainder	60	$ 100	$ 6,000
Addititonal	30	$ 95	$ 2,850
Total	90	$ 98.33	$ 8,850

Example : Modification on a Contract in Progress

Initial Contract 1/1/20X1

	Estimate	
Price	$ 1,000,000	100%
Expected Costs	$ 800,000	80%
Margin	$ 200,000	20%

Measurement 12/31/X1

	Estimate	
Price	$ 1,000,000	
Actual Costs	$ 400,000	50%
Margin	$ 100,000	
Revenue Recognized		$ 500,000

Contract Renegotiation 1/1/X2

	Origina	Additional	Total
Price	$ 1,000,000	$ 100,000	$ 1,100,000
Expected Costs	800,000	75,000	875,000
Margin	$ 200,000	$ 25,000	$ 225,000

Revised Progress

Actual Costs	$ 400,000	45.7%	=($400,000/$875,000)
Revenue Recognized	$ 502,700		
Extra Revenue	$ 2,700		

Dana Corporation

- Manufacturer and supplier of auto parts worldwide
- In 2004 and first half of 2005, engaged in several accounting schemes to increase its EBIT for the six-quarter period by $88 million, an increase in net income of $43 million
- Bill and hold scheme
  - Recognized revenue from a transaction with another auto parts supplier to sell the supplier spare parts for equipment the supplier would purchase from Dana in the future
  - Dana agreed to keep the spare parts at its location and insure and assume risk of loss for the parts
- Sale-leaseback scheme
  - Agreed to sell one of its plants in Mexico to the supplier from the bill and hold scheme, then lease part of the plant back
  - Dana recognized the entire $5 million gain from the sale. which is a GAAP violation

Part Nine

Where to Look for Further Guidance

Selected Sources

- EY Technical Line 2014-03
- PWC revenue recognition: industry supplements
- *Deloitte Heads Up* Vol. 21, Issue 14
- AICPA industry task forces
- FASB and IASB Joint Transition Resource Group

Key Takeaways

1. You may end up at the same place, but the road will be different and there is no roadmap.
2. You will only find out after you analyze your specific circumstances.
3. It's not just an accounting change—it's about systems and possible ways of doing business.
4. Principles based means using your own judgment, not following the cookbook.
5. Disclosure and documentation will be much more important.
6. The devil will be in the details.

So, Where Are We Headed?

- Scenario 1: Smooth sailing
- Scenario 2: The train wreck

"We are trying to return accounting to the profession…You have a special situation and come to us and ask what should you do? Our answer will be "do your best"…go away and think about it…don't come and ask us because if you do, you will get a rule and off we go…Ultimately, the financial reporting world will get the standards they deserve… (We are) going to try…but then it will be in the hands of the profession."

—Sir David Tweedie, Former IASB Chair

Thank you for attending Western CPE's…

Complete Hands-on Guide to the New Revenue Recognition Rules

presented by

Dr. Ray Thompson, CMA, AVA, CBA

William G. Engelbret, CPA, Ph.D.

You may reach Dr. Thompson at

814-839-0143 or drrayt@verizon.net

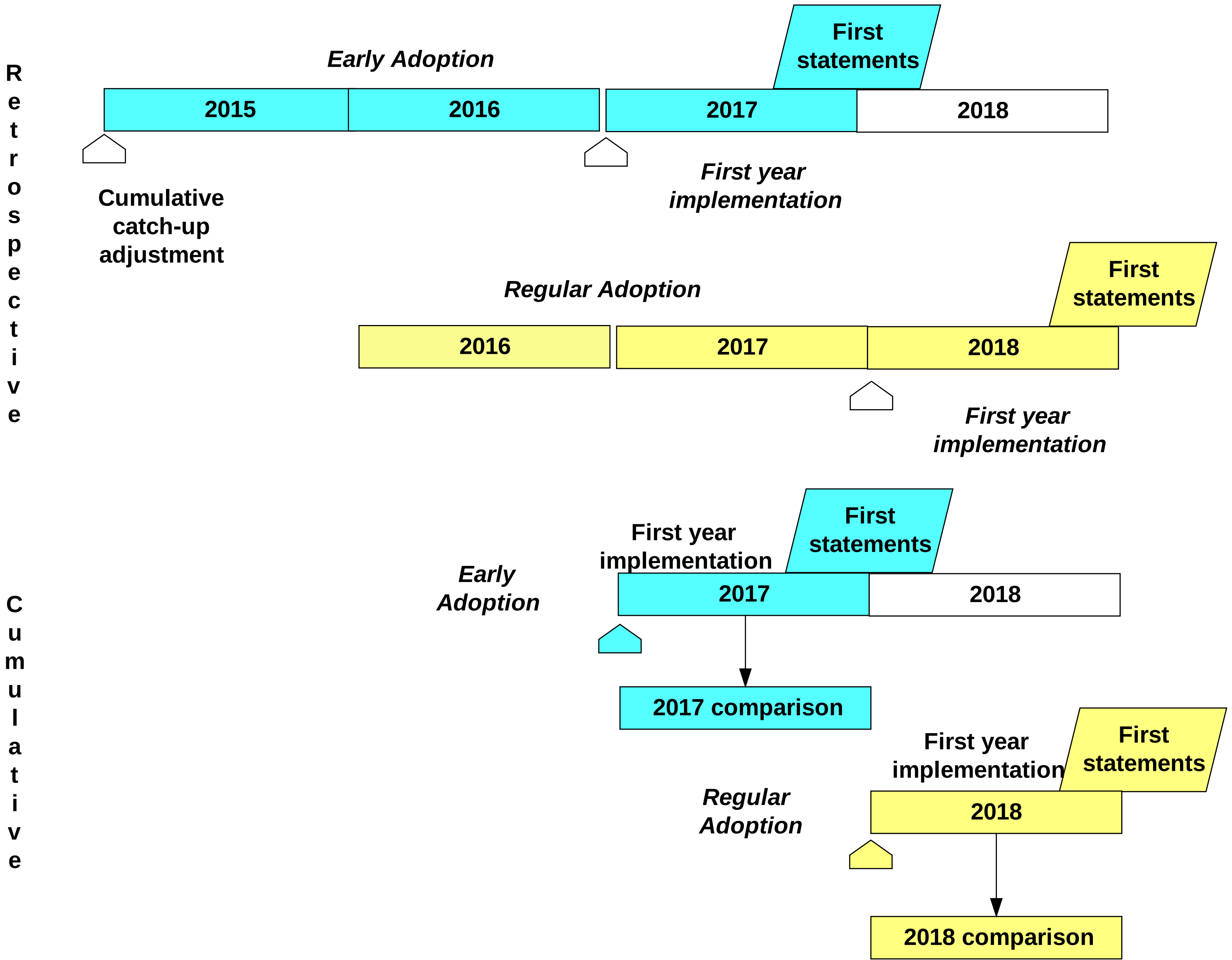
Updates to Thompson RevRec Web Presentation

ASU 2015-14 : Further One Year Delay

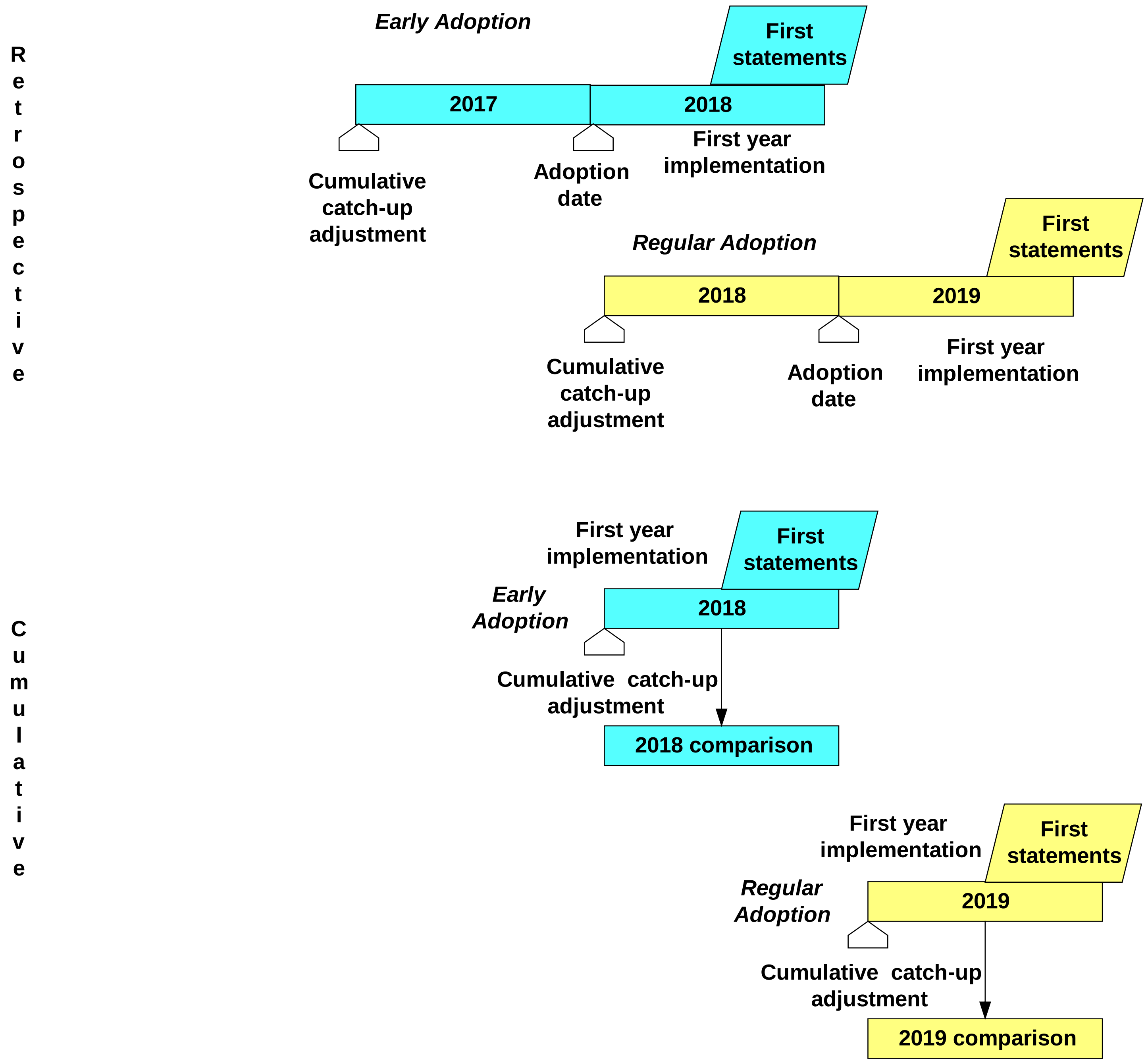
For a public entity, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2016 / 2017 ,… Early application is not permitted.
For all other entities (nonpublic entities), the amendments in this Update are effective for annual reporting periods beginning after December 15, 2017 / 2018, A nonpublic entity may elect to apply this guidance earlier, ..(subject to limits)

- **Preparers requested an additional delay**
- **Extra year's delay now permitted**
- **May elect to use ASU 2014-08 timelines**
- **One extra year's delay for nonpublic companies**

EFFECTIVE DATE AND TRANSITION PATHS: PUBLIC COMPANIES



EFFECTIVE DATE AND TRANSITION PATHS: NON-PUBLIC COMPANIES



Review Questions

The review questions accompanying this course are designed to assist you in achieving the course learning objectives. The review section is not graded; do not submit it in place of your qualified assessment. While completing the review questions, it may be helpful to study any unfamiliar terms in the glossary in addition to course content. After completing the review questions, proceed to the review question answers and rationales.

Section 1

1. How will ASU 2014-09 change the amount of industry-specific guidance compared to current GAAP?

   a. Significantly increase.
   b. Significantly decrease.
   c. Leave largely unchanged.
   d. Increase for services but decrease for goods.

2. ASU 2014-09 represents which of the following as compared to current GAAP?

   a. A change from principles to rules.
   b. A change from rules to principles.
   c. An equal balance of rules and principles.
   d. An approach using neither rules nor principles.

3. The transition from current GAAP to ASU 2015-8 will result in _______ need for professional judgment.

   a. A lesser.
   b. About the same.
   c. A greater.
   d. An industry-specific

4. Under ASU 2014-09, when is revenue recognized?

   a. When control is transferred from vendor to customer.
   b. When cash is collected.
   c. When the price is readily determinable.
   d. When a contract is signed.

5. The allocation of discounts to individual performance obligations is described in the _______ stage of the five-step model.

   a. First.
   b. Second.
   c. Third.
   d. Fourth.

Section 2

6. When a contract contains multiple performance obligations, it is necessary to allocate transaction price to the separate items. Which of the following is the best evidence for allocation?

   a. Standalone selling prices.
   b. Vendor-specific objective evidence of value.
   c. Using the residual method.
   d. List prices.

7. Which of the following contains legacy guidance on percent of completion?

   a. EITF 89-03.
   b. SOP 81-1.
   c. SAS 127.
   d. SFAS 149.

8. Which of the following is accurate regarding ASU 2014-09 and its selection of a measure of progress toward completion under a delivery over time scenario?

   a. There is a preference for the output method.
   b. There is a preference for the input method.
   c. Measure of progress should exclude any goods or services for which control has not been transferred.
   d. Neither the input nor output methods provide a "method that faithfully depicts the delivery of the service."

9. Which of the following statements regarding the adoption of ASU 2014-09 is accurate?

    a. Full retroactive application is required for all companies.
    b. Modified retroactive application is required for all companies.
    c. Under full retroactive application, there will be a cumulative catch-up adjustment required for open contracts as of the transition date.
    d. Contracts that began and ended in the same accounting period will need to be restated.

Section 3

10. A contract may contain multiple performance obligations. They should be:

    a. Combined when they relate to a single customer.
    b. Separated when they relate to distinct performance obligations.
    c. Combined only if they relate to services.
    d. Separated if the payment for one component depends on another component.

11. ASU 2014-09 indicates that if a license is distinct but does not stand alone from other performance obligations in the contract, it will probably be:

    a. Combined with other performance obligations.
    b. Treated as a right to access license.
    c. Treated as a right to use license.
    d. Separated and allocated a portion of the total transaction value.

Section 4

12. In order for contract fulfillment costs to be capitalized, ASU 2014-09 requires them to be:

    a. Directly related, recoverable, and creating an asset.
    b. Relate directly to tangible assets.
    c. Meet the definition of an intangible.
    d. Have a life exceeding three years.

Review Question Answers and Rationales

Review question answer choices are accompanied by unique, logical reasoning (rationales) as to why an answer is correct or incorrect. Evaluative feedback to incorrect responses and reinforcement feedback to correct responses are both provided.

Section 1

1. How will ASU 2014-09 change the amount of industry-specific guidance compared to current GAAP?

   a. Significantly increase. Incorrect. Whereas the old revenue standards had substantial amounts of industry-specific guidance, the new standard leaves less room for industries to stray from the standard.
   b. Significantly decrease. Correct. The new standard has decreased the industry-specific approach and moved to a more general framework that all industries must apply.
   c. Leave largely unchanged. Incorrect. Industry-specific approaches are no longer appropriate under the new model.
   d. Increase for services but decrease for goods. Incorrect. All industries are meant to use the same framework for recognizing revenue.

2. ASU 2014-09 represents which of the following as compared to current GAAP?

   a. A change from principles to rules. Incorrect. The new standard is a principles-based approach.
   b. A change from rules to principles. Correct. The new standard has adopted a principles-based approach to try to keep all industries within the same conceptual framework.
   c. An equal balance of rules and principles. Incorrect. The new standard has moved to a principles-based approach.
   d. An approach using neither rules nor principles. Incorrect. The new standard uses a principles-based approach to get away from rules that are too often twisted or interpreted for the benefit of the company doing the interpreting.

3. The transition from current GAAP to ASU 2015-8 will result in a _______ need for professional judgment

   a. Lesser. Incorrect. The older standard allowed for less judgment and more "rule following."
   b. About the same. Incorrect. There will need to be more judgment under the new standard given that "management must explain how and why they arrived at the judgments they made."
   c. Greater. Correct. Because the new standard is a principles-based standard, "simply asserting that 'we followed the rules' is inadequate."
   d. It will depend on the industry in question. Incorrect. There is no industry-specific rule anymore, so more judgment will be required in order to apply principles to the fact situation.

4. Under ASU 2014-09, when is revenue recognized?

   a. When control is transferred from vendor to customer. Correct. Delivery of goods or services indicates completion of the performance obligations and recognition of revenue.
   b. When cash is collected. Incorrect. Satisfaction of performance obligations is required but not the collection of a debt.
   c. When the price is readily determinable. Incorrect. The new standard is based on performance obligations.
   d. When a contract is signed. Incorrect. Revenue recognition requires completion of performance obligations.

5. The allocation of discounts to individual performance obligations is described in the _______ stage of the five-step model.

   a. First. Incorrect. The first step is to analyze the contract.
   b. Second. Incorrect. The second step is to identify the performance obligations.
   c. Third. Incorrect. The third step is determination of the transaction price.
   d. Fourth. Correct. Allocating variable consideration across multiple deliverables is part of the fourth step.

Section 2

6. When a contract contains multiple performance obligations, it is necessary to allocate transaction price to the separate items. Which of the following is the best evidence for allocation?

   a. Standalone selling prices. Correct. It is most effective to use standalone prices to allocate the transaction price as that is a true "arm's length" transaction.
   b. Vendor-specific objective evidence of value. Incorrect. While this may be a method, the "arm's length" transaction value is the standalone selling price.
   c. Using the residual method. Incorrect. A residual value is not representative of the standalone value of a new item.
   d. List prices. Incorrect. List prices may be a reflection of relative value but should not be taken to reflect standalone values.

7. Which of the following contains legacy guidance on percent of completion?

   a. EITF 89-03. Incorrect. The legacy guidance is from ASC 605, which was formerly the SOP on accounting for construction contracts.
   b. SOP 81-1. Correct. ASC 605 was formerly SOP 81-1: *Accounting for Construction-Type Contracts.* This was the legacy guidance.
   c. SAS 127. Incorrect. This is an omnibus statement on auditing standards.
   d. SFAS 149. Incorrect. This is an amendment of statement 133 on derivatives.

8. Which of the following is accurate regarding ASU 2014-09 and its selection of a measure of progress toward completion under a delivery over time scenario?

   a. There is a preference for the output method. Incorrect. There is no preference for either the output or the input method.
   b. There is a preference for the input method. Incorrect. Neither input nor output produce a more or less favorable result; it is in the judgment of management to pick a method to "*faithfully depict* the delivery of service."
   c. Measure of progress should exclude any goods or services for which control has not been transferred. Correct. ASU 2014-09 does indicate that management should not measure progress when control has not been transferred.
   d. Neither the input nor output methods provide a "method that *faithfully depicts* the delivery of the service." Incorrect. Either can depending on the facts and circumstances.

9. Which of the following statements regarding the adoption of ASU 2014-09 is accurate?

   a. Full retroactive application is required for all companies. Incorrect. Full or modified retroactive application is allowable.
   b. Modified retroactive application is required for all companies. Incorrect. Companies can elect the full or modified approach.
   c. Under full retroactive application, there will be a cumulative catch-up adjustment required for open contracts as of the transition date. Correct. A cumulative catch-up adjustment will be required in order to present the financial statements appropriately.
   d. Contracts that began and ended in the same accounting period will need to be restated. Incorrect. There is not a need to restate contracts that began and ended within the same accounting period.

Section 3

10. A contract may contain multiple performance obligations. They should be:

    a. Combined when they relate to a single customer. Incorrect. The decision to combine the performance obligations depends on more variables than a single customer.
    b. Separated when they relate to distinct performance obligations. Correct. If the performance obligations are distinct, they should be separated for purposes of determining revenue recognition.
    c. Combined only if they relate to services. Incorrect. Performance obligations for goods may be combined if the other criteria is met.
    d. Separated if the payment for one component depends on another component. Incorrect. This would generally result in combining the elements.

11. ASU 2014-09 indicates that if a license is distinct but does not stand alone from other performance obligations in the contract, it will probably be:

    a. Combined with other performance obligations. Correct. "If the license has no practical use without this hosting, it is viewed as a combined product and analyzed outside the licensing guidance."
    b. Treated as a right to access license. Incorrect. It is combined with the other performance obligations.
    c. Treated as a right to use license. Incorrect. It would be treated outside the licensing guidance.
    d. Separated and allocated a portion of the total transaction value. Incorrect. It would need to be combined with other performance obligations.

Section 4

12. In order for contract fulfillment costs to be capitalized, ASU 2014-09 requires them to be:

    a. Directly related, recoverable, and creating an asset. Correct. All three criteria must be fulfilled in order for fulfillment costs to be capitalized.

    b. Relate directly to tangible assets. Incorrect. This is only one of the required conditions. For fulfillment costs to be capitalized, all three criteria (directly related, recoverable, and creating an asset) must be me.

    c. Meet the definition of an intangible. Incorrect. This is only one of the required conditions. Meeting the definition of an intangible is only one of the required conditions.

    d. Have a life exceeding three years. Incorrect. This is only one of the required conditions.

Glossary

This is a glossary of key terms with definitions. Please review any terms with which you are not familiar.

Assurance warranties: Warranties that ensure a product will perform within specifications—typically for a short period.

Bill and hold: These arrangements typically involve a vendor who completes a contract and bills the customer but does not ship the goods until a later date.

Bundle: A type of contract where various components are put together for purposes of determining the price.

Continuous delivery: A delivery method where the customer controls and there is a specific asset.

Contract: Arrangements between two or more parties that creates enforceable rights and obligations.

Contract modifications: The new term for a change order; a change in the scope or price (or both) that both parties approve.

Costs of fulfilling a contract: Costs that may be capitalized if they directly relate to a contract, are recoverable, and create an asset.

Costs of obtaining a contract: Costs for obtaining the contract can be capitalized or expensed, depending on the situation.

Cost-to-cost model: A method of determining revenue in a continuous delivery situation.

Customers: Parties that have contracted with an entity to obtain goods and services that are an output of the entity's ordinary business activities in exchange for consideration.

Distinct performance obligation: A good or service that is promised is distinct if both criteria are met: customer can benefit from the good or service either on its own or together with other resources that are readily available, and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Also referred to as "stand-alone."

Executive "claw-backs": Provisions that require executives to repay compensation in the event of a financial statement restatement.

Foreign corrupt practices act: Act passed in 1977 following an SEC investigation on the falsification of payments in corporate records.

Fulfillment cost: Costs that generate or enhance resources (i.e., assets), which will be used to support the goods and services in the contract.

Full retrospective application: This means applying the provisions of ASU 2014-09 to each period presented in the financial statements.

Performance obligations: Deliverables, goods, and services that are contained in the contract and are required by the vendor to satisfy the terms of the contract.

Point in time delivery: A delivery method in which there becomes an obligation to pay, legal title passes, the customer takes physical possession, and the there is value to the entity occurring at the same time.

Reasonable assurance: Concept used when accessing collectability of receivables.

Recast: Essentially restating the financial statement for the impact of the revenue rule changes; use of this term distinguishes this as a change versus an error correction that is the connotation of "restate."

Relative Sales Price Allocation: A method of allocating the transaction price between multiple components for the purpose of recognizing revenue differently between the components.

Revenue core principle: Revenue is generally an increase in assets associated with the producing or delivery of goods or services that are the company's on-going operations.

Sale-leaseback scheme: Selling property or equipment for the purpose of recognizing a gain and then immediately leasing it back.

Service approach: An approach to recognizing revenue that is "essentially percentage of completion."

Service warranties: Provide additional or enhanced service—typically over a longer period.

Standalone selling prices (SSP): The price at which each single item would be sold to "regular" customers. This is the best available evidence and is broadly similar to other Level 1 fair value estimates.

Transaction price: The amount of consideration (payment) to which the entity expects to be entitled.

Upfront fees: Fees charged as a condition of gaining access to a service over a subsequent period. These include initiation fees for membership organizations, setup fees for services (such as outsourcing), and initial charges in supply contracts.

Variable consideration: Refers to a wide range of incentives, rebates, discounts, performance bonuses, and other contract provisions that can trigger differences between list and final price.

Volume discounts: A discount from purchase price for buying a higher quantity of goods.

Index

Qualified Assessment

Complete Hands-On Guide to the New Revenue Recognition Rules
Course # 1143405, Version 2004
Publication/Revision Date:
April 2020

Course Expiration Date

Per AICPA and NASBA Standards (S9-06), QAS Self-Study courses must include an expiration date that is ***no longer than one year from the date of purchase or enrollment***.

Complete this assessment online at www.westerncpe.com and receive your certificate and results instantly!

1. Compared to present US GAAP, ASU 2014-09 is:

   a. Much longer.
   b. More brief.
   c. About the same length.
   d. It is too early to judge.

2. Prior to ASU 2014-09 revenue, recognition was based on the:

   a. Earnings process model.
   b. Risks and rewards approach.
   c. Asset and liability model.
   d. Cash model.

3. The board's new model for recognizing revenue is which type of a model?

   a. Earnings-based.
   b. Risks and rewards.
   c. Contract-based.
   d. Contra-asset and contra-liability.

4. The goods and services that a vendor promises in a contract are known as which of the following?

   a. Contingent assets.
   b. Performance obligations.
   c. Risks and rewards of ownership.
   d. Asset-liability arrangements.

5. FASB's model for revenue involves how many steps?

   a. 3.
   b. 4.
   c. 5.
   d. 6.

6. What is the first step in the contract-based model?

   a. Separate and/or combine the performance obligations in the contract.
   b. Allocate transaction prices across the performance obligations.
   c. Analyze the contract.
   d. Recognize revenue as control passes from vendor to customer.

7. A contract contains multiple performance obligations. If the items were negotiated as a package, how would you treat the performance obligations?

   a. Combine them.
   b. Separate them.
   c. Postpone their recognition.
   d. Allocate proceeds across the performance obligations.

8. Which of the following was formerly known as "percent of completion"?

   a. Delivery over time.
   b. Point-in-time delivery.
   c. The completed contract approach.
   d. The risks and rewards model.

9. An equipment vendor provides a three-year extended service agreement. This would be recognized using _______ delivery.

   a. Point-in-time.
   b. Over time / continuous.
   c. Physical.
   d. Legal.

10. A vendor agrees to deliver a copier and provide extended service. How many performance obligations does this probably involve?

    a. None.
    b. One.
    c. Two.
    d. Three.

11. If a customer has control of a contract as it is being performed and can require change orders, what does this represent?

    a. Cost-to-cost method.
    b. Point-in-time delivery.
    c. Delivery over time.
    d. The deposit method.

12. For public companies, ASU 2014-09 is effective for annual reporting periods beginning after:

    a. June 15, 2015.
    b. December 15, 2016.
    c. June 16, 2016.
    d. December 15, 2017

13. The typical non-public company will apply ASU 2014-09 ___________ than public companies.

    a. One year earlier.
    b. At the same time.
    c. One year later.
    d. Two years later.

14. A health club requires a member to pay an upfront fee upon joining the club. Under ASU 2014-09, the fee would be recognized as revenue:

    a. Immediately.
    b. Over the expected life of the contract.
    c. Upon termination of the contract.
    d. In accordance with SFAS 5 (contingency) guidance.

15. Under ASU 2014-09, which of the following contract costs would typically be expensed?

    a. Direct materials.
    b. Direct labor.
    c. Cost allocations directly associated with the contract.
    d. Costs of wasted labor.

16. Implementing ASU 2014-09 is likely to ________ the volume and depth of disclosure.

    a. Decrease.
    b. Leave unchanged.
    c. Slightly increase.
    d. Significantly increase.

17. Disclosures about a company's policies concerning revenue recognition will involve which of the following?

    a. Both qualitative and quantitative information.
    b. Qualitative but not quantitative information.
    c. Quantitative but not qualitative information.
    d. Neither qualitative nor quantitative information.

18. Under ASC 2014-09 refunds and rights of return are treated as:

    a. Deferred revenue.
    b. Adjustments to transaction price (consideration).
    c. A separate performance obligation.
    d. They are disregarded until returns occur.

19. A warranty that ensures a product will perform within specifications is known as a(n) _______ warranty and is a part of the product performance obligation.

    a. Extended.
    b. Service.
    c. Contingent.
    d. Assurance.

20. Under ASU 2014-07 contracts are viewed as separate when:

    a. Scope increases.
    b. Price increases.
    c. Both scope and price increase.
    d. The parties sign an amended contract.

Answer Sheet

Complete Hands-On Guide to the
New Revenue Recognition Rules
Course # 1143405, Version 2004
4 CPE Credits

Date: ______________________

Name: ____ Phone: ________________________

Address: ____

City: ____ State: __________ Zip: _______________

Fax: _________________________ E-mail*: ____

*E-mail address MUST be unique (not shared with another CPA) for Western CPE to grade your assessment

Name of purchaser (if other than person taking assessment): __________________________________

Course expires **1 Year** from date of purchase or enrollment	***Online Grading***: visit **www.westerncpe.com** to complete your assessment online and receive your certificate of completion and results *instantly*.

1. ___	5. ___	9. ___	13. ___	17. ___
2. ___	6. ___	10. ___	14. ___	18. ___
3. ___	7. ___	11. ___	15. ___	19. ___
4. ___	8. ___	12. ___	16. ___	20. ___

Course Evaluation

Complete Hands-On Guide to the
New Revenue Recognition Rules
Course # 1143405, Version 2004

Thank you for taking the time to fill out this course and customer experience evaluation. Your responses help us to build better courses and maintain the highest levels of service. If you have comments not covered by this evaluation, or need immediate assistance, please contact us at 800.822.4194 or wcpe@westerncpe.com.

Course and Instructor Evaluation

1. Please answer the following related to the content of the course:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The stated learning objectives were met.	O	O	O	O	O
The course materials were accurate, relevant, and contributed to the achievement of the learning objectives.	O	O	O	O	O
The stated prerequisites were appropriate and sufficient.	O	O	O	O	O
Based on 50 minutes per credit hour, the time to take this course accurately reflects the credit hours assigned to it.	O	O	O	O	O
The instructor was knowledgeable and effective.	O	O	O	O	O

2. Were there any questions you felt were confusing or had incorrect answers listed? If so, please give the question number and a brief description of the issue:

3. Please provide any additional comments specific to the educational content or author of this course:

4. Do you have ideas for future course topics? If so, please list them along with any known subject matter experts we might contact to develop the course:

Customer Experience

5. Please rate your overall experience with Western CPE:

	Unsatisfactory	Improvement Needed	Meets Expectations	Exceeds Expectations	Exceptional
If you interacted with our Customer Service team, please rate the quality of service you received.	O	O	O	O	O
If you purchased your course online, please rate the quality of your e-commerce experience.	O	O	O	O	O
"My Account" information includes the tools necessary to access courses and track those completed.	O	O	O	O	O

6. Please indicate the likelihood of your purchasing the listed course formats from Western CPE:

	Not at all	Not very likely	Possibly	Likely	Highly Likely
Self-Study	O	O	O	O	O
Webcast OnDemand	O	O	O	O	O
Live Webcast	O	O	O	O	O
Resort Conference or Seminar	O	O	O	O	O

7. Please use the box below to provide any additional comments related to your educational experience with Western CPE.

8. If you are willing to provide a quote about this course, or Western CPE in general, that we may use in our promotional materials, please state it below. Be sure to include your name, title, city, and state.