



Press release



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IASB and FASB propose a new joint standard for revenue recognition

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) today published for public comment a draft standard to improve and align the financial reporting of revenue from contracts with customers and related costs.

If adopted, the proposal would create a single revenue recognition standard for International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) that would be applied across various industries and capital markets. The publication of this joint proposal represents a significant step forward toward global convergence in one of the most important and pervasive areas in financial reporting. The proposed standard would replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. In US GAAP, it would supersede most of the guidance on revenue recognition in Topic 605 of the *FASB Accounting Standards Codification*.

The core principle of the draft standard is that an entity should recognise revenue from contracts with customers when it transfers goods or services to the customer in the amount of consideration the entity receives, or expects to receive, from the customer. The proposed standard would improve both IFRSs and US GAAP by:

- removing inconsistencies in existing requirements;
- providing a more robust framework for addressing revenue recognition issues;
- improving comparability across companies, industries and capital markets;
- requiring enhanced disclosure; and
- clarifying the accounting for contract costs.

In developing the proposals, the boards considered more than 220 comment letters received on their discussion paper, *Preliminary Views on Revenue Recognition in Contracts with Customers*, in addition to feedback received from interested parties through an extensive outreach programme, including workshops with preparers. The boards will undertake further

outreach activities during the exposure draft's comment period to ensure that the views of all interested parties are taken into consideration when finalising the standard.

Commenting on the exposure draft, Sir David Tweedie, chairman of the IASB, said:

The proposal by the two boards is the result of our intensified joint efforts. It is an important step towards a single global principle-based standard that would make it absolutely clear when revenue is recognised—and why. We shall want to hear the views of all those affected by the proposals.

Robert Herz, chairman of the FASB, said:

This proposal marks a key milestone in our joint efforts to improve and converge our standards in one of the most important and pervasive areas in accounting. The unanimous agreement of the boards on this proposal is the culmination of an intensive process of working together jointly. The proposed new standard not only seeks to reduce complexity by streamlining the way revenue recognition principles are applied across various industries and transactions, but it also aims at eliminating inconsistencies in existing revenue recognition standards and practices.

The exposure draft *Revenue from Contracts with Customers* is open for comment until 22 October 2010 and can be accessed via the 'Comment on a Proposal' section of www.iasb.org or on www.fasb.org. A live webcast introducing the proposals is planned for early July—details will be available on the FASB and IASB websites soon. An IASB 'Snapshot' and an 'FASB In Focus', high level summaries of the proposals, will be available in due course to download free of charge from the IASB and FASB websites: <http://go.iasb.org/revenue+recognition> and <http://www.fasb.org>.

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Notes for editors

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB currently has 15 full-time members drawn from ten countries and with a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.

About the FASB

Since 1973, the US Financial Accounting Standards Board has been the designated organisation in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognised as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its Website at www.fasb.org.