



Press release



19 December 2008

IASB and FASB propose joint approach for revenue recognition

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) today published for public comment a discussion paper setting out a joint approach for the recognition of revenue.

Revenue is an important number to users of financial statements in assessing a company's performance and prospects. However, revenue recognition requirements in US generally accepted accounting principles (GAAP) differ from those in International Financial Reporting Standards (IFRSs) and both are considered in need of improvement. The requirements in US GAAP comprise numerous standards—many are industry-specific and some can produce conflicting results for economically similar transactions. Although IFRSs contain fewer standards on revenue recognition, its two main standards have different principles and can be difficult to understand and apply beyond simple transactions.

The boards' objective is to improve the existing guidance in both IFRSs and US GAAP by developing a single revenue model that can be applied consistently regardless of industry. Applying the underlying principle proposed by the boards, a company would recognise revenue when it satisfies a performance obligation by transferring goods and services to a customer as contractually agreed. That principle is similar to many existing requirements and the boards expect that many transactions would remain unaffected by the proposals. However, clarifying that principle and applying it consistently to all contracts with customers would improve the comparability and understandability of revenue for users of financial statements.

The discussion paper explains the proposed model and its implications and seeks views from interested parties to assist the boards in further developing that model into a draft standard for both IFRSs and US GAAP.

Commenting on the discussion paper, Sir David Tweedie, chairman of the IASB, said:

We believe that a single revenue model, applied consistently across various industries and countries, would greatly improve comparability of a key number in the financial

statements. We haven't got all the answers yet, but we need to know whether we're heading in the right direction. If you want to influence the outcome of the project, now is the time to get involved.

Robert Herz, chairman of the US FASB, said:

Revenue recognition guidance has become increasingly complex with scores of authoritative literature in US GAAP. The boards' revenue recognition project aims to simplify existing guidance by providing clear principles for recognizing revenue across a variety of industries. This discussion paper is an important step toward achieving that aim.

The discussion paper is open for comment until 19 June 2009.

Preliminary Views on Revenue Recognition in Contracts with Customers is available on the 'Open for Comment' section on www.iasb.org from today. Subscribers may also view the document in the eIFRSs Website. Printed copies (ISBN 978-1-905590-95-7) will be sent to Comprehensive subscribers and will be available shortly, at £10 plus shipping, from the IASC Foundation Publications Department. Those wishing to subscribe should visit the online shop at www.iasb.org or contact:

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Preliminary Views on Revenue Recognition in Contracts with Customers is also available at <http://www.fasb.org/draft/index.shtml>. In addition, any individual or organisation may obtain one copy of the discussion paper from the FASB without charge until 19 June 2009 on written request. *Please ask for FASB Product Code No. DP02.* For information on applicable prices for additional copies and copies requested after 19 June 2009, contact:

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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. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They 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. For more information about the IASB, visit its Website at www.iasb.org.

About the US Financial Accounting Standards Board

Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized 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.