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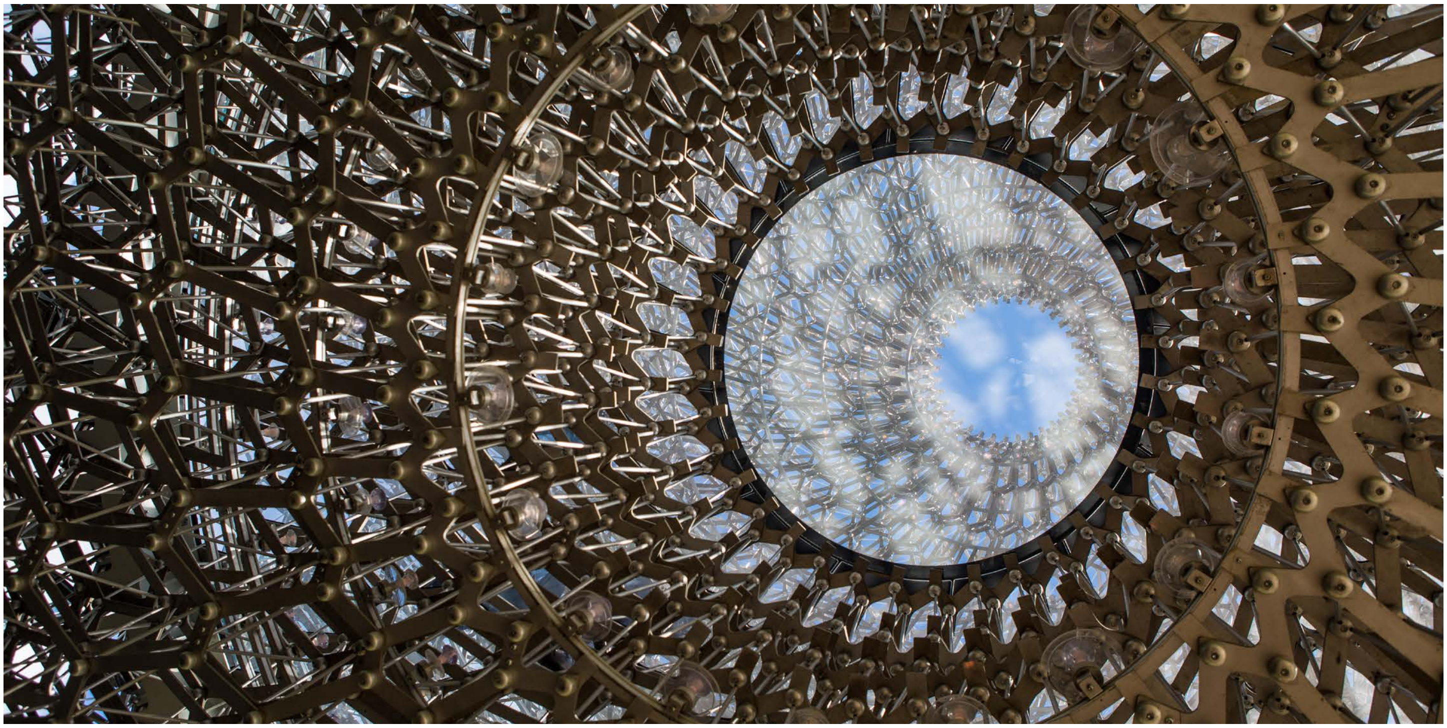

In This Issue

Observations From a Review of Public Filings by Early Adopters of the New Revenue Standard

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Introduction

As a result of the recognition and measurement requirements in the FASB's new revenue standard (ASC 606[1]), some companies will need to make wholesale changes to their financial statements. For other companies, the effect of the new requirements will be less significant. However, all entities will need to carefully consider the standard's new and modified quantitative and qualitative disclosure guidance, which will significantly increase the amount of information they should disclose about revenue activities and related transactions. Accordingly, since the standard's mandatory adoption date[2] has either arrived or is rapidly approaching, companies are sharpening their focus on those disclosure requirements.[3]

This *Heads Up* provides insight into our review of the disclosures in the public filings of a group of companies that early adopted the standard in 2017. Entities adopting the standard beginning in 2018 may benefit from evaluating the disclosure trends we have observed as

[1] FASB Accounting Standards Codification Topic 606, *Revenue From Contracts With Customers*.

[2] Public business entities reporting under U.S. GAAP are required to adopt the new revenue standard for annual reporting periods (including interim reporting periods within those annual periods) beginning after December 15, 2017. Early adoption is permitted as of reporting periods (including interim periods) beginning after December 15, 2016. For nonpublic entities, the new revenue standard is effective for annual periods beginning after December 15, 2018, and early adoption is also permitted.

[3] For additional discussion of companies' disclosures about implementing the new standard, see Deloitte's November 21, 2017, *Heads Up*.

a result of this review. For a comprehensive discussion of the new revenue standard, see Deloitte's *A Roadmap to Applying the New Revenue Recognition Standard*.

Key Takeaways

- The new revenue standard's requirement to provide more comprehensive disclosures is likely to significantly affect an entity's financial statements regardless of its effect on recognition patterns.
- We observed diversity in the type and amount of information entities have disclosed.
- Many early adopters have chosen to add a separate and specific revenue footnote that contains the required disclosures.
- When providing disaggregated revenue disclosures, the majority of early adopters used three or fewer categories. The most commonly selected categories were (1) timing of transfer of goods and services (point in time vs. over time) and (2) product lines.
- Most early adopters elected multiple practical expedients related to their ASC 606 disclosures, most commonly those related to remaining performance obligations.
- To the extent that the accounting standard setters clarify guidance and regulators issue more comments, we expect entities to continue to refine the information they disclose.

Interim Versus Annual Reporting Considerations

The new revenue standard requires entities to disclose information on both an interim and an annual basis. While the disclosures discussed in this *Heads Up* must all be considered annually, those related to disaggregated revenue, contract balances, and remaining performance obligations are also required in interim financial statements prepared under U.S. GAAP (at least for public entities).

Even though the new revenue standard specifies that certain disclosures are not required in interim financial statements, SEC registrants must provide both annual and interim disclosures in the first interim period after adopting any new accounting standard and in each subsequent quarter in the year of adoption.[4] Specifically, Section 1500 of the SEC Financial Reporting Manual states:

> S-X Article 10 requires disclosures about material matters that were not disclosed in the most recent annual financial statements. Accordingly, when a registrant adopts a new accounting standard in an interim period, the registrant is expected to provide both the annual and the interim period financial statement disclosures prescribed by the new accounting standard, to the extent not duplicative. These disclosures should be included in each quarterly report in the year of adoption.

Thus, SEC registrants must comply with the new revenue standard's annual and interim disclosure requirements in each quarter of their first year of adoption to the extent that the information they provide is material and not duplicated.

Description of Population

The discussion in this *Heads Up* is based primarily on the quarterly Form 10-Q filings of a small number of Fortune 1000 companies that elected to early adopt the new revenue standard. The companies span a wide variety of industries, including aerospace, automotive, technology, life sciences, and financial services, and consist of large accelerated filers, accelerated filers, nonaccelerated filers, and smaller reporting entities.

[4] The second year after adoption, entities may exclude annual disclosures from their interim financial statements.

Key — Disclosure Categories	
● Required for all entities.	■ Only required for public entities (nonpublic entities can elect to not disclose).

The discussion below summarizes several key categories of disclosures required under the new revenue standard and identifies trends related to early adopter filings. It also provides examples of disclosures and SEC comments, as applicable.

Disaggregation of Revenue

Disclosure Requirements

Under the new revenue standard, an entity is required to disaggregate revenue into categories as follows:

- The categories must depict how revenue and cash flows are affected by economic factors.
- The disclosures must contain sufficient information to convey the relationship between disaggregated revenue and each disclosed segment's revenue information.

A nonpublic entity may elect not to apply the two requirements above; however, in accordance with ASC 606-10-50-7, it must still 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 . . . affect the nature, amount, timing, and uncertainty of revenue and cash flows."

As discussed in paragraph BC336 of ASU 2014-09,[5] "because the most useful disaggregation of revenue depends on various entity-specific or industry-specific factors, the Boards decided that [ASC] 606 should not prescribe any specific factor to be used as the basis for disaggregating revenue from contracts with customers." Instead, ASC 606-10-55-91 provides examples of categories that may be appropriate for an entity's disclosures in the financial statements.

When selecting the types of categories for disaggregated revenue, an entity should consider how and where it has communicated information about revenue for various purposes, including (1) disclosures outside the financial statements, (2) information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments, and (3) other information that is similar to the types of information identified in (1) and (2) and that is used by the entity or users of its financial statements for evaluating its financial performance or making decisions about resource allocation.

Insights From Early Adopters

Approximately 80 percent of early adopters used a tabular format to disclose disaggregated revenue by category. However, very few used that format to disclose information about the timing of transfers; instead, they often presented it in narrative form as part of the description of each revenue stream.

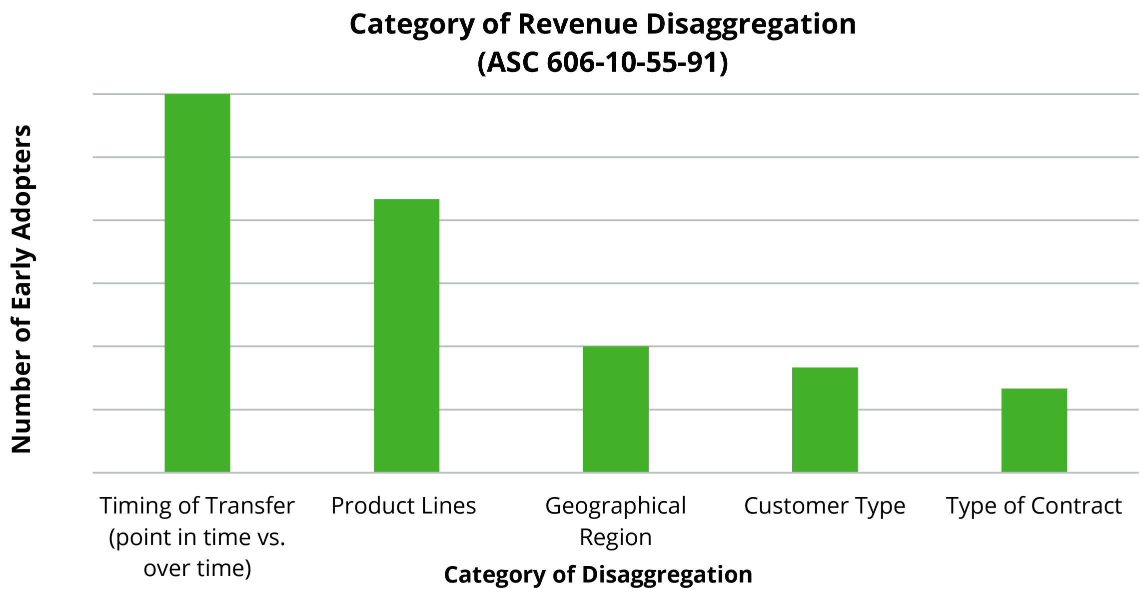
Further, roughly 45 percent of early adopters disclosed disaggregated revenue by category in a newly incorporated revenue footnote, 30 percent disclosed such information in the segment footnote (which eliminates duplicate information), and 25 percent disclosed it as part of their footnote for newly adopted accounting pronouncements. Regardless of the location of the disclosures in the financial statements, the companies' disaggregation of revenue provided

[5] FASB Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*.

by early adopters was significantly more granular than the information they disclosed in footnotes before adopting the new standard.

ASC 606 contains an illustrative example[6] of a disaggregated revenue disclosure along with the related illustrative segment disclosures, which includes a reconciliation of disaggregated revenue to the segment disclosures. At the November 7, 2016, meeting of the FASB's transition resource group (TRG), the FASB staff clarified that although a tabular reconciliation is not required under ASC 606-10-50-6, entities should disclose enough information to permit a financial statement user to understand the relationship between disaggregated revenue and the revenue disclosed by reportable segment.

The graph below visually depicts the categories used for disaggregated revenue in the early adopters' disclosures:



As the graph illustrates, all the early adopters identified which revenue streams were related to performance obligations satisfied at a point in time, versus over time. In addition, a variety of other categories were used to depict the nature, amount, and uncertainty of revenue recognition. While ASC 606-10-55-91 states that "contract duration" and "sales channels" are examples of appropriate disaggregation categories, we observed that no early adopters chose to use them.

We also analyzed how many different disaggregation categories each early adopter considered relevant. Most adopters (approximately 80 percent) appeared to use three or fewer categories of disaggregation, whereas just over 50 percent used only two categories, and approximately 20 percent used four or more categories.

Contract Balances

Disclosure Requirements

Under the new revenue standard, companies must disclose the following information about contract balances:[7]

- Opening and closing balances (receivables, contract assets, and contract liabilities), if not otherwise separately presented or disclosed.

[6] ASC 606-10-55-295 through 55-297.

[7] See Sections 13.2 and 13.3 of Deloitte's *A Roadmap to Applying the New Revenue Recognition Standard* for more information about contract liabilities and contract assets, respectively.

- The amount of revenue recognized in the reporting period from the beginning contract liability balance.
- An explanation of significant changes in contract balances during the reporting period (by using quantitative and qualitative information).
- An explanation of "how the timing of satisfaction of its performance obligations. . . relates to the typical timing of payment . . . and the effect that those factors have on the contract asset and the contract liability balances."

Because the new revenue standard does not prescribe a specific format for disclosures about contract balances, entities can present them in tabular or narrative form. Whether a rollforward of contract balances should be included in the disclosures was discussed at the FASB's November 7, 2016, TRG meeting. Although such a rollforward is not required under ASC 606-10-50-8, the staff noted that it may be an effective means of helping users understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, which is consistent with the overall objective of the new revenue standard.

Insights From Early Adopters

There was diversity in how early adopters chose to meet the contract balance disclosure requirements. On the basis of our observations, those with significant contract balances (approximately 80 percent) tended to use a tabular format for the disclosures. Of the early adopters that disclosed the contract balances in a tabular format, approximately 40 percent included a rollforward. In rare instances, they used a separate footnote for the contract balance disclosures.

Performance Obligations

Disclosure Requirements

The new revenue standard introduces various quantitative and qualitative requirements related to performance obligations. Under ASC 606-10-50-12, an entity must disclose the following:

- "When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered, or upon completion of service) including when performance obligations are satisfied in a bill-and-hold arrangement."
- "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 in accordance with paragraphs 606-10-32-11 through 32-13)."
- "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)."
- "Obligations for returns, refunds, and other similar obligations."
- "Types of warranties and related obligations."

In addition, under ASC 606-10-50-12A, an entity must disclose:

- [8] "[R]evenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price)."

[8] If a nonpublic entity elects under ASC 606-10-50-11 to omit the information in ASC 606-10-50-12A, the entity would instead provide the disclosure required by ASC 606-10-50-8(a) related to contract balances.

Insights From Early Adopters

Given the unique nature of a company's goods and services and the many significant judgments it needs to make in applying the new standard, its disclosures about performance obligations may be the most detailed and time-consuming to prepare. Each company we observed tailored its disclosures, and the type of information disclosed was not necessarily consistent across industries. In addition, a narrative (rather than tabular) format was most commonly used for these disclosures. The following are excerpts from disclosures about performance obligations:

"[Revenue Type A]: We sell third-party . . . licenses based upon a customer purchase order, shipping a certificate of authenticity ('COA') to satisfy this single performance obligation. These shipments are also subject to limited return rights; historically, returns have averaged less than one-quarter of one percent. In accordance with Topic 606, we will continue to recognize revenue from third-party products at the time of shipment when the customer accepts control of the COA.

[Revenue Type B]: We sell our . . . products to customers under a contract or by purchase order. . . . In contracts with multiple performance obligations, we identify each performance obligation and evaluate whether the performance obligations are distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined. Contracts that include . . . customization may result in the combination of the customization services with the . . . license as one distinct performance obligation. The transaction price is generally in the form of a fixed fee at contract inception. Certain . . . contracts also include variable consideration in the form of royalties earned when customers meet contractual volume thresholds. We allocate the transaction price to each distinct performance obligation based on the estimated standalone selling price for each performance obligation."

"The Company contracts with various private payor organizations, primarily insurance companies and pharmacy benefit managers, for the payment of rebates with respect to utilization of its products. The Company estimates these rebates and records such estimates in the same period the related revenue is recognized, resulting in a reduction of product revenue and the establishment of a current liability."

"Furthermore, the sale of a [system] when combined with [services] represents a single performance obligation for the development and construction of a single generation asset. For such sales arrangements, we recognize revenue using cost based input methods, which recognize revenue and gross profit as work is performed based on the relationship between actual costs incurred compared to the total estimated costs of the contract, after consideration of our customers' commitment to perform its obligations under the contract, which is typically measured through the receipt of cash deposits or other forms of financial security issued by creditworthy financial institutions or parent entities. For sales of . . . systems in which we obtain an interest in the project sold to the customer, we recognize all of the revenue for the consideration received, including the fair value of the noncontrolling interest we obtained, and defer any profit associated with the interest obtained through 'Equity in earnings of unconsolidated affiliates, net of tax.'

In applying cost based input methods of revenue recognition, we use the actual costs incurred relative to the total estimated costs (including . . . costs) to determine our progress towards contract completion and to calculate the corresponding amount of revenue and gross profit to recognize."

Feedback From the SEC

The SEC staff has issued comments asking early adopters to include additional information in their disclosures about performance obligations. Below is an example of one such comment.

> "Tell us your significant payment terms and how the timing of satisfaction of performance obligations relates to the timing of payment and the effect on the contract asset and liability balances. Disclose the information required by ASC 606-10-50-9 and 50-12(b)[9] in future filings."

Remaining Performance Obligations

Disclosure Requirements

ASC 606-10-50-13 requires an entity to disclose the following about its remaining performance obligations:

- "The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period."
- "An explanation of when the entity expects to recognize as revenue the amount disclosed in accordance with [above requirement], which the entity shall disclose in either of the following ways:
  1. On a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations
  2. By using qualitative information."

Practical Expedients Related to Remaining Performance Obligations

Several practical expedients are available for the disclosure of remaining performance obligations (see discussion of practical expedients below).

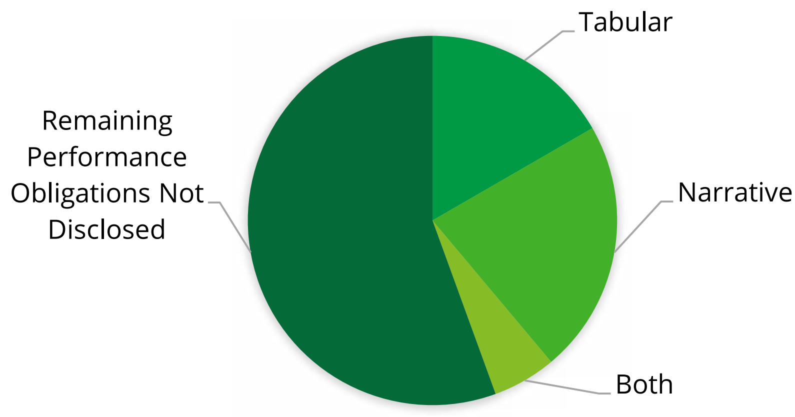
Insights From Early Adopters

As illustrated in the pie chart below, more than half of the early adopters did not provide disclosures regarding remaining performance obligations. There are various reasons an entity would not disclose its remaining performance obligations in a filing (e.g., it may have elected one or more practical expedients). Of the early adopters that provided these disclosures, approximately one-third indicated that they used one or more practical expedients. While there was diversity in the format they chose to use, most preferred a narrative presentation. In addition, their disclosures were relatively broad and specified the total amount of revenue to be recognized over the next one to two years as opposed to breaking down the remaining performance obligations by revenue categories or some other level of detail.

9 Note that ASC 606-10-50-9 discusses how the timing of the satisfaction of an entity's performance obligations is related to the typical timing of payment and the effect such timing has on the contract asset and the contract liability balances. ASC 606-10-50-12(b) discusses significant payment terms (e.g., 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).

When revenue is recognized over time (rather than at a point in time), and when consideration is fixed (rather than variable), it appears from our review that the companies often needed to provide relatively more information to satisfy the remaining performance obligation disclosure requirements.

Remaining Performance Obligation Disclosure Format



Significant Judgments and Changes in Judgments

Disclosure Requirements

There are many significant judgments and estimates that entities must make and disclose when they adopt the new revenue standard. ASC 606-10-50-17 through 50-20 state the following:

- "An entity shall disclose the judgments, and changes in the judgments, made in applying the guidance in this Topic that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgments, and changes in the judgments, used in determining both of the following:
  a. The timing of satisfaction of performance obligations (see paragraphs 606-10-50-18 through 50-19) ●
  b. The transaction price and the amounts allocated to performance obligations (see paragraph 606-10-50-20)." ●
- "For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:
  a. The methods used to recognize revenue (for example, a description of the output methods or input methods used and how those methods are applied) ●
  b. An explanation of why the methods used provide a faithful depiction of the transfer of goods or services." ■
- "For performance obligations satisfied at a point in time, an entity shall disclose the significant judgments made in evaluating when a customer obtains control of promised goods or services." ■
- "An entity shall disclose information about the methods, inputs, and assumptions used for all of the following:
  a. Determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money, and measuring noncash consideration ■

b. Assessing whether an estimate of variable consideration is constrained

c. Allocating the transaction price, including estimating standalone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable)

d. Measuring obligations for returns, refunds, and other similar obligations."

Insights From Early Adopters

Disclosures about significant judgments and estimates in the application of revenue recognition guidance are expected to increase as entities adopt ASC 606. We observed that many early adopters included such disclosures in the significant accounting policies or the management estimates section of their footnotes, or as part of the revenue footnote. In addition, given the unique nature of the goods and services companies provide as well as the significant judgments they must make in applying the new standard, their disclosures were tailored and were not necessarily consistent across industries. Further, the extent of disclosures related to judgments depended substantially on whether performance obligations were satisfied at a point in time or over time. The disclosures of entities that satisfy performance obligations over time were generally more extensive (e.g., methods of measuring progress and why the methods provide a faithful depiction of the transfer of goods or services). Along with explaining the timing of revenue recognition, the disclosures must outline the various assumptions used to support this judgment. Some early adopters also disclosed that they exercised significant judgment in connection with the principal-versus-agent analysis, and others referred to judgments they applied when evaluating costs to complete projects under a cost-based input method of revenue recognition.

The following are excerpts from disclosures about significant judgments and estimates associated with the above requirements:

"Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion (the process described below in more detail) is complex, subject to many variables and requires significant judgment. It is common for our long-term contracts to contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. . . .

We have a companywide standard and disciplined quarterly Estimate at Completion (EAC) process in which management reviews the progress and execution of our performance obligations. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by our subcontractors, the availability and timing of funding from our customer and overhead cost rates, among other variables."

"We generally recognize revenue for sales of [systems or services] over time using cost based input methods, in which significant judgment is required to evaluate assumptions including the amount of net contract revenues and the total estimated costs to determine our progress towards contract completion and to calculate the corresponding amount of revenue to recognize."

"There are two items involving revenue recognition on . . . contracts that require us to make more difficult and subjective judgments: the determination of which performance obligations are distinct within the context of the overall contract and the estimated standalone selling price of each performance obligation. In instances where our . . . contracts include significant customization or modification services, the customization and modification services are generally combined with the . . . license and recorded as one distinct performance obligation. We estimate the standalone selling price of each performance obligation based on either a cost plus margin approach or an adjusted market assessment approach. In instances where we have observable selling prices for professional services and support and maintenance, we may apply the residual approach to estimate the standalone selling price of . . . licenses."

Feedback From the SEC

The SEC staff has issued comments asking early adopters to include additional information in their disclosures about significant judgments related to performance obligations. Below is an example of one such comment.

"Revise future filings to disclose why for performance obligations that you satisfy over time the method used provides a faithful depiction of the transfer of goods or services. Refer to ASC 606-10-50-18."

Contract Costs

Disclosure Requirements

Under the new revenue standard and in accordance with ASC 340-40, entities capitalize certain costs associated with obtaining and fulfilling a revenue contract.[10] These costs are subsequently amortized. Accordingly, entities are required to disclose:

- The judgments used to determine the amount of costs incurred to obtain and fulfill a contract.
- The method used to determine amortization for each reporting period.
- The closing balances of assets recognized from the costs incurred to obtain or fulfill a contract, by asset category.
- The amortization and impairment loss recognized in the reporting period.

Insights From Early Adopters

Disclosures about contract costs generally apply only to companies that incur material costs to acquire or fulfill revenue contacts. We observed that approximately 55 percent of the early adopters did not appear to incur material costs to obtain or fulfill revenue contracts, and another 15 percent elected to use the practical expedient described below related to incremental costs to obtain a contract. Accordingly, neither group disclosed detailed information about contract costs. All of the approximately 30 percent of companies that did capitalize and disclose information about contract costs appear to amortize them on a straight-line basis.

[10] Entities may elect to use the practical expedient in ASC 340-40-25-4, which permits them to expense incremental costs related to obtaining or fulfilling a contract if such costs will be amortized over less than one year (see Practical Expedients for more information). The early adopters in our study used this practical expedient most often in connection with sales commission expenses.

Practical Expedients

As noted throughout this *Heads Up*, entities can elect to use a number of practical expedients as part of adopting the new revenue standard. Many are from ASU 2014-09, and others were added in subsequent ASUs, including ASU 2016-10,[11] ASU 2016-12,[12] and ASU 2016-20.[13]

Disclosure Requirements

Entities are generally required to disclose and explain the practical expedients they used under the new revenue guidance. Although the standard does not dictate where they should present these disclosures, entities typically included them in their "Significant Accounting Policies" disclosure or in the revenue footnote.

The following practical expedients were elected by the early adopters we reviewed and are listed in order of their frequency of use:

- *Remaining performance obligations*:
  - If the original expected duration of the contract is one year or less, the remaining performance obligation disclosure requirements in ASC 606-10-50-13 do not need to be disclosed.
  - If consideration is variable, and revenue from the satisfaction of the performance obligation is recognized in the amount invoiced (ASC 606-10-55-18), the remaining performance obligation disclosure requirements in ASC 606-10-50-13 do not need to be disclosed.
  - "An entity need not disclose the information in [ASC] 606-10-50-13 for variable consideration for which either of the following conditions is met:
    a. The variable consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property accounted for in accordance with [ASC] 606-10-55-65 through 55-65B.
    b. The variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with [ASC] 606-10-25-14(b), for which the criteria in [ASC] 606-10-32-40 have been met."
  - If the full retrospective transition method is adopted, "an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations" for the reporting periods presented before the date of initial adoption.
- *Contract costs* — Incremental costs related to obtaining a contract may be expensed if they will be amortized over less than one year.
- *Determining the transaction price*:
  - An entity may exclude certain taxes from the transaction price (e.g., sales, use, value add, and some excise taxes). This practical expedient does not apply to taxes on an entity's total gross receipts or those imposed during the inventory process.
  - "[A]n entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less."

[11] FASB Accounting Standards Update No. 2016-10, *Identifying Performance Obligations and Licensing*.
[12] FASB Accounting Standards Update No. 2016-12, *Narrow-Scope Improvements and Practical Expedients*.
[13] FASB Accounting Standards Update No. 2016-20, *Technical Corrections and Improvements to Topic 606*, Revenue From Contracts With Customers.

- *Transition* — Entities that use the modified retrospective transition method may apply the new guidance only to contracts that are not completed as of the date of initial application (i.e., not to all revenue contracts).

Insights From Early Adopters

Most entities used more than one practical expedient (depending on the facts and circumstances). The most common practical expedients used were those related to disclosures about remaining performance obligations.

The following excerpts illustrate how entities have disclosed management's election of practical expedients under the new revenue standard:

- "We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed."
- "Accordingly, the Company applies the practical expedient in paragraph 606-10-55-18 to its stand-alone . . . contracts and . . . services and does not disclose information about variable consideration from remaining performance obligations for which the Company recognizes revenue. [P]erformance obligations [related to contracts] are typically short in duration (often less than 1 day) with any uncertainty related to the associated variable consideration resolved as each increment of service (completion of a level of care review or an appeal) is completed which reflects the value the Customer receives from the Company's fulfillment of the performance obligation. [P]erformance obligations [related to contracts] for variable consideration are of short duration with fees corresponding to the value the customer has realized, for example, patient accounts collected on behalf of the Customer or medical record lines transcribed."
- "We generally expense sales commissions when incurred because the amortization period would have been less than one year."

Thinking Ahead

The adoption of the new revenue standard has led to a noticeable increase in the amount and type of information entities have disclosed about revenue activities and related transactions. Although we observed some consistency in their disclosures, companies' interpretations of the requirements and the amount of information to disclose have varied. We expect diversity in practice to reduce, however, as more entities adopt the standard. Further, as accounting standard setters clarify guidance and regulators issue more comments, entities will continue to refine the information they disclose.

When analyzing the disclosure requirements, entities should consider materiality, relevance, the information they will need, how to get that information, and the controls necessary for the preparation and review of the disclosures and the related underlying data. Because entities can use the same information to comply with multiple disclosure requirements (e.g., information related to performance obligations and estimates of variable consideration), or use different information from similar sources, they should consider developing a comprehensive strategy to collect the data they need to effectively and efficiently tell their revenue "story."

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