Technology Industry Accounting Guide

Other Accounting and Financial Reporting Topics:
Digital Assets

March 2023

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Current Expected Credit Losses

Debt

Distinguishing Liabilities From Equity

Earnings per Share

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Preface

We are pleased to present the inaugural edition of Deloitte's *Technology Industry Accounting Guide* (the "Guide").

The technology industry ecosystem encompasses a wide array of entities, from enterprise software and software-as-a-service (SaaS) providers to hardware and semiconductor manufacturers. The technology industry has also experienced convergence with other types of businesses, creating subsectors such as fintech, health tech, energy tech, education tech, and auto tech, to name a few. Many entities have fueled the significant growth of the technology industry by embracing emerging technologies such as artificial intelligence (AI) and machine learning, everything as a service (XaaS) powered by the cloud, robotics, the Internet of Things (IoT), blockchain, and edge computing. Continuous innovation by technology entities produces novel business models while introducing potentially complex accounting and financial reporting matters.

Finance and accounting professionals in the technology industry face complex issues and must exercise significant judgment in applying existing rules to matters such as revenue recognition, software-related costs, acquisitions and divestitures, consolidation, stock-based compensation, leases, financial instruments, income taxes, digital assets, initial public offerings (IPOs), and disclosures of non-GAAP measures and metrics. To help technology entities work through some of the more difficult accounting and financial reporting issues related to these and other relevant topics, this Guide includes interpretive guidance, illustrative examples, and discussion of recent standard-setting developments (through February 28, 2023).

Appendix A lists the titles of standards and other literature we cited, and Appendix B defines the abbreviations we used.

We hope this Guide is helpful in navigating the various accounting and reporting challenges that technology entities face. We encourage clients to contact their Deloitte team for additional information and assistance.

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Chapter 5 — Other Accounting and Financial Reporting Topics

5.9 Digital Assets

An increasing number of entities, including those in the technology industry, are investing or transacting in digital assets. While bitcoin is the largest cryptocurrency by market capitalization, it is just one type of digital asset. Other digital assets include, but are not limited to, other crypto assets such as ether, stablecoins, equity and derivative tokens, and nonfungible tokens (NFTs).

Investing in or otherwise being in the business of selling or using digital assets may present technology entities with a host of opportunities. However, with those opportunities come challenges, including understanding the legal and regulatory landscape, tax implications, accounting treatments, and internal control considerations. When performing a risk assessment, entities should consider a host of risks, including those associated with (1) compliance; (2) regulation; (3) cybersecurity; (4) operational, financial, strategic, and reputational matters; and (5) the control environment.

5.9.1 AICPA Practice Aid

To address some of the accounting and auditing challenges arising from digital assets, the AICPA Digital Assets Working Group issued the AICPA Practice Aid *Accounting for and Auditing of Digital Assets* (the "AICPA Practice Aid"). Some of the accounting issues discussed in the AICPA Practice Aid that might be relevant to technology entities are summarized below. However, note that the AICPA Practice Aid is an evolving document that does not address all the myriad issues that arise in practice, including (1) principal-versus-agent determinations related to digital asset exchanges and marketplaces and (2) recognition of revenue from the sale of NFTs (e.g., determining whether the guidance on licensing of IP is applicable).

5.9.1.1 Accounting for Digital Assets Classified as Indefinite-Lived Intangible Assets

Because digital assets lack physical substance, most technology entities that own such assets, particularly crypto assets, will account for them as indefinite-lived intangible assets under ASC 350[1] unless they represent financial instruments or financial assets.

5.9.1.1.1 Initial Recognition and Measurement

An entity that purchases digital assets classified as indefinite-lived intangible assets will initially record them at cost.

[1] This discussion assumes that the reporting entity does not apply ASC 940 or ASC 946.

If an entity does not purchase a digital asset but instead receives it as consideration for selling a good or service to a customer under ASC 606, the digital asset will be treated as noncash consideration, which is generally recorded on the basis of the digital asset's fair value at contract inception. However, if the entity is receiving the digital asset in the future in exchange for a good or service that it has already transferred (i.e., the exchange is not concurrent), the entity should consider the guidance in ASC 815 to determine whether a derivative or embedded derivative exists.

If an entity holds a digital asset in a "wallet" hosted by a third party, it should determine whether it has control of the asset before recognizing the asset in its financial statements. If the entity does not control the digital asset, it should recognize a right to receive the digital asset and evaluate whether it needs to recognize an embedded derivative under ASC 815. The control analysis depends on the specific facts and circumstances, and a legal analysis is sometimes required since applicable laws and regulations, as well as contractual terms, would need to be considered.

For more information, see Questions 1 through 3, 10, and 24 of the AICPA Practice Aid.

5.9.1.1.2 Subsequent Accounting

Under ASC 350, an indefinite-lived intangible asset is not amortized but should be tested for impairment at least annually. If digital assets were acquired at different times, the unit of account would typically be each digital asset unit (or divisible fraction of a unit) rather than a bundle of digital assets purchased at different prices. If an impairment analysis is required for a digital asset, an impairment loss is recognized at that time if the carrying amount of the digital asset exceeds its fair value, even if the fair value has recovered by the end of the same reporting period. If the same digital asset is being exchanged at a price below the entity's current carrying value, this may be an impairment indicator and an impairment loss may need to be recorded. The entity should monitor relevant pricing information and use the framework in ASC 820 in determining the fair value of its digital asset.

For more information, see Questions 4 through 7 and 16 through 21 of the AICPA Practice Aid.

5.9.1.1.3 Derecognition

If an entity sells some of its digital assets that were acquired at different times, it should determine which assets have been sold for purposes of determining the cost basis. If it is not possible to determine which assets have been sold, the entity should develop a reasonable and rational method (e.g., FIFO method). In addition, when the entity sells a digital asset, it should determine whether the sale should be accounted for under ASC 606 (because the digital asset is an output of the entity's ordinary activities and the counterparty is a customer). If the counterparty is not a customer, the entity would most likely apply ASC 610-20.

For more information, see Questions 8 and 9 of the AICPA Practice Aid.

5.9.1.2 Stablecoins

Some entities may hold stablecoins, which are generally pegged to the value of a more traditional asset (e.g., fiat currency). Because there are different types of stablecoins, determining the appropriate accounting guidance to apply will depend on the specific facts and circumstances associated with the stablecoin. For example, the stablecoin may be subject to ASC 310, ASC 320, ASC 321, ASC 323, ASC 810, ASC 815, or ASC 825.

For more information, see Questions 22 and 23 of the AICPA Practice Aid.

5.9.1.3 Mining

An entity may operate as a crypto asset miner that receives transaction fees and block rewards, both in the form of crypto assets. In accounting for transaction fees and block rewards, the entity should consider ASC 350 and whether the application of ASC 606 is appropriate.

An entity may also share its computing infrastructure as part of a mining pool operated by another entity. In these circumstances, the entity should consider whether its arrangement is subject to ASC 842, ASC 606 (including the principal-versus-agent guidance), or ASC 808.

For more information, see Questions 27 and 28 of the AICPA Practice Aid.

5.9.2 NFTs

NFTs are units of data stored and transferred on a digital ledger (i.e., a blockchain) that each represent a unique digital item and therefore are not interchangeable. They can represent rights associated with digital files such as art, audio, videos, items in video games, and other forms of creative work. NFTs can also provide other rights, such as ownership of virtual land or even real-world assets and services. NFTs give users true ownership over their entitlements and enable them to monetize and transfer value.

The first step to grasping the accounting implications of transactions that involve NFTs is fully understanding the rights represented and what has actually been transferred. This is critical to determining the appropriate accounting treatment, including the applicable accounting guidance.

5.9.2.1 Issuer's or Developer's Accounting for NFTs

The nature of NFTs sold by an issuer or developer poses unique accounting challenges. The discussions below highlight common accounting considerations for entities that issue or develop NFTs.

5.9.2.1.1 Revenue Recognition

Entities that issue or develop NFTs may conclude that their arrangements to sell NFTs are subject to the revenue guidance in ASC 606. An entity's arrangement to sell an NFT will generally be within the scope of ASC 606 if it represents a contract with a counterparty that obtains an NFT in exchange for consideration and the NFT is an output of the entity's ordinary activities. In addition, if the arrangement is within the scope of ASC 606, the entity will need to make a determination of when a contract exists by assessing various criteria, such as whether there are enforceable rights and obligations and whether the consideration is collectible. For further guidance, see Chapters 3 and 4 of Deloitte's Roadmap *Revenue Recognition*.

Some rights associated with NFTs may not be subject to the guidance in ASC 606. For example, an entity may sell an NFT that does not provide the purchaser with any ownership or license rights to the underlying IP. Rather, the entity may retain all rights to the IP and only sell to the purchaser a right to future revenue streams associated with the IP. For instance, the entity may own music rights and sell an NFT that provides the purchaser with a percentage of the royalties that the entity earns on those music rights. In this circumstance, the entity must carefully evaluate whether the transaction represents the sale of future revenue that is subject to the guidance in ASC 470.[2]

[2] Further, digital assets vary in complexity and may contain features that are not subject to the guidance in ASC 606. For example, certain digital assets may represent or include financial instruments that are subject to the guidance in ASC 815 or ASC 860. This Guide does not address all features that may exist in an NFT and therefore does not discuss all accounting guidance that may apply.

5.9.2.1.1.1 Performance Obligations

The rights attached to NFTs may include multiple promised goods and services. Entities that sell NFTs will need to evaluate whether those promised goods and services are separate performance obligations. Identifying performance obligations is critical because a performance obligation is the unit of account for which revenue is recognized, which could affect the timing of revenue recognition.

For example, an entity may sell an NFT in a metaverse that represents the user's digital rendering of its avatar. That NFT may provide the user with various digital rights, including free digital collectibles, loyalty rewards, enhanced gaming experiences, and VIP access to events in the metaverse (e.g., virtual concerts). Some NFTs may also convey a right to a tangible good, such as a luxury bag or pair of sneakers. Because there are multiple promised goods and services, the entity must determine whether each promised good or service is distinct and therefore a separate performance obligation.

If multiple performance obligations are identified, the entity will generally need to determine their respective stand-alone selling prices and allocate the transaction price on the basis of those stand-alone selling prices. Determining stand-alone selling prices can be challenging, particularly when selling NFTs is a new business model for the entity. The entity will also have to assess how control of each performance obligation is transferred to the customer (i.e., at a point in time or over time) to determine the appropriate timing and pattern of revenue recognition. For example, revenue related to a performance obligation that represents a license to functional IP may be recognized at a point in time, whereas revenue related to a performance obligation that represents a hosting service or gaming experience may be recognized over time.[3]

For further guidance, see Chapters 5, 7, and 8 of Deloitte's Roadmap *Revenue Roadmap*.

5.9.2.1.1.2 Transaction Price

An entity that sells an NFT to a customer may charge a fixed fee for that NFT. However, the customer may also be required to pay variable consideration (e.g., usage-based fees). In addition, if the customer has the right to sell the NFT (whether on or off platform), the entity that originally issued or developed the NFT may be due a royalty upon each sale. Therefore, the total transaction price for an NFT may include various payment streams. Variable consideration is generally estimated up front and is subject to a "constraint" to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. However, there are certain exceptions in ASC 606 that would not require the entity to estimate variable consideration at contract inception. Further, the entity may receive crypto assets or other digital assets in exchange for the NFT rather than fiat currency. In those circumstances, the entity would be required to measure any noncash consideration at its estimated fair value at contract inception. For further guidance, see Chapter 6 of Deloitte's Roadmap *Revenue Recognition*.

5.9.2.1.1.3 License of IP

Many NFTs do not transfer control or ownership of the underlying IP but grant the purchaser a license to it. For example, an entity may retain ownership of digital art and grant a purchaser of an NFT an exclusive license to use and display such digital art. In this circumstance, the entity should consider the supplemental guidance in ASC 606 that addresses the licensing of IP. For further guidance, see Chapter 12 of Deloitte's Roadmap *Revenue Recognition*.

[3] If a company provides storage or custodial services for its customers' NFTs, it should also consider the applicability of the guidance in SAB 121.

5.9.2.1.1.4 Principal-Versus-Agent Considerations

Sometimes an intermediary is involved in the sale of NFTs. For example, NFTs that are collectibles may be sold by entities in off-platform marketplaces. When more than one party is involved in providing an NFT to an end customer, the parties must determine which party controls the NFT before it is transferred to the end customer.

If the entity that issues or develops the NFT controls the NFT before it is transferred to the end customer, the issuer or developer is the principal in the transaction with the end customer, recognizes revenue on the basis of the gross amount paid by the end customer, and separately recognizes the cost of the amount paid to the marketplace for facilitating the transaction. Because the marketplace does not obtain control of the NFT before the NFT is transferred to the end customer, it is an agent in the transaction and recognizes revenue on the basis of the net amount retained.

By contrast, if the marketplace obtains control of the NFT before the NFT is transferred to the end customer, it is the principal in the transaction with the end customer, recognizes revenue on the basis of the gross amount paid by the end customer, and separately recognizes the cost of the amount paid to the issuer or developer for the NFT. In this case, the issuer or developer is the principal in the transaction with the marketplace (i.e., the customer of the issuer or developer is the marketplace rather than the end customer) and recognizes revenue on the basis of the amount received from the marketplace (not the gross amount paid by the end customer).

An entity that develops and operates a metaverse may also offer third-party creators (who may also be users in the metaverse) the ability to develop and sell their own NFTs. The same principal-versus-agent considerations described above would apply to the entity that offers a creator economy.

For further guidance, see Chapter 10 of Deloitte's Roadmap *Revenue Recognition*.

5.9.2.1.2 Development Costs

In addition to determining the appropriate accounting for the sale of NFTs, entities that develop NFTs must determine the appropriate accounting treatment for development costs incurred, including which accounting guidance to apply. Depending on the applicable accounting guidance, those costs may be (1) capitalized or deferred on the balance sheet or (2) expensed as incurred. Therefore, an entity that develops NFTs will need to understand the underlying IP being developed, the rights that will be conveyed to the purchaser, and the nature of the costs incurred. Because an NFT typically conveys digital rights rather than tangible property, the development costs will most likely not be subject to the inventory guidance in ASC 330. Instead, much of the development costs may be associated with developing software.

If development costs are software costs and the purchaser of the NFT will obtain possession of the software, the software development costs may be subject to the guidance in ASC 985-20. Under ASC 985-20, most software development costs are expensed as incurred because such costs are considered R&D expenses until technological feasibility is established. Because technological feasibility is typically established late in the development cycle, often very little is capitalized.

On the other hand, it is possible that the purchaser lacks the ability to take possession of the software and that the developer of the NFT will host the software on its own platform. For example, an NFT may give the purchaser the right to virtual items in a metaverse that are only accessible online and hosted by the developer. In that circumstance, the software development costs for those virtual items may be subject to the guidance in ASC 350-40. Under ASC 350-40, certain software development costs incurred during the application development stage are capitalized. Because the application development stage typically occurs before technological feasibility is established, more software development costs tend to be capitalized under ASC 350-40 than under ASC 985-20. For further guidance on scope considerations related to the accounting for software and software-related costs, see Chapter 4.

5.9.2.2 Investor's or Purchaser's Accounting for NFTs

Today, most investors in NFTs are individuals. However, other entities have begun exploring investments in NFTs, including ownership of virtual land in metaverses. Like an NFT issuer or developer, an NFT investor or purchaser must determine the nature of the rights the NFT conveys to determine the appropriate accounting treatment. For example, the NFT may convey the right to a plot of virtual land in the metaverse that, like other digital assets, would generally be subject to the guidance in ASC 350 rather than ASC 360.[4] Because of the unique nature of the NFT, it may be difficult for the investor or purchaser to determine (1) whether the asset should be amortized and, if so, over what estimated life; and (2) whether the asset is impaired and, if so, by how much. In addition, the investor or purchaser may receive a bundle of rights with the purchase of the NFT, such as a right to physical goods (e.g., branded clothing or physical artwork), entrance to a virtual concert, lifetime membership to an elite club, and other items that could include services to be received in the future. The transaction price paid by the investor or purchaser would typically need to be allocated to the multiple elements acquired on the basis of their fair values, which, like the stand-alone selling prices that an NFT issuer or developer uses to allocate the transaction price to multiple performance obligations, may be challenging to determine. Further, the investor or purchaser would have to evaluate the nature of the underlying rights acquired to determine which accounting guidance to apply to each right. For example, if the investor or purchaser pays up front and will receive services in the future (e.g., hosting of virtual items associated with the NFT, gaming experiences), the allocated cost may represent a prepaid asset.

5.9.3 SEC Staff Views on the Accounting for Certain Crypto Lending Arrangements

At the 2022 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the SEC staff provided its views on the accounting for crypto lending arrangements. Specifically, the SEC staff stated that it has observed different approaches in the application of U.S. GAAP or IFRS® Accounting Standards to crypto lending transactions and that it believes that some of the approaches do not faithfully represent the underlying economics of the transactions or serve the needs of investors. Rather, for certain crypto lending fact patterns, the SEC staff would not object if the lending entity (1) derecognized crypto assets when they are lent to the borrower and (2) recognized an asset that reflects the lending entity's right to receive the crypto assets back from the borrower. For more information about the SEC staff's views on the accounting for and disclosure of certain crypto lending arrangements, see Deloitte's December 18, 2022, *Heads Up*.

5.9.4 Staff Accounting Bulletin No. 121

On March 31, 2022, the SEC issued SAB 121, which (1) provides the SEC staff's view that it would be appropriate for an entity that has an obligation to safeguard crypto assets to record a liability and corresponding asset on its balance sheet at the fair value of the crypto assets and (2) adds Section FF to SAB Topic 5 (this section, as noted in SAB 121, includes "interpretive guidance for entities to consider when they have obligations to safeguard crypto-assets"). Although the determination of whether an entity has an obligation to safeguard crypto assets and therefore is within the scope of SAB 121 will depend on the entity's specific facts and circumstances, the AICPA Practice Aid contains a nonexhaustive list of factors that the entity may consider when determining whether it has a safeguarding obligation.

[4] This Guide does not address accounting considerations for entities that apply specialized industry guidance, such as that in ASC 940 or ASC 946.

For more information on SAB 121, see Deloitte's April 6, 2022 (updated July 28, 2022), *Financial Reporting Alert* and Appendix B of the AICPA Practice Aid.

5.9.5 On the Horizon

In May 2022, the FASB added to its technical agenda a project on improving the accounting for and disclosure of certain digital assets (i.e., crypto assets). Since then, the Board has made the following tentative decisions:

- *Scope* — A digital asset held by an entity that meets all the following criteria would be within the scope of the project:
    - It meets the U.S. GAAP definition of an intangible asset.
    - The holder is not provided with enforceable rights to, or claims on, goods, services, or other assets.
    - The asset resides on a blockchain or other distributed ledger.
    - It is secured by cryptography.
    - It is fungible.

  Crypto assets created or issued by an entity or its related parties would be excluded from the scope of the project, and the criteria above would exclude wrapped tokens.
- *Recognition and measurement* — All entities would measure crypto assets at fair value in accordance with ASC 820 regardless of whether the crypto assets have a quoted price in active markets. Subsequent changes in fair value would be recognized in net income, and commissions and other transaction costs related to the acquisition of crypto assets would be expensed as incurred (unless industry-specific guidance stipulates otherwise).
- *Presentation and classification* — The aggregate amount of crypto assets would be presented on the balance sheet separately from other intangible assets that are measured through the use of other measurement bases (e.g., intangible assets that are measured at cost less impairment). Changes in the carrying amount (e.g., impairments and amortization) of other intangible assets that are measured through the use of other measurement bases (e.g., goodwill and other intangible assets subject to ASC 350) would be presented separately on the income statement from gains and losses on crypto assets. Crypto assets received as noncash consideration in the ordinary course of business that are converted nearly immediately into cash would be classified as operating cash inflows.
- *Disclosures*:
    - In both interim and annual periods, the following would be disclosed:
        - Significant crypto asset holdings, including the name, cost basis, fair value, and number of units of each significant crypto asset held as well as how the cost basis was determined (e.g., average cost, specific identification). Fair value and cost basis of the entity's other insignificant crypto asset holdings may be aggregated into a single line item.
        - The nature and duration of restrictions on the sale of crypto assets, and circumstances that could cause a lapse in the restrictions.
        - All ASC 820 disclosure requirements for crypto assets.

    - At year-end, the following would be disclosed:
        - A reconciliation of activity for crypto holdings. The reconciliation would include information such as purchases, sales, gains, and losses during the period and a description of purchases and sales made during the period.
        - The difference between the sale price and the cost basis of crypto assets sold during the period.
- *Transition and effective date* — Upon adoption, a cumulative-effect adjustment would be recognized in retained earnings at the beginning of the annual period. Early adoption would be permitted, including in any interim period. All entities (including nonpublic entities) would be subject to the same transition and effective date requirements.
- *Next steps* — A proposed ASU will be issued with a 75-day comment period.

For more information about the Board's tentative decisions to date, see Deloitte's September 8, 2022; October 18, 2022; and December 23, 2022, *Heads Up* newsletters.

Appendix A — Titles of Standards and Other Literature

AICPA Literature

Accounting and Valuation Guide

Valuation of Privately-Held-Company Equity Securities Issued as Compensation

Audit and Accounting Guide

Revenue Recognition

Practice Aid

Accounting for and Auditing of Digital Assets

FASB Literature

ASC Topics

ASC 205, *Presentation of Financial Statements*

ASC 210, *Balance Sheet*

ASC 235, *Notes to Financial Statements*

ASC 260, *Earnings per Share*

ASC 270, *Interim Reporting*

ASC 275, *Risks and Uncertainties*

ASC 310, *Receivables*

ASC 320, *Investments — Debt Securities*

ASC 321, *Investments — Equity Securities*

ASC 323, *Investments — Equity Method and Joint Ventures*

ASC 325, *Investments — Other*

ASC 326, *Financial Instruments — Credit Losses*

ASC 330, *Inventory*

ASC 340, *Other Assets and Deferred Costs*

ASC 350, *Intangibles — Goodwill and Other*

ASC 360, *Property, Plant, and Equipment*

ASC 405, *Liabilities*

ASC 450, *Contingencies*

ASC 460, *Guarantees*

ASC 470, *Debt*

ASC 480, *Distinguishing Liabilities From Equity*

ASC 505, *Equity*

ASC 605, *Revenue Recognition*

ASC 606, *Revenue From Contracts With Customers*

ASC 610, *Other Income*

ASC 705, *Cost of Sales and Services*

ASC 710, *Compensation — General*

ASC 712, *Compensation — Nonretirement Postemployment Benefits*

ASC 715, *Compensation — Retirement Benefits*

ASC 718, *Compensation — Stock Compensation*

ASC 720, *Other Expenses*

ASC 730, *Research and Development*

ASC 740, *Income Taxes*

ASC 805, *Business Combinations*

ASC 808, *Collaborative Arrangements*

ASC 810, *Consolidation*

ASC 815, *Derivatives and Hedging*

ASC 820, *Fair Value Measurement*

ASC 825, *Financial Instruments*

ASC 840, *Leases*

ASC 842, *Leases*

ASC 845, *Nonmonetary Transactions*

ASC 848, *Reference Rate Reform*

ASC 860, *Transfers and Servicing*

ASC 940, *Financial Services — Brokers and Dealers*

ASC 944, *Financial Services — Insurance*

ASC 946, *Financial Services — Investment Companies*

ASC 985, *Software*

ASUs

ASU 2014-01, *Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects* — a consensus of the FASB Emerging Issues Task Force

ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*

ASU 2016-08, *Revenue From Contracts With Customers (Topic 606): Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)*

ASU 2016-10, *Revenue From Contracts With Customers (Topic 606): Identifying Performance Obligations and Licensing*

ASU 2016-12, *Revenue From Contracts With Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*

ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue From Contracts With Customers*

ASU 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*

ASU 2018-11, *Leases (Topic 842): Targeted Improvements*

ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* — a consensus of the FASB Emerging Issues Task Force

ASU 2019-08, *Compensation — Stock Compensation (Topic 718) and Revenue From Contracts With Customers (Topic 606): Codification Improvements — Share-Based Consideration Payable to a Customer*

ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

ASU 2020-06, *Debt — Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*

ASU 2021-02, *Franchisors — Revenue From Contracts With Customers (Subtopic 952-606): Practical Expedient*

ASU 2021-04, *Earnings per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* — a consensus of the FASB Emerging Issues Task Force

ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities From Contracts With Customers*

ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*

Concepts Statements

No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*

No. 8, *Conceptual Framework for Financial Reporting — Chapter 4,* Elements of Financial Statements

Proposed ASU

No. 2022-ED300, *Business Combinations — Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*

IRC

Section 382, "Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change"

Section 409A, "Inclusion in Gross Income of Deferred Compensation Under Nonqualified Deferred Compensation Plans"

IFRS Literature

IFRS 15, *Revenue From Contracts With Customers*

IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

SEC Literature

FRM

Topic 7, "Related Party Matters"

Topic 10, "Emerging Growth Companies"

Interpretive Release

No. 33-10751, *Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations*

Regulation S-K

Item 10(e), "General; Use of Non-GAAP Financial Measures in Commission Filings"

Item 103, "Business; Legal Proceedings"

Item 303, "Management's Discussion and Analysis of Financial Condition and Results of Operations"

Regulation S-X

Rule 3-13, "Filing of Other Financial Statements in Certain Cases"

Rule 5-03, "Statements of Comprehensive Income"

Rule 11-01, "Presentation Requirements"

SAB Topics

No. 1, "Financial Statements"

- No. 1.B, "Allocation of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity"
- No. 1.M, "Materiality"

No. 5.Y, "Miscellaneous Accounting; Accounting and Disclosures Relating to Loss Contingencies"

Securities Exchange Act of 1934

Section 13, "Periodical and Other Reports"

Section 15(d), "Registration and Regulation of Brokers and Dealers; Supplementary and Periodic Information"

Superseded Literature

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Section 5100.68, "Revenue Recognition: Fair Value of PCS in Perpetual and Multi-Year Time-Based Licenses and Software Revenue Recognition"

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Other Literature

FASB TRG Agenda Papers

TRG Agenda Paper 23, *Incremental Costs of Obtaining a Contract*

TRG Agenda Paper 41, *Measuring Progress When Multiple Goods or Services Are Included in a Single Performance Obligation*

TRG Agenda Paper 44, *July 2015 Meeting — Summary of Issues Discussed and Next Steps*

TRG Agenda Paper 57, *Capitalization and Amortization of Incremental Costs of Obtaining a Contract*

TRG Agenda Paper 59, *Payments to Customers*

TRG Agenda Paper 60, *November 2016 Meeting — Summary of Issues Discussed and Next Steps*

Appendix B — Abbreviations

Abbreviation	Description
AI	artificial intelligence
AICPA	American Institute of Certified Public Accountants
ASC	FASB Accounting Standards Codification
ASR	accelerated share repurchase
ASU	FASB Accounting Standards Update
BC	Basis for Conclusions
BCF	beneficial conversion feature
C&DI	SEC Compliance and Disclosure Interpretation
CAM	critical audit matter
CAQ	Center for Audit Quality
CCF	cash conversion feature
CECL	current expected credit loss
CIMA	Chartered Institute of Management Accountants
CPM	cost per mille
CRM	customer relationship management
DLOM	discount for lack of marketability
DTA	deferred tax asset
DTL	deferred tax liability
EBITDA	earnings before interest, taxes, depreciation, and amortization
EDGAR	SEC's Electronic Data Gathering, Analysis, and Retrieval System
EGC	emerging growth company
EITF	FASB Emerging Issues Task Force
EPS	earnings per share

Abbreviation	Description
ERP	enterprise resource planning
ex-TAC	excluding traffic acquisition costs
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FAST Act	Fixing America's Surface Transportation Act
FIFO	first in, first out
FinREC	AICPA Financial Reporting Executive Committee
FRM	SEC Financial Reporting Manual
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IC	independent contractor
ICFR	internal control over financial reporting
IFRS	International Financial Reporting Standard
IoT	Internet of Things
IP	intellectual property
IPO	initial public offering
IPR&D	in-process research and development
IRC	Internal Revenue Code
IT	information technology

Abbreviation	Description
JOBS Act	Jumpstart Our Business Startups Act
KPI	key performance indicator
LIBOR	London Interbank Offered Rate
LIFO	last in, first out
LLC	limited liability company
M&A	merger and acquisition
MD&A	Management's Discussion and Analysis
NFT	nonfungible token
NOL	net operating loss
OCA	SEC's Office of the Chief Accountant
OEM	original equipment manufacturer
PBE	public business entity
PCAOB	Public Company Accounting Oversight Board
PCS	postcontract customer support
Q&A	question and answer
R&D	research and development
RMN	retail media network
ROU	right-of-use

Abbreviation	Description
S&P 500	Standard & Poor's 500 stock market index
SaaS	software as a service
SAB	SEC Staff Accounting Bulletin
Sarbanes-Oxley	Sarbanes-Oxley Act of 2002
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933
SG&A	selling, general, and administrative
SKU	separate stock-keeping unit
SPAC	special-purpose acquisition company
SRC	smaller reporting company
SSP	stand-alone selling price
TMT	Technology, Media, & Telecommunications
TPA	AICPA Technical Practice Aid
TRG	FASB/IASB transition resource group for revenue recognition
VIE	variable interest entity
XaaS	everything as a service