

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 211

[Release No. SAB 116]

Staff Accounting Bulletin No. 116

AGENCY: Securities and Exchange Commission.

ACTION: Publication of Staff Accounting Bulletin.

SUMMARY: This staff accounting bulletin modifies portions of the interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with authoritative accounting guidance and Securities and Exchange Commission rules and regulations. Specifically, the staff is updating the Series in order to bring existing guidance into conformity with the

Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.

DATES: Effective: August 29, 2017.

FOR FURTHER INFORMATION CONTACT: Ruth Uejio, Professional Accounting Fellow or Sylvia Alicea, Professional Accounting Fellow, Office of the Chief Accountant at (202) 551-5300 or Nili Shah, Deputy Chief Accountant, Division of Corporation Finance at (202) 551-3400, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549.

SUPPLEMENTARY INFORMATION: The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of

the Chief Accountant in administering the disclosure requirements of the federal securities laws.

List of Subjects in 17 CFR Part 211

Accounting, Reporting and recordkeeping requirements, Securities.

Dated: August 18, 2017.

Jill M. Peterson, Assistant Secretary.

Accordingly, part 211 of title 17 of the Code of Federal Regulations is amended as follows:

PART 211—INTERPRETATIONS RELATING TO FINANCIAL REPORTING MATTERS

■ 1. Amend the table in subpart B by adding an entry for Staff Accounting Bulletin No. 116 at the end of the table to read as follows:

Subpart B—Staff Accounting Bulletins

Subject	Release No.	Date	Fed. Reg. vol. and page
* * * * *	* * * * *	* * * * *	* * * * *
Publication of Staff Accounting Bulletin No. 116	SAB-116	August 29, 2017	[INSERT Federal Register CITATION.]

Note: The text of SAB 116 will not appear in the Code of Federal Regulations.

Staff Accounting Bulletin No. 116

This staff accounting bulletin ("SAB") modifies portions of the interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with current authoritative accounting and auditing guidance and Securities and Exchange Commission ("Commission") rules and regulations. Specifically, the staff is updating the Series in order to bring existing guidance into conformity with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"). The FASB adopted ASC Topic 606 through its issuance of Accounting Standards Update ("ASU") No. 2014-09—*Revenue from Contracts with Customers* (Topic 606).¹ In

addition, the Commission has updated its interpretative guidance related to bill and hold arrangements and vaccine stockpiles.² This SAB provides guidance applicable upon a registrant's adoption of ASC Topic 606. Prior to adoption of ASC Topic 606, registrants should continue to refer to prior Commission and staff guidance on revenue recognition topics.

The following describes the changes made to the Staff Accounting Bulletin Series that are presented at the end of this release:

1. Topic 13: Revenue Recognition

a. Topic 13 is no longer applicable upon a registrant's adoption of ASC Topic 606. This topic provided the staff's views regarding then-existing general revenue recognition guidance as codified in ASC Topic 605. ASC Topic 606 provides a single set of revenue recognition principles governing all contracts with customers and supersedes the existing revenue recognition framework in ASC Topic

from Contracts with Customers (Topic 606)—Additional Corrections.

² See *Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements*, Release No. 33-10402 (Aug. 18, 2017) and *Updates to Commission Guidance Regarding Accounting for Sales of Vaccines and Bioterror Countermeasures to the Federal Government for Placement into the Pediatric Vaccine Stockpile or the Strategic National Stockpile*, Release No. 33-10403 (Aug. 18, 2017).

605, which eliminates the need for Topic 13. Additionally, upon adoption of ASC Topic 606, a registrant should no longer look to the guidance in Securities Exchange Act Release No. 23507 and Accounting and Auditing Enforcement Release No. 108, *In the Matter of Stewart Parness* ("AAER 108"), for criteria to be met in order to recognize revenue when delivery has not occurred (commonly referred to as "bill-and-hold") as ASC Topic 606 provides specific guidance for bill-and-hold arrangements.³ Prior to adoption of ASC Topic 606, registrants should continue to refer to prior Commission and staff guidance on revenue recognition topics.

2. Topic 8: Retail Companies

a. Topic 8 is no longer applicable upon a registrant's adoption of ASC Topic 606. This topic provided the staff's views regarding (i) the prohibition of presenting sales of a leased or licensed department within a retailer's statement of comprehensive income consistent with the principles codified within ASC Subtopic 605-45 and (ii) the disclosure of finance charges imposed by retailers on credit sales. ASC Topic 606 provides guidance regarding the identification of performance obligations in a contract with a customer, presentation of revenue as a principal (on a gross basis)

³ Release No. 33-10402.

¹ ASC Topic 606 was subsequently amended through the issuances of ASU No. 2015-14—*Deferral of the Effective Date*, ASU No. 2016-08—*Revenue from Contracts with Customers* (Topic 606) Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU No. 2016-10—*Revenue from Contracts with Customers* (Topic 606) Identifying Performance Obligations and Licensing, ASU No. 2016-12—*Revenue from Contracts with Customers* (Topic 606) Narrow-Scope Improvements and Practical Expedients, and ASU No. 2016-20—*Technical Corrections and Improvements to Update No. 2014-09, Revenue*

or as an agent (on a net basis) as well as presentation of the effects of financing in the statement of comprehensive income, which eliminates the need for the guidance in Topic 8. Prior to adoption of ASC Topic 606, registrants should continue to refer to prior Commission and staff guidance on revenue recognition topics.

3. Topic 11: Miscellaneous Disclosure

a. Topic 11.A is modified to clarify that revenues from operating-differential subsidies presented under a revenue caption should be presented separately from revenue from contracts with customers accounted for under ASC Topic 606. Previously, Topic 11.A provided the staff's view that revenues from operating-differential subsidies be presented as a separate line item in the income statement either under a revenue caption or as credit in the costs and expenses section.

Accordingly, the staff hereby amends the Staff Accounting Bulletin Series as follows:

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Topic 13: Revenue Recognition

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C. Impact of a Registrant's Adoption of FASB ASC Topic 606, Revenue From Contracts With Customers

Topic 13 is no longer applicable upon a registrant's adoption of ASC Topic 606. Topic 13 provides the staff's views regarding the general revenue recognition guidance codified in ASC Topic 605. ASC Topic 606 provides a single set of revenue recognition principles governing all contracts with customers and supersedes the revenue recognition framework in ASC Topic 605, which eliminates the need for Topic 13. Prior to adoption of ASC Topic 606, registrants should continue to refer to prior Commission and staff guidance on revenue recognition topics.

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Topic 8: Retail Companies

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C. Impact of a Registrant's Adoption of FASB ASC Topic 606, Revenue From Contracts With Customers

Topic 8 is no longer applicable upon a registrant's adoption of ASC Topic 606. Topic 8 provides the staff's views regarding (i) the prohibition of presenting sales of a leased or licensed department within a retailer's statement of comprehensive income consistent with the principles codified within ASC Subtopic 605-45 and (ii) the disclosure of finance charges imposed by retailers on credit sales. ASC Topic 606 provides

guidance regarding the identification of performance obligations in a contract with a customer, presentation of revenue as a principal (on a gross basis) or as an agent (on a net basis) as well as presentation of the effects of financing in the statement of comprehensive income, which eliminates the need for the guidance in Topic 8. Prior to adoption of ASC Topic 606, registrants should continue to refer to prior Commission and staff guidance on revenue recognition topics.

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Topic 11.A. Operating-Differential Subsidies

Facts: Company A has received an operating-differential subsidy pursuant to the Merchant Marine Act of 1936, as amended.

Question: How should such subsidies be displayed in the statement of comprehensive income?

Interpretive Response: Revenue representing an operating-differential subsidy under the Merchant Marine Act of 1936, as amended, must be set forth as a separate line item in the statement of comprehensive income either under a revenue caption presented separately from revenue from contracts with customers accounted for under ASC Topic 606 or as a credit in the costs and expenses section.

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[FR Doc. 2017-17912 Filed 8-28-17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 231, 241, and 271

[Release Nos. 33-10402; 34-81428; IC-32784]

Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation.

SUMMARY: The Commission is publishing this interpretive release in order to bring existing guidance into conformity with Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Upon adoption of Accounting Standards Codification Topic 606, registrants should no longer rely on the guidance in Securities Exchange Act Release No. 23507 and Accounting and Auditing Enforcement Release No. 108, *In the Matter of Stewart Parness*, which set

forth the criteria to be met in order to recognize revenue when delivery has not occurred.

DATES: Effective: August 29, 2017.

FOR FURTHER INFORMATION CONTACT: Kevin L. Vaughn, Senior Associate Chief Accountant, or Joseph R. Epstein, Professional Accounting Fellow, Office of the Chief Accountant, at (202) 551-5300, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-6561. Inquiries about this interpretive release also can be directed to oca@sec.gov.

SUPPLEMENTARY INFORMATION:

I. Background

In 1986, in Securities Exchange Act Release No. 23507 and Accounting and Auditing Enforcement Release No. 108, *In the Matter of Stewart Parness* ("AAER 108"), the Commission set forth criteria to be met in order to recognize revenue when delivery has not occurred (commonly referred to as "bill-and-hold").¹ The Commission staff reiterated this guidance in Staff Accounting Bulletin ("SAB") Topic 13, *Revenue Recognition*. SAB Topic 13 expressed the staff's views on the basic principles of revenue recognition in then-existing generally accepted accounting principles and summarized in one location the existing guidance on revenue recognition to make that guidance more accessible to registrants and their auditors.

II. The Application of Generally Accepted Accounting Principles for Revenue Recognition Related to Bill-and-Hold Arrangements

The Commission historically has recognized pronouncements of the Financial Accounting Standards Board ("FASB") as authoritative in the absence of any contrary determination by the Commission.² In Financial Reporting Release No. 70,³ the Commission stated its determination that the FASB and its parent organization, the Financial Accounting Foundation, satisfied the criteria in Section 19(b) of the Securities Act of 1933⁴ and, accordingly, FASB's financial accounting and reporting standards are recognized as "generally accepted" for purposes of the federal

¹ See *In the Matter of Stewart Parness*, AAER 108 (Aug. 5, 1986).

² Rule 4-01(a)(1) of Regulation S-X, 17 CFR 210.4-01(a)(1). See Accounting Series Release ("ASR") No. 150 (Dec. 20, 1973) and ASR No. 4 (Apr. 25, 1938).

³ *Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter*, Release Nos. 33-8221; 34-47743; IC-26028; FR-70 (Apr. 25, 2003) ("FR-70"); 68 FR 23333 (May 1, 2003).

⁴ 15 U.S.C. 77s(b).