

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*.

EFFECTIVE DATE: August 29, 2017.

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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.

Jill M. Peterson

Assistant Secretary

August 18, 2017.

PART 211 — [AMENDED]

Accordingly, Part 211 of Title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 116 to the table found in Subpart B.

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

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 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).

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 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

³ Release No. 33-10402.

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.

3. Topic 11: Miscellaneous Disclosure

a. Topic 11.A is modified to clarify that revenues from operating-differential subsidiaries 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 subsidiaries 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:

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

TOPIC 13: REVENUE RECOGNITION

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.

TOPIC 8: RETAIL COMPANIES

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.

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.
