

Bond Case Briefs

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GASB Requests Input on Revenue and Expense Recognition Proposals.

Norwalk, CT, June 30, 2020 — The Governmental Accounting Standards Board (GASB) today issued for public feedback a [Preliminary Views](#) (PV) on revenue and expense recognition model proposals.

The Board added this project to its technical agenda with the intent of:

- Developing guidance applicable to topics for which existing guidance is limited,
- Improving existing guidance that has been identified as challenging to apply,
- Considering inclusion of a performance obligation approach in the GASB's authoritative literature, and
- Assessing existing and proposed guidance based on the conceptual framework.

The PV, *Revenue and Expense Recognition*, is intended to present the Board's current thinking about the development of a comprehensive, principles-based model that establishes categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions, which, if adopted as standards, is expected to enhance the usefulness of information governments report on their revenues and expenses.

The Board introduced in the PV a new methodology for categorizing transactions, which is then used as a basis for applying recognition proposals. Determining the transaction category would be based on the assessment of specific characteristics that a binding arrangement may or may not contain. This categorization methodology is intended to identify transactions with performance obligations.

If a transaction is determined to have a performance obligation based on the categorization characteristics, the associated revenue or expense would be recognized based on the satisfaction of the performance obligation. For transactions that are determined not to have a performance obligation, the Board proposed specific recognition guidance based on the various subcategories of transactions (for example, derived taxes, such as income and sales taxes and imposed taxes, such as property taxes).

Stakeholders are asked to review and provide input on the document by February 26, 2021. A series of public hearings and user forums on the PV tentatively have been scheduled to enable stakeholders to share their views with the Board.