# North Carolina State Controller's Office June 5, 2019

# **Revenue and Expense Recognition**



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Revenue and Expense Recognition

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# Revenue and Expense Recognition

#### What:

The Board is redeliberating stakeholder input on an Invitation to Comment as part of developing a comprehensive model for recognition of revenues and expenses

#### Why:

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

#### When:

Redeliberations began in June 2018

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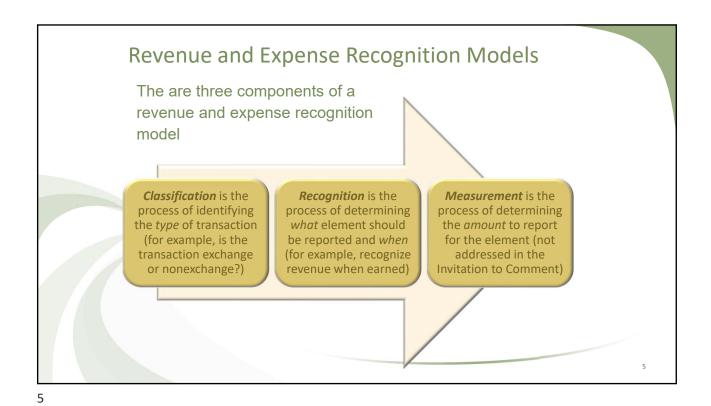
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# **Project Scope**

The project scope broadly encompasses revenue and expense recognition but *excludes* the following:

Topics with guidance developed considering the current conceptual framework	Topics related to financial instruments	Topics related to transactions arising from recognition of capital assets or certain liabilities
For example, pensions and other post-employment benefits	For example, investments, derivatives, leases, and insurance	For example, depreciation, asset retirement obligations, and pollution remediation obligations

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Revenue and Expense Recognition Models The are four components of a revenue and expense recognition model Recognition is the *Classification* is the Basis of Accounting is process of process of identifying *Measurement* is the the process of determining what the type of process of identifying when an element should be element should be transaction (for determining what reported and when, example, is the amount to report for reported - for and then recording transaction exchange the element. example, recognize the transaction on the or nonexchange?) revenue when earned accounting records.

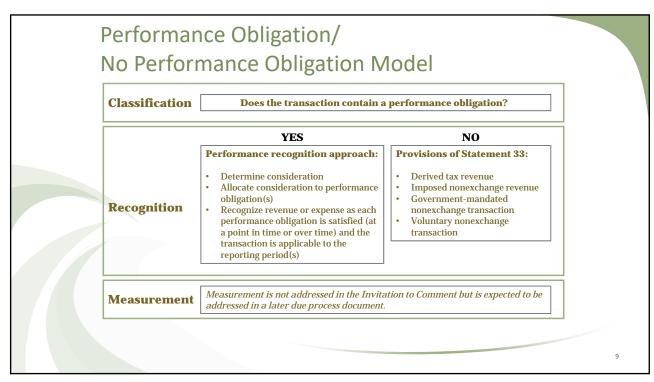
### NonExchange

- GASB Statement No. 33 would be followed:
- Derived tax revenues
  - · Income taxes & Sales Taxes
- Imposed nonexchange revenues
  - Property tax & Fines
- Government-mandated nonexchange revenues & expenses
  - Federal grants for programs local govt is required to peforem/enabling
- Voluntary nonexchange revenues and expenses
  - Grants

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## Exchange/Nonexchange Model

Classification Is the transaction an exchange? **Earnings recognition Provisions of Statement 33:** approach: Derived tax revenue Government controls a resource, Imposed nonexchange revenue Recognition or incurs an obligation to Government-mandated sacrifice a resource, nonexchange transaction and Voluntary nonexchange The change in net assets is not transaction applicable to a future period Measurement was not addressed in the Invitation to Comment but is Measurement expected to be addressed in a later due process document.



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# **Project Timeline**

Pre-Agenda Research Started	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleared	January 23, 2018
Redeliberations Began	June 2018
Preliminary Views Expected	2 <sup>nd</sup> Qtr. 2020

Exposure Draft Expected 4<sup>th</sup> Quarter 2021 Final Standard Expected 1<sup>st</sup> Quarter 2023

