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Technical Line

FASB — final guidance

Revenue recognition considerations for the effects of the COVID-19 pandemic

In this issue:

What you need to know

- Companies need to continue to consider the revenue accounting and disclosure implications of the COVID-19 pandemic and its economic effects.
- Areas of revenue recognition that may be affected include variable consideration, contract modifications and terminations, collectibility and any extended payment terms, customer incentives and changes to selling prices, loss contracts, and capitalized contract costs.
- This publication summarizes the requirements of ASC 606 and provides questions for companies to consider.

Overview

Companies may need to make judgments and estimates about revenue recognition, due to the COVID-19 pandemic and its economic effects. To help companies evaluate the potential effects on revenue recognition, we summarize the requirements of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers,* and provide questions for companies to consider to help them apply the guidance.

We also provide references to our Financial reporting developments (FRD) publication on ASC 606, which provides more details about the requirements and examples of how to apply them, and our Technical Line publication, *Accounting and reporting considerations for the effects of the coronavirus outbreak*.

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Appendix: Revenue recognition considerations related to the COVID-19 pandemic

Topic A: Variable consideration	EY publications
Accounting and reporting considerations The COVID-19 pandemic could affect revenue estimates in ongoing customer contracts in the scope of ASC 606, if there was a known variable component at contract inception. Examples of variable consideration estimates that may have changed due to the pandemic are expected returns of goods and expectations about both contract volume and whether a company will meet contractual conditions for performance bonuses or penalties. Companies will need to determine whether the economic effects of the COVID-19 pandemic have caused them to revise their expectations because, when a contract with a customer includes variable consideration, a company is generally required to estimate, at contract inception and throughout the contract term, the amount of consideration to which it will be entitled. The company must also consider whether that estimate is required to be constrained so that the transaction price only includes the estimated amount of variable consideration for which it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainties related to the variability are resolved. Estimates of variable consideration are required to be updated throughout the contract term to depict conditions that exist at each reporting date. This will involve updating the estimate of variable consideration (including any amounts that are constrained) to reflect a company's revised expectations about the amount of consideration to which it expects to be entitled, considering uncertainties that are resolved or new information about uncertainties related to the COVID-19 pandemic. Changes to the transaction price related to a change in estimates of variable consideration that are not a result of contract modifications should be allocated to the performance obligations in the contract on the same basis as at contract inception. Companies should also consider whether the variable consideration allocation exception can be applied (or can continue to be applied). Companies should update disclosures related to information about the methods, inputs and assumptions used for estimating variable consideration and assessing whether an estimate of variable consideration is constrained. Companies should also consider the requirements to disclose the judgments and changes in judgments that significantly affect the determination of the amount and timing of revenue.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 3.1.5, Section 4.7, Section 5.2, Section 5.3, Section 5.4, Section 5.7.3, Section 6.3, Section 6.5, Section 10.5 and Section 10.6 EY Technical Line, *Accounting and reporting considerations for the effects of the coronavirus outbreak*, "Revenue recognition" section

Questions	Response	Potential implications
1. Has the COVID-19 pandemic disrupted the company's supply chain or other aspects of the business such that it is more likely that the company will pay penalties for late delivery, service level credits or other liquidated damages?	Yes | No	If yes, the company may need to update its estimates related to penalties and reduce the transaction price.
2. Has the COVID-19 pandemic caused disruptions to the company's business or the market that could impact expectations about whether performance incentives or bonuses will be achieved?	Yes | No	If yes, the company may need to update its estimates related to incentives or bonuses and reduce the transaction price.
3. Does the company expect more returns or refunds than previously estimated as a result of the COVID-19 pandemic?	Yes | No	If yes, the company may need to update its estimates related to refunds or returns and reduce the transaction price.
4. Do the company's contracts include any price protection or price-matching clauses that apply retrospectively and could be triggered by a decrease in the company's prices resulting from the outbreak of COVID-19?	Yes | No	If yes, the company may need to update its estimates related to these clauses and reduce the transaction price.
5. Have the company's expectations for volume purchases in contracts with retrospective volume-based rebates, coupons or discounts changed as a result of the COVID-19 pandemic?	Yes | No	If yes, the company may need to update its estimates related to its volume-based rebates, coupons or other discount plans. The accounting for volume-based rebates, coupons or discounts will depend on whether a rebate or discount program is applied retrospectively or prospectively.

6. Does the COVID-19 pandemic impact the company's expectations related to any other sources of variable consideration (e.g., changes in demand or usage related to per-unit or usage-based fees that are not accounted for as sales-based royalties under the licenses guidance, other discounts)?	Yes | No	If yes, the company may need to update its estimates of variable consideration.
7. Do any changes in the pricing of the contract as a response to the COVID-19 pandemic affect the company's prior conclusion to apply the variable consideration allocation exception?	Yes | No	If yes, the company may need to estimate the transaction price and reallocate it among the performance obligations.

Topic B: Contract modifications and terminations	EY publications
Accounting and reporting considerations Companies may be more likely to modify contract terms during the COVID-19 pandemic to accommodate customers struggling in the current economic environment. Customers may also be more likely to terminate contracts. A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. Contract modifications include terminations and partial terminations. Examples of contract modifications that may arise in the current economic environment include revising or extending payment terms, providing discounts, or reducing the quantity of goods or services that will be transferred in the contract. Changes that introduce variable or contingent consideration in a previously fixed-price contract are also examples of contract modifications. Determining when a contract has been modified under ASC 606 can be complicated. The company will need to determine whether the negotiations themselves create enforceable rights and obligations. For example, a contract modification could be approved in writing or by oral agreement or implied by customary business practices. However, a contract modification may also exist even if the parties to the contract have a dispute about the scope or price (or both) of the modification or the parties have approved a change in the scope of the contract but have not yet determined the corresponding change in price, as long as the changes are enforceable rights and obligations in the contract. Determining whether a new contract with an existing customer is a modification of an existing contract also may require judgment. When making this determination, we believe companies should consider the facts and circumstances, as well as the factors included in the contract combination requirements. The factors are (1) whether the contracts were negotiated as a package with a single commercial objective, (2) whether the amount of consideration to be paid in one contract depends on the price or performance of the other contract, or (3) whether the goods or services in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation. When a contract modification is identified, a company must determine whether the modification should be accounted for as (1) a separate contract, (2) a termination of the existing contract and the creation of a new contract, (3) a part of the existing contract or (4) a combination of (2) and (3). If a company's pricing for its goods and services is changing as a result of the COVID-19 pandemic, determining the appropriate accounting for contract modifications may be more difficult. This is because the accounting for modifications partially depends on whether goods and services are added at standalone selling price (SSP). Refer to Topic D, *Other customer incentives and changes to selling prices*, for additional SSP considerations. Companies may also find that their "customary" business practices need to change during this time. For example, it may not be possible to receive physical signatures on all contracts because their counterparties may be working remotely. Therefore, it will be important for companies to carefully evaluate whether their revised contract approval process creates a contract with enforceable rights and obligations between themselves and their customers. Companies are also encouraged to collaborate across departments, such as sales, legal and accounting, when determining exactly what kinds of contract changes may be occurring due to customer requests. This is because not all contract changes are agreed upon in writing and, therefore, may not be as easily identifiable in the reporting period when the change occurs.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Sections 3.2 through 3.4 EY Technical Line, *Accounting and reporting considerations for the effects of the coronavirus outbreak*, "Revenue recognition" section

Questions	Response	Potential implications
1. Has the company entered into any written amendments or agreed to any changes to a contract with the customer through email, oral communication or customary business practice as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether the change meets the definition of a contract modification. If the change represents a contract modification because it changes the scope or price of the contract, the company will need to determine the appropriate accounting under the modification guidance. If a contract is modified to add termination provisions, we believe a company would be required to reassess the contract's duration (i.e., the period in which parties to the contract have present enforceable rights and obligations).
2. Has the COVID-19 pandemic triggered any terms in a contract with a customer that may automatically change or require renegotiation of the scope or price of the contract (e.g., delays that entitle a company to compensation for costs incurred)?	Yes | No	If yes, the company will need to determine whether the change meets the definition of a contract modification. If the change represents a contract modification, the company will need to determine the appropriate accounting under the modification guidance.
3. Is the company in the process of negotiating any changes to the price or scope of any contracts with the customer because of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether the negotiations create enforceable rights and obligations. When the company determines that the revised rights and obligations are enforceable, it should account for the contract modification in the period in which the enforceable rights and obligations are created.
4. Have any of the company's customers terminated entire contracts or partially terminated any contracts (e.g., shortened the term or reduced the number of units to be provided)?	Yes | No	If yes, the company will need to determine the appropriate accounting under the modification guidance.

Topic C: Collectibility and extended payment terms	EY publications
Accounting and reporting considerations The COVID-19 pandemic may impact customers' ability and intent to pay, and companies may be more willing to accept partial payment or extend payment terms. Companies will need to determine how to account for these changes. Specifically, companies will need to consider the effects on their ASC 606 collectibility assessments, estimates of variable consideration at contract inception and identification of significant financing components in addition to their credit loss reserve calculations under other guidance. Companies will also need to consider whether any changes to contracts with existing customers need to be accounted for as contract modifications (see Topic B). Companies entering into new contracts with customers will need to carefully consider their customer's ability and intent to pay when assessing the contract in Step 1 at contract inception. For an arrangement to be accounted for as a revenue contract, it must be probable that the company will collect substantially all of the consideration to which it expects to be entitled in exchange for the goods or services that will be transferred to the customer. In performing this collectibility assessment under ASC 606, companies will first need to determine the transaction price in Step 3 of the model using the most current information available. The contract price and transaction price will differ if a company concludes, at contract inception, that it has offered or is willing to accept a price concession (a form of variable consideration). A company may accept a lower price than the amount stated in the contract to develop or enhance a customer relationship, or the customer may have a reasonable expectation that the company will reduce its price based on the company's customary business practices. A company deducts from its contract price any estimated price concessions to derive the transaction price at contract inception (i.e., the amount the company expects to be entitled in exchange for the goods or services that will be transferred to the customer). The ASC 606 collectibility assessment is then performed on the transaction price.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 3.1.5, Section 3.4, Section 3.5, Section 5.2.1.1, Section 5.5, Section 10.5 and Section 10.6 EY Technical Line, Accounting and reporting considerations for the effects of the coronavirus outbreak, "Revenue recognition" and "Financing receivables and contract assets" sections

A company also has to determine whether an allowance for credit losses is required under ASC 310 or ASC 326 once it adopts the new standard.

Offering extended payment terms to customers may also indicate that the contract includes a significant financing component. When there is a significant financing component, a company needs to adjust the transaction price for the effects of the time value of money if the timing of payments agreed to by the parties in the contract provides the customer or the company with a significant financing benefit.

Variable consideration also may result from extended payment terms in a contract and any resulting uncertainty about whether the company will be willing to accept a lower payment amount in the future. That is, a company has to evaluate whether the extended payment terms indicate that it is offering an implied price concession because the company does not intend to collect all amounts due in future periods.

When the amount an entity expects to collect changes after contract inception, the entity may need to exercise significant judgment to determine whether that change is due to (1) a change in estimate of the variable consideration identified at contract inception (and, therefore, accounted for as a change in the transaction price as discussed in Topic A) or (2) a credit issue (e.g., a known decline in a customer's operations, a bankruptcy filing) that should be accounted for as bad debt (i.e., outside of revenue). This determination will likely require entities to establish policies to differentiate between price concessions and customer credit events. When there are changes to contracts with existing customers, companies also need to determine whether there is a contract modification — a change in the scope or price (or both) of a contract that is approved by the parties to the contract (see Topic B).

Companies will also need to exercise judgment to determine whether changes in the facts and circumstances related to a customer's ability and intent to pay the consideration in the contract are significant enough to indicate that a contract no longer exists and revenue should no longer be recognized. This is because ASC 606 requires an entity to reassess whether it is probable that it will collect the consideration to which it will be entitled when significant facts and circumstances change.

Companies should update disclosures related to significant payment terms, revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods, transaction price allocated to unsatisfied performance obligations, the determination of the transaction price (including estimating variable consideration), and impairment losses recognized on receivables or contract assets.

Questions	Response	Potential implications
1. Does the company expect to accept partial payment related to a new contract as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether the expected partial payment indicates that there is an implied price concession (recognized as variable consideration), there is an impairment loss (recognized as credit loss expense) or the agreement lacks sufficient substance to be considered a contract under ASC 606 (i.e., the collectibility criterion is not met).
2. Do any new contracts contain extended payment terms as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether the extended payment terms indicate there is an implied price concession (recognized as variable consideration) or the contract includes a significant financing component. In addition, the company should consider the payment terms and expectations related to the economic environment in its assessment of the customer's ability and intent to pay the amount to which the company expects to be entitled in its assessment of the collectibility criterion.
3. Has the company extended the payment terms related to existing contracts as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will likely determine that there has been a contract modification (see Topic B).

4. Has the company entered into new contracts with customers in which it believes that it is not probable that the company will collect substantially all of the consideration to which it will be entitled considering the customer's ability and intent to pay that amount of consideration when due as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether the collectibility criterion is met at contract inception.
5. Does the company believe that customers with existing contracts have experienced a significant change in their financial condition such that their ability and intent to pay have significantly deteriorated as a result of the COVID-19 pandemic?	Yes | No	If yes, the company will need to determine whether that change is due to (1) a change in estimate of variable consideration identified at contract inception (see Topic A) or (2) a credit issue that should be accounted for as bad debt. A company may also need to reassess the collectibility criterion to determine whether a contract with a customer still exists.

Topic D: Other customer incentives and changes to selling prices	EY publications
Accounting and reporting considerations Companies may provide other incentives to adjust to customer demand and needs during the COVID-19 pandemic, such as free goods and services, options for additional goods and services at a discount (e.g., additional loyalty points or prospective coupons or discounts) or up-front cash payments to customers. Companies may also change the pricing of their goods and services or offer to hold finished goods for customers that are unable or unwilling to receive them. The accounting for free goods and services will depend on the facts and circumstances of the offer. An offer that creates new enforceable rights and obligations or changes the enforceable rights and obligations of the parties to an existing contract is accounted for as a contract modification as discussed in Topic B. In some cases, an offer may not result in a contract modification and is accounted for as a marketing offer (i.e., expense). To determine whether the offer creates new or changes existing enforceable rights and obligations of the existing contract with a customer, the following non-exhaustive considerations will likely be relevant: ‣ Is the offer the result of negotiations with a specific customer or group of customers? ‣ Is the same offer available to both existing customers and noncustomers? ‣ For an offer only available to existing customers, is it available to a broad group of (or all) current customers and not the result of negotiations with individual customers? ‣ Does the company have the right to rescind the offer? In addition, as discussed in Topic B, we believe that the accounting principles for determining when contracts should be combined under ASC 606 will also be helpful when determining whether an offer for free goods or services is a contract modification. Companies also will need to consider any up-front payments to customers as consideration payable to a customer. Companies account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the company. Further, if companies change the pricing of their goods and services, they will need to determine whether the SSP of their goods and services should be updated for new contracts or upon certain contract modifications. SSP is determined at contract inception and should not be updated after contract inception, unless the contract has been modified (and the modification is not treated as part of the existing contract). Finally, companies will need to determine any impacts to the timing of revenue recognition resulting from customer requests to hold finished goods at the company's site. Companies will need to specifically consider the bill-and-hold guidance, which includes additional criteria that must be met (in addition to the control indicators in ASC 606-10-25-30) for revenue to be recognized for the sale of a good in a bill-and-hold arrangement. Companies should consider updating disclosures related to the timing of satisfaction of performance obligations (including bill-and-hold arrangements), significant payment terms, the nature of the goods and services provided, determining the transaction price and allocating the transaction price (including estimates of SSP).	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 3.1, Section 4.1, Section 4.2, Section 4.3, Section 4.6, Section 5.7, Section 6.1, Section 6.5, Section 7.5, Section 10.5 and Section 10.6 EY Technical Line, *Accounting and reporting considerations for the effects of the coronavirus outbreak*, "Revenue recognition" section

Questions	Response	Potential implications
1. Is the company offering customers or noncustomers free goods or services as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should consider the facts and circumstances of the offer to determine the appropriate accounting. An offer that creates new enforceable rights and obligations or changes the existing enforceable rights and obligations of the parties to an existing contract is accounted for as a contract modification, as discussed in Topic B. An offer that is not a contract modification is generally accounted for as a marketing offer.
2. Is the company offering new discounts or coupons on future purchases to customers with existing contracts as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should consider the facts and circumstances of the offer to determine the appropriate accounting. An offer that creates new enforceable rights and obligations or changes the existing enforceable rights and obligations of the parties to an existing contract is accounted for as a contract modification, as discussed in Topic B. An offer that is not a contract modification is generally accounted for as a marketing offer.
3. Did the company create a new loyalty program, or modify an existing one, as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should consider the facts and circumstances of the offer to determine the appropriate accounting. An offer that creates new enforceable rights and obligations or changes existing enforceable rights and obligations of the parties to an existing contract is accounted for as a contract modification, as discussed in Topic B. If the company modified an existing loyalty program, it should consider whether any estimates related to the program (e.g., breakage) should be reassessed.
4. Has the company made any up-front cash payments to customers to incentivize execution of agreements as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether the up-front payment should be accounted for as a reduction to the transaction price based on the evaluation of the guidance for consideration payable to a customer.
5. Does the company expect to lower prices as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether the SSP of its goods and services should be updated for new contracts or upon certain contract modifications.
6. Have any customers requested that the company hold finished goods at the company's site for which the customer has already been invoiced?	Yes | No	If yes, the company should determine whether control of the finished goods has transferred to the customer (including consideration of the bill-and-hold guidance). If the company decides control of the finished goods has transferred to the customer (and the company recognizes revenue for the sale of the good on a bill-and-hold basis), the company should consider whether it has remaining performance obligations (e.g., custodial services).

Topic E: Other estimates	EY publications
Accounting and reporting considerations The COVID-19 pandemic may impact other contract estimates, such as the measure of progress and breakage. This is because the pandemic may disrupt business, change customer behavior or impact customer liquidity. For each performance obligation satisfied over time, a company recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. Methods used to measure progress may be input or output methods and may be based on costs incurred, resources consumed, labor hours expended or other factors. As circumstances change over time, a company updates its measure of progress to reflect any changes to the timing of its satisfaction of the performance obligation. Such changes to a company's measure of progress are accounted for as a change in accounting estimate in accordance with ASC 250, *Accounting Changes and Error Corrections*. As a result, companies may need to use judgment to determine how business disruptions resulting from the COVID-19 pandemic may impact the company's estimate of its measure of progress. For example, business disruptions may impact a company's ability or costs to perform the contract. Companies may currently estimate breakage related to payments for unexercised customer rights. In estimating any breakage amount, a company has to consider the constraint on variable consideration. That is, if it is probable that a significant revenue reversal would occur for any estimated breakage amounts, a customer should not recognize those amounts until the breakage amounts are no longer constrained. As a result, companies may need to use judgment to determine whether updates to breakage estimates are required. For example, airlines may determine that nonrefundable tickets will not be used by customers due to reduced travel during the COVID-19 pandemic, or the company may waive contractual restrictions that could also affect estimates of breakage. On the other hand, lower customer liquidity may cause customers to use gift cards more than the company originally expected. The COVID-19 pandemic could also impact other estimates. Companies should consider updating disclosures related to the timing of satisfaction of performance obligations (including the methods used to recognize revenue) as well as the requirements to disclose the judgments and changes in judgments that significantly affect the determination of the amount and timing of revenue.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 7.1.4, Section 7.9, Section 10.5 and Section 10.6

Questions	Response	Potential implications
1. Has the company experienced any business disruptions or customer requests that may impact the costs or timing of satisfying a performance obligation over time as a result of COVID-19 (e.g., customer requests a service "pause")?	Yes | No	If yes, the company should determine whether its measure of progress estimates need to be updated.
2. Does the company currently estimate breakage?	Yes | No	If yes, the company should determine whether breakage estimates need to be updated.
3. Does the company perform any other estimates under ASC 606 that may be impacted by the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether those estimates need to be updated.

Topic F: Loss contracts	EY publications
Accounting and reporting considerations The COVID-19 pandemic may cause contracts with customers to be in a loss position. This is because companies may incur additional costs to satisfy their performance obligations or receive less consideration from customers. While guidance exists for some industries or for certain types of transactions, there is no general authoritative guidance on when to recognize losses on onerous contracts and, if a loss is to be recognized, how to measure the loss. If a contract is in the scope of any industry- or contract-specific loss guidance that remains applicable after the adoption of ASC 606 (e.g., ASC 605-35, *Revenue Recognition — Construction-Type and Production-Type Contracts*), companies are required to follow that guidance to accrue expected losses. While we understand diversity in practice exists in the accounting for loss contracts that are not within the scope of specific authoritative literature, we generally believe that, absent specific authoritative guidance to the contrary, a liability should not be accrued for expected losses on executory contracts prior to those losses being incurred.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 9.2 EY Accounting Manual: Section L3, *Loss contracts*

Questions	Response	Potential implications
1. Does the company expect to accept partial payment from any customers as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether the contract is in a loss position, and an accrual of expected losses should be recorded. Refer to Topic C, *Collectibility and extended payment terms*, for additional potential implications.
2. Does the company expect an increase in costs to perform any contracts with customers as a result of the COVID-19 pandemic (i.e., due to an increase in material costs, business disruptions or other factors)?	Yes | No	If yes, the company should determine whether the contract is in a loss position and an accrual of expected losses should be recorded.
3. Has the company modified or terminated any contracts with customers as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether the contract is in a loss position, and an accrual of expected losses should be recorded. Refer to Topic B, *Contract modifications and terminations*.

Topic G: Capitalized contract costs	EY publications
Accounting and reporting considerations The COVID-19 pandemic may lead to impairments of contract costs to obtain and fulfill a contract that are capitalized under ASC 340-40, *Other Assets and Deferred Costs — Contracts with Customers*. This is because the pandemic may impact a company's expectations about the amount of consideration it will receive for transferring goods or services, the costs to satisfy the performance obligations, customer renewals and contract modifications. Companies will need to determine whether the COVID-19 pandemic requires them to assess capitalized contract costs for impairment. Generally, companies should assess capitalized contract costs for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment exists if the carrying amount of any asset(s) exceeds the amount of consideration the company has received that has not been recognized as revenue and consideration it expects to receive in exchange for providing those goods and services, less the remaining costs that relate directly to providing those goods and services. The COVID-19 pandemic could also impact the period and pattern of amortization of capitalized contract costs. This is because the pandemic may impact expected renewals and the pattern of transfer of the goods and services in the contract (e.g., disruptions to the transfer of goods and services due to business disruptions or customer behavior). Companies should consider updating disclosures related to assets recognized from the costs to obtain or fulfill a contract with a customer.	EY FRD, *Revenue from contracts with customers (ASC 606)*: Section 9.3.3, Section 9.3.4, Section 10.5 and Section 10.6

Questions	Response	Potential implications
1. Does the company expect to accept partial payment from any customers as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether any assets related to capitalized contract costs are impaired. Refer Topic C, *Collectibility and extended payment terms*, for additional potential implications.
2. Does the company expect an increase in costs to satisfy the performance obligations with customers as a result of the COVID-19 pandemic (i.e., due to an increase in material costs, business disruptions or other factors)?	Yes | No	If yes, the company should determine whether any assets related to capitalized contract costs are impaired.
3. Does the company anticipate fewer customer renewals as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether any assets related to capitalized contract costs are impaired or the amortization period related to capitalized contract costs should be adjusted.
4. Has the company modified or terminated any contracts with customers as a result of the COVID-19 pandemic?	Yes | No	If yes, the company should determine whether any assets related to capitalized contract costs are impaired or the amortization period related to capitalized contract costs should be adjusted. Refer to Topic B, *Contract modifications and terminations*, for additional potential implications.
5. Has the company experienced any business disruptions or changes in customer behavior that might impact the pattern of transfer of goods or services to the customer as a result of the COVID-19 pandemic (i.e., services on hold, slowdown in production or other changes)?	Yes | No	If yes, the company should determine whether the amortization period related to capitalized contract costs should be adjusted.