

SECURITIES AND EXCHANGE COMMISSION**17 CFR Part 211**

[Release No. SAB 104]

Staff Accounting Bulletin No. 104**AGENCY:** Securities and Exchange Commission.**ACTION:** Publication of staff accounting bulletin.

SUMMARY: This staff accounting bulletin revises or rescinds portions of the interpretative guidance included in Topic 13 of the codification of staff accounting bulletins in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The principal revisions relate to the rescission of material no longer necessary because of private sector developments in U.S. generally accepted accounting principles.

This staff accounting bulletin also rescinds the Revenue Recognition in Financial Statements Frequently Asked Questions and Answers document issued in conjunction with Topic 13. Selected portions of that document have been incorporated into Topic 13.

EFFECTIVE DATE: December 17, 2003.**FOR FURTHER INFORMATION CONTACT:**

Chad Kokenge or Shelly Luisi in the Office of the Chief Accountant (202) 942-4400, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-1103.

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 approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of Chief Accountant in administering the disclosure requirements of the Federal securities laws.

Dated: December 17, 2003.

Margaret H. McFarland,

Deputy Secretary.

PART 211—[AMENDED]

■ Accordingly, part 211 of title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 104 to the table found in subpart B.

Staff Accounting Bulletin No. 104

Note: The text of SAB 104 will not appear in the Code of Federal Regulations.

The staff hereby revises Topic 13 of the Staff Accounting Bulletin Series as follows:

1. Topic 13.A.1 is modified as follows:

- a. The examples of existing literature referenced in the first paragraph are deleted.
- b. The last paragraph, including footnote 7, is added to make reference to EITF Issue 00-21, "Revenue Arrangements With Multiple Deliverables," which governs how to determine if revenue arrangements contain more than one unit of accounting.
2. Topic 13.A.2 is modified as follows:
 - a. Question 3 (formerly Question 1 of the staff's Revenue Recognition in Financial Statements Frequently Asked Questions and Answers document (FAQ)) is added.
3. Topic 13.A.3 is modified as follows:
 - a. The subheading *Bill and hold arrangements* is added.
 - b. Topic 13.A.3(a) Question is formerly Question 3.
 - c. The subheading *Customer acceptance* is added.
 - d. Topic 13.A.3(b) Question 1 (formerly Question 5 of the FAQ) is added. The question format is conformed.
 - e. Topic 13.A.3(b) Question 2 (formerly Question 6 of the FAQ) is added. The facts, question and interpretive response are modified to reflect the evaluation of the arrangement in the context of separate units of accounting. In addition, the last paragraph of the interpretive response is deleted due to the issuance of EITF Issue 00-21.
 - f. Footnote 29 is added to highlight that the changes to Topic 13.A.3(b) Question 2 are to facilitate an analysis of revenue recognition, not interpret EITF Issue 00-21.
 - g. Topic 13.A.3(b) Question 3 (formerly Exhibit A Example 1 Scenario A of the FAQ) is added.
 - h. Topic 13.A.3(b) Question 4 (formerly Exhibit A Example 1 Scenario B of the FAQ) is added.
 - i. Topic 13.A.3(b) Question 5 (formerly Exhibit A Example 1 Scenario C of the FAQ) is added.
 - j. The subheading *Inconsequential or perfunctory performance obligations* is added.
 - k. Topic 13.A.3(c) Question 1 (formerly Question 2 of the FAQ) is added. The question and interpretive response are modified from the FAQ to reflect the evaluation of the arrangement in the context of a single unit of accounting. The question format is conformed.
 - l. Topic 13.A.3(c) Question 2 (formerly Question 3 of the FAQ) is added. The question and interpretive response are modified from the FAQ to reflect the evaluation in the context of a single unit of accounting.
 - m. Topic 13.A.3(c) Question 3 (formerly Question 7 of the FAQ) is added. The facts, question and interpretive response are modified to reflect the evaluation of the arrangement in the context of combined deliverables, which result in a single unit of accounting. In addition, the interpretive response is modified to delete the last four sentences as this guidance is no longer necessary due to the issuance of EITF 00-21.
 - n. The segue sentence and related footnote discussing delivery or performance of multiple deliverables is deleted to eliminate redundancy.
 - o. The subheading *License fee revenue* is added.
 - p. Topic 13.A.3(d) Question (formerly Question 9 of the FAQ) is added. The interpretive response is modified to eliminate redundancy.
 - q. The subheading *Layaway sales arrangements* is added.
 - r. Topic 13.A.3(e) Question is formerly Question 4.
 - s. The subheading *Nonrefundable up-front fees* is added.
 - t. The examples in Topic 13.A.3(f) Question 1 (formerly Question 5) are modified to include the examples from what was formerly Question 10 of the FAQ. Guidance in the interpretive response is added and conformed from Question 10 of the FAQ which clarifies the incurrence of substantive costs does not necessarily indicate there is a separate earnings event, and that the determination of a separate earnings event should be evaluated on a case-by-case basis.
 - u. Footnote 36 is added to clarify the staff's view regarding the vendor activities associated with up-front fees.
 - v. Topic 13.A.3(f) Question 2 (formerly Question 6) is modified to reflect the evaluation in the context of a single unit of accounting.
 - w. Footnote 14 is deleted. The subject matter of footnote 14 is conformed and included in Topic 13.A.3(f) Question 3; accordingly, Topic 13.A.3(f) Question 3 reflects the guidance formerly located in footnote 14.
 - x. Topic 13.A.3(f) Question 4 (formerly Question 15 of the FAQ) is added. The question format is conformed.
 - y. Topic 13.A.3(f) Question 5 (formerly Question 16 of the FAQ) is added. The question format is conformed.
 - z. The subheading *Deliverables within an arrangement* is added.
 - aa. Topic 13.A.3(g) Question (formerly Question 8 of the FAQ) is added and is modified to reflect the evaluation of the question under EITF Issue 00-21.
 - bb. Footnote 45 is added to clarify the staff's view of the obligation described in Topic 13.A.3(g) Question under FIN 45.
4. Topic 13.A.4 is modified as follows:
 - a. The subheading *Refundable fees for services* is added.
 - b. Topic 13.A.4(a) Question 1 is formerly Question 7.
 - c. Footnote 56 is added to include guidance from Question 23 of the FAQ.
 - d. Topic 13.A.4(a) Question 2 (formerly Question 18 of the FAQ) is added.
 - e. Topic 13.A.4(a) Question 3 (formerly Question 19 of the FAQ) is added. The question format is conformed.
 - f. Topic 13.A.4(a) Question 4 (formerly Question 20 of the FAQ) is added.
 - g. Topic 13.A.4(a) Question 5 (formerly Question 21 of the FAQ) is added. The question format is conformed.
 - h. Topic 13.A.4(a) Question 6 (formerly Question 22 of the FAQ) is added.
 - i. The subheading *Estimates and changes in estimates* is added.