

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 subsidies 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 subsidies 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:

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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Topic 13 is no longer applicable upon a registrant's adoption of ASC Topic 606.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.

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Topic 8: Retail Companies

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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Topic 8 is no longer applicable upon a registrant's adoption of ASC Topic 606.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.

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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.

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 231, 241, and 271

[Release Nos. 33-10402; 34-81428; IC-32784]

Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation.

SUMMARY: The Commission is publishing this interpretive release in order to bring existing guidance into conformity with Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Upon adoption of Accounting Standards Codification Topic 606, registrants should no longer rely on the guidance in Securities Exchange Act Release No. 23507 and Accounting and Auditing Enforcement Release No. 108, *In the Matter of Stewart Parness*, which set

forth the criteria to be met in order to recognize revenue when delivery has not occurred.

DATES: *Effective:* August 29, 2017.

FOR FURTHER INFORMATION CONTACT: Kevin L. Vaughn, Senior Associate Chief Accountant, or Joseph R. Epstein, Professional Accounting Fellow, Office of the Chief Accountant, at (202) 551-5300, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-6561. Inquiries about this interpretive release also can be directed to oca@sec.gov.

SUPPLEMENTARY INFORMATION:

I. Background

In 1986, in Securities Exchange Act Release No. 23507 and Accounting and Auditing Enforcement Release No. 108, *In the Matter of Stewart Parness* ("AAER 108"), the Commission set forth criteria to be met in order to recognize revenue when delivery has not occurred (commonly referred to as "bill-and-hold").¹ The Commission staff reiterated this guidance in Staff Accounting Bulletin ("SAB") Topic 13, *Revenue Recognition*. SAB Topic 13 expressed the staff's views on the basic principles of revenue recognition in then-existing generally accepted accounting principles and summarized in one location the existing guidance on revenue recognition to make that guidance more accessible to registrants and their auditors.

II. The Application of Generally Accepted Accounting Principles for Revenue Recognition Related to Bill-and-Hold Arrangements

The Commission historically has recognized pronouncements of the Financial Accounting Standards Board ("FASB") as authoritative in the absence of any contrary determination by the Commission.² In Financial Reporting Release No. 70,³ the Commission stated its determination that the FASB and its parent organization, the Financial Accounting Foundation, satisfied the criteria in Section 19(b) of the Securities Act of 1933⁴ and, accordingly, FASB's financial accounting and reporting standards are recognized as "generally accepted" for purposes of the federal

¹ See *In the Matter of Stewart Parness*, AAER 108 (Aug. 5, 1986).

² Rule 4-01(a)(1) of Regulation S-X, 17 CFR 210.4-01(a)(1). See Accounting Series Release ("ASR") No. 150 (Dec. 20, 1973) and ASR No. 4 (Apr. 25, 1938).

³ *Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter*, Release Nos. 33-8221; 34-47743; IC-26028; FR-70 (Apr. 25, 2003) ("FR-70"); 68 FR 23333 (May 1, 2003).

⁴ 15 U.S.C. 77s(b).

securities laws. As a result, registrants are required to comply with those standards in preparing financial statements filed with the Commission, unless the Commission provides otherwise.⁵

The FASB has issued comprehensive revenue recognition guidance in Accounting Standards Codification (“ASC”) Topic 606, *Revenues from Contracts with Customers* (“ASC Topic 606”), which supersedes most previous revenue recognition guidance issued by the FASB. Under ASC Topic 606, the general criteria for revenue recognition includes identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer.⁶ A good or service is transferred when (or as) the customer obtains control of that good or service, and ASC Topic 606 sets forth indicators of when control has been transferred.⁷

ASC Topic 606 also provides specific guidance on contracts under which an entity bills a customer for a product but the entity retains physical possession of the product until it is transferred to the customer at a point in time in the future (*i.e.*, a bill-and-hold arrangement).⁸ ASC Topic 606 acknowledges that, for some contracts, a customer may obtain control of a product even though that product remains in an entity’s physical possession.⁹ In order to recognize revenue in a bill-and-hold arrangement, ASC Topic 606 requires consideration of the indicators of when control has been transferred and sets forth additional criteria to be met.¹⁰

III. Updated Commission Guidance

In light of the FASB’s issuance of ASC Topic 606, upon a registrant’s adoption of ASC Topic 606, it should no longer refer to the guidance in AAER 108 related to recognizing revenue in a bill-and-hold arrangement because ASC Topic 606 provides specific guidance on recognizing revenue for those arrangements.

The updated Commission guidance set forth in this interpretation is applicable upon a registrant’s adoption

of ASC Topic 606 and applies to all arrangements for which revenue is recognized in accordance with ASC Topic 606. Prior to a registrant’s adoption of ASC Topic 606, the guidance in Securities Exchange Act Release No. 23507 and AAER 108 is still applicable to all arrangements for which revenue is recognized.

List of Subjects in 17 CFR Parts 231, 241, and 271

Accounting, Securities.

Amendments to the Code of Federal Regulations

For the reasons set out in the preamble, the Commission is amending title 17, chapter II of the Code of Federal Regulations as set forth below:

PART 231—INTERPRETATIVE RELEASES RELATING TO THE SECURITIES ACT OF 1933 AND GENERAL RULES AND REGULATIONS THEREUNDER

■ 1. Part 231 is amended by adding an entry for Release No. 33–10402 at the end of the table to read as follows:

Subject	Release No.	Date	Fed. Reg. vol. and page
* * * Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements.	33–10402	Aug. 18, 2017	[INSERT Federal Register CITATION].

PART 241—INTERPRETATIVE RELEASES RELATING TO THE SECURITIES EXCHANGE ACT OF 1934 AND GENERAL RULES AND REGULATIONS THEREUNDER

■ 2. Part 241 is amended by adding an entry for Release No. 34–81428 at the end of the table to read as follows:

Subject	Release No.	Date	Fed. Reg. vol. and page
* * * Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements.	34–81428	Aug. 18, 2017	[INSERT Federal Register CITATION].

PART 271—INTERPRETATIVE RELEASES RELATING TO THE INVESTMENT COMPANY ACT OF 1940 AND GENERAL RULES AND REGULATIONS THEREUNDER

■ 3. Part 271 is amended by adding an entry for Release No. IC–32784 at the end of the table to read as follows:

⁵ See FR–70; Rule 4–01(a)(1) of Regulation S–X, 17 CFR 210.4–01(a)(1).

⁶ See ASC paragraph 606–10–05–04.

⁷ See ASC paragraphs 606–10–25–23 through 25–30.

⁸ See ASC paragraphs 606–10–55–81 through 55–84.

⁹ See ASC paragraph 606–10–55–82.

¹⁰ See ASC paragraph 606–10–55–83.

Subject	Release No.	Date	Fed. Reg. vol. and page
Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements.	IC-32784	Aug. 18, 2017	[INSERT Federal Register CITATION].

By the Commission.

Dated: August 18, 2017.

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2017-17913 Filed 8-28-17; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 231, 241, and 271

[Release Nos. 33-10403; 34-81429; IC-32785]

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

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation.

SUMMARY: The Securities and Exchange Commission is publishing this interpretive release to update previously issued guidance with respect to accounting for sales of vaccines and bioterror countermeasures to the Federal Government for placement into stockpiles related to the Vaccines for Children Program or the Strategic National Stockpile. This update is being provided to bring existing guidance into conformity with Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This guidance is applicable upon a registrant's adoption of Accounting Standards Codification Topic 606 and is applicable to all arrangements for which revenue is recognized in accordance with Accounting Standards Codification Topic 606.

DATES: Effective: August 29, 2017.

FOR FURTHER INFORMATION CONTACT: Kevin L. Vaughn, Senior Associate Chief Accountant, or Joseph R. Epstein, Professional Accounting Fellow, Office of the Chief Accountant, at (202) 551-5300, U.S. Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-6561. Inquiries about this interpretive release also can be directed to oca@sec.gov.

SUPPLEMENTARY INFORMATION:

I. Introduction

The Securities and Exchange Commission ("Commission") continues to be committed, as stated in previously-issued guidance (the "2005 Release"),¹ to addressing any unintended consequences of accounting requirements that could impair the nation's ability to create and maintain sufficient supplies of various vaccines and bioterror countermeasures ("enumerated vaccines"). The Commission issued the 2005 Release to address questions about the timing of revenue recognition for vaccines placed into the Vaccines for Children Program and the Strategic National Stockpile. At the time of the 2005 Release, some expressed concerns that the application of generally accepted accounting principles may require revenue recognition to be delayed beyond the period in which the vaccine is placed in the stockpile, and may have an unintended consequence of causing some vaccine manufacturers to decline to participate in these critical stockpile programs. The Commission published the guidance in the 2005 Release to resolve the accounting questions. With the Financial Accounting Standards Board's ("FASB") issuance of Accounting Standards Codification ("ASC") Topic 606, *Revenues from Contracts with Customers* ("ASC Topic 606"),² we are providing this updated guidance.

Government vaccine stockpile programs are unique in many respects. For example, the primary objective of purchasing the vaccines is not to take delivery for ultimate use but rather to be able to require immediate delivery on notice. An additional characteristic of vaccine stockpiles is the limited shelf life of the vaccines. For these and other

reasons, the Commission continues to limit this guidance to the vaccines enumerated below.

II. The Application of Generally Accepted Accounting Principles for Revenue Recognition to Vaccine Stockpiles

The Commission historically has recognized pronouncements of the FASB as authoritative in the absence of any contrary determination by the Commission.³ In Financial Reporting Release No. 70,⁴ the Commission stated its determination that the FASB and its parent organization, the Financial Accounting Foundation, satisfied the criteria in Section 19(b) of the Securities Act of 1933⁵ and, accordingly, FASB's financial accounting and reporting standards are recognized as "generally accepted" for purposes of the federal securities laws. As a result, registrants are required to comply with those standards in preparing financial statements filed with the Commission, unless the Commission provides otherwise.⁶

Although no specific guidance has been published by the FASB related to revenue recognition for vaccine stockpiles, the FASB has issued comprehensive revenue recognition guidance in ASC Topic 606, which supersedes most previous revenue recognition guidance issued by the FASB.

In response to the new, comprehensive revenue recognition model in ASC Topic 606, simultaneous with publication of this release, the Commission has issued an interpretation stating⁷ that upon the registrant's adoption of ASC Topic 606, such registrant should no longer rely on the guidance in Securities Exchange Act Release No. 23507 and Accounting and

³ Rule 4-01(a)(1) of Regulation S-X, 17 CFR 210.4-01(a)(1). See Accounting Series Release ("ASR") No. 150 (Dec. 20, 1973) and ASR No. 4 (Apr. 25, 1938).

⁴ *Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter*, Release Nos. 33-8221; 34-47743; IC-26028; FR-70 (Apr. 25, 2003) ("FR-70"); 68 FR 23333 (May 1, 2003).

⁵ 15 U.S.C. 77s(b).

⁶ See FR-70; Rule 4-01(a)(1) of Regulation S-X, 17 CFR 210.4-01(a)(1).

⁷ *Commission Guidance Regarding Revenue Recognition for Bill-and-Hold Arrangements*, Release No. 33-10402 (Aug. 18, 2017).

¹ See *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. 33-8642 (Dec. 5, 2005).

² The International Accounting Standards Board (IASB) has also issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15). The issuance of ASC Topic 606 and IFRS 15 completes the joint effort by the FASB and IASB that was undertaken with the intent of improving financial reporting by creating converged comprehensive revenue recognition guidance for U.S. GAAP and IFRS.