GOVERNMENT CONTRACTING
WEBCAST SERIES

ASC 606 Revenue Recognition

TECHNICAL CONSIDERATIONS FOR GOVERNMENT CONTRACTORS

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BDO

With You Today

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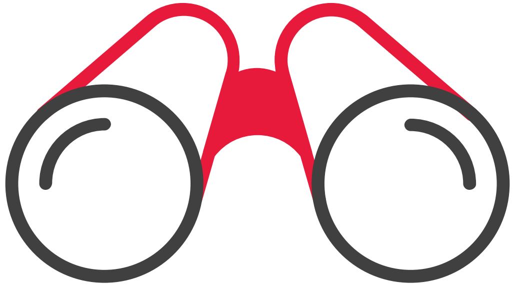
Learning Objectives

Define the five-step model prescribed under ASC 606 and how to apply the model to your contracts.



Identify key issues in ASC 606 that specifically impact government contractors.

Define common focus areas of interest with ASC 606 during the audit process.

GOVERNMENT CONTRACTING WEBCAST SERIES

Agenda

5 STEP Five-Step Model Under ASC 606

Key Issues in ASC 606 Facing Government Contractors

Recently Issued Accounting Standards Updates

Questions & Answers

ASC 606
Five-Step Model

ASC 606
Five-Step Model

STEP	1	Identify the Contract
STEP	2	Identify Separate Performance Obligations
STEP	3	Determine Transaction Price
STEP	4	Allocate Transaction Price to Performance Obligations
STEP	5	Recognize Revenue

STEP 1 Identify the Contract

Contracts can be written, oral, or implied by the entity's business practices. Contracts with customers must meet ALL the following criteria:

1. The contract has approval and commitment from both parties
2. Each party's rights regarding goods and services to be transferred are identified
3. The payment terms for goods and services to be transferred are identified
4. The contract has commercial substance
5. Collectability of consideration is probable

The criteria for contract existence are typically met with a standard government contract (i.e., signed, legally enforceable, clearly stating the contractual terms, including parties' rights and the payment terms related to the goods and services to be transferred to a customer with the intention and ability to pay).

STEP 1 Identify the Contract

CONTRACT MODIFICATIONS

- Contract modifications are changes in the scope and/or price of the contract (i.e., creates new [or amends] existing enforceable rights and obligations)
- A contract modification must be approved in writing, orally, or otherwise as implied by the entity's business practices.
- Accounted for as either a separate contract or as part of the existing contract
  - Separate contract if (1) adds distinct goods/services and (2) pricing at standalone selling price
  - Otherwise, part of the existing contract and accounted for prospectively, with the unrecognized revenue from the original contract and the additional consideration from the modification combined and allocated to remaining performance obligations

Claims, for example, are generally treated as contract modifications since the modification did not result in the addition of distinct goods or services.

STEP 2

Identify Separate Performance Obligations

DEFINITION OF PERFORMANCE OBLIGATION

A performance obligation is a promise to a customer to transfer:

- A good or service (or bundle of goods or services) that is distinct (e.g., product, training, and maintenance); or
- A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (e.g., satisfied "over time" for each distinct good or service).

STEP 2 Identify Separate Performance Obligations

DEFINITION OF PERFORMANCE OBLIGATION

A good or service is distinct if two criteria are met:

- The customer can benefit from the good or service.
  - Criteria is satisfied if the good or service could be used, consumed, sold (other than for scrap value), or otherwise held in a way that generates economic benefits. At times, this may be in conjunction with other resources readily available to the customer. A readily available resource is: (1) a good or service that is sold separately (by the entity or another entity), or (2) a resource that the customer has already obtained from the entity or from other transactions or events.
- The promise to transfer a good or service is separable from other promises in the contract.
  - In order to determine whether the entity's promise to transfer a good or service is separable from other promised goods or services in the contract, ASC 606 requires judgment while taking into account all facts and circumstances. Factors to consider may include: (1) the entity does not provide a significant service of integrating the good or service with other goods or services promised in the contract (i.e. the entity is not using the good or service as an input to produce the combined output specified by the customer), (2) the good or service does not significantly modify or customize another good or service promised in the contract, and/or (3) the good or service is not highly dependent on, or highly interrelated with other promised goods or services (e.g. the customer could decide whether to purchase the good or service without significantly affecting the other promised goods or services in the contract.

STEP 3 Determine Transaction Price

Variable Consideration

Variable Consideration Can Arise Due To:

- Discounts, rebates, refunds, and credits
- Award fees, incentive fees, and performance bonuses
- Claims, cost / performance incentives or penalties,
- Consideration contingent on the occurrence /non-occurrence of a future event (funding)

When a contract contains variable consideration, the transaction price is estimated (subject to a constraint – limiting revenue to prevent a significant reversal).

1. EXPECTED VALUE METHOD

i.e., the sum of the probably weighted amounts for a range of possible outcomes

(Appropriate where there are a larger number of contracts with similar characteristics or if a contract has large number of potential outcomes)

2. MOST LIKELY AMOUNT

i.e., the single most likely amount out of a possible range of outcomes

(Appropriate where there are only two possible outcomes)

CONTRAST TO PREVIOUS U.S. GAAP:

Previously ASC 605-10-S99 (SAB 104) required the seller's price to the buyer be fixed or determinable as one criteria for revenue recognition.

The guidance shifts this concept to a measurement principle, rather than a recognition principle.

STEP 4

Allocate Transaction Price to Performance Obligations

DETERMINING THE STANDALONE SELLING PRICE OF A PERFORMANCE OBLIGATION

QUESTION

Is there an observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers?

- **Yes:** Use that price
- **No:** Estimate, maximizing the use of observable inputs and considering all available information (i.e., market conditions, entity specific, customers)

STEP 4

Allocate Transaction Price to Performance Obligations

METHODS OF DETERMINING THE STANDALONE SELLING PRICE

ADJUSTED MARKET APPROACH

- Estimate the price customers in the market would be willing to pay.
- May also consider reference to competitors' prices for similar goods and services.

EXPECTED COST PLUS MARGIN APPROACH

- Forecast the expected costs and then add an appropriate margin.

RESIDUAL APPROACH

- Total transaction price less the observable standalone selling prices of other performance obligations
- However, use of this approach is restricted to:
  - Those goods or services for which these is a wide range of selling prices
  - OR circumstances in which the selling price is uncertain because no selling price has been set for the good or service and it has not previously been sold on a standalone basis.
- Can only be used after the allocation of any discounts

CONTRAST TO PREVIOUS U.S. GAAP:

Previously, use of the residual method allocates the entire discount to the delivered item.

In contrast, a residual approach under ASC 606 is used to estimate the standalone selling price, not to actually allocate consideration to a performance obligation.

STEP 4

Allocate Transaction Price to Performance Obligations

DISCOUNTS – DETERMINING ALLOCATION:

- Discounts exist where the sum of the standalone selling prices exceed the promised consideration.
- Allocation of the discount is made to either:
  - Specific performance obligation(s)
  - Proportionately between all performance obligations
- ‘Specific’ allocation (i) occurs only if there is observable evidence that both:
  - There are regular sales, on a standalone basis, of the (bundle) of goods or services.
  - The sales of the (bundle) of goods or services are regularly priced at a discount.

STEP 5

Recognize Revenue

- The transfer of risks and rewards is now simply an indicator for revenue recognition.
  - A performance obligation (e.g., service, product, maintenance) is satisfied and revenue is recognized when "control" of the promised good or service is transferred to the customer. Control in the context of Topic 606 is defined as:
- The ability to direct the use of an asset, AND
- Obtain substantially all of the remaining benefits from that asset
  - Indicators that control has passed include that the customer has: a present obligation to pay, physical possession, legal title, risk / rewards of ownership, and accepted the asset(s).

The principle of revenue recognition has moved from a 'transfer of risks and rewards' to 'the transfer of control of the goods or services to the customer'.

STEP 5 Recognize Revenue

REVENUE IS RECOGNIZED EITHER:

OVER TIME

Subject to various criteria
under ASC 606
refer to subsequent slides

AT A POINT IN TIME

If the criteria for recognition
over time
under ASC 606 are not met

The two approaches are mutually exclusive, assessed for each performance obligation, and determined at contract inception.

STEP 5 Recognize Revenue

Recognize revenue over time if one of three criteria are met:

1. The customer simultaneously receives and consumes all of the economic benefits provided by the entity's performance
2. The entity creates or enhances an asset controlled by the customer
3. The entity's performance does not create an asset for which the entity has an alternative use AND the entity has an enforceable right to payment for performance completed to date

STEP 5 Recognize Revenue

MEASURING PROGRESS TOWARD COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION:

- Concept: the objective when measuring progress is to depict an entity’s performance in transferring control of good or services promised to a customer (ASC 606-10-25-33).
- For each performance obligation that is satisfied over time, revenue is recognized by measuring progress towards completion of that performance obligation each reporting period. This is achieved based on either:
  - Input methods – costs incurred, resources consumed, labor hours expended, time lapsed, or machine hours used; or
  - Output methods – appraisals of results, substantive milestones reached, units produced, and units delivered.
- For each separate performance obligation, the same input or output method of assessing progress to date is required to be used. The same method is also required to be applied consistently to similar performance obligations and in similar circumstances.

STEP 5 Recognize Revenue

MEASURING PROGRESS TOWARD COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION:

- A termination for convenience clause that gives the customer the right to the goods produced and in-process under a contract at the time of termination may indicate that the customer has effective control over the goods produced and work-in-progress, even if not in the customer's physical possession. In these circumstances, an output method, such as units of delivery or units of production, would not be appropriate measure of the progress toward complete satisfaction of the performance obligation because an output method would ignore the work in progress that belongs to the customer. Therefore, an input method would typically be more appropriate in these circumstances.
- However, an output method may be appropriate in situations in which the entity has a production only contract for producing homogeneous products and the method would accurately depict the entity's performance (i.e., minimal value in work-in-progress / inventory, such as a contract for ammunition in which thousands of units are produced and inventory is immaterial in relation to the size of the contract.

STEP **5** # Recognize Revenue

MEASURING PROGRESS TOWARD COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION:

Practical expedient:

if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has the right to invoice.

Examples Include:

- A service contract in which an entity bills a fixed amount for each hour of service provided
- A maintenance contract providing routine daily maintenance for a fleet of aircraft for equal monthly payments over 24 months of service, with no contract provisions to adjust the transaction price based on the condition of the aircraft.

For other service contracts:

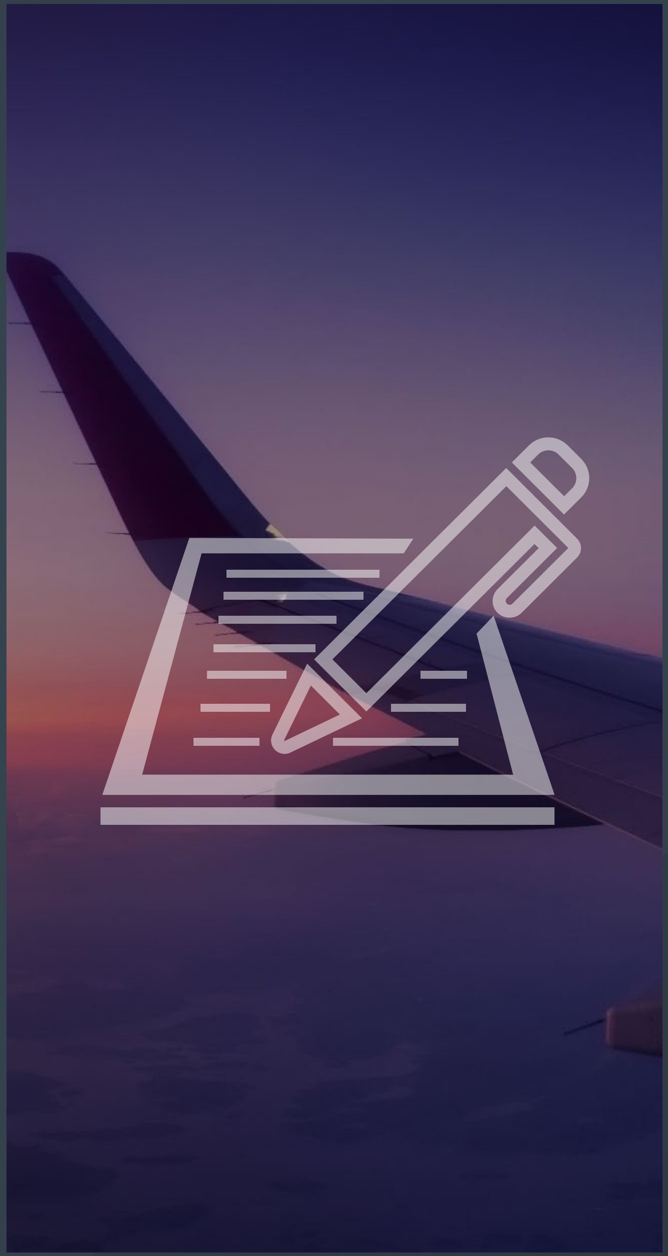
It may be appropriate to use the output method or the input method for measuring progress towards complete satisfaction of a performance obligation, such as when the performance obligation is not satisfied evenly throughout the performance period.

Key Issues in ASC 606 Facing Government Contractors

Key Issues Identified - Government Contractors

UNFUNDED PORTIONS OF U.S. FEDERAL GOVERNMENT CONTRACTS

- In the Government Contracting industry, it is common for a company to be awarded a long-term contract that is only partially funded at inception.
- In determining the transaction price, ASC 606-10-32-4 states that "an entity shall assume that goods or services will be transferred to the customer as promised, in accordance with the existing contract and that the contract will not be cancelled, renewed, or modified."
- Unfunded portion of a contract should be considered variable consideration, similar to award fees and incentive fees included in the transaction price of government contracts prior to their funding being certain.



Key Issues Identified - Government Contractors

VARIABLE CONSIDERATION – DETERMINING ALLOCATION:

- Contracts with the U.S. federal government may contain an element of variable consideration, including award fees and other performance incentives.
- An entity should allocate the variable amount (and any subsequent changes to that amount) entirely to a performance obligation, if both of the following criteria are met:
  - The terms of a variable payment relate specifically to the entity's efforts to satisfy the performance obligation.
  - Allocating the variable amount of consideration entirely to the performance obligation is consistent with the allocation objectives when considering all of the performance obligations.
- If these criteria are not met, the variable consideration (and any subsequent changes) that is determined to be in the total transaction price, is allocated to all performance obligations in a contract based on their relative standalone selling prices.
- Variable consideration is estimated using either (1) expected value or (2) most likely amount methods.

Key Issues Identified - Government Contractors

CONTRACT EXISTENCE: IDIQ CONTRACTS / MASTER SERVICE AGREEMENTS

- Such contracts / agreements set out the terms and conditions under which the contractor will supply goods and services to the U.S. federal government, which subsequently awards tasks or places purchase orders to obtain the underlying good and services (specifying quantity / completion date / etc.).
- If the contract / MSA only establishes the terms under which the orders to purchase goods or services may be placed, it does not create enforceable rights and obligations.
- The Task or PO normally creates enforceable rights and obligations between the contractor and the customer.
- Therefore, the Task / PO in combination with the IDIQ contract / MSA will be evaluated to determine whether the criteria for contract existence have been met.

Key Issues Identified - Government Contractors

PRINCIPAL VS. AGENT

- In practice under current guidance, it has sometimes been difficult to identify which party is acting as principal and which as agent. In practice, we have found that these judgments remain challenging under ASC 606 and continue to require management's estimates and assertions under ASC 606
- Significant focus must be placed on precise terms of the contract
- Conclusion of whether any entity is the principal or agent in an arrangement may change under ASC 606 when compared to previous guidance.
- Credit risk is no longer an indicator that an entity is a principal
- Principal vs Agent considerations are prominent in the Government Contracting industry through Contractor Team Arrangements (CTAs) and Value-Added Resellers (VARs), among other relationships
- Indictors of a principal relationship include, but is not limited to, the following:
  - The entity is primarily responsible for fulfilling the promise to provide the specified good or service.
  - The entity has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to the customer (for example, if the customer has a right of return)
  - The entity has discretion in establishing the prices for the specified goods or service.

Key Issues Identified - Government Contractors

CONTRACT COSTS

- An entity is required to capitalize incremental costs to obtain a contract (e.g., sales commissions) if those costs are only incurred as a result of obtaining a contract and the entity expects to recover them.
- Costs that will be incurred regardless of whether the contract is obtained – including costs that are incremental to trying to obtain a contract, such as bid and proposal costs that are incurred even if the entity does not obtain the contract – are expensed as they are incurred.
- Often entities will incur pre-contract costs or carry out activities before a contract exists (such as engineering, design, production materials, and costs incurred to acquire or produce goods in excess of contractual requirements) to meet forecasted or anticipated demand from customers.
- If the pre-contract costs and other costs incurred in fulfilling a contract (or anticipated contract) with a customer are outside the scope of other guidance (e.g., inventory, intangibles, R&D, or fixed assets), then an entity recognizes an asset only if the costs (i) relate directly to an existing contract or specific anticipated contract, (ii) generate or enhance resources that will be used to satisfy performance obligations in the future, and (iii) are expected to be recovered.
- Costs recorded as an asset should be amortized on a systematic basis consistent with the transfer to the customer of the goods / services to which the asset relates, as well as be evaluated for impairment.

Key Issues Identified - Government Contractors

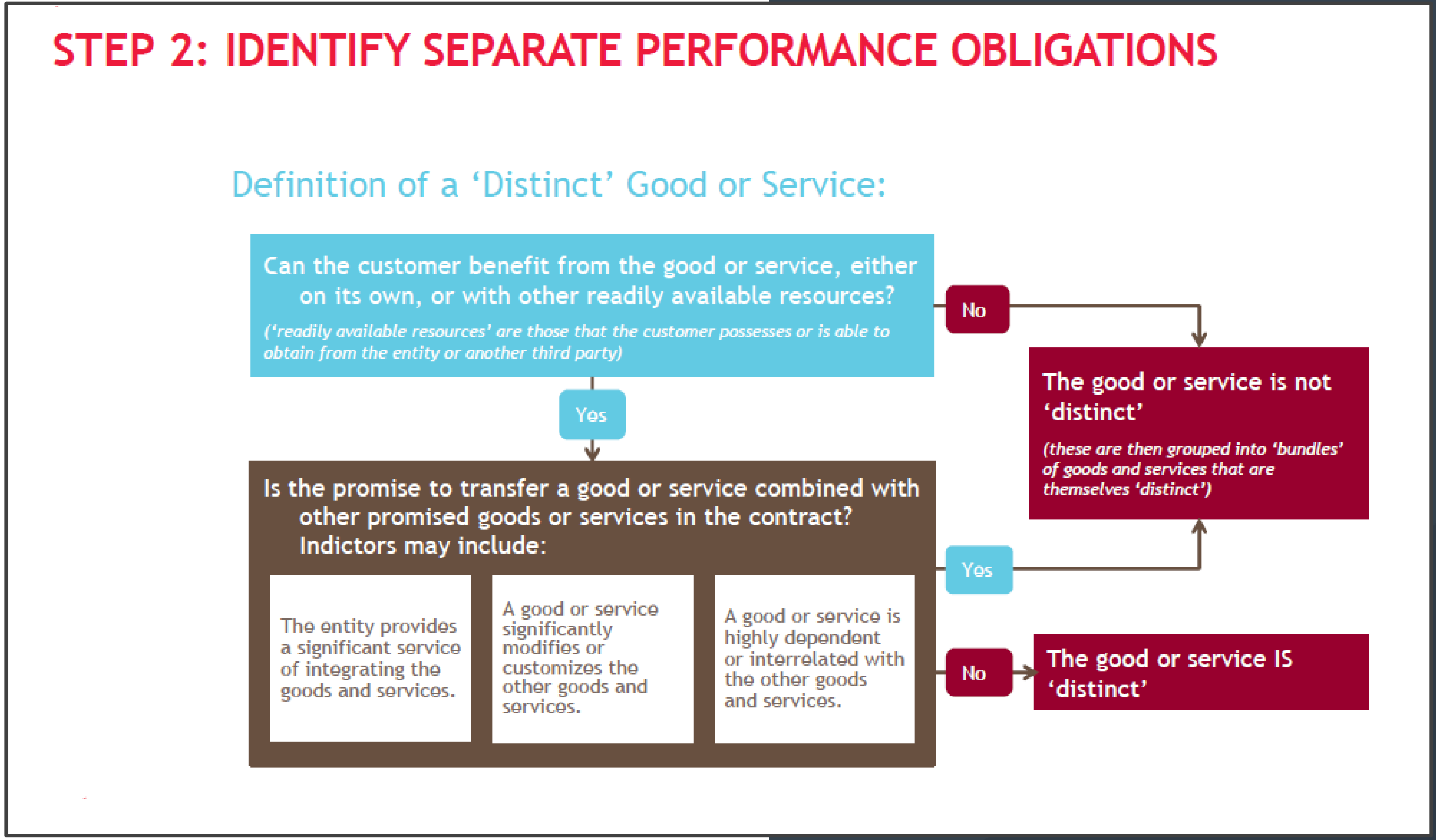
CUSTOMER TERMINATION RIGHTS

- Contracts with the U.S. federal government typically contain a Termination for Convenience (T for C) clause that allows the U.S. federal government to terminate a contract whenever "…it is in the Government's interest." (FAR 52.249-1).
- Judgment will be required to evaluate whether the economic characteristics for commercial aerospace and defense contracts are similar to the T for C clause included in contracts with the U.S. federal government.

Key Issues Identified - Government Contractors

SEPARATE PERFORMANCE OBLIGATIONS

- Software and services – These services are either configuration/setup type services and are considered to be distinct OR the services significantly customize the software and are not distinct.
- Hardware, software, and services sold together.



Key Issues Identified - Government Contractors

DISCOUNTED OPTION YEARS

Options granting material rights:

Example:

- Contract offered a discounted rate in Option Year 1 across all labor categories.
- The option at discounted rate grants a right to the customer to acquire additional services that it would not receive without entering into that contract.
- The Company considered the option year as a performance obligation because it provides a material right to the customer.
- The Company used estimated hours and blended hourly rate to estimate the performance obligation.

Key Issues Identified – Government Contractors

ASSET WITH AN ALTERNATIVE USE

- Alternative use should be determined at contract inception and assumes the contract is not terminated.
- The alternative use concept is determined based on a completed unit
- An example would be if the entity cannot sell the asset to another customer without significant rework.

- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.
- When the asset has an alternative use to the entity, the customer does not control the asset as it is being created. This is expected to be the case in standard inventory-type items for which the entity has the discretion to substitute items or units across different contracts with customers.

Key Issues Identified – Government Contractors

OTHER POINTS

- Revenue does not always equal billing
  - Right to invoice practical expedient – only applicable to output method revenue recognition
  - Instances where funding received is not proportionate with costs incurred and/or progress through the contract (resulting in significant unbilled balances or billings in excess of revenue)

ESTIMATES TO COMPLETE

What should be included? Generally, we believe that all direct costs + fringe + OH should be included in estimates to complete. G&A costs are a period cost and should not be included.

To meet ASC 606 requirements, revenue should be recognized based on actual rates - not provisional billing rates - unless there is a reason for which management believes provisional rates are a better indicator of the revenue to recognize. For instance, if actual rates are significantly higher than provisional rates and the Company does not believe and/or does not intend to attempt to recover the excess, using provisional rates for revenue recognition may be more appropriate.

Recently Issued Accounting Standards Updates

Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08)

- Requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired revenue contracts using the recognition and measurement guidance in Topic 606 (revenue recognition). Under the 'Topic 606 approach', the acquirer applies the revenue model as if it had originated the contracts. This represents a departure from the current requirement to measure contract assets and contract liabilities at fair value.
- The update is to be applied prospectively to all business combinations occurring on or subsequent to the adoption date.

- Update is effective for public companies in fiscal years starting after December 15, 2022 (2023 for calendar year companies). Early adoption is permitted. All other entities are required to apply this update in fiscal years starting after December 15, 2023 (2024 for calendar year companies), including interim periods therein.
- Will be helpful to Government Contractors to avoid attempting to determine the fair value of acquired unbilled receivables and billings in excess of revenue in a business combination.

Joint Ventures (ASU 2023-05)

- Under legacy GAAP, no specific guidance existed on the accounting by the joint venture (JV) entity for the initial measurement of assets and liabilities contributed to a JV at formation.
- The ASU requires JVs to:
  - Recognize a new basis of accounting for contributed net assets as of the formation date.
  - Measure the contributed identifiable net assets at fair value on the formation date using the business combination guidance in ASC 805-20 – with certain exceptions – regardless of whether an investor contributes a business.
  - Measure the net assets’ fair value based on 100% of the JV’s equity immediately following formation.
  - Record goodwill (or an equity adjustment, if negative) for the difference between the fair value of the JV’s equity and its net assets.
  - Provide disclosures about the nature and financial effect of the formation transaction.
- Effective date: Formation date on or after January 1, 2025

Joint Ventures (ASU 2023-05)

- Many joint ventures exist in the Government Contracting industry, most of which are formed under the Small Business Administration's (SBA) Mentor-Protégé Program (MPP)
- In most cases, we see that there are no contributed financial instruments outside of an initial investment to form the JV. In those cases, we wouldn't expect this update to have a significant impact (if any) on the accounting for the JV. However, in cases where financial instruments are contributed, they will need to be accounted for at fair value.
- Important to note:
  - This new guidance only affects the accounting on the JV's books; there is no change in how an investor in a JV would record the investment and/or earnings
  - The definition of a joint venture within GAAP is narrower than the term is commonly used in practice. You may have situations where something is called a joint venture, but it does not meet the GAAP definition.

Current Expected Credit Losses (CECL)

ASC 326-20 (CECL MODEL)

Under the CECL model, entities will estimate credit losses over the entire contractual term of the instrument (considering estimated prepayments, but not expected extensions or modifications unless the extension or renewal option are included in the original or modified contract terms and are not unconditionally cancellable or unless reasonable expectation of a troubled debt restructuring exists) from the date of initial recognition of that instrument. In contrast, current U.S. GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. Accordingly, it is anticipated that credit losses will be recognized earlier under the CECL model than under the incurred loss model.

KEY CHANGES		
	EXISTING GUIDANCE	**NEW CECL MODEL**
WHEN TO RECOGNIZE CREDIT LOSSES	When probable that loss has been incurred, generally subsequent to initial recognition of the asset	When losses are expected, in almost all cases upon initial recognition of the asset
PERIOD TO CONSIDER	Not an explicit input to the incurred loss model	Contractual term
INFORMATION TO CONSIDER	Historical loss and current economic conditions	Historical loss, current economic conditions, reasonable and supportable forecasts about future conditions (with reversion to historical loss information for future periods beyond those that can be reasonably forecast)
UNIT OF ACCOUNT	Pooling generally not required, but permitted	Pooling required when assets share similar risk characteristics

CECL Applicability Outside Financial Institutions

The CECL model will apply to a variety of financial assets for entities other than financial institutions, including:

- Trade receivables
- Notes receivable
- Held-to-maturity debt securities
- Credit card receivables
- Contract assets
- Reinsurance receivables
- Lessor’s net investment in sales-type and direct financing leases
- Financial guarantees
- Credit enhancements

Effective Date (calendar year-end entities)	**All Private Entities**
	January 2023

See BDO’s publication on CECL for Non-Financial Institutions for further details.

CECL Impact on Trade Receivables

- Entities typically apply an allowance for doubtful accounts based on historical losses by aging categories.
- Under CECL, entities will have to consider whether such historical data requires adjustment, including upon recognition of the receivable.
- Will likely result in recognition of allowance for credit losses for receivables that are not yet past due.
- Individually significant balances with historical zero loss will most likely require a loss factor.
- The standard applies to receivables that result from revenue transactions, even if a non-customer party will make the payment.

Implementation of CECL

THE TRANSITION REQUIREMENTS FOR THE ADOPTION OF ASC 326 ARE AS FOLLOWS:

- A cumulative effect adjustment shall be recorded to net assets without donor restrictions as of the beginning of the year of adoption to reflect the impact on the estimate for expected credit losses as of the adoption date versus the legacy accounting treatment for credit losses.
- Accounting policy election to maintain pools of financial assets previously accounted for under Subtopic 310-30 on an ongoing basis.
- Allow for entities to elect to use the fair value option under Subtopic 825-10 on an instrument-by-instrument basis for assets that are eligible for fair value election under Subtopic 825-10 but also otherwise within the scope of ASC 326. This transition guidance is not applicable for available-for-sale securities or held-to-maturity debt securities.
- Accounting policy election on accrued interest and whether to bifurcate it from the associated loans for separate estimation of expected credit losses.

ASC 326 does not provide an option to adopt the standard using a retrospective transition method as the FASB determined that it would be impracticable for entities to apply in prior periods because the use of hindsight would be necessary in making estimates of expected credit losses. Planning considerations should include the following:

1. Review the accounting and reporting requirements contained in the new standard.
2. Evaluate which of the entity instruments are within the scope of the standard.
3. Review existing allowance/impairment models currently being used by the entity.
4. Determine the data needed for the CECL model(s) and assess currently available data sources.
5. Determine the ability of the entity's current IT applications to provide required data not currently available.
6. Determine how the adoption will impact the internal and external users of the entity's financial information.
7. Determine and ensure that proper internal controls are in place and operating effectively over the implementation process.

Reference Rate Reform (ASUs 2020-04 and 2022-06)

- Originally issued in March 2020, the FASB issued updates to provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The optional expedients assist in accounting for the replacement of reference rates in agreements due to the reference rate reform. This elective update provides optional expedients and exceptions to the accounting requirement to evaluate each contract modification to determine whether it creates a new contract.
- The London Interbank Offered Rate (LIBOR) will be discontinued, which will require modification to debt agreements, lease agreements, and other contracts that reference this rate.
- The period of time to adopt these expedients was originally effective for all entities as of March 12, 2020 through December 31, 2022. ASU 2022-06 deferred the sunset until December 31, 2024.

Proposed ASU's

IMPROVEMENTS TO INCOME TAX DISCLOSURES

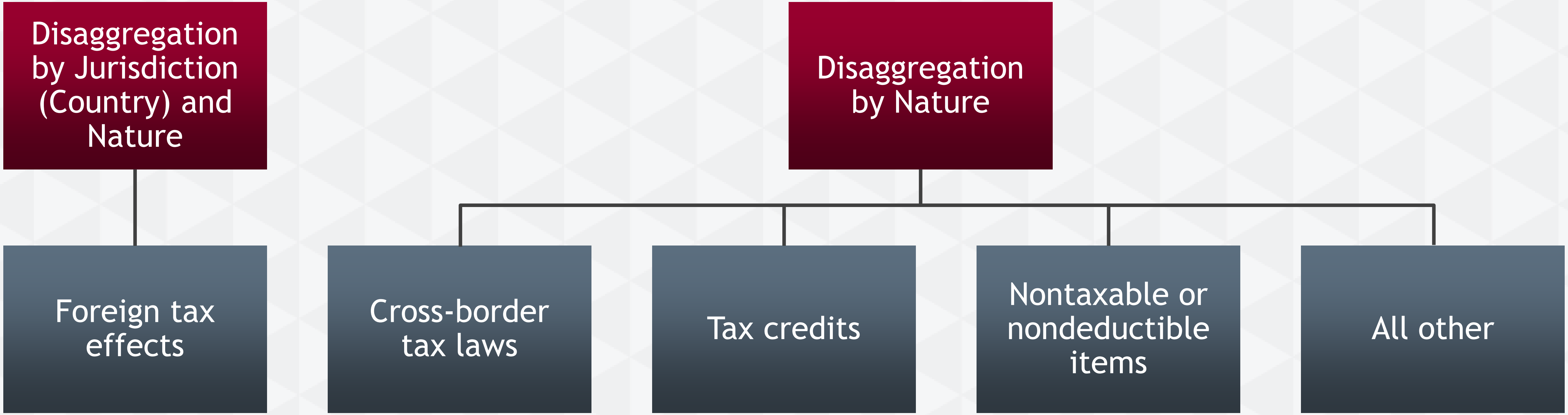
- Public business entities (as defined in U.S. GAAP) would be required to disclose a rate reconciliation that is more disaggregated than under current requirements using defined categories

- Other entities would be required to provide qualitative disclosure about specific categories of items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate

- All entities would be required to disclose more information about income taxes paid disaggregated by jurisdiction
- Align certain amendments with Regulation S-X Rule 4-08(h)(2)
- Final ASU is expected in Q4 2023

Proposed ASU's

IMPROVEMENTS TO INCOME TAX DISCLOSURES



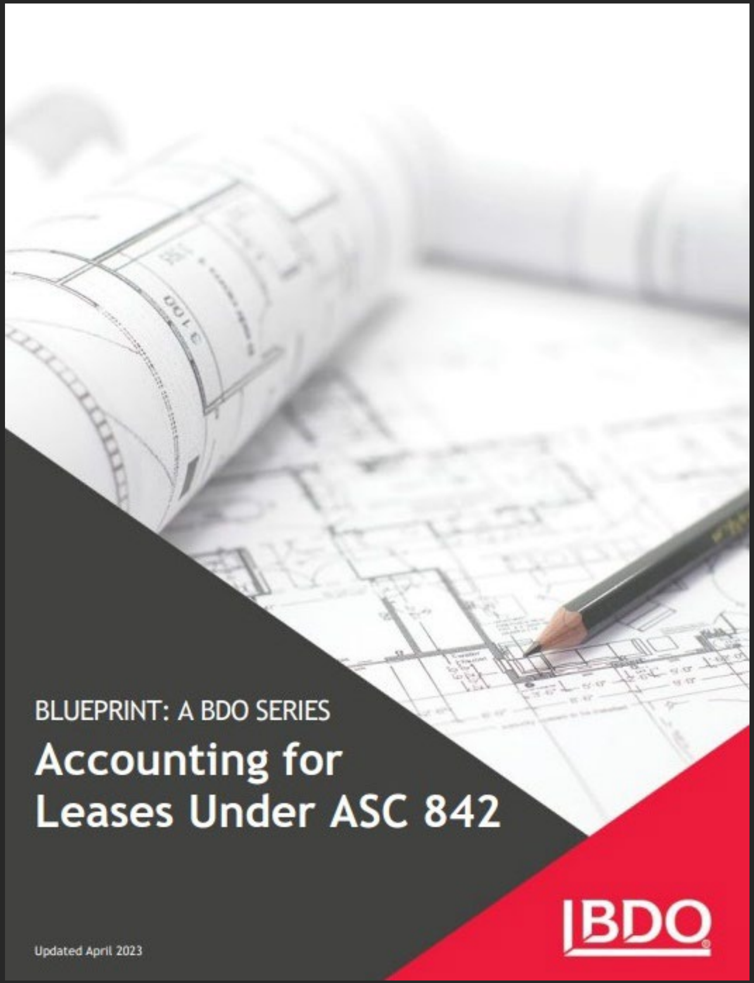
Proposed ASU's

DISAGGREGATION OF INCOME STATEMENT EXPENSES

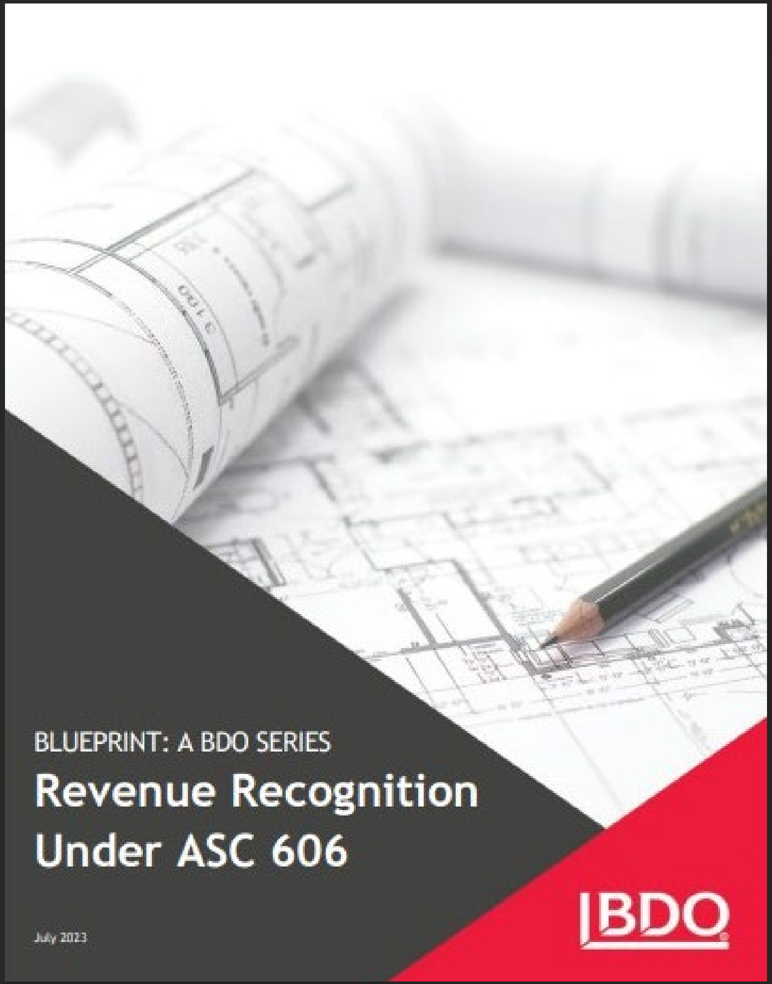
- Limited to public business entities
- Enhance transparency of the income statement through disaggregation of certain expense captions
  - Employee compensation
  - Depreciation
  - Intangible asset amortization
  - Inventory
- Would require further breakdown of inventory and other manufacturing expenses
- Comment period closes – October 30, 2023

Resources

BDO’s Blueprint Publications



[Access the Revenue Recognition Blueprint here]



[Access the Leases Blueprint here]

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BDO's Quarterly Technical Update webinar series is designed to help financial management, board directors, and audit committees stay on top of today's hot accounting topics and key regulatory developments. The series is produced and delivered by qualified professionals in BDO's Assurance practice. One (1) hour of CPE may be earned for each of the quarterly events.

Following these webinars, attendees will be able to:

- Recognize recently released, project and proposal stage accounting and financial reporting guidance developed by the FASB, EITF and PCC
- Describe timely SEC guidance, topics and resources and their general impact on accounting and financial reporting
- Describe project and proposal stage literature that may have a broad impact on financial reporting
- Describe evolving corporate governance activities including those of the PCAOB, CAQ and other organizations

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October 11, 12 or 13, 2023
12:00 to 1:00 PM EST
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Quarterly Technical Update: Q4 2023
January 10, 11 or 12, 2024
12:00 to 1:00 PM EST
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GOVERNMENT CONTRACTING WEBCAST SERIES

Questions & Answers

BDO

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