

## OUTPUT METHOD FOR RECOGNIZING REVENUE OVER TIME

The output method of revenue recognition measures results as control of goods or services are transferred to the customer, as compared to total estimated outputs needed to complete the contract. This method may be used when the progress of transfer of control can be easily and consistently measured.

Keep in mind that while both the input and output methods are acceptable for measuring transfer of control to the customer, the chosen method must remain in place until the performance obligation is completed.

### HOW THIS RULE WORKS

The output method may be chosen if any of the following can be consistently measured to accurately reflect the progress of transfer of control to the customer.

**NOTE THAT ONLY INPUTS THAT DEPICT TRANSFER OF CONTROL ARE INCLUDED IN THE CALCULATION, INCLUDING:**

**TIME  
LAPSED**



**UNITS  
PRODUCED**



**MILESTONES  
REACHED**



The cost-to-cost method may be used if (1) no method is chosen and (2) the result is a reasonably accurate approximation of transfer of control to the customer. Measures and estimates should be evaluated each performance period so revenue can be accurately reflected on a cumulative catch-up basis.

However, revenue recognition should be deferred if progress cannot be reliably and consistently measured. In such instances, measurement should be put off until either (1) it becomes measurable or (2) a defined point in performance of the contract is reached (e.g., revenue may be equal to cost until the contract is 20 percent complete).

If the terms of the contract indicate that progress cannot be reliably and consistently measured, revenue will be recognized at a point in time similar to the current practice of completed contract accounting.

**This determination requires the contractor to use a significant amount of judgment. To avoid making an error, be sure to review your determination with a professional with expertise in ASC 606.**

### HAVE QUESTIONS?

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