



## REVENUE RECOGNIZED AT POINT IN TIME VS. OVER TIME

According to ASC 606, performance obligations are satisfied either over time or at a specific point in time. The distinction is important because the decision affects when revenue is recognized. Judgment is required to determine which method best measures the progress of the performance obligation:

Performance obligations are deemed to be satisfied over time when the goods or services are delivered in stages, rather than all at once.

When the criteria to recognize revenue over time are not met, then revenue should be recognized at the point in time when control is transferred.

For purposes of ASC 606, satisfaction is deemed to occur at the point in time when control over the goods or services transfers to the customer coincides with the time the customer's ability to obtain potential cash flows associated with the asset that was transferred. Keep in mind that contract terms may be revised if there are contract modifications.

### HOW THIS RULE WORKS

- ▶ The contract specifies whether revenue is recognized over time or at a point in time.
- ▶ The relevant contract terms may only be revised if there are contract modifications that affect the specific good or service

**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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