

# CONSTRUCTION ISSUE SHEET

## REVENUE RECOGNITION

### PERFORMANCE OBLIGATIONS SATISFIED AT A POINT IN TIME

Performance obligations are recognized 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.

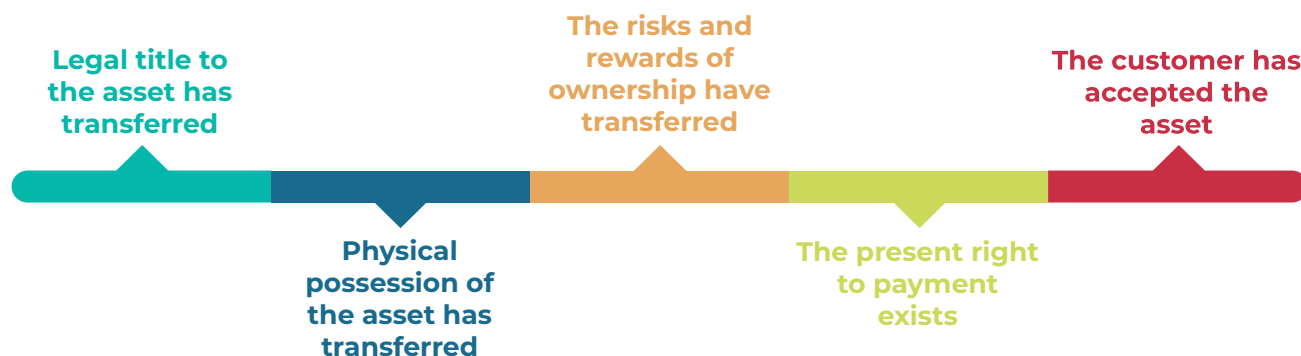
This rule outlines when performance obligations are deemed to be satisfied at a specific point in time. When the criteria to recognize revenue over time are not met, then revenue should be recognized at the point in time when control is transferred.

### IMPORTANT TERMINOLOGY

- **Satisfaction** = 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.

### HOW THIS RULE WORKS

**Transfer is completed at the point in time that one or more of the following obligations is met:**



**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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