



FASB | IASB Education Meeting

September 29, 2023

# Accounting for and Disclosure of Software Costs

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# Scope of Current Software Costs Guidance

## Scope—Software Costs Guidance

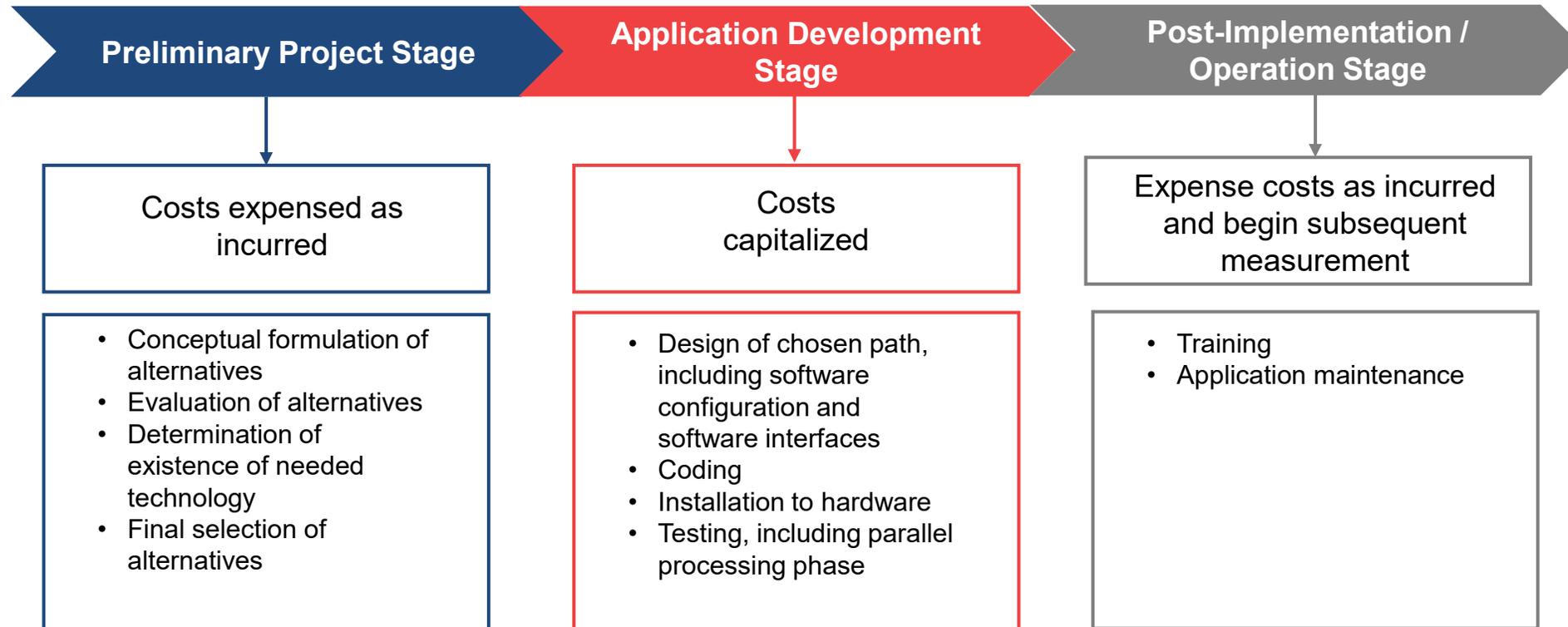
- Costs incurred to develop or purchase software that is **solely for entity's internal use**
- Costs incurred to develop a **hosting arrangement platform**
- Costs incurred by a customer to **implement a CCA**

Subtopic 350-40,  
Intangibles—  
Goodwill and  
Other—Internal-  
Use Software

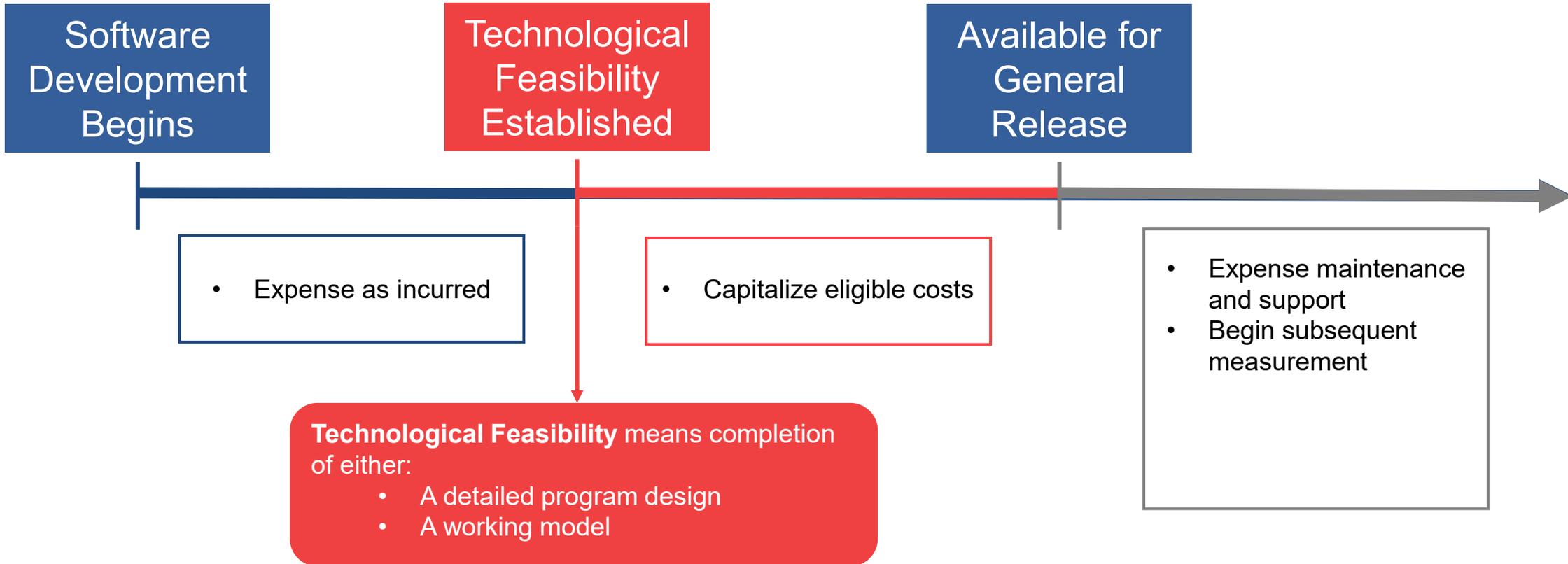
- Costs incurred to develop software **to be sold or licensed** to customers
- Costs incurred to develop software **used in a hosting arrangement** in which the **customer can take possession**

Subtopic 985-20,  
Software—Costs  
of Software to Be  
Sold, Leased, or  
Marketed

# Internal-Use Software (Subtopic 350-40)



# External-Use Software (Subtopic 985-20)



# Feedback on Current Guidance

Software development has evolved.

Current guidance and outcomes are unintuitive.

Diversity in practice exists.

There is a lack of transparency into a company's software costs.

# Project Scope and Objectives



## Project Scope

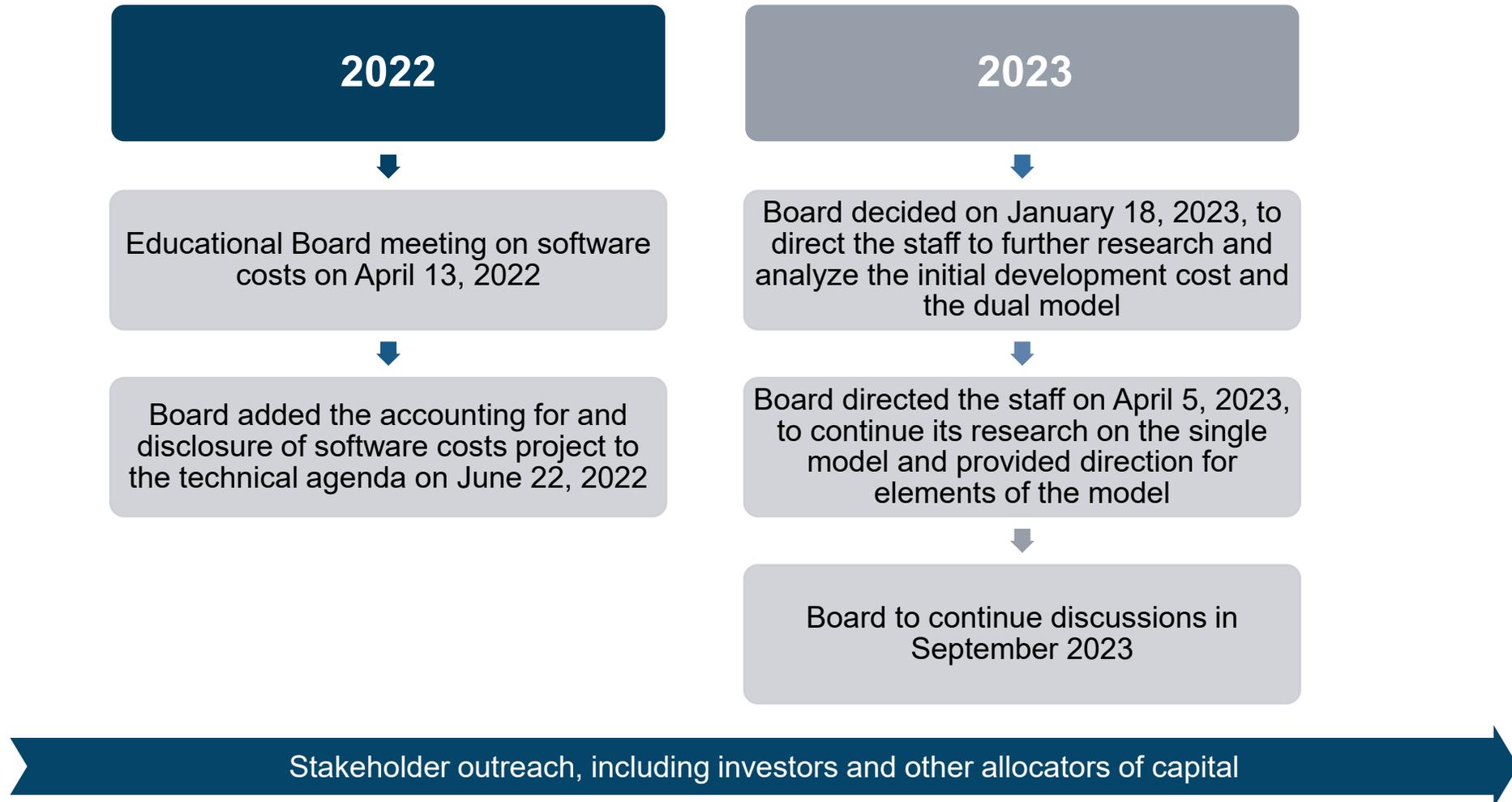
- Recognition, measurement, presentation, and disclosure of costs to internally develop or acquire software, which encompasses all of the software costs currently subject to the guidance in Subtopics 350-40 and 985-20



## Project Objectives

- To modernize the accounting for software costs
- To enhance the transparency about an entity's software costs

# Project Timeline



# Models Considered by the Board

- **Single models**
  - Initial development cost model
  - Ongoing development cost model\*
  - Expense all model\*
- **Dual models\*\***
  - Commercial software
  - External-facing software
  - Monetized software
  - R&D

\* The Board decided to no longer pursue these models on January 18, 2023.

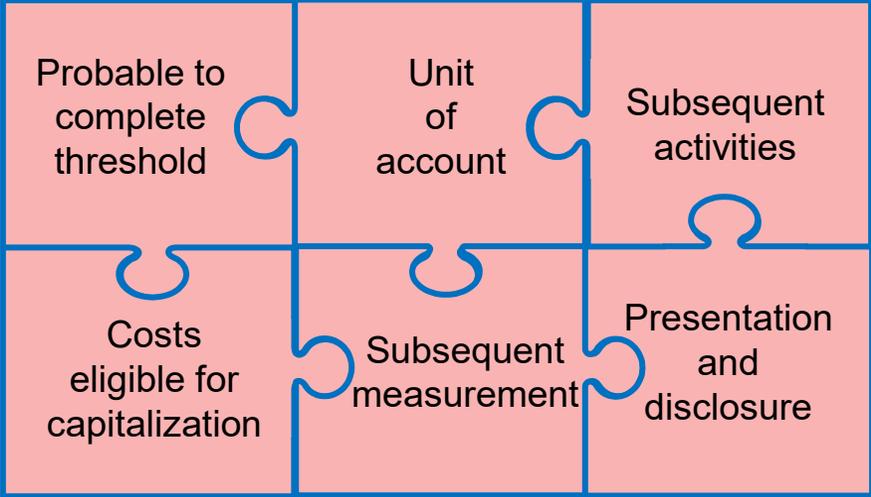
\*\* The Board decided to no longer pursue a dual model on April 5, 2023.

# Current Working Model

All direct software development costs



Capitalized from the point at which it is *probable* that the software project will be completed until the software project is **substantially complete and placed into service.**



Various elements of the working model continue to be discussed with the Board, are subject to change, and may be included in a different form or omitted from any future proposed Accounting Standards Update.

# Key Recognition Decisions

- In September 2023, the Board will discuss the following key areas of the model:

Starting point  
for  
capitalization

Unit of  
account

Ending point  
for  
capitalization

Subsequent  
activities