Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue:** *ASU 2019-02, Improvements to Accounting for Costs of Films and License Agreements for Program Materials*

**Check (applicable entity):**

 P/C Life Health

Modification of existing SSAP [x]  [x]  [x]

New Issue or SSAP [ ]  [ ]  [ ]

Interpretation [ ]  [ ]  [ ]

Description of Issue:

Historically, for episodic television series, production costs specified in Subtopic 926-20 were capitalized up to the amount of revenue contracted for each episode in the initial market until persuasive evidence existed that revenue from secondary markets would occur or an entity could demonstrate a history of earning such revenue in that market. For films, all production costs were capitalized. Due to a shift in the way that episodic television is consumed through on-demand and streaming services, which is more similar to the film revenue model than the old broadcast television model, FASB elected to align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization.

Existing Authoritative Literature:

There is no current SAP guidance for film or television production. U.S. GAAP guidance for film and television production is included in Subtopic 926-20.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:** None

**Convergence with International Financial Reporting Standards (IFRS):**

IFRS standards do not provide industry guidance on the accounting for film costs by producers or for the acquisition of program material licenses by broadcasters.

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive, and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2019-02, Improvements to Accounting for Costs of Films and License Agreements for Program Materials Comments* as not applicable to statutory accounting.

This item is proposed to be rejected as not applicable as ASU 2019-02 provides specific guidance for episodic television producers which is not applicable for statutory accounting purposes.

Staff Review Completed by: Jake Stultz – March 2019

Status:

On April 6, 2019, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP* Pronouncements to reject *ASU 2019-02, Improvements to Accounting for Costs of Films and License Agreements for Program Materials* as not applicable for statutory accounting.

G:\FRS\DATA\Stat Acctg\3. National Meetings\A. National Meeting Materials\2019\Spring\NM Exposures\19-17 - ASU 2019-02 - Film Industry.docx