

Interpretation of the Emerging Accounting Issues Working Group

INT 04-13: EITF 03-5: Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software

ISSUE NULLIFIED BY SSAP NO. 16R

INT 04-13 Dates Discussed

September 12, 2004; December 5, 2004

INT 04-13 References

SSAP No. 16R—Electronic Data Processing Equipment and Accounting for Software (SSAP No. 16R)

SSAP No. 81—Software Revenue Recognition (SSAP No. 81)

INT 04-13 Issue

1. *EITF 03-5, Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software* (EITF 03-5) provides guidance concerning whether items that are not software, but are directly related to software (i.e. more than incidental) and are included in a software arrangement are encompassed in the scope of *AICPA Statement of Position 97-2, Software Revenue Recognition* (SOP 97-2).

2. The issue is whether non-software deliverables included in an arrangement that contains software that is more than incidental to the products or services as a whole are included within the scope of SOP 97-2.

INT 04-13 Discussion

3. Per EITF 03-05, paragraph 2:

1. In an arrangement that includes software that is more than incidental to the products or services as a whole, software and software-related elements are included within the scope of SOP 97-2. Software-related elements include software products and services such as those listed in paragraph 9 of SOP 97-2 1 as well as any non-software deliverable(s) for which a software deliverable is essential to its functionality. For example, in an arrangement that includes software, computer hardware that will contain the software, and additional unrelated equipment, if the software is essential to the functionality of the hardware, the hardware would be considered software-related and, therefore, included within the scope of SOP 97-2. However, because the software is not essential to the functionality of the unrelated equipment, the equipment would not be considered software-related and would, therefore, be excluded from the scope of SOP 97-2.

4. The working group reached a consensus to adopt the EITF 03-05 position as an interpretation of SSAP No. 16R as this EITF position provides further clarification of both SOP 97-2 and *AICPA Statement of Position 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions*, which are the basis for SSAP No. 16R.

INT 04-13 Status

5. No further discussion is planned.