

Statement of Statutory Accounting Principles No. 81

Software Revenue Recognition

STATUS

Type of Issue: Common Area
Issued: Finalized March 26, 2001
Effective Date: January 1, 2002
Affects: No other pronouncements
Affected by: Fully superseded by SSAP No. 16R
Interpreted by: INT 04-13, INT 04-18

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Software Revenue Recognition

SCOPE OF STATEMENT

1. This statement establishes statutory accounting principles for recognition of revenue from software.

SUMMARY CONCLUSION

2. This statement adopts *AICPA Statement of Position 97-2, Software Revenue Recognition* paragraphs 6-91 with certain modifications; *AICPA Statement of Position 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions* paragraphs 6-8; and *FASB Emerging Issues Task Force 00-3, Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware* in its entirety. This statement rejects *AICPA Statement of Position 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition* as not applicable because the effective date is inconsistent with this statement.

3. The modifications to SOP 97-2 are as follows:

- a. Paragraph 10 is amended to require that entities follow the guidance outlined in SSAP No. 5—Liabilities, Contingencies and Impairments of Assets rather than Statement of Financial Accounting Standard (FAS) No. 5, Accounting for Contingencies;
- b. Paragraph 33 is amended to remove the reference to *Technical Bulletin No. 79-10, Fiscal Funding Clauses in Lease Agreements*;
- c. Paragraph 57 is amended to remove the reference to *FAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*;
- d. Paragraph 73 is rejected as not applicable to statutory accounting.

Effective Date and Transition

4. This statement is effective for years beginning January 1, 2002. Early adoption is encouraged but not required. Any change resulting from the adoption of this statement shall be accounted for as a change in accounting principle in accordance with *SSAP No. 3—Accounting Changes and Corrections of Errors*.

AUTHORITATIVE LITERATURE

- *AICPA Statement of Position 97-2, Software Revenue Recognition*
- *AICPA Statement of Position 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition*
- *AICPA Statement of Position 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions*
- *FASB Emerging Issues Task Force 00-3, Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware*

RELEVANT ISSUE PAPER

- *Issue Paper No. 111—Software Revenue Recognition*

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