

NATURAL RESOURCES

Step(s) within Five-step model	Issue	Description and examples
Scope	Various	<p>Entities must consider whether certain arrangements are fully or partially subject to Topic 606, including but not limited to:</p> <ul style="list-style-type: none"> ▶ Commodity sale contracts - consider derivatives guidance, including normal purchase normal sales exception ▶ Joint operating arrangements ▶ Distinguishing conveyances of interest (Topic 932) versus gains and losses from derecognition of nonfinancial assets (Subtopic 610-20)
2, 4, 5	Brand licensing and franchise arrangements	<p>Entities need to consider the nature of promises and fees in a franchise license arrangement to determine how many separate promises (performance obligations) exist within the contract. Revenue for some performance obligations may be recognized over time, while others may be at a point in time.</p>
3	Estimating variable consideration	<p>Entities must estimate variable consideration, apply the constraint on variable consideration and update estimates each reporting period. Pricing may be variable dependent upon commodity price at a future date or other factors.</p>

Links to Relevant AICPA Task Force:

[Oil and Gas](#)
[Power and Utility](#)