

## REAL ESTATE

| 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"> <li>▶ Sales of real estate—consider definition of a business in Topic 805 and gains and losses from derecognition of nonfinancial assets per Subtopic 610-20</li> <li>▶ Interaction with leasing guidance in Topics 840 and 842</li> </ul>  |
| 1, 2                           | Identify the contract with a customer and the performance obligations | <p>Entities must consider collectability, commitment to perform, contract combination and modification guidance when identifying the contract with a customer. Judgment is also required in identifying the number and nature of performance obligations.</p> <p>Example arrangements include:</p> <ul style="list-style-type: none"> <li>▶ Construct a number of buildings with a single customer (e.g. contract with a government to construct three prisons)</li> <li>▶ Construct different elements of a project (e.g., a road and bridges; building, landscaping, construct a swimming pool and garage, interior design)</li> </ul> |
| Scope, 2                       | Common area maintenance (CAM)   | <p>The accounting treatment of CAM will depend on timing of adoption of Topic 842, Leases. Entities need to carefully apply Topic 840 and/or 842 to determine if such services are considered non-lease components and therefore subject to Topic 606.</p> <p>Examples include cleaning the lobby and hallways of a building, parking lot snow removal and landscaping.</p>  |