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## CPE ARTICLE: REVENUE CONTRACTS AND ALLOWANCE FOR CREDIT LOSSES

(Application of CECL to Revenue Contracts Within the Scope of ASC 606)

By Josef Rashty

Today's CPA offers the self-study exam for readers to earn one hour of continuing professional education credit. The questions are based on technical information from the preceding article. If you score 70 or better, you will receive a certificate verifying you have earned one hour of CPE credit – granted as of the date the test arrived in the TXCPA office – in accordance with the rules of the Texas State Board of Public Accountancy (TSBPA). If you score below 70, you will receive a letter with your grade.

**1. CECL is a (an):**

- A. Impairment model for financial assets.
- B. Impairment model for intangible assets.
- C. Impairment model for goodwill.
- D. None of the above.

**2. CECL applies only to:**

- A. Banks and financial institutions.
- B. Retail industry.
- C. Manufacturing industry.
- D. All industries.

**3. PBEs that are SEC filers adopt CECL for interim and annual periods in their fiscal years beginning after \_\_\_\_\_.**

- A. December 15, 2020.
- B. December 15, 2021.
- C. December 15, 2019.
- D. June 15, 2019.

**4. \_\_\_\_\_ applies to financial assets measured at amortized cost.**

- A. ASC 326-30.
- B. ASC 326-20.
- C. ASC 606.
- D. All of the above.

**5. ASC 606 amended guidance requires that companies estimate credit losses for both accounts receivable and contract assets under \_\_\_\_\_:**

- A. ASC 605.
- B. ASC 310.
- C. ASC 326-20.
- D. None of the above.

**6. Subtopic 326-20:**

- A. Does not permit use of pooling method.
- B. Requires use of pooling method.
- C. Permits use of pooling method under some circumstances.
- D. Permits use of pooling method in certain industries.

**7. Estimating credit losses under ASC 326 is:**

- A. Not judgmental.
- B. Relatively judgmental.
- C. Sometimes judgmental.
- D. Highly judgmental.

**8. Which of the following statements is correct?**

- A. CECL is not within the scope of internal controls.
- B. SOX 404 excludes CECL from its provisions.
- C. Companies should develop appropriate internal controls for CECL operations.
- D. None of the above.

**9. After adoption of ASC 326, companies need to expand their disclosures to include the additional following information:**

- A. Process of estimating the historical and expected future credit losses.
- B. CECL application in similar industries.
- C. Cost of CECL implementation.
- D. All of the above.

**10. ASU 2019-05 \_\_\_\_\_:**

- A. Changes the scope of CECL.
- B. Provides industry expertise guidance for CECL.
- C. Provides detailed implementation and disclosure guidance for CECL.
- D. Provides certain optional targeted transition relief for certain financial instruments accounted for under Subtopic 326-20.

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