

CONSIDERATION PAYABLE TO A CUSTOMER (FASB PROPOSAL)

OCTOBER 2026

SUMMARY

On October 22, 2026, the Financial Accounting Standards Board (FASB) proposed an Accounting Standards Update (the proposed ASU), *Revenue from Contracts With Customers (Topic 606): Consideration Payable to a Customer*, which specifies when payments made on behalf of a customer, or to a customer's customer, qualify as consideration payable to a customer in accordance with ASC 606. Specifically, the proposed ASU includes the following criteria:

- ▶ The payment relates to satisfying the entity's promise to its customer.
- ▶ The promise is either explicit or reasonably inferred or represents an in-substance price concession.

If finalized, the ASU might affect whether some payments are presented as a reduction of revenue or as an expense. The proposed ASU would **not** otherwise change the existing guidance for consideration payable to a customer under ASC 606.

KEY TAKEAWAYS

- ▶ The proposed amendments would clarify when payments made **on behalf of a customer, or to a customer of an entity's customer**, are consideration payable to a customer under ASC 606.
- ▶ A payment would be consideration payable to a customer if it relates to satisfying the entity's promise to its customer and arises from either an **explicit promise** or a **reasonable expectation** created by an implicit promise or an in-substance price concession.
- ▶ If finalized, the proposed amendments could change whether certain payments are presented as a **reduction of revenue or as an expense**.

BACKGROUND

ASC 606 requires an entity to account for payments to its customers, or to other parties that purchase the entity's goods or services from its customer ("its customer's customer"), as consideration payable to a customer. The entity generally reduces the transaction price and revenue for those payments unless it receives a distinct good or service in exchange.

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However, ASC 606 does not explicitly address when payments made on behalf of a customer, or to a customer’s customer **outside the direct distribution chain**, are consideration payable to a customer. Stakeholders have applied different interpretations to those arrangements, which may result in economically similar payments being presented either as reductions of revenue or as expenses. The FASB issued the proposed ASU to clarify the accounting and reduce that diversity.

MAIN PROVISIONS

Who Would the Proposed Changes Affect?

If finalized, the ASU would apply to all entities that make payments on behalf of a customer, or to a customer’s customer, in connection with a revenue contract accounted for in accordance with ASC 606. However, the FASB expects the proposed ASU primarily to affect entities making payments outside their direct distribution chain, such as entities that operate platforms.

What Would Change?

The proposed ASU states that a payment made on behalf of a customer, or to a customer of an entity’s customer, would be consideration payable to a customer if the payment relates to satisfying the entity’s promise to its customer and **either** of the following applies:

- ▶ **Explicit promise:** The entity has explicitly promised to make the payment on behalf of its customer or to a customer’s customer.
 - ▶ **Reasonable expectation:** The customer reasonably expects the entity to make the payment because either an implicit promise exists or the payment represents an in-substance price concession.
- An implicit promise may arise from an entity’s customary business practices, published policies, or specific statements. Examples of payments that may represent in-substance price concessions include incentives, rebates, credits, and direct cash payments.

However, the proposed ASU would not otherwise change the existing guidance on consideration payable to a customer. After determining that a payment is consideration payable to a customer, an entity would evaluate whether the payment is in exchange for a distinct good or service transferred by the customer.

How Does Current U.S. GAAP Compare with the Proposed ASU?

CURRENT U.S. GAAP	PROPOSED ASU
ASC 606 addresses payments to an entity’s customers and to other parties that purchase the entity’s goods or services from the customer.	The proposed ASU would explicitly address certain payments made on behalf of a customer or to a customer’s customer.
ASC 606 does not explicitly address when payments outside the direct distribution chain are consideration payable to a customer.	The proposed ASU would focus on whether the payment relates to satisfying the entity’s promise to its customer because of an explicit promise or a reasonable expectation arising from an implicit promise or an in-substance price concession.
Consideration payable to a customer reduces revenue unless the payment is in exchange for a distinct good or service transferred by the customer. Amounts paid to customers for distinct goods or services that exceed fair value also reduce revenue.	No substantive change. Once a payment is identified as consideration payable to a customer, the existing guidance applies.

EXAMPLES

The proposed ASU includes the following examples:

- ▶ **Platform credit, explicit promise:** A platform provider signed a contract with a seller (its customer) that specifies it will provide a \$10 credit to first-time buyers of the seller’s goods (its customer’s customers). The credit qualifies as consideration payable to a customer because the platform explicitly promised the payment to the seller.
- ▶ **Platform credit, implicit promise:** A platform provider customarily offers and markets a \$10 credit to first-time buyers (its customer’s customers), although the contract with sellers does not require it. The credit qualifies as consideration payable to a customer because the platform provider implicitly promised to provide the credits and therefore the seller has a reasonable expectation its customers will receive such credits.
- ▶ **Interest-free financing, in-substance price concession:** A retailer pays market-rate interest to a bank on behalf of qualifying customers who obtain promotional interest-free financing. The payment constitutes an in-substance price concession and therefore qualifies as consideration payable to a customer.

OTHER INFORMATION IN THE PROPOSAL

The proposed ASU also would amend ASC 718, *Compensation — Stock Compensation*, to address share-based consideration granted on behalf of a customer or to a customer’s customer.

The FASB is also seeking feedback on negative revenue, which can arise when consideration payable to a customer exceeds the consideration received from the customer. The FASB asks whether the proposed ASU would increase the prevalence of negative revenue and whether more standard setting, including potential presentation or disclosure requirements, is needed. The proposed ASU does not address negative revenue.

EFFECTIVE DATE AND TRANSITION

The FASB will determine the effective date after considering stakeholder feedback.

Early adoption would be permitted in an interim or annual reporting period in which financial statements have not yet been issued or made available for issuance. If an entity adopts the amendments during an interim reporting period, it would apply the amendments as of the beginning of the annual reporting period that includes that interim period.

The proposed transition is summarized below:

	MODIFIED PROSPECTIVE	MODIFIED RETROSPECTIVE
Application	Payments made or promised on or after the adoption date	Payments made or promised after the beginning of the earliest period presented
Prior periods	Comparative periods would not be adjusted	Prior periods presented would be adjusted for applicable payments
Cumulative-effect adjustment	No cumulative-effect adjustment	No cumulative-effect adjustment
Transition disclosures	Nature and reason for the accounting change and method of application	Same information, plus the effects on specified financial statement line items and affected per-share amounts for retrospectively adjusted prior periods

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The proposed ASU is not authoritative and may change before a final ASU is issued. Entities must continue to apply existing U.S. GAAP while monitoring the FASB's standard-setting activities. Stakeholders may submit comments to the FASB through November 23, 2026, [here](#).

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