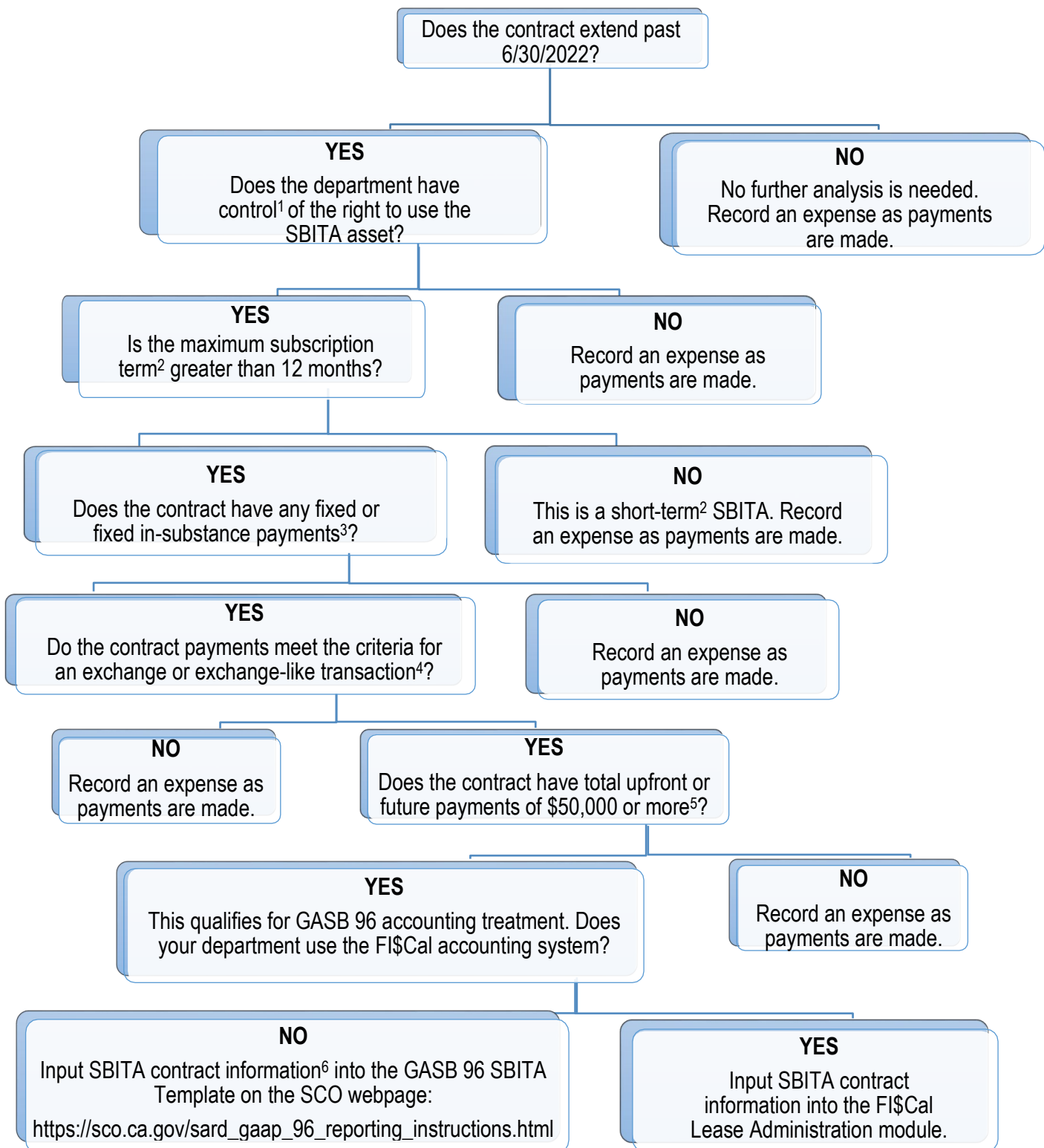


# Subscription-Based Information Technology Arrangements (SBITAs) Accounting Decision Tree

For SBITAs between state agencies, please contact the State Controller's Office for further Clarification.



# Subscription-Based Information Technology Arrangements (SBITAs)

## Accounting Decision Tree

**For SBITAs between state agencies, please contact the State Controller's Office for further Clarification.**

<sup>1</sup> A contract conveys control of the right to use the asset when the government is provided with both of the following:

1. The right to obtain service level capacity from use of the asset as specified in the contract, and
2. The right to determine the nature and manner of use of the asset.

In other words, the government must have the right to the benefits generated from the asset. For example, a government can log in to use the subscribed software such as Microsoft Excel.

<sup>2</sup> Maximum subscription term is the period a government has a noncancelable right to use the asset from July 1, 2022, or the inception of the arrangement, whichever is later, plus a government's or SBITA vendor's option to:

- Extend the SBITA if it is reasonably certain the option will be exercised or
- Terminate the SBITA if it is reasonably certain that the option will not be exercised.

**Caution:** *Periods where BOTH government and SBITA vendor have options to terminate or extend without permission of the other party are excluded from the subscription term.*

**Note:** A short-term SBITA is a SBITA that has a maximum possible term of 12 months or less at the commencement of the subscription, including any options to extend, regardless of their probability of being exercised.

<sup>3</sup> Fixed payments are established as specific dollar amounts in the SBITA contract, and the government is obligated to make them. Fixed in substance payments are minimum guarantee amounts or portions of variable payments that can be reliably measured because they are not dependent upon events or transactions that have not occurred. For example, a SBITA may require an annual minimum payment of \$10,000 for up to 10 licenses regardless of how many are active, then \$1,500 per license after. Since the minimum amount to be paid can be reliably measured, the \$10,000 becomes a fixed in substance payment.

- Include both fixed payments and fixed in substance payments in calculating the liability arising from the SBITA. Other factors that may be part of a fixed or fixed in substance payment stream, may include, but are not limited to:
  - Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the subscription term.

<sup>4</sup> In an exchange transaction, the government receives and gives up essentially equal values. In a nonexchange transaction, a government receives value (underlying IT assets) without directly giving equal value in return (e.g., free subscription).

# Subscription-Based Information Technology Arrangements (SBITAs)

## Accounting Decision Tree

**For SBITAs between state agencies, please contact the State Controller's Office for further Clarification.**

<sup>5</sup> Calculate upfront or total future payments from July 1, 2022, or the date the contract begins if after July 1, 2022, to the end of the contract term described in footnote 2 above. If upfront payments were made prior to the implementation date of July 1, 2022, calculate the unrecognized portion of the upfront payment (allocated/prorated to future years) from July 1, 2022, to the end of the contract term described in footnote 2 above. For example, \$150,000 is paid on July 1, 2021 for a 3-year contract from July 1, 2021 to June 30, 2024. The unrecognized portion is \$100,000 ( $\$150,000 \times 2/3$  years) from July 1, 2022 to June 30, 2024.

<sup>6</sup> Non-FI\$Cal Departments that did not procure third-party software for GASB 96 accounting, may use the "[GASB 96 SBITA Template](#)" Excel Workbook on the SCO website.