

SUBSCRIPTION TERM CALCULATION

Instructions: Use this calculation to determine the subscription term, including any options to extend or terminate. Each option must be evaluated to determine if the term will be extended or terminated beyond the noncancelable period (minimum contract length).

CAUTION: When determining if the contract is a **SHORT-TERM SBITA**, remember the **MAXIMUM** possible term is no more than 12 months including all options **REGARDLESS** of the probability of being exercised. (i.e., assume options to extend **WILL** be exercised and options to terminate will **NOT** be exercised).

If a SBITA that has cancelable periods, which **both** parties have an option to terminate the SBITA without permission from the other party (or if both parties must agree to extend), the maximum possible term is the noncancelable period, including any notice periods. If this results in a noncancelable period of longer than 12 months, use this calculator to determine the subscription term; otherwise, short-term SBITA.

WHAT TO USE	OPERATION	CAUTION	CAUTION
Noncancelable Period	Plus (+)	For each option to the left, the outcome must be reasonably certain (more than probable) (>75%)	Periods where BOTH the government and SBITA vendor either (1) have option to terminate without permission of other party, or (2) must both agree to extend are excluded from subscription term
Periods covered by a government's option to extend.	Plus (+)		
Periods covered by a government's option to terminate but choosing not to.	Plus (+)		
Periods covered by the SBITA vendor's option to extend.	Plus (+)		
Periods covered by the SBITA vendor's option to terminate but choosing not to.	Plus (+)		
Subscription Term	Equals (=)		

Governmental GAAP Guide

The concept of reasonably certain was considered by the GASB as part of the deliberations for what became the new leasing provisions. The Board could have used probable in a similar vein to contingencies. Many practitioners consider it probable to have a 75% certainty. The GASB believes reasonably certain is a higher threshold than probable and is analogous to reasonably assured. Professional judgment is likely needed to determine a threshold for this amount of certainty.

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SBITA LIABILITY CALCULATION

Instructions: Use this calculation to determine which types of payments made or expected to be made should or should not be included in the calculation of the SBITA liability. Footnotes further define each payment type.

Type of Payment Included	
Fixed Payments	YES
Variable Payments (Index or Rate ¹)	YES
Variable Payments (Fixed in Substance ²)	YES
Variable Payments/Contingency Payments (Future Performance/Usage ³)	NO
Termination Penalties (Subscription Term Must Include the Government Exercising the Terminate Option or Fiscal Funding/Cancellation Option)	YES
Subscription Incentive Payments ⁴ (AFTER SBITA Commencement)	YES
All Other Payments (Reasonably Certain TO BE Paid)	YES

¹ Payments based upon an index or rate such as the Consumer Price Index or a market interest rate.

² Portions of variable payments that can be reliably measured and are not dependent upon events or transactions that have yet to occur. For example, if a SBITA requires 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.

³ Payments dependent on future performance, usage or number of user seats are defined in the contract. For example, if a SBITA requires a monthly payment of \$100 per license and is 100% based on the number of licenses, then it is a variable payment based on usage and thus excluded from the SBITA liability calculation.

⁴ SBITA Incentive Payments are payments made to, or on behalf of, the government, for which the government has a right of offset with its obligation to the SBITA vendor or other concessions granted to the government.

RIGHT-TO-USE SBITA ASSET CALCULATION

Instructions: Use this calculation to determine which types of payments made or expected to be made should or should not be included in the calculation of the SBITA asset.

Type of Payment Included	
SBITA liability	YES
Payment made to the SBITA Vendor at or before commencement (less any incentives ¹ received)	YES
Capitalized initial implementation costs ²	YES

¹SBITA incentives are payments made to, or on behalf of, the government, for which the government has a right of offset with its obligation to the SBITA vendor. SBITA incentives reduce the amount that a government is required to pay for a SBITA. SBITA incentives receivable by the government (payable by SBITA vendor) after SBITA commencement are ordinarily a reduction (offset) in the calculation of the subscription payments.

²Capitalized initial implementation costs are payments associated with activities in the initial implementation stage, such as configuration, coding, testing, data migration (minimum data conversion needed to make underlying assets operational), and installation.

Refer to GASB 96 SBITA Stages of Implementation to determine SBITA stages and accounting treatment for costs.

SBITA STAGES OF IMPLEMENTATION

Instructions: Use this table to determine SBITA stages and accounting treatment for costs. Training costs should be expensed as incurred regardless of the stage in which they are incurred.

Preliminary Project Stage (EXPENSE)	Initial Implementation Stage (CAPITALIZE)	Operational and Additional Implementation Stage (EXPENSE)
Requests for Proposals Costs	Configuration	Stabilization
Demonstration Costs	Coding	Training
Costs BEFORE selection of final alternatives	Testing, Parallel Processing prior to Go Live and installation	Conversion of unneeded data/ archived/legacy data
Legal to review request for proposal (RFP)	Initial conversion to get the system to "Go Live"	Outlays after go live that do not increase functionality/efficiency
Prior System Costs	Costs after Go Ahead	
PERIOD TO GO AHEAD	PERIOD TO GO LIVE	AFTER GO LIVE

Note: If the SBITA has more than one module and the modules are implemented at different times, then the asset is placed into service when the first module or first set of independent modules is implemented. Costs to implement additional modules should be capitalized if they increase the functionality of the asset (perform new tasks) or increase efficiency (an increase in the level of service provided).