

GASB 96 Subscription- Based Technology Arrangements (SBITA)

CONTROLLER'S OFFICE

UPDATED 3-08-2023



FINANCIAL SERVICES

THE UNIVERSITY OF UTAH

Purpose of This Training

The purpose of this training is to roll out a university-wide process to identify and report potential SBITA's as required by GASB 96.



Photo courtesy of Tima Miroshnichenko via pexels.com

Contents

- Definition and scope of SBITA
- Exclusions
- Accounting - Recognition and measurement
- Implementation roles
- Tools and processes to identify potential SBITA

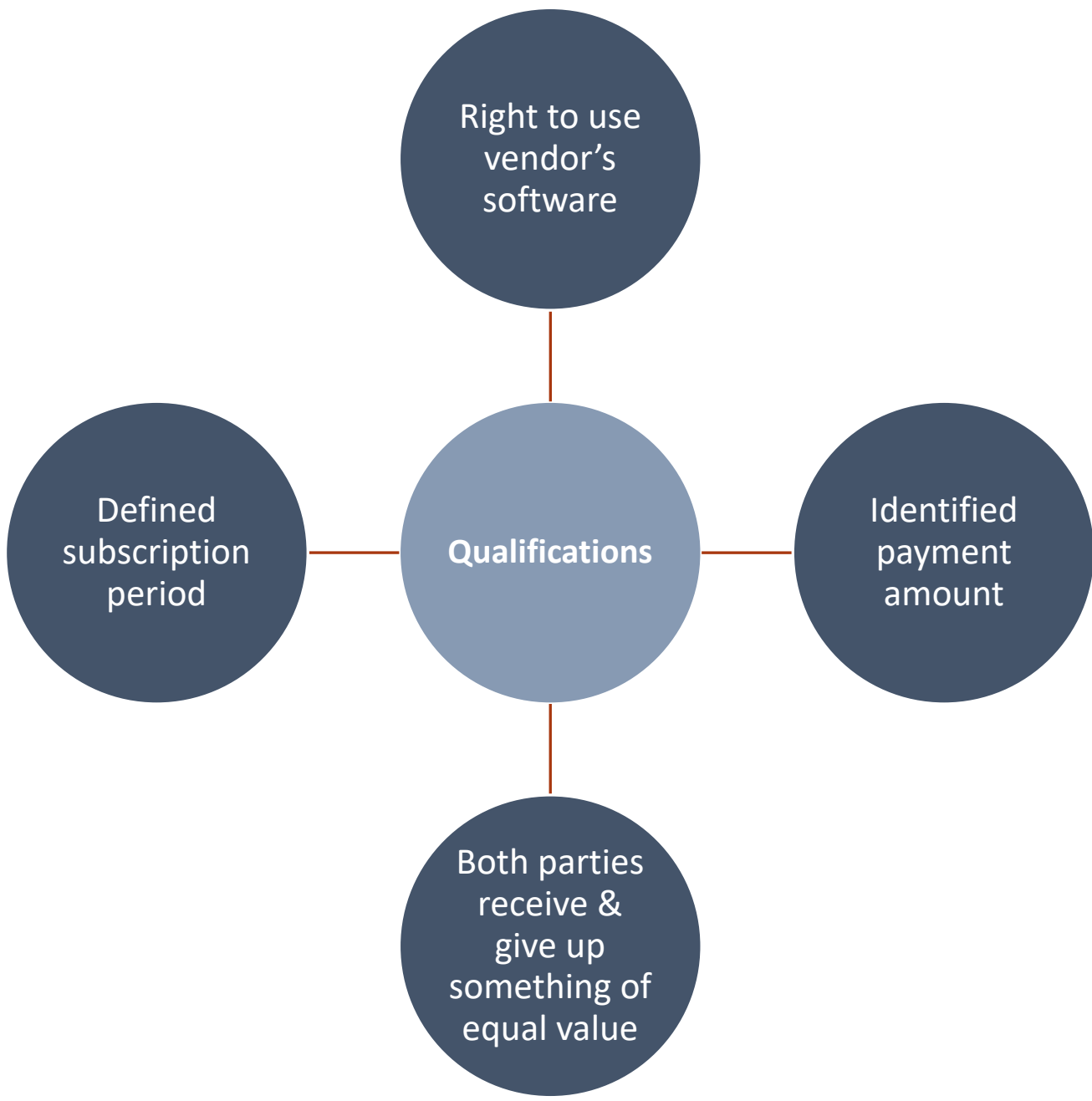


Defining a SBITA

GASB 96 defines SBITA's as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT asset), as specified in the agreement for a period of time in an exchange or exchange-like transaction.

When

- Effective for fiscal year beginning 7/1/2022
- Measurement of subscription term s/b based on time remaining in agreement as of that date





Exclusions

- Contracts that do not meet the qualifications on previous slide.
- Service only agreements.
- Software that your department will own or has a perpetual license agreement.
- Short-term agreements – agreements with a maximum possible term of 12 months (or less), including any options to extend, regardless of their probability of being exercised.
- Intra-university software rentals.
- Contracts that qualify as leases under GASB 87 (see next slide).

IT Software with a Tangible Capital Asset



Photo by [Paul Hanaoka](#) on [Unsplash](#)

Which component is more significant?

- If software component is more significant, the agreement falls under GASB 96.
- If tangible capital asset component is more significant, the agreement falls under GASB 87 – Leases



SBITA Accounting

Prior Reporting: Payments for IT software rental/subscription are recorded as operating expenses.

GASB 96 Reporting: Record a right-to-use asset and a subscription liability at the inception of the agreement (when your department obtains control of the right to use the IT asset).

What does this mean to campus departments?

Subscription Term

The period during which the department has the right to use the software.

Includes periods:

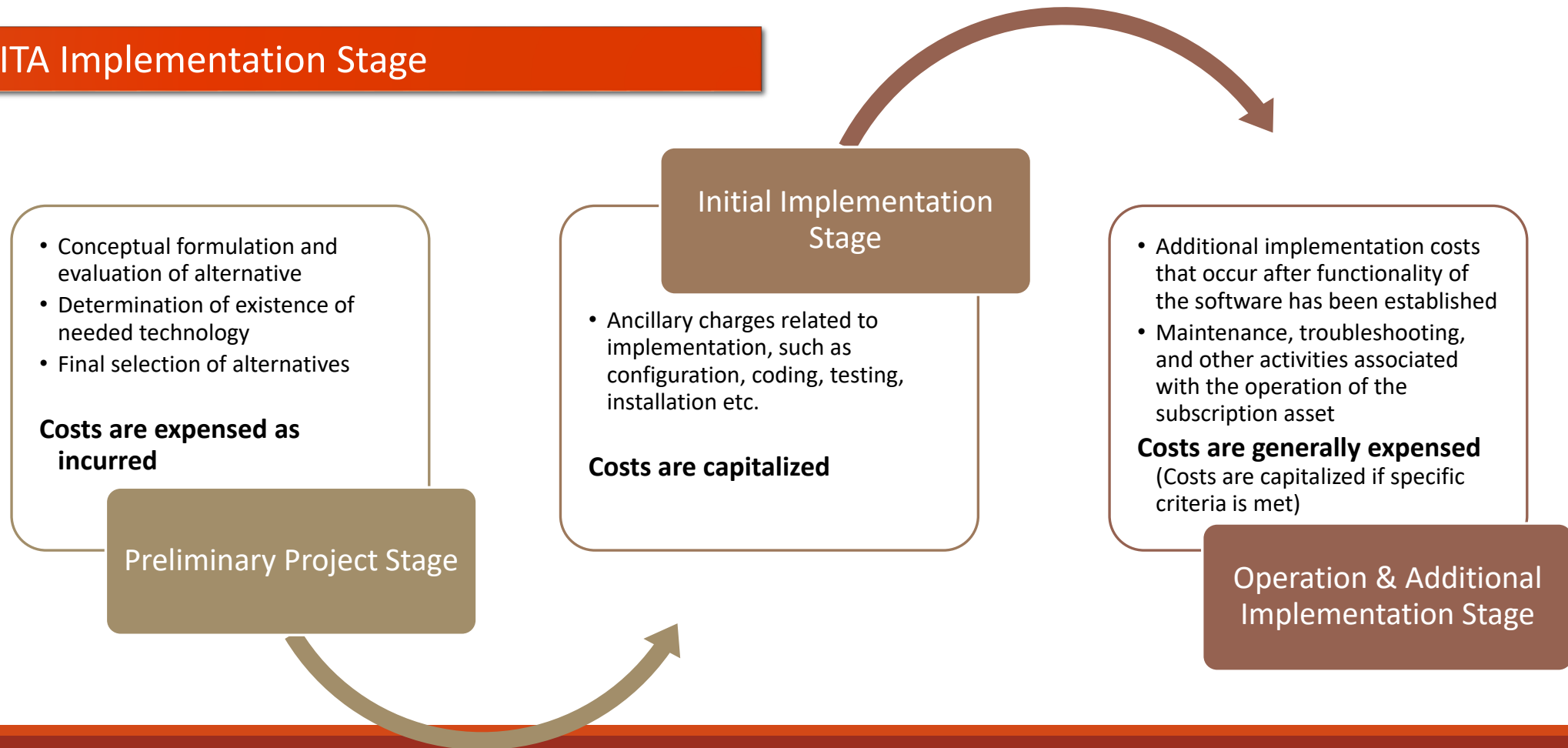
- covered by an option to extend the contract if it is reasonably certain that the department **will** exercise that option
- covered by an option to terminate the contract if it is reasonably certain that the department **will not** exercise that option

Excludes periods:

- for which both parties have to agree to extend the contract
- for which both parties have an option to terminate without permission from the other party

Expenses Other than Subscription Payments

SBITA Implementation Stage





Vendor Incentives

The following are examples of vendor incentives:

- Free subscription periods
- Reduction of principle or interest charges
- Reimbursement of end user costs

Implementation Roles

Campus Departments & Offices -

- Use the provided [decision tree](#) to identify potential SBITAs.
- Enter the potential SBITAs in the [Excel reporting form](#). Once completed, email the form, a copy of identified potential SBITA agreements, and all applicable amendments wei.hsiung@admin.utah.edu by 4/15/2023.
- Record all SBITA expenses the same as in prior years. No change in departmental accounting.

Controller's Office -

- Evaluate potential SBITAs identified by departments.
- We will reclassify any expenses if necessary.

Controller's Office

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