Standalone Selling Price (SASP) Quick Start Card

Objective of Step 4, "Allocate Standalone Selling Price," of the ASC 606 5-Step Method:

To allocate the transaction price (Step 3) to each performance obligation (Step 2) in an amount that best represents the consideration that the entity expects to be entitled to for transferring each performance obligation to the customer (referred to as the "allocation objective").

How? By establishing a SASP methodology

The process that entities use to determine the **SASP** for each performance obligation typically includes the following steps:

1. **Establish the appropriate cadence** for determining SASP.
2. **Determine the scope** of the SASP analysis.
3. **Evaluate level of aggregation (or disaggregation)** to determine SASP.
4. **Determine the SASP** for each performance obligation.
5. **Allocate the transaction price** using the SASP in place at the contract inception date.
6. **Monitor** for changes on an ongoing basis.

What is SASP?

SASP is defined as "the price at which an entity would sell a promised good or service separately to a customer."

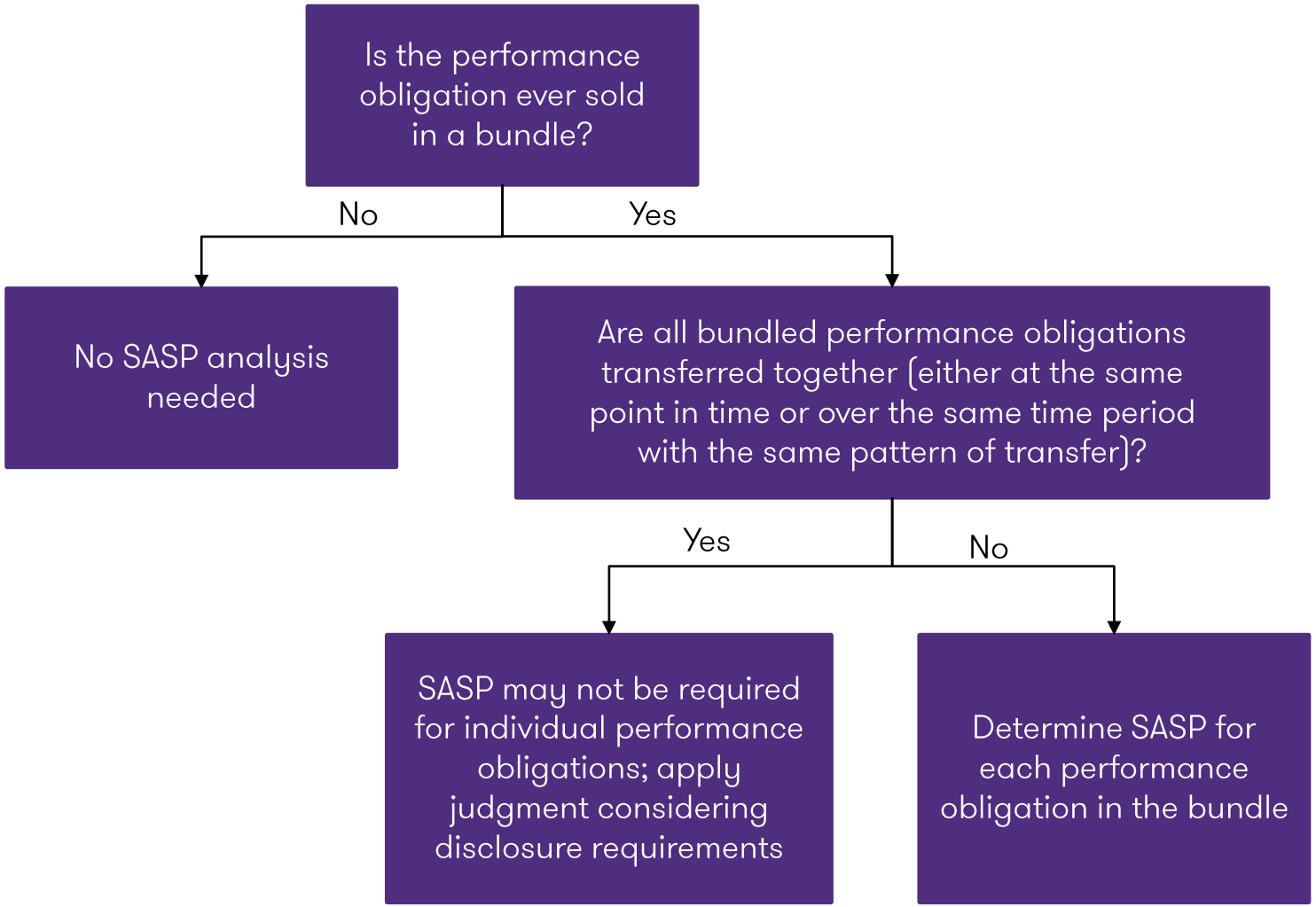
This Quick Start Card only describes the "Determine the scope" and "Determine the SASP" steps from the above table and common areas of judgment. For further guidance on determining SASP as part of applying Step 4 of ASC 606, refer to **Snapshot 2026-14**.

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Determine the scope

Is SASP needed?



The process that entities use to determine the **SASP** for each performance obligation typically includes the following steps:

1. **Establish the appropriate cadence** for determining the SASP.
2. **Determine the scope** of the SASP analysis.
3. **Evaluate level of aggregation (or disaggregation)** to determine SASP.
4. **Determine the SASP** for each performance obligation.
5. **Allocate the transaction price** using the SASP in place at the contract inception date.
6. **Monitor** for changes on an ongoing basis.

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Determine the SASP for each performance obligation

The best evidence of SASP is the **OBSERVABLE PRICE** of a good or service sold separately (in **STANDALONE SALES**) in similar circumstances and to similar customers.

STANDALONE SALES

OBSERVABLE PRICE

Does the entity sell the good or service by itself?

Yes — **Scenario A**

No — **Scenario B**

The sales constitute standalone sales.

The entity does not have standalone sales of the performance obligation.

Do the standalone sales provide sufficient evidence of an observable SASP (*sufficient* data points whereby a *high percentage* of data points are within a *narrow range*)?

No

Yes

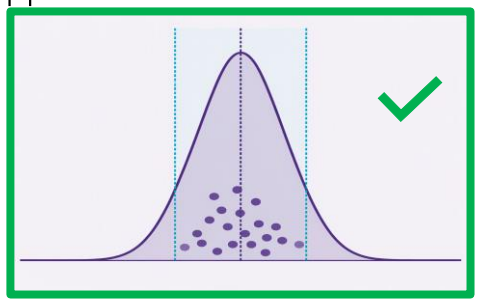
The observable price from the standalone sales is the SASP for the performance obligation. No estimation is required.

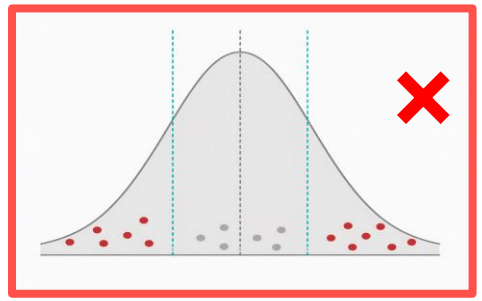
Estimate SASP for the performance obligation.

Scenario A:
Entity A sells machine A to Customer B for $100 on January 1, 20X0. Because the contract with Customer B only includes a single good (machine A), the sale of machine A to Customer B on January 1, 20X0 constitutes a standalone sale.

Scenario B:
Entity A sells machines C and D to Customer B for $800 and $1,200, respectively, on December 31, 20X1 in a single contract. In fact, Entity A always sells machines C and D together as a bundle with consistent pricing. Because the contract with Customer B includes a bundle of goods (machines C and D), the sale of machines C and D to Customer B on December 31, 20X1 does not constitute a standalone sale of machine C or machine D.

As used in ASC 606, "observable" price generally means that a high percentage of standalone sales are priced within a narrow range of the midpoint. This is often analyzed using a bell curve approach.





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Determine the SASP for each performance obligation (continued)

When an entity must estimate SASP

Approach	Description	Use when…	Do not use when…
Adjusted market	Uses available market data to estimate a performance obligation's SASP, adjusted as needed to reflect entity-specific factors, such as the entity's costs and margins.	The good or service is not new to the market, and competitor pricing or other market data is available.	The entity is selling a new good or service with no comparable market data.
Cost plus reasonable margin	Forecasts the entity's expected costs of satisfying a performance obligation, plus an appropriate margin for that good or service.	Costs of the good or service to be transferred are meaningful and can be reasonably estimated.	The cost plus margin approach does not provide meaningful data that meets the allocation objective of Step 4 (for example, some software).
Residual	Subtracts the sum of the observable standalone selling prices of the other performance obligations from the total transaction price to estimate the SASP of the remaining good(s) or service(s).	All other performance obligations sold in the contract have observable SASPs, and the selling price is either (1) highly variable (sold to different customers at varying prices) or (2) uncertain (not yet sold on its own, no price established).	The performance obligation's selling price is not highly variable or uncertain, or there is no observable SASP for another performance obligation in the bundled sale.
Other methods	Entities may use another estimation method, such as a discounted cash flow model, if observable inputs are maximized and the allocation objective is met.	Other estimation methods are not appropriate (lack of market data, costs or margins not meaningful and not eligible to apply the residual approach).	There is another method that better maximizes the use of entity-specific, observable inputs and meets the allocation objective.

Example A: Residual approach is appropriate

Entity A sells machine A and software B to Customer B for $100 on January 1, 20X0. Entity A has an observable SASP for machine A but the selling price of software B is uncertain. Entity A may use the residual approach to estimate SASP for software B because Entity A has observable SASP for machine A and the selling price of software B is uncertain.

Example B: Residual approach is NOT appropriate

Entity A sells machine A and software B to Customer B for $100 on January 1, 20X0. Entity A does not have an observable SASP for machine A and instead estimates SASP using a cost plus margin approach. The selling price of software B is uncertain. Entity A may NOT use the residual approach to estimate SASP for software B because Entity A does not have observable SASP for machine A.

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SASP – Areas of judgment

The determination of an entity's SASP methodology may require significant judgment in the following areas.

Scope & structure

- Cadence of SASP analysis and degree of monitoring appropriate
- Determination of which performance obligations to exclude from the analysis
- Level of aggregation or disaggregation of performance obligations
- Period of historical data to use in the analysis

Persuasiveness of evidence

- Determination of whether standalone sales in the historical lookback period are sufficient to evidence an observable price
- Thresholds for the compliance rate and range sufficient to provide meaningful evidence
- Sufficiency of available data used in estimating SASP

Estimation approach

- Determining which approach to apply to estimate the SASP
- Identification of which data evaluated is most observable in the specific facts and circumstances

References *- For further guidance on determining SASP, please refer to:*
Snapshot 2026-14, "Breaking down standalone selling price in ASC 606"
Section 6.1 of Revenue from Contracts with Customers – Navigating the guidance in ASC 606 and ASC 340-40
Snapshot 2025-11, "Management Review Controls"

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