Arellano Timing

Default → Receive y_D and set b'=0

Re-enter financial markets in new state and set t = t+1

Stay excluded and set t = t+1

Observe state y and b

Repay debt → Receive y → Choose b'

Move to new state and set t = t+1

QuantEcon Code Timing

In default → Receive y_D and set b'=0

Re-enter financial markets in new state and set t = t+1

Stay excluded and set t = t+1

Observe state y and b and check if in default

Not in default → Receive y → Update default state → Set b'

Move to new state, and set t = t+1
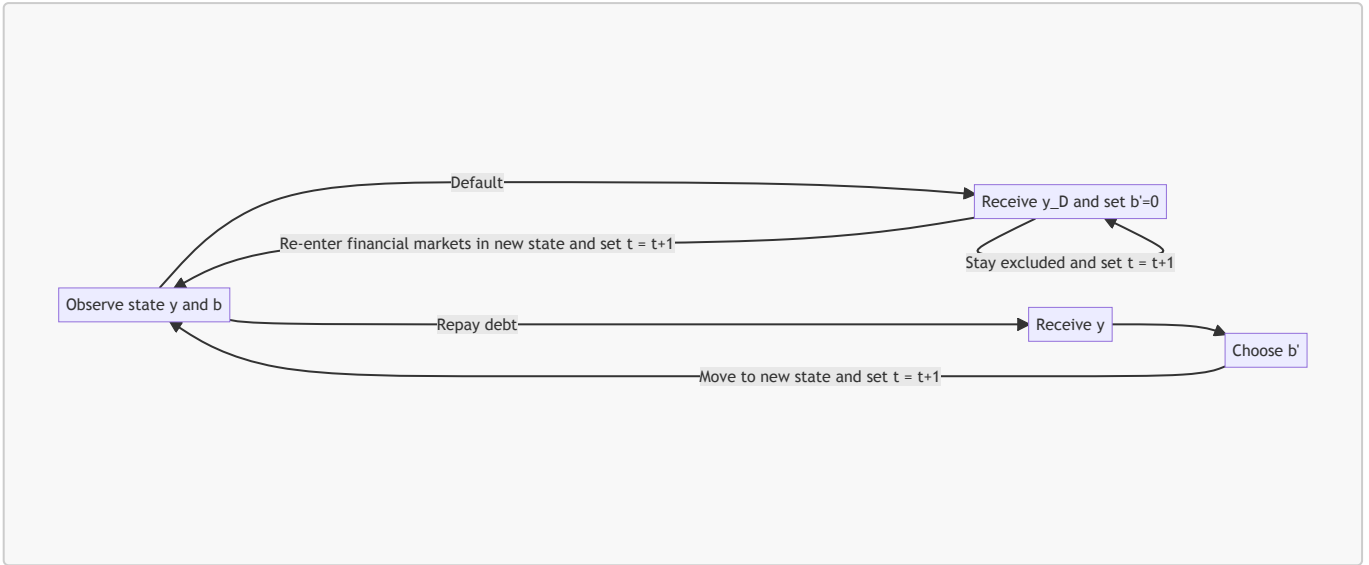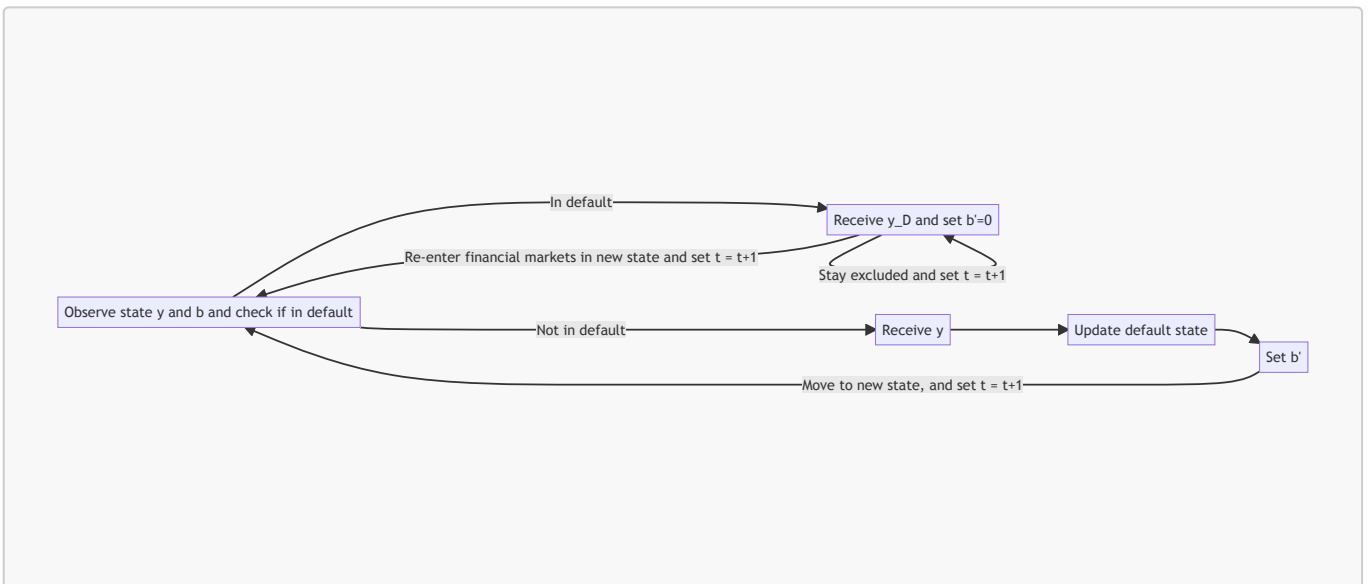
If you are not currently excluded from financial markets at time t, received income depends on whether (y, b) is a default state. However, in the code, you first receive y and then check whether you are in default for that period.