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International Financial Reporting Standard[®]

Effective Date of IFRS 15

IASB[®]

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Effective Date of IFRS 15

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Amendments to IFRS 15 *Revenue from Contracts with Customers*

In the Introduction, paragraph IN2 is amended. Deleted text is struck through and new text is underlined.

IN2 IFRS 15 is effective for annual periods beginning on or after 1 January ~~2017~~ 2018. Earlier application is permitted.

In Appendix C, paragraphs C1 and C7 are amended. Deleted text is struck through and new text is underlined.

Effective date

C1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January ~~2017~~ 2018. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.

Transition

...

C7 If an entity elects to apply this Standard retrospectively in accordance with paragraph C3(b), the entity shall recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, an entity shall apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January ~~2017~~ 2018 for an entity with a 31 December year-end).

Approval by the Board of *Effective Date of IFRS 15* issued in September 2015

Effective Date of IFRS 15 was approved for publication by the fourteen members of the International Accounting Standards Board.

Hans Hoogervorst

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Chungwoo Suh

Mary Tokar

Wei-Guo Zhang

Amendments to the Basis for Conclusions on IFRS 15 *Revenue from Contracts with Customers*

The following footnote is added to the heading 'Effective date' above paragraph BC446. New text is underlined.

The boards subsequently deferred the effective date of IFRS 15 and Topic 606 by one year. See paragraphs BC453A–BC453H.

In paragraph BC452 '...comparability of financial reporting in the period up to the date of initial application.' is footnoted as follows. New text is underlined.

The FASB subsequently amended Topic 606 to allow all entities to apply the Standard early for annual periods beginning after 15 December 2016. See paragraph BC453H.

Paragraphs BC453A–BC453H and their related heading are added. New text is underlined.

Deferral of effective date (amendment issued in September 2015)

BC453A After issuing IFRS 15 and Topic 606, the IASB and the FASB formed a joint Transition Resource Group (TRG) for Revenue Recognition to support the implementation of the Standard. The TRG discussed submissions from stakeholders and its discussions on five topics indicated potential differences of views on how to implement the requirements in IFRS 15. Consequently, those topics were discussed by the boards and each board decided to propose targeted amendments to IFRS 15 and Topic 606. The IASB published an Exposure Draft *Clarifications to IFRS 15* in July 2015. In the light of those proposed amendments, the IASB and the FASB each discussed whether to defer the effective date of the Standard.

BC453B The IASB observed that changing the effective date of a Standard shortly after its issuance creates uncertainty for stakeholders and has the potential to set a bad precedent. The effective date is set after consideration of information obtained in the exposure process about the time needed to implement the requirements. Accordingly, the IASB would consider changing the effective date only in exceptional circumstances. The IASB noted that it had already provided a considerable amount of time between issuing IFRS 15 and the effective date, anticipating that some entities would be required to change information technology systems and processes when applying the Standard. The IASB has also provided substantive relief on transition to IFRS 15 by giving entities a choice of transition methods, one of which does not involve the restatement of comparative financial information. In addition, the IASB observed that the proposed amendments noted in paragraph BC453A are expected to clarify, rather than change, the requirements of the Standard.

BC453C Nonetheless, the IASB decided to propose a deferral of the effective date of IFRS 15 by one year to 1 January 2018 because of the combination of the

following factors that result in the circumstances surrounding the implementation of IFRS 15 being exceptional:

- (a) The IASB acknowledged that, although intended to provide clarity, the proposed amendments to IFRS 15 noted in paragraph BC453A may affect some entities that would wish to apply any amendments at the same time as they first apply IFRS 15. Those entities are likely to wish to avoid reporting changes to revenue when first implementing the Standard and then, within a year or two, potentially reporting further changes to revenue as a result of applying any amendments to the Standard. For those entities, a deferral of the effective date by one year would provide additional time to implement any amendments to the Standard.
- (b) IFRS 15 was issued later than had been anticipated when the IASB set the effective date of the Standard, which absorbed some of the implementation time that entities were expecting to have.
- (c) IFRS 15 is a converged Standard with Topic 606—although this was not the only consideration, the IASB observed that there are benefits for a broad range of stakeholders of retaining an effective date that is aligned with the effective date of Topic 606.

BC453D Accordingly, the IASB published the Exposure Draft *Effective Date of IFRS 15* in May 2015 proposing to defer the effective date of IFRS 15 by one year.

BC453E The IASB concluded that a one-year deferral would be sufficient in terms of providing additional time to implement IFRS 15. IASB members observed that the issuance of IFRS 15 in May 2014 had been later than anticipated by some months, not years. Accordingly, a deferral of the effective date of IFRS 15 for anything longer than one year would unnecessarily delay transition by many entities to a new Standard that the IASB views as a substantial improvement to financial reporting.

BC453F Almost all respondents to the Exposure Draft agreed with the proposal to defer the effective date of IFRS 15 for one or more of the reasons noted by the IASB, some noting the exceptional nature of the circumstances surrounding the implementation of IFRS 15. Most also agreed that a one-year deferral should be sufficient and would improve the quality of implementation.

BC453G In the light of the feedback received, the IASB confirmed its decision to defer the effective date of the Standard. The IASB did not change its previous decision to permit early application of IFRS 15.

BC453H For factors similar to those considered by the IASB, the FASB issued an Accounting Standards Update 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* in August 2015 also deferring the effective date of Topic 606 for all entities by one year. Consequently, a public entity would be required to apply Topic 606 to annual reporting periods beginning after 15 December 2017. The FASB decided to permit early application of Topic 606 by all entities, but not before the original effective date of Topic 606 for a public entity (ie annual reporting periods beginning after 15 December 2016).

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