IFRS Accounting

Staff paper

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Date	**April 2024**
Project	**Second Comprehensive Review of the *IFRS for SMEs®* Accounting Standard**
Topic	**Proposed revised Section 23 *Revenue from Contracts with Customers*—Disclosure requirements**
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Introduction

1. The International Accounting Standards Board (IASB) proposed to revise Section 23 *Revenue* of the *IFRS for SMEs* Accounting Standard to align it with IFRS 15 *Revenue from Contracts with Customer*s in the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (Exposure Draft). This paper discusses the feedback on the proposed disclosure requirements for revenue.

2. The paper also discusses differences between the proposed requirements and the forthcoming IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

3. In this paper, the term SMEs refers to entities that are eligible to apply the *IFRS for SMEs* Accounting Standard.

Purpose of the paper

4. The purpose of this paper is to ask the IASB:

   (a) to consider feedback on the disclosure requirements for revenue proposed in the Exposure Draft;

   (b) to consider differences between the proposed requirements and the disclosure requirements for revenue in the forthcoming IFRS 19; and

   (c) to decide whether to change the proposed requirements.

Staff recommendations

5. The staff recommendations are summarised in Table 1 of this paper. A similar summary is included in Appendix A of this paper alongside the disclosure requirements proposed in Section 23 *Revenue from Contracts with Customers* of the Exposure Draft.

Table 1—Summary of recommended changes to Section 23 *Revenue from Contracts with Customers* of the Exposure Draft

Paragraph of Exposure Draft	Recommended change(s) to the requirements proposed in the Exposure Draft	Paragraph reference
Change proposed requirements		
23.121	Remove the requirement for an SME to disclose revenue disaggregated into categories, showing separately, as a minimum, revenue arising from: (a) the sale of goods; (b) the rendering of services; (c) royalties; (d) commissions; and (e) any other significant types of revenue from contracts with customers. Instead: • require an SME to disclose revenue disaggregated into categories that depict its financial performance; and • include a list of examples of disaggregation categories that might be appropriate for SMEs to use in the revised Section 23.	19–32
23.123	Retain the requirements for an SME: (a) to disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers; and (b) to disclose revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period. Withdraw the requirement for an SME to disclose revenue recognised in the reporting period from promises satisfied or partially satisfied in previous periods.	33–51
23.127	Retain the requirement for an SME to disclose the closing balances of assets recognised from the costs incurred to fulfil a contract with a customer, by main category of asset. Withdraw the requirement for an SME to disclose the amount of amortisation and any impairment losses recognised in the reporting period.	52–64

continued…

Paragraph of Exposure Draft	Recommended change(s) to the requirements proposed in the Exposure Draft	Paragraph reference
Withdraw proposed requirement		
23.126	Withdraw the requirement for an SME to provide a quantitative or qualitative explanation of the significance of unsatisfied promises and when they are expected to be satisfied.	65–75
Add requirements		
–	Require an SME to disclose a description of the nature of the goods or services that the SME has promised to transfer, highlighting any promises to arrange for another party to transfer goods or services.	76–81
–	Require an SME to explain the judgements that have a significant effect on the amounts recognised in its financial statements used in: (a) determining the transaction price; and (b) allocating the transaction price to the promises identified in the contract.	82–94
Consequential amendment		
4.11(b)	Remove the requirement for an SME to separately disclose receivables arising from accrued income not yet billed.	95–106

Structure of the paper

6. This paper is structured as follows:

   (a) background (paragraphs 8–10);

   (b) feedback received (paragraphs 11–14);

   (c) staff analysis (paragraphs 15–106);

   (d) Appendix A—Summary of recommended changes to the disclosure requirements proposed in Section 23 of the Exposure Draft; and

   (e) Appendix B—Disclosure requirements in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* excluded from the proposed revised Section 23.

7. This paper includes seven questions for the IASB, included at the end of the staff analysis for each disclosure requirement.

Background

8. In the Exposure Draft, the IASB proposed amendments to the *IFRS for SMEs* Accounting Standard to align it with IFRS 15. To do so, the IASB proposed revising Section 23 of the *IFRS for SMEs* Accounting Standard to reflect the principles and language used in IFRS 15. The IASB also proposed simplifications to the requirements in IFRS 15 to reduce costs for SMEs of applying the revised Section 23. The simplifications included reducing the disclosure requirements in IFRS 15 for SMEs.

9. The IASB decided to proceed with revising Section 23 to reflect the principles in IFRS 15 at its meeting in October 2023.[1] At subsequent meetings, the IASB has redeliberated proposals in the Section that respondents requested changes to, other than the proposed disclosure requirements.

[1] See IASB *Update* from the October 2023 IASB meeting.

Development of the proposed disclosure requirements

10. The Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (Subsidiaries ED) was used as the basis for developing the disclosure requirements in the proposed revised Section 23. This approach is consistent with that applied in proposing disclosure requirements in other sections of the *IFRS for SMEs* Accounting Standard. However, a few exceptions were made to this approach for revenue:

    (a) The Exposure Draft did not propose four of the disclosure requirements for revenue proposed in the Subsidiaries ED—see Appendix B of this paper for further explanation. The IASB subsequently decided to delete two of these requirements in finalising the forthcoming IFRS 19.[2]

    (b) Paragraph 119(a) of IFRS 15 requires an entity to disclose when it typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service). The Exposure Draft proposed this requirement so that SMEs would provide more descriptive accounting policy information, while the Subsidiaries ED did not. The IASB subsequently decided to add the requirement to the forthcoming IFRS 19 for similar reasons.[3]

    (c) The Exposure Draft proposed to retain the disclosure requirement in paragraph 23.30(b) of the *IFRS for SMEs* Accounting Standard, rather than introduce a new requirement, to minimise costs and the extent of change for preparers and users of SMEs' financial statements. Paragraph 23.30(b) specifies the minimum categories an SME must use when disclosing disaggregated revenue. The Subsidiaries ED proposed a requirement to disclose disaggregated revenue based on an objective, consistent with IFRS 15.

[2] See paragraphs 82-88 of this paper regarding changes the IASB made when redeliberating disclosure requirements for revenue proposed in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

[3] See IASB *Update* from the May 2023 IASB meeting.

Feedback received

11. Some respondents (mostly standard setters and accounting firms) who commented on the proposed revised Section 23 suggested changes to the disclosure requirements proposed in the Section. Many of these respondents suggested reducing the volume of requirements and disclosures—in their view, the proposed requirements were excessive considering:

    (a) the information needs of users of SMEs' financial statements; or

    (b) the costs of providing the information required.

12. A few respondents made suggestions to add disclosure requirements, remove disclosure requirements or change disclosure requirements in the revised Section 23.

13. One respondent suggested amending a disclosure requirement in Section 4 *Statement of Financial Position* of the *IFRS for SMEs* Accounting Standard as a consequence of the proposed revised Section 23.

14. A few respondents suggested changing the presentation of the disclosure requirements, which the staff will consider in drafting.

Staff analysis

15. The disclosure requirements proposed in the Exposure Draft are more extensive than the current disclosure requirements in Section 23 of the *IFRS for SMEs* Accounting Standard. This mirrors the increase in disclosures required by IFRS 15, which are more comprehensive and detailed than those required by IAS 11 and IAS 18.

16. The post-implementation review (PIR) of IFRS 15 found that the disclosure requirements in IFRS 15 improved the quality of information disclosed about revenue, making it easier for users of financial statements to forecast revenue and cash flows.[4] A European academic study that included a survey of preparers found that providing

[4] Paragraph 8 of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.

disclosures was one of the costliest aspects of implementing IFRS 15.[5] These findings suggest the disclosure requirements in the revised Section 23 could significantly affect the costs of implementing the Section and also improve the information SMEs would provide to users about revenue.

17. Feedback on the Exposure Draft was mostly received from those involved in preparing SMEs' financial statements. Respondents' comments therefore typically reflect concerns about the costs and effort of applying the proposed disclosure requirements, instead of the usefulness of the information that SMEs would provide to users of their financial statements.

18. Staff analysis is provided on:

    (a) the feedback on specific disclosure requirements proposed in the revised Section 23 (paragraphs 19–81);

    (b) changes made to the requirements in the Subsidiaries ED in finalising the forthcoming IFRS 19 (paragraphs 82–94);

    (c) other disclosure requirements proposed in the revised Section 23 (paragraph 95); and

    (d) the suggested consequential amendment to Section 4 of the *IFRS for SMEs* Accounting Standard (paragraphs 96–106).

[5] Paragraph 12 of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.

Suggested change to a proposed requirement—Paragraph 23.121

19. Paragraph 23.121 of the Exposure Draft proposed that SMEs disclose revenue disaggregated into categories, showing separately, at a minimum, revenue arising from:

    (a) the sale of goods;

    (b) the rendering of services;

    (c) royalties;

    (d) commissions; and

    (e) any other significant types of revenue from contracts with customers.

20. The proposed requirement is similar to the current requirement in paragraph 23.30(b) of the *IFRS for SMEs* Accounting Standard.

21. One respondent suggested that SMEs disaggregate revenue into categories based on whether goods or services are transferred to customers at a point in time or over time. In that respondent's view, such a requirement would align with the objective of the revised Section 23.

Staff analysis

22. The Exposure Draft proposed to retain the current requirement in paragraph 23.30(b) of the *IFRS for SMEs* Accounting Standard because it specifies minimum categories for disaggregating revenue. Specifying categories avoids SMEs having to identify categories, which could be costly and challenging.

23. However, the requirements for recognising revenue in the proposed revised Section 23 do not distinguish between revenue arising from the sale of goods and from the rendering of services. Consequently, requiring SMEs to disaggregate between revenue arising from the sale of goods and from the rendering of services would not align with other requirements in the Section.

24. An SME might recognise all its revenue at a point in time or over time. In such instances, the respondent's suggestion in paragraph 21 of this paper would result in disclosures about revenue being too aggregated and, therefore, not useful to users of the SME's financial statements. To avoid this outcome, SMEs would need to identify categories to use to disaggregate revenue. By identifying categories, SMEs could disaggregate revenue in a way that depicts their financial performance, which would be useful to users of financial statements.

25. The costs and challenges of identifying categories to use to disaggregate revenue could be lessened by including examples of categories in the revised Section 23. This would be similar to IFRS 15, which includes seven examples of disaggregation categories.[6] Also, if SMEs were required to disaggregate revenue in a way that depicts their financial performance, the categories used internally by management to evaluate their financial performance could be used as a starting point for identifying categories to use to disaggregate revenue.

26. The changes to the requirement proposed in the Exposure Draft described in paragraph 25 of this paper would align the requirement for disclosing disaggregated revenue with the equivalent requirement in IFRS 15. However, the objective for providing disaggregated information in the revised Section 23 would be simplified compared with the objective in IFRS 15, which requires entities to:

> … disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.[7]

SMEIG discussions

27. The SME Implementation Group (SMEIG) discussed the disclosure of disaggregated revenue when it met in December 2023. At the meeting, the staff suggested that SMEs disaggregate revenue using one of the seven categories included as examples in

[6] Paragraph B89 of IFRS 15 *Revenue from Contracts with Customers*.
[7] Paragraph 114 of IFRS 15.

IFRS 15. SMEIG members generally supported the suggestion. Some suggested improvements, including:

(a) specifying how an SMEs should identify which categories to use to disaggregate revenue; and

(b) not having a closed list of categories.

28. Requiring SMEs to disaggregate revenue into categories that depict their financial performance would mean:

(a) the revised Section 23 would specify how SMEs should identify which categories to use to disaggregate revenue; and

(b) SMEs would not have to choose the categories from a closed list. Instead, the revised Section 23 would include examples of disaggregation categories that might be appropriate for SMEs to use.

Therefore, the requirements for disaggregating revenue described in paragraph 25 of this paper would incorporate the improvements suggested by SMEIG members.

29. One SMEIG member said the costs of requiring SMEs to disclose disaggregated revenue would outweigh the benefits to users of having the information.

30. Unlike entities applying full IFRS Accounting Standards, SMEs are not required to present segment information and often disclose limited narrative information to accompany, or in addition to, their financial statements. Therefore, disaggregated revenue information provides information about the composition of an SME's revenue that is typically unavailable elsewhere. The Request for Information *Comprehensive Review of the* IFRS for SMEs *Standard* found that users of SMEs' financial statements would like greater disaggregation of the amount of revenue reported by SMEs.[8] The PIR of IFRS 15 also found that users named the disclosure of disaggregated revenue among the most useful information about revenue disclosed by

[8] Agenda Paper 5 *User survey and user interview feedback summary* of the February 2021 SME Implementation Group meeting.

entities.[9] This feedback identifies the significant benefits to users of requiring SMEs to disaggregate revenue into categories that are meaningful to its business. The staff believe these benefits would outweigh the potential costs of requiring SMEs to disclose revenue disaggregated into categories that depict their financial performance.

31. Another SMEIG member said most SMEs in their jurisdiction do not record the information needed to disaggregate revenue using one of the seven categories included as examples in IFRS 15. Nonetheless, the staff would expect SMEs to disaggregate revenue for internal management purposes. Requiring SMEs to disaggregate revenue into categories that depict their financial performance would allow SMEs to use categories similar to those used for this purpose.

Staff recommendation

32. The staff recommend that SMEs are required to disclose revenue disaggregated into categories that depict their financial performance. The staff also recommend that the revised Section 23 includes a list of examples of disaggregation categories that might be appropriate for SMEs to use.

Question for the IASB

1. Does the IASB agree:
   a. to require an SME to disclose revenue disaggregated into categories that depict its financial performance; and
   b. to include a list of examples of categories that might be appropriate for SMEs to use to disaggregate its revenue.

[9] Paragraph 79 of Agenda Paper 6A *Feedback summary—IFRS 15 requirements* of the January 2024 IASB meeting.

Proposed requirement suggested for removal—Paragraph 23.123

33. Paragraph 23.123 of the Exposure Draft proposed that SMEs disclose:

   (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers;

   (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and

   (c) revenue recognised in the reporting period from promises satisfied or partially satisfied in previous periods.

34. The requirements proposed in paragraph 23.123 are based on those in paragraph 116 of IFRS 15. Entities applying IFRS 15 are also required to disclose an explanation of the significant changes in the contract asset and contract liability balances.[10] The explanation must include quantitative and qualitative information. The Exposure Draft did not include this requirement as the information that SMEs disclose in their financial statements is generally quantitative and limited explanations are required about movements in items presented in their financial statements (see Appendix B of this paper).

35. One respondent suggested that paragraph 23.123 of the Exposure Draft be removed from the revised Section 23. The respondent said the proposed requirement would make applying the *IFRS for SMEs* Accounting Standard more complex and adds no value for users of SMEs' financial statements.

Staff analysis

36. As explained in paragraph 34 of this paper, the disclosure requirements about contract assets in the Exposure Draft were reduced compared to the equivalent disclosure requirements in IFRS 15. However, it was proposed that SMEs disclose the same basic quantitative information about contract balances as entities applying IFRS 15.

[10] Paragraph 118 of IFRS 15.

37. The PIR of IFRS 15 found information about changes in contract balances is useful to users of financial statements. An European academic study found this information the second most useful after the disaggregation of revenue.[11] Some respondents to the Request for Information *Post-implementation Review of IFRS 15* Revenue from Contracts with Customers said it is costly to provide the information because it must be obtained manually.[12]

Opening and closing contract balances—Paragraph 23.123(a)

38. Disclosing opening and closing contract balances provides disaggregated information about the assets and liabilities reported in an entity's financial statements. Users of SMEs' financial statements are interested in disaggregation of amounts reported in those financial statements.[13]

39. In March 2024, the IASB decided to confirm its proposal to require an SME to present contract assets and receivables separately. Disclosing opening and closing balances of receivables and contract assets flows from this requirement.

Revenue recognised included in the opening contract liability balance—Paragraph 23.123(b)

40. Information about when contract liabilities are recognised as revenue can help users determine the time between an entity receiving payment and its performance. This information can help users assess an entity's working capital movements and reconcile revenue with cash flows. The information can also help users assess if contracts are progressing as they should and indicate potential disputes with customers. Therefore, the proposed requirement in paragraph 23.123(b) of the Exposure Draft provides information about short-term cash flows and obligations. Users of SMEs financial statements are interested in this type of information.[14]

[11] Paragraph 10(b) of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.
[12] Paragraph 19(b) of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.
[13] Paragraph BC157(e) of the *IFRS for SMEs* Accounting Standard.
[14] Paragraph BC157(a) of the *IFRS for SMEs* Accounting Standard.

41. The proposed requirement could also help users identify changes in contract liability balances during the reporting period that have arisen for reasons other than the recognition of revenue. This provides context for the opening and closing contract liability balance. This context would otherwise be provided by paragraph 118 of IFRS 15, which requires entities to explain significant changes in the contract liability balances. As explained in paragraph 34 of this paper, the Exposure Draft did not include this requirement.

42. The proposed requirement may require SMEs to compile information that is not tracked by their accounting system. However, even if not tracked, an SME's accounting system should capture the information necessary to provide the disclosure and, therefore, the costs of meeting the requirement are not expected to be significant. Consequently, the benefit of the information provided by the proposed requirement is expected to outweigh the costs of providing the information.

Revenue recognised from promises satisfied or partially satisfied in previous periods—Paragraph 23.123(c)

43. An entity might recognise revenue that relates to amounts allocated to promises satisfied (or partially satisfied) in previous periods because of changes in the transaction price (for example, changes in estimates of variable consideration). Separately disclosing these amounts of revenue provides information about revenue recognised that was not the result of the entity's performance in the current period. This information is useful in assessing an entity's results for the current period and in predicting future revenues.[15]

44. Only a few SMEs are expected to provide the information required by the proposed requirement in paragraph 23.123(c) of the Exposure Draft. This is because the amount of revenue is expected to be material for only a few SMEs. Even if an SME expects the revenue to be immaterial, an SME would need information about the revenue to make this judgement. SMEs' accounting systems would not be expected to track this

[15] Paragraph BC347 of IFRS 15.

information. Therefore, an SME would have to either set up a system to track the information or compile it manually. Either option could be costly.

45. An analysis of financial statements of entities that apply FASB's *Topic 606 Revenue from Contracts with Customers*[16] shows that less than 7% of entities provided the equivalent disclosure in US GAAP.[17] Among entities that did provide the disclosure, on average the amount disclosed was less than 1% of an entity's total revenue. The analysis supports the expectation that a small number of SMEs would provide the disclosure and the amounts disclosed would not be significant.

46. Entities typically recognise revenue that relates to amounts allocated to promises satisfied (or partially satisfied) in previous periods because of changes in the measurement of the transaction price. Such changes often arise when determining the transaction price involves measurement uncertainty. Information about measurement uncertainties is important to users of SMEs' financial statements.[18]

47. When determining the transaction price involves significant measurement uncertainty, an SME would be expected to disclose:

    (a) specific information about the uncertainty in:

        (i) the disclosure of changes in accounting estimates (required by paragraph 10.18 of the *IFRS for SMEs* Accounting Standard); or

        (ii) the recommended explanation of judgements used in determining the transaction price that have a significant effect on the amounts recognised in the financial statements (see paragraphs 89–94 of this paper); or

[16] The IASB and the FASB jointly developed IFRS 15 and *Topic 606 Revenue from Contracts with Customers* (Topic 606). Paragraph 606-10-50-12A of Topic 606 requires entities to disclose revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods. This requirement is aligned with paragraph 116(c) of IFRS 15 and paragraph 23.123(c) of the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (Exposure Draft).

[17] Based on a sample of 390 entities in the Standard and Poor's 500 that tag either their total revenue or revenue note in their 2023 financial statements filed with the Securities and Exchange Commission.

[18] Paragraph BC157(c) of the *IFRS for SMEs* Accounting Standard.

(b) general information about the uncertainty in the description of significant payment terms of contracts with customers (required by paragraph 23.124 of the Exposure Draft).

The information in (a)–(b) is expected to be simpler and more understandable for users of SMEs' financial statements than the information that would be provided by paragraph 23.123(c) of the Exposure Draft.

48. The proposed requirement would require SMEs to disaggregate between revenue that is the result of the entity's performance in the current period and previous periods. Users of SMEs' financial statements are interested in the disaggregation of amounts reported in the financial statements and, thus, the proposed requirement would provide useful information.[19]

49. However, as described in paragraphs 44–45 of this paper, revenue recognised from promises satisfied (or partially satisfied) in previous periods is expected to be material for only a few SMEs. Therefore, for the majority of SMEs, the proposed requirement would not add to the information they provide that is relevant to their business. The staff recommend SMEs disaggregate revenue into categories that depict their financial performance (see paragraphs 19–32 of this paper), which is considered to provide relevant information about an SME's business. The staff consider the requirement to disaggregate revenue recommended in paragraph 32 of this paper to provide more useful information to users of financial statements than the information provided by the proposed requirement.

50. The analysis in paragraphs 46–49 of this paper explains that the staff expect other disclosure requirements to provide information that is more relevant and understandable to users. The analysis in paragraphs 44–45 indicates that the proposed requirement may be costly for SMEs, even though only a few SMEs would be expected to provide the disclosure. For these reasons, the benefit of the information

[19] Paragraph BC157(e) of the *IFRS for SMEs* Accounting Standard.

provided by the proposed requirement would not be expected to outweigh the costs of providing it.

Staff recommendation

51. The staff recommend:

(a) retaining paragraph 23.123(a)–(b) of the Exposure Draft in the revised Section 23; and

(b) withdrawing paragraph 23.123(c) of the Exposure Draft in the revised Section 23.

Question for the IASB
2. Does the IASB agree to: a. confirm its proposal to require an SME to disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers; b. confirm its proposal to require an SME to disclose revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and c. withdraw its proposal to require an SME to disclose revenue recognised in the reporting period from promises satisfied or partially satisfied in previous periods.

Proposed requirement suggested for removal—Paragraph 23.127

52. Paragraph 23.127 of the Exposure Draft proposed that SMEs:

(a) disclose the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer, by main category of asset; and

(b) disclose the amount of amortisation and any impairment losses recognised in the reporting period.

53. One respondent suggested that paragraph 23.127 of the Exposure Draft be removed from the revised Section 23. The respondent said the proposed requirement would

make applying the *IFRS for SMEs* Accounting Standard more complex and adds no value for users of SMEs' financial statements.

Staff analysis

54. At its February 2024 meeting, the IASB decided to require an SME to recognise costs to obtain a contract with a customer as an expense when incurred.[20] The IASB did not decide to require an SME to disclose information about the costs to obtain a contract because of the costs and challenges to SMEs of doing so.[21] Consequently, the proposed requirements in paragraph 23.127 would require SMEs to disclose information about assets recognised from the costs to fulfil a contract, and not the costs to obtain a contract.

55. Instances where SMEs have closing balances of assets recognised from the costs incurred to fulfil a contract are expected to be limited. This is because the proposed requirements for recognising these assets apply only if the costs incurred in fulfilling a contract are not within the scope of another section of the *IFRS for SMEs* Accounting Standard.[22]

Closing balances of assets by main category—Paragraph 23.127(a)

56. Disclosing the closing balance of assets recognised from the costs incurred to fulfil a contract by main category provides disaggregated information about the assets reported in an entity's financial statements. Users of SMEs' financial statements are interested in disaggregation of amounts reported in those financial statements.[23]

57. Under the proposals in the Exposure Draft, SMEs will have information about the closing balances of assets recognised from the costs incurred to fulfil a contract when preparing their financial statements. Consequently, the proposed requirement in

[20] See IASB *Update* from the February 2024 IASB meeting.

[21] See paragraphs 60–64 of Agenda Paper 30C *Proposed revised Section 23* Revenue from Contracts with Customers—*Redeliberation topics* of the February 2024 IASB meeting.

[22] Paragraph 23.106 of the Exposure Draft.

[23] Paragraph BC157(e) of the *IFRS for SMEs* Accounting Standard.

paragraph 23.127(a) of the Exposure Draft is expected to give rise to minimal additional costs in instances where SMEs have such balances.

58. Based on the analysis in paragraphs 56–57 of this paper, the benefits of the information required by the proposed requirement would be expected to outweigh the costs of providing the information.

Amortisation and impairment losses recognised in the period—Paragraph 23.127(b)

59. The Exposure Draft proposed that SMEs amortise assets recognised from the costs incurred to fulfil a contract in accordance with the pattern of transfer and revenue recognition of the goods or services to which the asset relates.[24] Therefore, in most instances, assets recognised from the costs incurred to fulfil contracts that begin and end within the same annual reporting period will be fully amortised by the reporting date.

60. SMEs would need to assess whether the costs they incur to fulfil contracts meet the criteria to be recognised as an asset in order to determine if the information required by the proposed requirement in paragraph 23.127(b) of the Exposure Draft is material. This would include contracts that begin and end within the same annual reporting period, which would not be expected to be disclosed in accordance with paragraph 23.127(a) of the Exposure Draft. Consequently, the proposed requirement would make it necessary for SMEs to track and make judgements about costs that are not recognised as assets in their financial statements. This would add cost and complexity to the revised Section 23.

61. The proposed requirement would require SMEs to separately disclose the amount of costs incurred to fulfil a contract that have been recognised as assets and amortised. These costs are different from other costs incurred to fulfil contracts because of their accounting treatment. Therefore, although the proposed requirement provides

[24] Paragraph 23.110 of the Exposure Draft.

disaggregated information about expenses, the information is considered to be not immediately understandable and of limited use to users of SMEs' financial statements.

62. The proposed requirement would require SMEs to separately disclose the amount of impairment losses on asset recognised from costs incurred to fulfil a contract. This information would help users identify where costs incurred to fulfil a contract are not expected to be recovered and if a contract could be loss making. Although this information is considered to be useful to users of SMEs' financial statements, information about potential losses arising from contracts would be available elsewhere in SMEs' financial statements (for example, provisions for onerous contracts).

63. Based on the analysis in paragraphs 59–62 of this paper, the benefit of the information provided by the proposed requirement would be expected to outweigh the costs of providing it.

Staff recommendation

64. The staff recommend:

    (a) retaining paragraph 23.127(a) of the Exposure Draft in the revised Section 23; and

    (b) withdrawing paragraph 23.127(b) of the Exposure Draft in the revised Section 23.

Question for the IASB
3. Does the IASB agree to: a. confirm its proposal to require an SME to disclose the closing balances of assets recognised from the costs incurred to fulfil a contract with a customer, by main category of asset; and b. withdraw its proposal to require an SME to disclose the amount of amortisation and any impairment losses recognised in the reporting period?

Proposed requirement suggested for removal—Paragraph 23.126

65. Paragraph 23.126 of the Exposure Draft proposes that SMEs disclose a quantitative or qualitative explanation of:

    (a) the significance of unsatisfied promises; and

    (b) when unsatisfied promises are expected to be satisfied.

66. A few respondents suggested that paragraph 23.126 of the Exposure Draft be removed from the revised Section 23 because the cost of providing the information would outweigh the benefit for users of SMEs' financial statements.

Staff analysis

67. Paragraph 23.126 of the Exposure Draft is based on paragraph 120 of IFRS 15 but simplified:

    (a) paragraph 120(a) of IFRS 15 requires entities to disclose the aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations—in other words, paragraph 120(a) requires quantitative information to be disclosed. This is different from paragraph 23.126, which would permit SMEs to disclose either a quantitative or qualitative explanation of the significance of unsatisfied promises.

    (b) paragraph 120(b) of IFRS 15 permits entities to disclose either a quantitative or qualitative explanation of when unsatisfied performance obligations are expected to be satisfied. This is similar to paragraph 23.126. However, in accordance with IFRS 15, if an entity discloses a quantitative explanation, it must disclose the amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations split into time bands.

68. Paragraph 23.126 of the Exposure Draft is based on a requirement originally proposed in the Subsidiaries ED.[25] The IASB decided to align the language used in the

[25] See paragraph 96 of the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

Subsidiaries ED with the language used in other IFRS Accounting Standards.[26] Consequently, the IASB subsequently decided to include a requirement in the forthcoming IFRS 19 based on paragraph 120 of IFRS 15, instead of a simplification of the paragraph.[27]

69. The PIR of IFRS 15 found that stakeholders commonly identified the information required by paragraph 120 of IFRS 15 as useful information. The information helps users understand an entity's business model and project future revenue, margins and cash flows. A few stakeholders said the information is especially useful in industries with long-term contracts.[28]

70. The information required by paragraph 120 of IFRS 15 is most useful in assessing an entity's future financial performance when the information is quantitative. If an entity discloses only qualitative information, a user's ability to project future revenue, margins and cash flows is significantly reduced. An analysis of the financial statements of entities that apply IFRS 15 shows that most entities present the information required by paragraph 120 on a quantitative basis.[29] Consequently, the staff think the findings from the PIR of IFRS 15 about the usefulness of this disclosure are linked to entities generally disclosing quantitative information.

71. The proposed requirement permits SMEs to disclose either quantitative or qualitative information. The option for SMEs to disclose qualitative information would need to be withdrawn if the proposed requirement was to provide information that is sufficiently useful to users of SMEs' financial statements. Therefore, the proposed requirement would need to be the same as paragraph 120 of IFRS 15, instead of a simplification of the paragraph.

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[26] See IASB *Update* from the October 2022 IASB meeting.

[27] See paragraph 8 of Agenda Paper 31 *Sweep issues—updating the language of disclosure requirements* of the January 2024 IASB meeting.

[28] Paragraph 10(c) of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.

[29] Based on a sample of 53 entities that tagged the aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations in their 2022 financial statements filed with the Securities and Exchange Commission. Of the entities, 74% provided a quantitative explanation of when unsatisfied performance obligations are expected to be satisfied.

72. An SME's accounting system is unlikely to capture information about amounts allocated to unsatisfied promises. An SME is also unlikely to estimate when unsatisfied promises will be satisfied unless this information is recorded for management purposes. Therefore, the proposed requirement is expected to require SMEs to capture and estimate new information, the costs of which could be significant. These costs would be greater if SMEs were required to disclose the information on a quantitative basis. A few respondents to the Request for Information *Post-implementation Review of IFRS 15* Revenue from Contracts with Customers said providing the information required by paragraph 120 of IFRS 15 is time-consuming and costly.[30]

73. Based on the analysis in paragraphs 67–72 of this paper, the staff think that the costs of requiring SMEs to disclose quantitative information about unsatisfied promises will generally outweigh the benefit of this information. The staff also think that these costs would not be justified in instances where SMEs have long-term contracts. This is because limiting the scope of the proposed requirement to long-term contracts could make the requirement more complex and costly to apply. For example, if SMEs were required to only disclose information about long-term contracts, they would need to exclude information about all other contracts from the disclosure. This could make the proposed requirement more difficult to comply with from a processes perspective. Similarly, only requiring SMEs that have long-term contracts to apply the proposed requirement would mean SMEs that have a few long-term contracts would need to make the disclosure. For these SMEs, the costs of providing the information would be expected to outweigh the benefits to users of having the information. Also, making the proposed requirement applicable to only certain SMEs would be inconsistent with the rest of the *IFRS for SMEs* Accounting Standard, where disclosure requirements generally apply to all SMEs.

74. The staff considered whether to retain the proposed requirement, including the proposed option for SMEs to provide only qualitative information about unsatisfied

[30] Paragraph 19(a) of Agenda Paper 6C *Disclosure requirements* of the March 2024 IASB meeting.

promises. However, the staff think qualitative information would be too general to be used to project an SME's future performance. Therefore, the proposed requirement would introduce costs for SMEs with limited benefit for users.

Staff recommendation

75. The staff recommend withdrawing paragraph 23.126 of the Exposure Draft in the revised Section 23.

Question for the IASB
4. Does the IASB agree to withdraw its proposal to require an SME to provide a quantitative or qualitative explanation of the significance of unsatisfied promises and when they are expected to be satisfied?

Suggested additional disclosure requirement

76. One respondent suggested adding paragraph 119(c) of IFRS 15 to the revised Section 23. Paragraph 119(c) of IFRS 15 requires an entity to disclose a description of the nature of the goods or services that it has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services. The respondent suggested adding the requirement so that SMEs provide more descriptive accounting policy information.

Staff analysis

77. The staff agree that the suggested requirement would result in SMEs providing more descriptive accounting policy information. Information about SMEs' accounting policy choices is important for users of SMEs' financial statements.[31]

78. The Exposure Draft did not propose including the suggested requirement because it was not proposed in the Subsidiaries ED. Subsidiaries often perform a specific

[31] Paragraph BC157(d) of the *IFRS for SMEs* Accounting Standard.

function in a group (for example, holding property or operating the group's treasury function). Therefore, often the nature of goods or services that subsidiaries provide will be clear to users of their financial statements without this information having to be disclosed. In contrast, SMEs can transfer a variety of different goods or services, the nature of which might be unclear to users of their financial statements. This is often because SMEs disclose limited narrative information to accompany, or in addition to, their financial statements.

79. The suggested requirement would also identify if an SME were acting as an agent. Assessing whether an entity is acting as a principal or agent can involve substantial judgement. The assessment determines whether revenue is recognised gross or net and can have a significant effect on the revenue reported by an entity. The suggested requirement would provide information about the assessment in instances when it is unclear if an SME is an agent based on the information in its financial statements.

80. Adding the suggested requirement to the revised Section 23 would increase the disclosure requirements in the Section. However, the information should be readily available and providing it is not expected to give rise to undue costs. The information would also complement the information required by paragraph 124 of the Exposure Draft (based on paragraphs 119(a)–(b) and 119(c)–(d) of IFRS 15). SMEs could provide the information as part of disclosing their accounting policy for revenue in accordance with paragraph 8.5 of the *IFRS for SMEs* Accounting Standard. Therefore, the requirement would be consistent with other requirements in the Standard.

Staff recommendation

81. The staff recommend including paragraph 119(c) of IFRS 15 in the revised Section 23.

Question for the IASB
5. Does the IASB agree to require an SME to disclose a description of the nature of the goods or services that the SME has promised to transfer, highlighting any promises to arrange for another party to transfer goods or services?

Changes made to the requirements in the Subsidiaries Exposure Draft in finalising the forthcoming IFRS 19

82. The disclosure requirements for revenue in the forthcoming IFRS 19 are different from the requirements proposed in the Subsidiaries ED because of the IASB's decisions to:

    (a) delete paragraph 118 of IFRS 15 in the forthcoming IFRS 19;

    (b) include paragraph 119(a) of IFRS 15 in the forthcoming IFRS 19;

    (c) include paragraph 120 of IFRS 15 in the forthcoming IFRS 19, instead of a simplification of the paragraph; and

    (d) include the first sentence of paragraph 123 of IFRS 15 in the forthcoming IFRS 19, instead of paragraph 123(a)–(b) of IFRS 15.

83. The change described in paragraph 82(a) of this paper relates to a disclosure requirement that the Exposure Draft did not propose (see paragraph 34 and Appendix B of this paper). Similarly, the change described in paragraph 82(b) of this paper relates to a disclosure requirement that the Exposure Draft already proposed (see paragraph 10(b) of this paper). Therefore, these changes more closely align the disclosure requirements for revenue in the Exposure Draft and the forthcoming IFRS 19.

84. The Exposure Draft included the requirement based on paragraph 120 of IFRS 15, which the staff recommend withdrawing in the revised Section 23 (see paragraphs 65-75 of this paper).

85. The first sentence of paragraph 123 of IFRS 15 requires an entity to disclose the judgements, and changes in the judgements, made in applying IFRS 15 that significantly affect the determination of the amount and timing of revenue. The second sentence then specifies that entities must explain the judgements used in determining:

(a) the timing of satisfaction of performance obligations (paragraph 123(a) of IFRS 15); and

(b) the transaction price and the amounts allocated to performance obligations (paragraph 123(b) of IFRS 15).

86. In the Subsidiaries ED, the judgements in paragraph 123(a)–(b) of IFRS 15 were included as examples of judgements an entity may disclose in accordance with paragraph 122 of IAS 1 *Presentation of Financial Statements*.[32] Paragraph 8.6 of the *IFRS for SMEs* Accounting Standard is equivalent to paragraph 122 of IAS 1. The Exposure Draft did not propose including the examples in paragraph 8.6 of the *IFRS for SMEs* Accounting Standard because that paragraph includes no examples of such judgements.[33]

87. Paragraph 122 of IAS 1 requires an entity to disclose:

> … the judgements, **apart from those involving estimations**, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. [emphasis added]

88. Paragraph 122 of IAS 1 does not apply to judgements involving estimations. The judgements in paragraph 123(a)–(b) of IFRS 15 can involve estimations. Therefore, the forthcoming IFRS 19 does not include these judgements as examples of judgements that may be disclosed in accordance with paragraph 122 of IAS 1. Instead, the forthcoming IFRS 19 includes the first sentence of paragraph 123 of IFRS 15.

[32] See paragraph 124(a) of the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

[33] At its February 2024 meeting, the IASB decided to add to paragraph 8.6 of the *IFRS for SMEs* Accounting Standard examples of the types of judgements that management might have made in the process of applying the entity's accounting policies and that have the most significant effect on amounts in the financial statements (see IASB *Update* from the February 2024 IASB meeting). Consistent with paragraph 8.6, the examples will not include those involving estimations.

Staff analysis

89. Revenue will often be the largest number in an SMEs' financial statements. Therefore, judgements related to revenue will often have a significant effect on amounts recognised in SMEs' financial statements. Some judgements related to revenue involve estimations (for example, the judgements used to estimate transaction prices and stand-alone selling prices).

90. Similar to paragraph 122 of IAS 1, paragraph 8.6 of the *IFRS for SMEs* Accounting Standard does not apply to judgements involving estimations. Consequently, an SME would not disclose information about the judgements described in paragraph 89 in accordance with paragraph 8.6 of the *IFRS for SMEs* Accounting Standard.

91. The staff think a requirement should be added to the revised Section 23 so that SMEs disclose information about the judgements described in paragraph 89 of this paper. The staff recommend an SME is required to explain the judgements that have a significant effect on the amounts recognised in its financial statements used in:

    (a) determining the transaction price; and

    (b) allocating the transaction price to the promises identified in the contract.

92. The recommended requirement in paragraph 91 of this paper is based on paragraph 123 of IFRS 15. To reduce the costs for SMEs of disclosing the information required by paragraph 123 of IFRS 15, the staff have simplified the requirement:

    (a) The recommended requirement focuses only on judgements not captured by paragraph 8.6 of the *IFRS for SMEs* Accounting Standard (that is, those involving estimations).

    (b) The scope of the recommended requirement is similar to paragraph 8.6 of the *IFRS for SMEs* Accounting Standard, which requires SMEs to disclose the judgements that have *the most* significant effect of the amounts recognised in the financial statements. However, as the recommended requirement covers only two judgements, requiring SMEs to disclose judgements based on their respective effect on the financial statements could result in SMEs explaining judgements that have an insignificant effect on the financial statements. For this reason, the recommended requirement would require SMEs to explain judgements only if they have a significant effect on the financial statements.

93. Adding the recommended requirement to the revised Section 23 would increase the disclosure requirements in the Section. However, as the information relates to judgements SMEs must make when applying the Section, providing the information is not expected to give rise to undue costs for SMEs.

Staff recommendation

94. The staff recommend requiring an SME to explain the judgements that have a significant effect on the amounts recognised in its financial statements used in:

(a) determining the transaction price; and

(b) allocating the transaction price to the promises identified in the contract.

Question for the IASB
6. Does the IASB agree to require SMEs to explain the judgements that have a significant effect on the amounts recognised in its financial statements used in: a. determining the transaction price; and b. allocating the transaction price to the promises identified in the contract.

Other disclosure requirements proposed in the revised Section 23

95. Appendix A of this paper lists the disclosure requirements proposed in the revised Section 23 of the Exposure Draft alongside the changes to the requirements recommended in the paper. As a consequence of the recommendations in this paper, the staff think the requirements balance the cost to SMEs of providing the information and the benefit to users of their financial statements of the improved information about revenue. Therefore, the staff recommend no further changes to the disclosure requirements in the revised Section 23.

Suggested consequential amendment—Paragraph 4.11(b)

96. SMEs are required to present trade and other receivables as a separate line item in the statement of financial position.[34] Paragraph 4.11(b) of the *IFRS for SMEs* Accounting Standard requires SMEs to disaggregate the line item, disclosing separately:

    (a) amounts due from related parties;

    (b) amounts due from other parties; and

    (c) receivables arising from accrued income not yet billed.

97. One respondent suggested not requiring SMEs to disclose separately receivables arising from accrued income not yet billed. The respondent said the disclosure was unnecessary because the proposed requirements for recognising contract receivables are based on whether an SME's right to consideration is unconditional, and not whether the customer has been billed.

Staff analysis

98. The *IFRS for SMEs* Accounting Standard does not define accrued income. However, it is common practice for SMEs to recognise accrued income when revenue has been recognised but the customer has not yet been billed. In such instances, receivables are distinguished from accrued income based on whether the customer has been billed.

99. IFRS 15 introduced the term 'contract asset'. The definition of a contract asset in IFRS 15 is:

    An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

[34] Paragraph 4.2(b) of the *IFRS for SMEs* Accounting Standard.

100. IFRS 15 requires entities to present any unconditional rights to consideration as a receivable. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The act of billing a customer does not indicate whether an entity has an unconditional right to consideration. IFRS 15 distinguishes receivables from contract assets and requires entities to present receivables and contract assets separately.[35]

101. The Exposure Draft proposed introducing the terminology and requirements described in paragraphs 99–100 of this paper in the revised Section 23.[36] Under the proposals, a receivable can arise before a customer has been billed. Consequently, to separately disclose receivables arising from accrued income not yet billed, SMEs would need to separately identify receivables that arise before and after billing a customer. This would be more burdensome than IAS 1 *Presentation of Financial Statements* and IFRS 18 *Presentation and Disclosure in Financial Statements*, which do not require entities to disaggregate receivables in this way.[37]

102. Receivables that arise from income not yet billed may also be disclosed within the other two subclasses listed in paragraph 4.11(b) of the *IFRS for SMEs* Accounting Standard (that is, 'amounts due from related parties' and 'amounts due from other parties'). Consequently, the subclassification could be difficult for SMEs to present and users to understand.

103. Removing the requirement for an SME to disaggregate receivables based on whether a customer has been billed could be considered to provide users with less information about the SME's short-term cash flows and when it bills customers.

[35] Paragraphs 105 and 107–108 of IFRS 15.

[36] Paragraphs 23.116–23.118 of the Exposure Draft.

[37] IAS 1 *Presentation of Financial Statements* and IFRS 18 *Presentation and Disclosure in Financial Statements* do not prescribe categories an entity must use to disaggregate the line item 'trade and other receivables'. Paragraph 78(b) of IAS 1 lists examples of subclasses that an entity may use to disaggregate receivables:

(a) receivables from trade customers;
(b) receivables from related parties; and
(c) prepayments.

The assets in (a)–(c) are listed in paragraph B111(b) of IFRS 18 as assets that might be presented in the statement of financial position to provide a useful structured summary or disclosed in the notes to provide material information.

104. The Exposure Draft proposed that SMEs distinguish between contract assets and receivables. Receivables are different from contract assets because:

(a) receivables are subject to credit risk; and

(b) contract assets are subject to other risks in addition to credit risk (for example, performance risk).

Therefore, presenting receivables and contract assets separately provides users with information about the risks associated with an SME's short-term cash flows.

105. Paragraph 23.124(b) of the Exposure Draft proposed SMEs disclose a description of the significant payment terms in contracts with customers. The description would be expected to include information about when SMEs bill their customers.

Staff recommendation

106. The staff recommend amending paragraph 4.11(b) of the *IFRS for SMEs* Accounting Standard to not require an SME to disclose separately receivables arising from accrued income not yet billed.

Question for the IASB
7. Does the IASB agree not to require an SME to disclose separately receivables arising from accrued income not yet billed?

Appendix A—Summary of recommended changes to the disclosure requirements proposed in Section 23 *Revenue from Contracts with Customers* of the Exposure Draft

Disclosure requirement in Exposure Draft		Staff recommendation	Paragraph reference
23.121	An entity shall disclose the revenue it recognised from contracts with customers disaggregated into categories, showing separately, at a minimum, revenue arising from: (a) the sale of goods; (b) the rendering of services; (c) royalties; (d) commissions; and (e) any other significant types of revenue from contracts with customers.	Withdraw requirement. Instead, require an SME to disclose revenue disaggregated into categories that depict its financial performance.	19–32
23.122	Unless the amounts are presented separately in the statement of comprehensive income by applying other sections of this Standard, an entity shall disclose the amount of impairment losses recognised (by applying Section 11) for the reporting period on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts for the reporting period.	No recommended change	–
23.123	An entity shall disclose: (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;	No recommended change	38–39
	(b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and	No recommended change	40–42
	(c) revenue recognised in the reporting period from promises satisfied or partially satisfied in previous periods (for example, changes in estimates of variable consideration).	Withdraw requirement	43–50

continued…

Disclosure requirement in Exposure Draft		Staff recommendation	Paragraph reference
23.124	An entity shall disclose information about its promises in contracts with customers, including a description of: (a) when the entity typically satisfies its promises (for example, upon shipment, upon delivery, as services are rendered or upon completion of service); (b) the significant payment terms (for example, when payment is typically due, whether the contract includes a financing transaction, and whether the consideration amount is variable); (c) obligations for returns, refunds and other similar obligations; and (d) types of warranties and related obligations.	No recommended change	–
		Require an SME to disclose a description of the nature of the goods or services that the SME has promised to transfer, highlighting any promises to arrange for another party to transfer goods or services.	76–81
23.125	For promises that an entity satisfies over time, the entity shall disclose the methods it used to recognise revenue—for example, a description of the output methods or input methods used and how those methods are applied.	No recommended change	–
23.126	An entity shall provide a quantitative or qualitative explanation of the significance of unsatisfied promises and when they are expected to be satisfied. However, an entity need not disclose such information for a promise if either of the following conditions is met: (a) the promise is part of a contract that has an original expected duration of one year or less; or (b) the entity recognises revenue from the satisfaction of the promise in accordance with paragraph 23.93.	Withdraw requirement	65–75
-		Require an SME to explain the judgements that have a significant effect on the amounts recognised in its financial statements used in: (a) determining the transaction price; and (b) allocating the transaction price to the promised identified in the contract.	89–94

continued…

Disclosure requirement in Exposure Draft		Staff recommendation	Paragraph reference
23.127	An entity shall disclose: (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraphs 23.102 and 23.107), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and set-up costs); and	No recommended changes—except, SMEs will not disclose information about costs to obtain a contract. This is because IASB decided to require SMEs to recognise the costs of obtaining a contract as an expense when incurred.	56–58
	(b) the amount of amortisation and any impairment losses recognised in the reporting period.	Withdraw requirement	59–63
23.128	If an entity elects to use the options in paragraph 23.59 (making no adjustment for the time value of money) or paragraph 23.105 (costs of obtaining a contract), the entity shall disclose that fact.	No recommended change—except, the revised Section 23 will not include the option in paragraph 23.105 of the Exposure Draft. This is because IASB decided to require SMEs to recognise the costs of obtaining a contract as an expense when incurred.	–
23.129	If an entity recognises the costs to obtain a contract as expenses when incurred because it is unable to identify whether those costs meet the criteria in paragraph 23.102 without undue cost or effort, the entity shall disclose that fact and the reasons why identifying the costs that meet the criteria in paragraph 23.102 would involve undue cost or effort.	The IASB decided to require SMEs to recognise the costs of obtaining a contract as an expense when incurred. As a consequence, the proposed disclosure requirement will no longer apply. The IASB decided to require SMEs to account for an option that provides a material right to a customer as a separate promise, unless doing so involves undue cost or effort. As a consequence, SMEs that use the undue cost or effort exemption will be required to disclose that fact and the reasons why accounting for a material right as a separate promise would involve undue cost or effort (consistent with paragraph 2.14D of the *IFRS for SMEs* Accounting Standard).	–

Appendix B—Disclosure requirements in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* excluded from the proposed revised Section 23 *Revenue from Contracts with Customers*

Disclosure requirement in Exposure Draft *Subsidiaries without Public Accountability: Disclosures*		Paragraph on which the requirement is based	Reason for excluding the requirement from the proposed revised Section 23 *Revenue from Contracts with Customers*
General disclosures about revenue from contracts with customers			
90	If an entity applies IFRS 8 *Operating Segments*, the entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (as required by paragraph 89) and revenue information that is disclosed for each reportable segment.	Paragraph 115 of IFRS 15	The *IFRS for SMEs* Accounting Standard does not include requirements on presentation of segment information.
Contract balances			
93	An entity shall explain the significant changes in the contract asset and the contract liability balances during the reporting period.	Paragraph 118 of IFRS 15	The requirement is inconsistent with the *IFRS for SMEs* Accounting Standard, where disclosures are generally quantitative and limited explanations are required about movements in items presented in the financial statements. (The IASB decided to delete the requirement from the forthcoming IFRS 19 *Subsidiaries without Public Accountability: Disclosures* for cost-benefit reasons.)
Determining the transaction price—variable consideration			
97	An entity shall disclose information about the methods, inputs and assumptions used for assessing whether an estimate of variable consideration is constrained.	Paragraph 126(b) of IFRS 15	The requirements in IFRS 15 for constraining estimates of variable consideration were simplified in the revised Section 23. Disclosures about this specific estimate, beyond the information required by paragraph 8.7 of the *IFRS for SMEs* Accounting Standard (*Information about key sources of estimation uncertainty*), were considered unnecessary.

continued…

Disclosure requirement in Exposure Draft *Subsidiaries without Public Accountability: Disclosures*		Paragraph on which the requirement is based	Reason for excluding the requirement from the proposed revised Section 23 *Revenue from Contracts with Customers*
Information about judgements			
124	An entity shall disclose, along with its material accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Examples of judgements that an entity may be required to disclose include those determining: (a) when recognising revenue from contracts with customers: the transaction price, the amounts allocated to performance obligations, and the timing of satisfaction of performance obligations; …	Paragraph 122 of IAS 1 Paragraph 123(a)–(b) of IFRS 15	Paragraph 8.6 of the *IFRS for SMEs* Accounting Standard does not include examples of judgements an SME may be required to disclose in accordance with the paragraph. Therefore, including the examples in the paragraph would have been inconsistent with the content of the current Standard. (A decision was made during drafting to delete paragraph 124(a) of the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* from the forthcoming IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. This is because the judgements in the paragraph can involve estimations. Paragraph 122 of IAS 1 *Presentation of Financial Statements* does not apply to judgements involving estimations. Instead, the forthcoming IFRS 19 includes the first sentence of paragraph 123 of IFRS 15.)