IFRS Accounting

Staff paper

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IASB® meeting

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Project	**Post-implementation Review of IFRS 15**
Topic	**Disclosure requirements**
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Purpose and structure

1. This paper provides a summary of the feedback and staff analysis on question 7 *Disclosure requirements* of Request for Information: *Post-implementation Review of IFRS 15* Revenue from Contracts with Customers (the RFI).

2. At this meeting, the IASB will be asked to decide whether to take further action on application matters related to disclosure requirements and if so, how to prioritise those matters, applying its framework for responding to the matters identified in a post-implementation review (PIR).[1]

3. This paper provides:
   (a) summary of staff recommendations;
   (b) background to IFRS 15 disclosure requirements;
   (c) overview of the feedback; and
   (d) summary of the feedback and staff analysis of specific application matters.

[1] See Agenda Paper 6 for the framework.

Summary of staff recommendations

4. Based on the analysis in this paper, the staff recommend the IASB take no further action on application matters raised by respondents related to:

   (a) concerns about the cost-benefit balance of specific disclosure requirements;

   (b) variation in the quality of disclosed information; and

   (c) other aspects of disclosure requirements described in Appendix A.

Background

5. In developing IFRS 15, the IASB sought to improve on the disclosure requirements in previous revenue standards to enable entities to provide more useful information about the nature, amount, timing and uncertainty of revenue.

Summary of IFRS 15 requirements

Paragraph 110 sets the disclosure objective which is to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows.

Paragraph 111 requires an entity to aggregate or disaggregate disclosures so that useful information is not obscured by the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

Paragraphs 113–129 include disclosure requirements to help entities meet the disclosure objective. These paragraphs require an entity to disclose information including:

(a) revenue from contracts with customers separately from other sources of revenue.

(b) any impairment losses on receivables or contract assets arising from contracts with customers.

(c) disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Paragraphs B87–B88 provide guidance to select the categories and paragraph B89 provides examples of categories that might be appropriate, including:

(i) type of good or service;

(ii) geographical region;

(iii) market or type of customer;

(iv) type of contract (for example, fixed-price and time-and-materials contracts);

(v) contract duration;

(vi) timing of transfer of goods or services (for example, at a point in time and over time); and

(vii) sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

(d) contract balances, including:

(i) the opening and closing balances of receivables, contract assets and contract liabilities;

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

(iii) revenue recognised from performance obligations satisfied in previous periods; and

(iv) an explanation of the significant changes in the contract asset and the contract liability balances qualitatively and quantitatively.

(e) performance obligations, including the typical timing of revenue recognition.

(f) transaction price allocated to remaining performance obligations, including:

(i) the aggregate amount of the transaction price allocated to the unsatisfied performance obligations; and

(ii) an explanation of when the entity expects to recognise as revenue the amount disclosed in (i), either on a quantitative or qualitative basis.

(g) significant judgements and changes in judgements made in applying the Standard, including;

(i) the timing of the satisfaction of performance obligations; and

(ii) the transaction price and the amounts allocated to performance obligations.

(h) assets recognised from the costs to obtain or fulfil contracts.

(i) practical expedients used, if any.

Paragraph 121 provides a practical expedient not to disclose the information in (f), for example when an original expected duration of a contract is one year or less.

6. IFRS 15 disclosure requirements are largely converged with the requirements in the FASB ASC Topic 606, Revenue from Contracts with Customers.

Overview of the feedback

7. Most respondents commented on the disclosure requirements. Most of them (mostly standard-setters and accounting bodies) said that overall, the more comprehensive disclosure requirements compared to the previous revenue standard resulted in entities providing sufficient and useful information to users of financial statements.

8. In outreach meetings and comment letters, users expressed support for the current package of disclosures and said that IFRS 15 improved the quality of disclosed information, making it easier to forecast future revenue and cash flows. A few users said that the comparability of information between entities within many industries improved, in particular for the construction and software industries.

9. A standard-setter and an academic respondent from Europe provided the results of their academic study (European academic study). The majority of 48 non-preparer respondents to the survey said that the disclosure requirements increased the decision-usefulness of the information by increasing the ability of users to make estimates of future cash flows, assess revenue margins and assess management’s stewardship.

10. Users in outreach meetings and respondents in comment letters (stakeholders) commonly identified as the most useful the information provided by entities in relation to:

    (a) *disaggregation of revenue*—some stakeholders said that the information helps users to understand the sources of revenue, identify any areas of concentration of risk and model future revenue trends. Respondents to the European academic study rated this information as having the highest positive impact on improving the usefulness of the information.

    (b) *changes in contract assets and contract liabilities*—a few stakeholders said this information is especially useful in industries commonly using long-term contracts such as construction or oil and gas. The information helps users assess working capital movements, reconcile revenue and cash flows, assess whether contracts are progressing as they should and might indicate potential disputes with counterparties. A few users said that not all users understand the concepts of 'contract assets' and 'contract liabilities'. A standard-setter said that this disclosure also provides transparency on fair value adjustments related to business combinations. Respondents to the European academic study rated this information as the second most useful.

    (c) *transaction price allocated to the remaining performance obligation*—a few stakeholders said this information is especially useful in industries with long-term contracts including construction and engineering sectors. The information helps users understand an entity's business model—how revenue is generated and how it is expected to be generated in future years—and helps to project future revenue, margins and cash flows.

    (d) *significant judgements*—a few respondents said that information about significant judgments applied in determining the timing of satisfaction of performance obligations and the transaction price allocation is useful.

11. Some respondents (mostly standard-setters and accounting bodies) said that disclosure requirements struck the right balance between the benefits of information provided and the cost of providing that information. A few respondents said that additional disclosure requirements are not needed. A few respondents (mostly accounting bodies and accounting firms) said that setting up systems and processes necessary for meeting the enhanced disclosure requirements was challenging and costly, but the ongoing costs of providing the required information are not excessive.

12. The European academic study included a survey of 196 preparers. The survey showed that providing disclosures was one of the costliest components of implementing the IFRS 15 requirements, highlighting the cost of initial change to IT systems and the ongoing cost of operating this IT system. The respondents who shared the results of the survey said the results indicated that these impacts were high for the most affected industries such as telecommunication.

13. Application matters identified by respondents in relation to disclosure requirements mainly related to:

    (a) concerns about the cost-benefit balance of specific disclosure requirements; and

    (b) variation in the quality of disclosed information.

14. A few respondents (mostly standard-setters) identified 'disclosure requirements' as the major application matter.

15. The FASB also identified the disclosure requirements as area of implementation challenges. Appendix B provides more information on the FASB's findings on this matter.

Summary of the feedback and staff analysis of specific application matters

16. Based on the feedback the staff have identified two main application matters:

(a) concerns about the cost-benefit balance of specific disclosure requirements; and

(b) variation in the quality of disclosed information.

17. This section analyses whether to take action in response to these application matters based on whether the feedback provides evidence that:

(a) there are fundamental questions about the clarity and suitability of the requirements;

(b) the benefits to users of financial statements of the information arising from applying the requirements are significantly lower than expected (for example, there is significant diversity in application); or

(c) the costs of applying the requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the requirements were issued for which it is costly to apply the requirements consistently).

18. In addition, Appendix A summarises feedback on other matters raised by one or a few respondents and provides our responses. The staff do not recommend acting on any of these matters because the feedback does not provide evidence of fundamental questions about the clarity and suitability of the principles in the requirements, of significant diversity in application or significant ongoing costs. The feedback received does not suggest that the matters are pervasive or have substantial consequences on revenue information provided in financial statements.

Concerns about the cost-benefit balance of specific disclosure requirements

Feedback

19. Some respondents expressed concerns about the balance of costs and benefits of information required in relation to:

(a) *transaction price allocated to the remaining performance obligations*—some respondents (mostly standard-setters) raised concerns, particularly for entities with many ongoing contracts and data coming from multiple subsidiaries. One respondent said that the ongoing costs are significant. These respondents said that providing this information is time-consuming and costly and they questioned the benefit of the information, noting that the information relates to existing contracts only and does not reflect the entire earning potential of the entity. A few respondents raised concerns about disclosing information based on estimation.

(b) *changes in contract assets and contract liabilities*—some respondents (mostly standard-setters and accounting bodies) said it is costly to provide this information as it must be gathered manually. A few said that ongoing costs are significant for entities with many ongoing contracts. They questioned the benefit of the information because management does not use the information in their decision-making. They also suggested that users may not be using the information, noting that they do not ask questions about this information.

(c) *significant judgements and changes in judgements made in determining the transaction price and the amounts allocated to performance obligations*—a few respondents (standard-setters) said that providing information about methods, inputs and assumptions creates significant ongoing costs for entities with many contracts.

20. A few respondents (mostly standard-setters) suggested that the IASB:

(a) consider including the same practical expedient that Topic 606 provides, which allows entities not to disclose transaction price allocated to remaining performance obligations related to variable consideration in specific situations.

In the respondents' view, this practical expedient would reduce the ongoing costs without reducing the usefulness of the information significantly.[2]

(b) remove disclosure requirements on remaining performance obligations and opening and closing balances of contract assets and liabilities.

(c) limit the disclosure requirements on changes in contract assets and contract liabilities to entities with business models that involve long-term contracts.

Staff analysis

Clarity and suitability of the requirements

21. On this matter there was no indication that preparers struggle to understand the requirements. Rather concerns relate to the costs of preparing the information required by the Standard and its usefulness to users.

Benefits to users of financial statements

22. In phase 1 of the PIR, some preparers questioned the usefulness of some information disclosed including remaining performance obligations and contract assets and contract liabilities. So, in phase 2 we gathered information from users.

23. Although there are some indications of diversity in the level of detail provided by entities, users (and other respondents) said that the information required by IFRS 15 is useful. In particular, users (and other respondents) said that the specific disclosure requirements in paragraph 19 identified as costly by some respondents commonly resulted in the most useful disclosed information (see paragraph 10).

[2] FASB ASC paragraph 606-10-50-14A allows an entity not to disclose the information about transaction price allocated to the remaining performance obligations for variable consideration for which either (a) the variable consideration is a sales-based or usage-based royalty promised in exchange for a license of intellectual property or (b) the variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a series of distinct good or service that forms part of a single performance obligation. See FASB ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.

24. For the reasons discussed in paragraphs 22–23, the staff think that the feedback does not indicate that the benefits to users of financial statements of disclosed information are significantly lower than expected.

Costs of applying the requirements

25. We heard concerns about costs, mainly in relation to entities with many ongoing contracts. As mentioned in paragraphs 11–12, some of these costs are related to creating systems or processes for providing information. Now that they are established, the costs for most entities have stabilised and remain high for only some entities.

26. In the staff's view, there is insufficient evidence to suggest that for the majority of entities, the costs are significantly higher than expected.

27. Other than deleting disclosure requirements, a few respondents suggested:

    (a) including the same practical expedient that Topic 606 provides allowing entities not to disclose transaction price allocated to the remaining performance obligations related to variable consideration. The FASB provided additional exemptions for two specific situations. The exemptions apply when the variable consideration is either:

        (i) a sales-based or usage-based royalty promised in exchange for a licence of intellectual property; or

        (ii) allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a series of distinct goods or services forming part of a single performance obligation.

    However, the feedback to the RFI does not provide sufficient evidence of significant concerns related specifically to these situations. In addition, users in outreach meetings and comment letters say the current IFRS 15 disclosure is useful.

(b) limiting the changes in contract assets and contract liabilities disclosure requirements to entities with business models involving long-term contracts. When developing IFRS 15, the IASB considered but rejected this alternative for the following reasons which the staff think are still valid:

(i) identifying the types of contracts for which a reconciliation would (or would not) provide useful information is difficult;

(ii) limiting the scope would add complexity to the requirements; and

(iii) the information is useful for contracts with significant timing differences between payment and performance even if the contracts are not long-term.[3]

28. For the reasons discussed in paragraphs 25–27, the staff think that the feedback provides insufficient evidence that the costs are significantly greater than expected; and that the benefits of adding a practical expedient or limiting disclosure requirements would outweigh the costs.

Staff recommendation and question for the IASB

29. Based on the analysis in paragraphs 21–28, the staff think the findings from the RFI provide insufficient evidence that the characteristics to take further action described in the PIR framework are present. Therefore, the staff recommend the IASB take no further action on application matters raised by respondents in relation to concerns about the cost-benefit balance of respondents' identified disclosure requirements.

Question 1 for the IASB
Do IASB members agree with the staff recommendation in paragraph 29 of this paper?

[3] See paragraph BC344 of the Basis for Conclusion on IFRS 15.

Variation in the quality of disclosed information

Feedback

30. A few respondents (accounting bodies and standard-setters) said that they did not identify any significant variation in the quality of the disclosed revenue information.

31. Some respondents (mostly accounting firms and standard-setters) said that they observed variations in the quality of disclosed information. A few said that variation is significant. Only a few said that a lack of specificity in the disclosure requirements caused the variation. Some other respondents said the variation is caused by other factors, for example, entities:

    (a) failing to consider what information is required to comply with the disclosure objective and instead applying the disclosure requirements as a checklist; or

    (b) struggling to decide/judge what to disclose and to what extent.

32. Many users in outreach meetings and comment letters said that disclosed information often does not reflect an entity's business or contains wording copied from the Standard, and therefore is not helpful. They requested more entity-specific information and less immaterial information.

33. Stakeholders said they observe variations in the quality of information or the level of detail disclosed to meet specific disclosure requirements, namely:

    (a) *disaggregation of revenue:*

        (i) a few users said there is diversity in the level of detail provided and in the level of disaggregation between industries and entities, with some entities arguing they do not provide further disaggregation because of commercial sensitivity;

(ii) a few respondents (mostly standard-setters) said that the disaggregation is often standardised and fails to represent the entity-specific circumstances in a decision-useful manner; and

(iii) a regulator said the inconsistency in the type and the level of detail arises because paragraphs B87–B89 of IFRS 15 do not address what to consider when determining how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows.

(b) *balances and changes in contract assets and contract liabilities:*

(i) a few users said that pharmaceutical entities disclose contract balances by largest customers, which is helpful; while industrial entities disclose contract balances without a breakdown, which is less useful.

34. A few respondents (mostly standard-setters) suggested that to reduce variation in the quality of disclosed information the IASB:

(a) provide educational material on the application of the disclosure requirements including how to decide which information is material and how best to communicate it, reminding preparers that revenue information needs to be specific to enable users to understand how the 5-step revenue recognition model is applied;

(b) provide a list of items to disclose; or

(c) consider providing more prescriptive disclosure requirements for revenue disaggregation—for example, requiring specific categories of disaggregation, subject to materiality considerations—and illustrative examples and/or other guidance to clarify how an entity can identify categories of revenue that should be disaggregated.

35. To improve the quality and usefulness of disclosed information, some stakeholders asked for additional disclosure requirements, for example:

(a) many users suggested examples of disaggregation categories for revenue that they found useful in their analysis. Most of the suggested categories are already listed as examples in paragraph B89 of IFRS 15. Suggested categories that are not listed in paragraph B89 include:

    (i) by revenue calculation method (percentage-of-completion, milestones, etc.) when revenue is recognised over time; and

    (ii) by currency.

(b) a user said information about contract terms, uncertainties, risks and judgements related to remaining performance obligations is important.

(c) a few stakeholders suggested greater disaggregation of contract balances such as by segment, by counterparty, by concentration of risk and by age.

(d) a standard-setter suggested considering whether a reconciliation of the remaining performance obligations would be useful.

(e) other respondents suggested additional disclosures related to the other specific matters including:

    (i) *consideration payable to a customer*—see paragraphs 13 and 15 of Agenda Paper 6A *Determining the transaction price*; and

    (ii) *principal versus agent considerations*—see paragraphs 74–83 of February 2024 Agenda Paper 6B *Principal versus agent considerations*.

Staff analysis

Clarity and suitability of the requirements

36. Most concerns about diversity in the quality of information are related to the need to apply judgement. The disclosure requirements of IFRS 15 are objective-based. In developing the Standard, the IASB decided to specify an objective for the revenue

disclosure requirements rather than specifying detailed and prescriptive requirements. In the IASB's view, a clear objective enables an entity to make judgements and assess how to provide sufficient information to meet the objective.[4] Judgement is inevitable with objective-based disclosure requirements.

37. Some stakeholders said the disclosed information is often boilerplate and not entity-specific. However, IFRS 15 has requirements:

    (a) to consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements together with the disclosure objective;[5] and

    (b) to disclose information about performance obligations in contracts with customers, which was set to address concerns that an entity might provide a 'boilerplate' description of its accounting policy without explaining how the accounting policy relates to its contracts.[6]

38. Also, most of the stakeholders' concerns seem to relate to diversity in the level of detail and in disaggregation categories in revenue disaggregation disclosure. As for revenue disaggregation, IFRS 15:

    (a) specifies the objective for providing disaggregated information rather than specific factors to be used as the basis for disaggregation, to allow an entity to consider entity-specific and/or industry-specific factors that are the most meaningful for its business;[7]

    (b) provides guidance on how to implement the objective including considering how revenue is disaggregated in other communications;[8]

    (c) provides examples of disaggregation categories; and

[4] See paragraphs 110 of IFRS 15 and BC 330 of the Basis for Conclusions on IFRS 15.
[5] See paragraphs 111 of IFRS 15 and BC331 of the Basis for Conclusions on IFRS 15.
[6] See paragraphs 119 of IFRS 15 and BC 354 of the Basis for Conclusions on IFRS 15.
[7] See paragraphs 114 of IFRS 15 and BC336 of the Basis for Conclusions on IFRS 15.
[8] See paragraphs B88 of IFRS 15 and BC337 of the Basis for Conclusions on IFRS 15.

(d) states that the extent of disaggregation depends on the facts and circumstances of the entity's contracts.[9]

39. A regulator linked variation in the information disclosed to the lack of specificity in the disclosure requirements and suggested considering more prescriptive disclosure requirements. However, the feedback from other stakeholders indicates that variation in the information disclosed could relate to entities failing to adequately consider the disclosure objective in deciding what to disclose.

40. For the reasons discussed in paragraphs 36–39, the staff think IFRS 15 provides sufficient basis to apply and enforce disclosure requirements.

41. Some stakeholders asked the IASB to consider requiring additional information but:

(a) the IASB developed the disclosure requirements of IFRS 15 considering both users' needs for useful information and preparers' concerns about the costs of providing that information. Adding new disclosure requirements could disrupt that balance and the current disclosure practice when feedback on the RFI suggests that there are no fundamental questions about the disclosure objective or disclosure requirements of IFRS 15;[10] and

(b) a few respondents to the RFI said the IASB should not add any new disclosure requirements because the current costs and benefits generally strike right balance.

42. In addition, the forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements* will provide further guidance on disaggregation.

43. For the reasons discussed in paragraphs 36–42, the staff think that the feedback provides insufficient evidence that there are fundamental questions about the clarity and suitability of the disclosure requirements.

[9] See paragraph B87 of IFRS 15.

[10] See paragraphs BC327–BC328 of the Basis for Conclusions on IFRS 15.

Benefits to users of financial statements

44. Many stakeholders said that the disclosure requirements of IFRS 15 resulted in entities providing sufficient and useful information to users of financial statements.

45. Some stakeholders (including some users) said there is diversity in the level of detail and quality of disclosures. Such diversity might reduce the comparability of the resulting information for users. However, it is to be expected that there will be some variability in the information disclosed depending on the size of the entity and the nature and complexity of its operations.

46. Some users suggested what types of information would be particularly useful, for example, in disaggregating revenue. Many of these types of information we would already expect entities to provide applying existing requirements of IFRS 15 if the information is material.

47. Lack of information caused by variation in the quality of disclosed information in the financial statements might lead to users having to look for information from other sources. However, we have not heard significant concerns on this aspect.

48. Although some stakeholders suggested specific additional disclosure requirements, these requests were not widespread and generally there is evidence that IFRS 15 has improved the quality of disclosed information about revenue.

49. For the reasons discussed in paragraphs 44–48, the staff think that the feedback does not indicate that the benefits to users of financial statements of disclosed information are significantly lower than expected.

Costs of applying the requirements

50. We did not identify feedback about the costs of applying the requirements relevant to this matter.

Staff recommendation and question for the IASB

51. Based on the analysis in paragraphs 36–50, the staff think the findings from the RFI provide insufficient evidence that the characteristics to take further action described in the PIR framework are present. Therefore, the staff recommend the IASB take no further action on application matters raised by respondents in relation to variation in the quality of disclosed information.

Question 2 for the IASB
Do IASB members agree with the staff recommendation in paragraph 51 of this paper?

Question 3 for the IASB
As explained in paragraph 18, the staff recommend taking no action in relation to the matters discussed in Appendix A. Do you agree with the staff recommendation?

Appendix A—Other application matters raised by a few respondents

	Application matter	Staff response
1	Paragraph 121 of IFRS 15 states that an entity need not disclose a remaining performance obligation if the performance obligation is part of a contract that has an original expected duration of one year or less. A preparer said the eligibility of the practical expedient should be determined by each performance obligation, not by contract.	The staff suggest no action because the feedback does not suggest that the matter is widespread. Paragraph BC352 of the Basis for Conclusions on IFRS 15 explains the reason for the scope of the practical expedient.
2	A few standard-setters suggested eliminating the practical expedients in paragraph 121 of IFRS 15 relating to the disclosure of remaining performance obligations because they reduce comparability.	The staff suggest no action because the feedback does not suggest that the matter is widespread. The staff think the reason for introducing the practical expedient that is explained in paragraph BC352 of the Basis for Conclusions on IFRS 15 is still valid.
3	A few respondents suggested the IASB: (a) provide some practical expedients for small and medium entities when complexity, uncertainty, subjectivity and inherent risk are non-existent or low. (b) differentiate revenue disaggregation disclosure requirements based on the size of entities.	The staff suggest no action in relation to IFRS 15. The staff have informed the team working on the IASB's Second Comprehensive Review of the IFRS for SMEs Accounting Standard project about this feedback.
4	A user suggested that disclosure of significant changes in contract assets and contract liabilities be required in the interim financial statements.	The staff suggest no action because the feedback does not suggest that the matter is widespread. Paragraphs BC358–BC360 of the Basis for Conclusions on IFRS 15 explain the amendment made to IAS 34 *Interim Financial Reporting*.

Appendix B—FASB PIR of Topic 606: Extracts from the November 2023 Public Roundtable discussion materials and minutes[11]

Discussion materials

Topic 1: Benefits

11. Topic 606 introduced significant new disclosures about revenue. Investors generally agreed that, compared with Topic 605, disclosures under Topic 606 provide more context around revenue. Some investors explained that the disclosure requirements result in greater transparency, improve understanding of business, and enhance comparability period-to-period and across industries. In particular, most investors agreed that the disclosure of disaggregated revenue (paragraphs 606-10-50-5 through 50-7) is useful. Investors commented that that disclosure is typically more detailed than segment reporting or other disaggregated information that was previously provided. Investors also agreed that the disclosure about remaining performance obligations provides more details about revenue recognition than the previous requirements. Some investors noted that the disclosure of contract balances and changes is helpful. Investors also observed that there is variability in the level of detail disclosed by entities; that is, not all entities disclose the same type of disaggregated revenue information or disaggregate revenue into the same number of categories.

Area J: Disclosures

64. PIR outreach indicates that the extensive revenue disclosures required by Topic 606, particularly for public business entities, were generally thought to provide additional decision-useful, consistent, and comparable information across entities. For example, most investors noted that the new disclosures are informative for their analyses of an entity's revenue, especially the disclosures in paragraphs 606- 10-50-5 through 50-6 about disaggregated revenue and the disclosures in paragraphs 606-10-50-13 through 50-15 on remaining performance obligations. However, some investors suggested that additional disclosures may be beneficial, including disclosures that provide further details around disaggregated revenue metrics and, for entities in the software or IT industry, a disaggregation of the amounts of revenue recognized at a point in time and over time. Because some investors suggested that additional disclosures might be warranted, the staff performed research to better understand the extent of disclosures being provided.

65. The revenue disclosures required by Topic 606 are more comprehensive and detailed than the disclosures previously required by Topic 605. Under the previous revenue guidance, stakeholders generally found the disclosed information to be inadequate and lack cohesion with the disclosure of other items in the financial statements. Consequently, one of the Board's goals in undertaking Topic 606 was to provide investors with more useful information through improved disclosure guidance.

[11] See November 2023 Public Roundtable Discussion Materials and Meeting Minutes.

66. The staff researched the nature and extent of disaggregated revenue disclosures in public filings and other sources such as publications that discuss revenue disclosures and SEC comment letters related to revenue recognition. On the basis of the staff's research, the staff notes that the extent of disaggregated revenue disclosures has increased when compared with the previous revenue guidance, thereby providing more information to investors. How entities chose to adapt to the new disaggregation disclosures varied and whether they provided incremental disaggregation depended on the level of disaggregation provided before the adoption of Topic 606 and other entity-specific considerations (for example, the entity's size).

67. The staff also conducted further research to understand whether software and IT entities are providing revenue disaggregation that allows investors to understand the breakdown of point in time versus over time revenue recognition. The staff's research included software and IT entities that provide both software as a service and on-premises licenses (that is, our research included entities that generally have both point in time and over time revenue recognition).

68. On the basis of the staff's research, many entities in the software and IT industry either directly provide information on the timing of revenue recognition or disclose information to help investors derive the over time and point in time amounts. The staff noted instances in which certain revenue captions comingled over time and point in time revenue recognition; however, those captions were typically limited and the accounting policy discussion typically indicated a de minimis amount for either point in time or over time revenue for those captions.

Minutes

Benefits

Participants, particularly investors, noted that Topic 606 improved transparency through improved disclosures and resulted in greater comparability between entities and across industries. However, a few participants observed a lack of comparability in the software industry as a result of differences in revenue recognition timing for a license of intellectual property versus software as a service (SaaS). An investor participant observed more information being disclosed by private companies under Topic 606 as compared with the previous revenue guidance, while one preparer participant provided positive feedback on the practical expedient provided to private companies.

Disclosures

Overall, participants agreed that additional disclosures required under Topic 606 are an improvement from the previous revenue guidance. Some participants, primarily investor participants, suggested further improving revenue disclosures, such as more consistent disaggregated disclosure of revenue or additional disaggregated disclosure about revenue recognized at a point in time versus over time.