
Global Preparers Forum meeting

Date	10 November 2023
Project	Post-implementation Review (PIR) of IFRS 15 <i>Revenue from Contracts with Customers</i>
Topic	Request for Information
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Purpose of the session

- In November 2022 we heard your initial views on IFRS 15 *Revenue from Contracts with Customers* as a whole, on transition and on challenging areas of the Standard.
- The IASB is now seeking evidence to determine whether, and if so how, to respond to application matters being examined in the [Request for Information \(RFI\)](#).

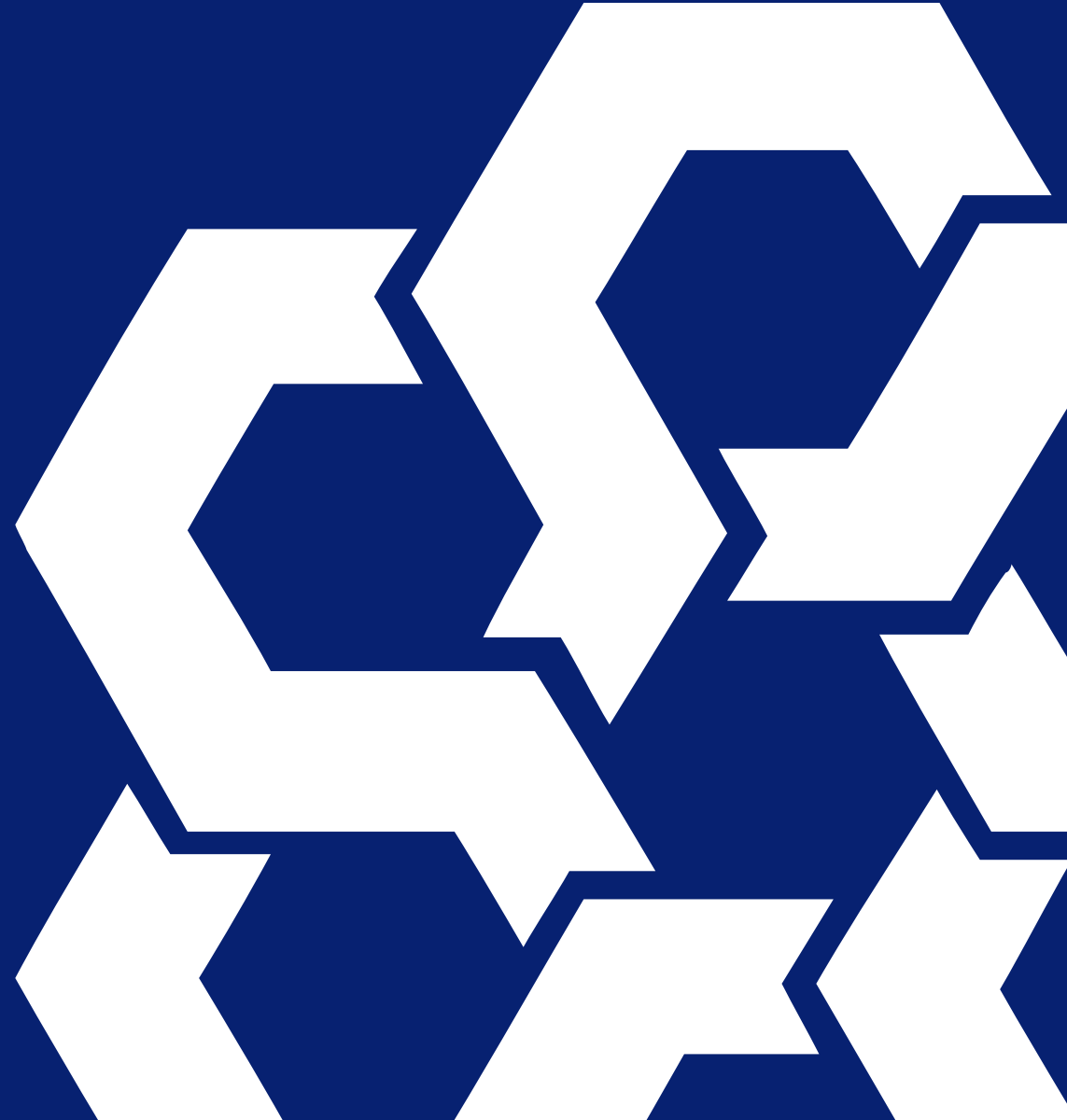
Focus questions for this session

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- In your view, which of the matters being examined in the RFI meet the criteria for the IASB to take further action and why? How would you prioritise those matters?
 - Do you have any suggestions for resolving those matters?

Information for participants

- Slides 4–6 provide an overview of the post-implementation review (PIR), including the IASB's criteria for responding to raised application matters.
- Slides 8–18 provide supporting information on the matters being examined in the RFI.

Overview of the PIR



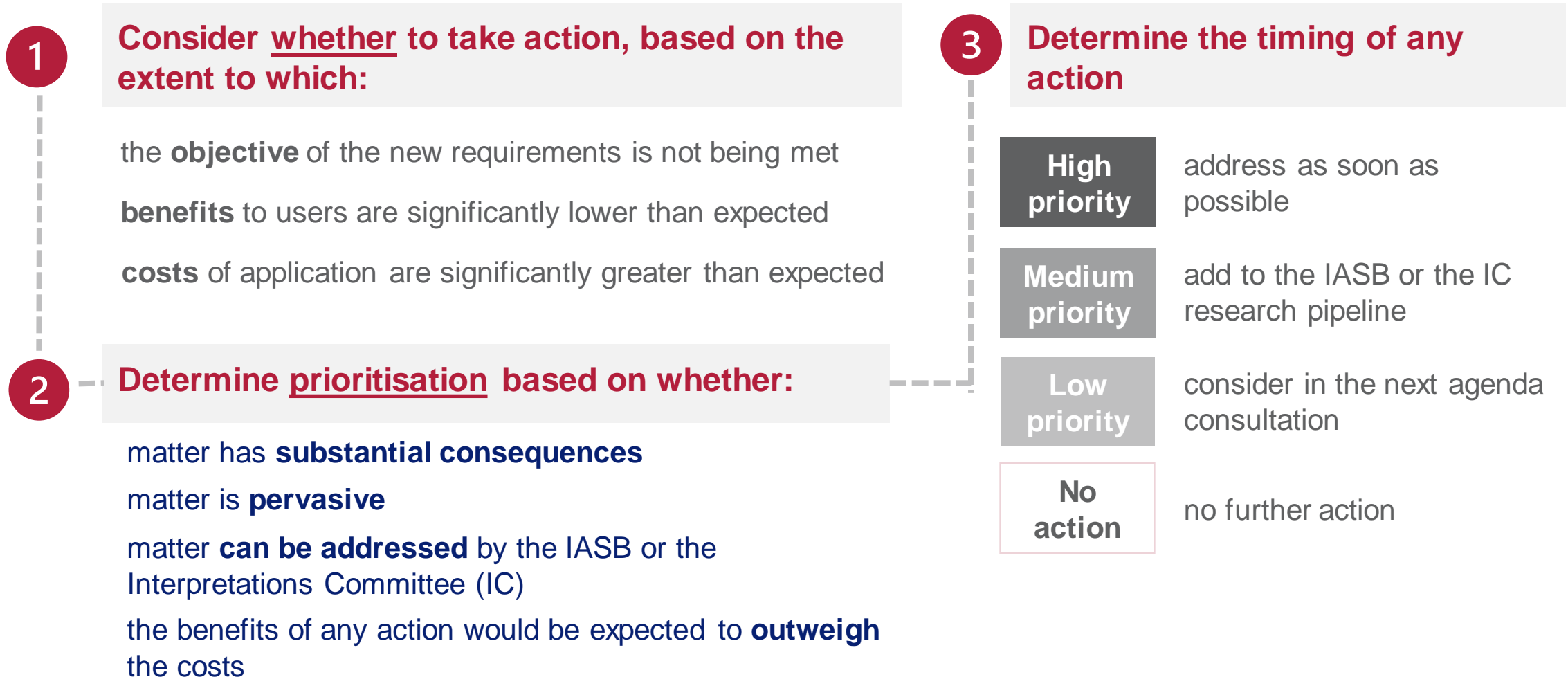
PIR—objective and process



Assess whether the **effects** of applying the new requirements on users of financial statements, preparers, auditors and regulators are those the IASB **intended** when it developed the requirements



PIR—how does the IASB respond to identified matters?



Phase 1 feedback on IFRS 15 as a whole



Matters being examined in the RFI



Request for Information—what topics are being examined?

Standard as a whole

Overall assessment of IFRS 15

Convergence with Topic 606

Application questions

Identifying performance obligations

Determining the transaction price

Determining when to recognise revenue

Principal versus agent

Licensing

Disclosure requirements

Applying IFRS 15 with other Standards

Transition requirements

Other matters

What evidence is the IASB seeking through the RFI?

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Clarity and sufficiency of specific requirements

Fact patterns

in which requirements are unclear or applied inconsistently

Diversity in practice

- how pervasive is it?
 - what causes it?
- how does it affect financial statements and usefulness of the information to users?

Suggestions

for resolving identified matters

Spotlights



- Highlight challenging matters identified in phase 1 outreach
- the IASB is particularly interested in further evidence on these matters

Identifying performance obligations



Background

- Appropriately identifying performance obligations is fundamental to recognising revenue that faithfully depicts the entity's performance
- Basis for identification—is a good or service being transferred distinct?



Spotlight

- Some challenges identifying performance obligations for arrangements involving:
 - internally developed products or digital products
 - contract modifications
 - Licensing (*spotlight on slide 14*)
 - principal - agent relationship (*spotlight on slide 13*)



RFI questions

- Does IFRS 15 provide a clear and sufficient basis to identify performance obligations in a contract? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Determining the transaction price

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Background

- IFRS 15 provides specific requirements for determining the transaction price, including requirements for variable consideration, significant financing components and consideration payable to a customer



Spotlight

- Some application questions and diversity in practice in accounting for consideration payable to a customer, for example:
 - marketing incentives offered by an agent to end customers in three-way arrangements
 - consideration payable that exceeds the consideration receivable from the customer ('negative revenue')

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RFI questions

- Does IFRS 15 provide a clear and sufficient basis to determine the transaction price in a contract—in particular, in relation to accounting for consideration payable to a customer? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Determining when to recognise revenue

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Background

- Revenue is recognised when control is transferred
- Revenue is recognised over time if:
 - the customer simultaneously receives and consumes the benefits;
 - the customer controls an asset being created or enhanced; or/and
 - the entity has no alternative use for an asset being created and has an enforceable right to payment for performance to date

Spotlight



- Some application questions about whether to recognise revenue over time
 - determining whether an entity has an enforceable right to payment can be particularly challenging

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RFI questions

- Does IFRS 15 provide a clear and sufficient basis to determine when to recognise revenue—in particular, in relation to the criteria for recognising revenue over time? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Principal versus agent



Background

- An entity determines whether it is a principal or an agent based on who controls the good or service before it is transferred to the customer
- IFRS 15 provides a non-exhaustive list of indicators of control relating to:
 - primary responsibility for fulfilling the promise
 - inventory risk before the transfer
 - discretion in establishing the price



Spotlight

- Some challenges applying the concept of control alongside the related indicators, for example:
 - in relation to services
 - when indicators point to different conclusions
 - when an arrangement involves more than three parties



RFI questions

- Does IFRS 15 provide a clear and sufficient basis to determine whether an entity is a principal or an agent? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Licensing

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Background

- IFRS 15 requires an entity to determine whether:
 - the promise to grant a licence is distinct
 - the nature of a licence is to provide a right to access intellectual property (IP) or a right to use IP



Spotlight

- Some application questions and diversity in practice relating to:
 - determining whether an arrangement is a licensing arrangement
 - identifying performance obligations in arrangements including goods or services and a licence
 - accounting for licence renewals

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RFI questions

- Does IFRS 15 provide a clear and sufficient basis for accounting for contracts involving licences? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Disclosure requirements

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Background

- The IASB sought to improve disclosure requirements



Spotlight

- Some concerns relating to:
 - costs of providing some disclosures potentially exceeding the usefulness (e.g., disclosures related to contract assets and liabilities or to remaining performance obligations)
 - some entities not providing the information required

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RFI questions

- Do the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements? Why or why not?
- Do any disclosure requirements in IFRS 15 give rise to significant ongoing costs?
- Have you observed significant variation in the quality of disclosed revenue information? If so, what causes variation and what steps could the IASB take to improve the quality of the information provided?

Transition requirements

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Background

- Preparers could apply one of two transition methods:
 - a retrospective method
 - a modified retrospective method
- IFRS 15 also:
 - offered practical expedients for each transition method
 - required additional disclosures to ensure users receive useful information for trend analysis

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RFI question

- Did the transition requirements work as the IASB intended? Why or why not?

Applying IFRS 15 with other IFRS Accounting Standards

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Background

- Contracts in the scope of other Standards are excluded from the scope of IFRS 15



Spotlight

- Some application questions about interaction of IFRS 15 with:
 - IFRS 3 *Business Combinations*
 - IFRS 9 *Financial Instruments*
 - IFRS 16 *Leases*

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RFI questions

- Is it clear how to apply the requirements in IFRS 15 with the requirements in other IFRS Accounting Standards—in particular, in relation to matters in the Spotlight? If not, why not?
- Do you have any suggestions for resolving the matters you have identified?

Other matters

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Background

- We would like any information that will help the IASB assess whether:
 - there are **fundamental questions** (fatal flaws) about the clarity and suitability of the core objective or principles in IFRS 15
 - **benefits to users of financial statements** arising from applying IFRS 15 are significantly lower than expected
 - **costs of applying** IFRS 15 and auditing and enforcing application are significantly greater than expected

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RFI questions

- Are there any further matters that you think the IASB should examine as part of the PIR of IFRS 15? If yes, what are those matters and why should they be examined?

For more info...



RFI is available on the [project website](#)

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