



Project	Revenue Recognition
Topic	Summary of proposed disclosures

Introduction

1. This paper sets out the proposed disclosures based on the staff recommendations in Agenda Paper 4A/Memo 125A.

Proposed disclosures

Disclosure principles

2. **An entity shall disclose quantitative and qualitative information that:**
 - (a) **identifies and explains the amounts recognised in its financial statements arising from contracts with customers (paragraphs 5-11); and**
 - (b) **enables users of its financial statements to evaluate the nature and extent of risks arising from contracts with customers, and how the entity manages those risks (paragraphs 12-14).**
3. If the specific disclosures required by this and other IFRSs and US GAAP do not meet the objectives in paragraph 2, an entity shall disclose whatever additional information is necessary to meet those objectives.
4. Disclosures may be made in total or in such groupings as are considered to be the most useful in complying with the objectives in paragraph 2. It may be useful to distinguish groupings by criteria such as the following:

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- (a) operating segments or geographical location as required by IFRS 8 and FASB ASC Topic 280;
- (b) by the nature of the goods and services identified in accordance with paragraph 5; or
- (c) whether contracts with customers are subject to materially different risks, for example, by distinguishing short-term contracts from long-term contracts.

When an entity provides disclosures in total for a grouping, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

Nature of an entity's contracts with customers

- 5. An entity shall disclose information that explains the nature of its contracts with customers including a general description of the significant goods and services categories underlying its performance obligations, highlighting for each:
 - (a) the typical timing of satisfaction of performance obligations and, hence, timing of revenue recognition;
 - (b) significant contract terms such as payment, cancellation, returns, and refunds; and
 - (c) if the entity's performance obligation is to arrange for another party to provide those goods and services or to provide them itself (ie whether it is acting as principal or agent).

Disaggregation of revenue recognised

- 6. An entity shall disclose information that explains the amount of revenue recognised in the statement of comprehensive income. An entity shall disclose revenue recognised for each category of significant goods and services identified in accordance with paragraph 5, disclosing separately revenues from
 - (a) providing goods and services itself and
 - (b) arranging for other parties to provide those goods and services.

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7. [This requirement will be accompanied by a consequential amendment to IFRS 8 and FASB ASC Topic 280 replacing the requirement to disaggregate revenue in each operating segment by deliverable with a reference to the requirement above.]

Explanation of amounts in statement of financial position

8. An entity shall disclose information that explains the amounts recognised in the statement of financial position arising from contracts with customers including:
 - (a) a reconciliation of opening and closing balances of the net contract position showing separately, if applicable, the effects during the period attributable to each of the following:
 - (i) the amount(s) recognised in the statement of comprehensive income due to satisfaction of performance obligations in the current period (paragraph 4 requires an analysis of the amount(s));
 - (ii) changes in the net contract position due to changes in estimates;
 - (iii) the effect of changes in foreign exchange rates on consideration measured in a currency different from the entity's presentation currency;
 - (iv) cash consideration received (paid in advance of performance);
 - (v) non-cash consideration received;
 - (vi) rights to consideration transferred to receivables (paid in arrears); and
 - (vii) contracts acquired in business combinations.
 - (b) a reconciliation of opening and closing balances of the liability for onerous contracts showing separately, if applicable, the effects during the period attributable to each of the following:
 - (i) the amount(s) recognised in the statement of comprehensive income due to:

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- (a) contracts becoming onerous during the period;
 - (b) contracts no longer onerous;
 - (c) other adjustments to the liability (eg changes in estimates and effects of the time value of money); and
 - (d) the amount(s) of the liability utilised during the period.
- (c) the amounts within other balances arising from contracts with customers such as:
- (i) trade receivables
 - (ii) refund obligations
 - (iii) rights to inventory (returns)

Use of judgements

9. An entity shall disclose information regarding the significant judgements made in recognising and measuring amounts arising from contracts with customers and changes in those judgements that may significantly affect the amount, timing and pattern of revenue recognition.
10. An entity shall disclose a discussion of the significant factors, inputs, assumptions and methods used to:
- (a) estimate the amount of any uncertain consideration and non-cash consideration included in the amount of revenue recognised;
 - (b) allocate consideration to performance obligations and contract segments including:
 - (i) the identification of individual performance obligations,
 - (ii) the method of aggregation of performance obligations into contract segments; and
 - (iii) the basis for the estimation of standalone selling prices;
 - (c) determine the timing and pattern of performance including a description of the methods used to measure performance for contract segments and why such a method is a suitable estimate for the transfer of goods and services;

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- (d) estimate the amount of any additional onerous contract liability recognised; and
 - (e) estimate returns and warranties.
11. An entity shall disclose significant changes to estimates or changes in the methods used to determine those estimates in sufficient detail to communicate the expected effect on the amount and timing of revenue recognition.

Nature and extent of risks arising from contracts with customers

12. An entity shall disclose information on the nature and extent of risks arising from contracts with customers, including:
- (a) its exposure to uncertain consideration, including contingent consideration and credit risk;
 - (b) the expected timing of satisfaction of remaining performance obligations and onerous contracts;
 - (c) its exposure to returns and warranties; and
 - (d) its exposure to changes in the price and quantity of resources required to satisfy performance obligations including when such exposures might lead to a contract becoming onerous.
13. For each type of risk arising from contracts with customers, an entity shall disclose:
- (a) the exposures to risk and how they arise;
 - (b) its objectives, policies and processes for managing the risk; and
 - (c) any changes in (a) or (b) from the previous period.
14. An entity shall disclose any concentrations of risks not apparent from paragraph 13.