

Supplement to REVREC agenda paper 7A/167A February 2013, *Disclosures: disaggregation of revenue*

Potential changes	Rationale for changes
<p>Standard</p> <p>114. An entity shall disaggregate revenue from contracts with customers (excluding amounts presented for customers' credit risk) into the primary categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. <u>In determining those categories, an entity shall consider how management analyzes revenue.</u> To meet the disclosure objective in paragraph 109, an entity may need to use more than one type of category to disaggregate revenue.</p>	<p>Paragraph 114 from the 2011 ED:</p> <ul style="list-style-type: none"> • Deleted “excluding amounts presented for customers’ credit risk” due to the Boards’ November 2012 decision regarding collectibility. • Deleted “primary” as feedback was raised to define. Staff deemed the word to be unnecessary. • Added second sentence to link the disaggregation of revenue to management’s view, similar to segment reporting. • Moved the last sentence to implementation guidance.
<p>115. Examples of categories that might be appropriate include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) Type of good or service (for example, major product lines) (b) Geography (for example, country or region) (c) Market or type of customer (for example, government and nongovernment customers) (d) Type of contract (for example, fixed price and time and materials contracts) (e) Contract duration (for example, short term and long term contracts) (f) Timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time) (g) Sales channels (for example, goods sold directly to consumers and goods sold through intermediaries). 	<p>Paragraph 115 from the 2011 ED:</p> <ul style="list-style-type: none"> • Moved paragraph to implementation guidance (refer to IGX2).

<p>Implementation guidance</p> <p><u>IGX1 In accordance with paragraph 114, in determining categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors, an entity should consider how management analyzes revenue. In assessing how management analyzes revenue, an entity considers how revenue may be disaggregated in:</u></p> <p>(a) <u>Disclosures presented outside the financial statements, for example, in earnings releases, annual reports or investor presentations;</u></p> <p>(b) <u>Information reviewed by the chief operating decision maker (as defined in segment reporting) for evaluating the financial performance of operating segments; and</u></p> <p>(c) <u>Other relevant analysis in which the entity evaluates performance or resource allocation.</u></p>	<p>Paragraph IGX1:</p> <ul style="list-style-type: none"> • Provides guidance on the disaggregation of revenue based on how management analyzes revenue. • (a) Represents current disclosure of revenue information either voluntarily in, for example, investor presentations or as required under other regulatory requirements. • (b) Links to segment reporting and information regularly prepared and reviewed. • (c) Represents an “all-other” category to include nonpublic entities that should disaggregate revenue, but do not issue other public financial information or have reportable segments.
<p><u>IGX2 To meet the disclosure objective in paragraph 114, an entity may need to use more than one category to disaggregate revenue from contracts with customers. However, an entity is not required to use a minimum number of categories. Examples of categories that might be appropriate include, but are not limited to, the following:</u></p> <p>(a) Type of good or service (for example, major product lines)</p> <p>(b) Geography (for example, country or region)</p> <p>(c) Market or type of customer (for example, government and nongovernment customers)</p> <p>(d) Type of contract (for example, fixed-price and time-and-materials contracts)</p> <p>(e) Contract duration (for example, short-term and long-term contracts)</p> <p>(f) Timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time)</p> <p>(g) Sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).</p>	<p>Paragraph IGX2:</p> <ul style="list-style-type: none"> • Includes some of paragraph 114 regarding “may need to use more than one category”. • Example categories is paragraph 115 from the 2011 ED, moved from standard to implementation guidance. • Specifies that a minimum number of categories is not required because preparers were concerned that the example categories would become a checklist.

<p><i>Implementation guidance or basis for conclusions</i></p> <p>X1 <u>In assessing the appropriate categories for disaggregating revenue, an entity should consider whether disclosures provided for segment reporting (if applicable) would meet the objective for disaggregation of revenue in paragraph 114 and those disclosures recognize and measure revenue in accordance with the [revenue standard].</u></p> <p>X2 <u>In many cases, the segment reporting disclosure may not meet the objective for disaggregating revenue from contracts with customers in paragraph 114. This may be because management considers additional factors in analyzing revenue and, therefore, additional categories will be necessary to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. An entity may consider looking within a reporting segment to identify such categories that should be disaggregated in order to meet the objective in paragraph 114.</u></p>	<p>Paragraph X1 comes from paragraph BC253 of the 2011 ED and the second paragraph expands upon X1. The staff will consider whether this belongs in the implementation guidance or the basis for conclusions.</p>
--	---