

International Financial Reporting Standards



Revenue from Contracts with Customers

GPF November 2013, Agenda paper 3

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Project status – at a glance

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- Topics discussed in October 2013
 - Collectibility
 - Constraint
 - Licenses
- Issue new Revenue Standard Q1 2014
- Effective date 1/1/2017, early application permitted
- Transition
 - Retrospective or
 - Cumulative effect at the date of application
- Revenue Transition Resource Group

Topics discussed in October 2013

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Collectibility (ie customer credit risk)

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- Before the October discussion Boards tentatively decided:
 - Revenue should be measured at a 'gross' amount
 - Impairment should be presented prominently as an expense
 - Emphasise entity must consider variable consideration
- In October 2013 the Boards tentatively decided:
 - To improve drafting for estimating variable consideration
 - To include a collectibility threshold of 'probable' in the revenue model
 - Notion of 'collectibility' should only consider customer credit
 - 'Probable' will be used by both IASB and FASB but has different meaning under IFRS and US GAAP

Constraining estimates of variable consideration (the constraint)

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- In October 2013 the Boards tentatively decided to:
 - Modify the objective of the constraint to include some or all of an estimated amount of variable consideration only if it would not result in a significant revenue reversal
 - Specify a level of confidence that an entity must meet before asserting that the objective of the constraint has been met.
 - IFRS : *highly probable*
 - US GAAP : *probable*

Although the Boards used different terms, this was to achieve the same intended meaning.
 - Include specific guidance for licenses of intellectual property with sales/usage-based royalties (similar to paragraph 85 from 2011 ED)

- November 2012 tentative decision to differentiate between two types of licenses
 - Licenses that provide access to the entity's intellectual property (performance obligation satisfied over time); and
 - Licenses that transfer a right to use the entity's intellectual property (performance obligation satisfied at a point in time)
- In October 2013 the Boards tentatively decided to improve the implementation guidance for licenses by:
 - Emphasising the importance of identifying the performance obligations in a contract before distinguishing between two types of licenses
 - Improving the criteria for differentiating between the two types of licenses

Revenue Transition Group

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Revenue Transition Resource Group

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- Public discussion to support initial application of the new Revenue Standard
- Will **not** issue authoritative guidance
- Limited life group

Thank you

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