

STAFF PAPER

May 2015

IASB Meeting

Project	Revenue from Contracts with Customers		
Paper topic	Cover paper		
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Overview of Agenda Paper

1. There is one paper for discussion at the May 2015 board meeting: *Principal versus agent considerations—issues emerging from TRG discussions* (Agenda Paper 7A).
2. The paper discusses possible actions that the IASB could take to resolve the issues emerging from the discussions of the Revenue Transition Resource Group (TRG) in relation to the application guidance on ‘Principal versus agent considerations’ in IFRS 15 *Revenue from Contracts with Customers*. We ask the IASB to make tentative decisions subject to further discussions together with the FASB at a future joint meeting.
3. As a reminder, [Agenda paper 7A](#) of the February 2015 meeting of the IASB provides some context for considering the issues in this month’s agenda paper.

Series of distinct goods or services

4. We also draw your attention to one matter arising from the 30 March 2015 TRG meeting—the requirements for a series of distinct goods or services.
5. Paragraphs 22 and 23 of IFRS 15 require an entity to identify as a performance obligation a series of distinct goods or services that are substantially the same if:

- (a) each distinct good or service in the series that the entity promises to transfer to the customer would meet the criteria to be a performance obligation satisfied over time; and
 - (b) the same method would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.
6. For example, in a contract to provide cleaning services for a year, an entity would identify the promise to provide the year's cleaning services as one performance obligation rather than identifying each increment of service (eg month, week or day) as performance obligations.
7. The TRG considered a couple of implementation questions concerning the above requirements for a series of distinct goods or services. The TRG discussions highlighted that the requirements in IFRS 15 are clear. Nonetheless, some TRG members noted that the series requirements were included in IFRS 15, at least in part, to simplify the identification of performance obligations. However, those TRG members observed that because paragraph 22 is drafted as a 'requirement', determining whether the requirements are met could create additional complexities for some entities.
8. Those TRG members therefore suggested that the operability of the Standard might be improved if identifying a series of goods or services that meet the specified criteria as one performance obligation were to be made an optional practical expedient, rather than a requirement.
9. The FASB plan to ask a question about this issue in their forthcoming exposure draft of amendments to Topic 606 *Revenue from Contracts with Customers* in respect of performance obligations and licences.

Question for the IASB

In the IASB's Exposure Draft of targeted clarifications to IFRS 15, does the IASB wish to include a question asking whether the *requirement* in paragraph 22 to identify a series of distinct goods or services as one performance obligation should be changed to an *optional practical expedient*?