

# Implementation: Revenue and leases

*IFRS 15 Revenue from Contracts with Customers*

*IFRS 16 Leases*

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# Structure of the paper

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Application questions discussed by the IFRS Interpretations Committee

Narrow-scope standard setting

Initial application of IFRS 15 and IFRS 16

# Application questions discussed by the IFRS Interpretations Committee

The Committee discussed the following related to the application of IFRS 15 and IFRS 16. For all of these, the Committee decided (or has tentatively decided) that narrow-scope standard-setting is not needed, and published an agenda decision (or tentative agenda decision) with explanatory material.

## IFRS 15

Revenue recognition in real estate contracts (3 questions)

Compensation for delays or cancellations (airline industry) \*

Costs to fulfil a real estate contract (revenue over time)

Borrowing costs related to an over-time revenue contract

Assessment of promised goods or services (stock exchange industry)

Sales by a joint operator (oil and gas industry)

## IFRS 16

Lease term on cancellable leases \*

Incremental borrowing rate \*

Disclosure of changes in liabilities arising from financing liabilities \*

Subsurface rights

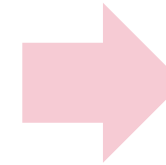
Lease liabilities in joint operations

\* Tentative agenda decision out for comment until August 2019

# Narrow-scope standard setting related to revenue recognition and leases

## ***Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)***

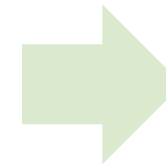
- ED published in December 2018
- Board considered comments in May 2019



Related to IFRS 15  
IAS 37 requirements apply to all revenue contracts

## ***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)***

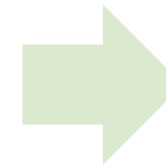
- ED to be published in July 2019



Related to IFRS 16  
Addresses deferred tax on leases

## ***Annual improvement to IFRS Standards (Amendment to Illustrative Example accompanying IFRS 16)***

- ED out for comment until August 2019



Related to IFRS 16  
Lease incentive illustrative example

# Initial application of IFRS 15 and IFRS 16

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We are monitoring public information on **IFRS 15** and **IFRS 16** and maintain a dialogue with stakeholders (including regulators) on these Standards

In particular, disclosures provided both on transition and on an ongoing basis




This provides us with another source of information to assess whether and how we need to act in supporting consistent application

It is also useful for the **Disclosure Initiative**

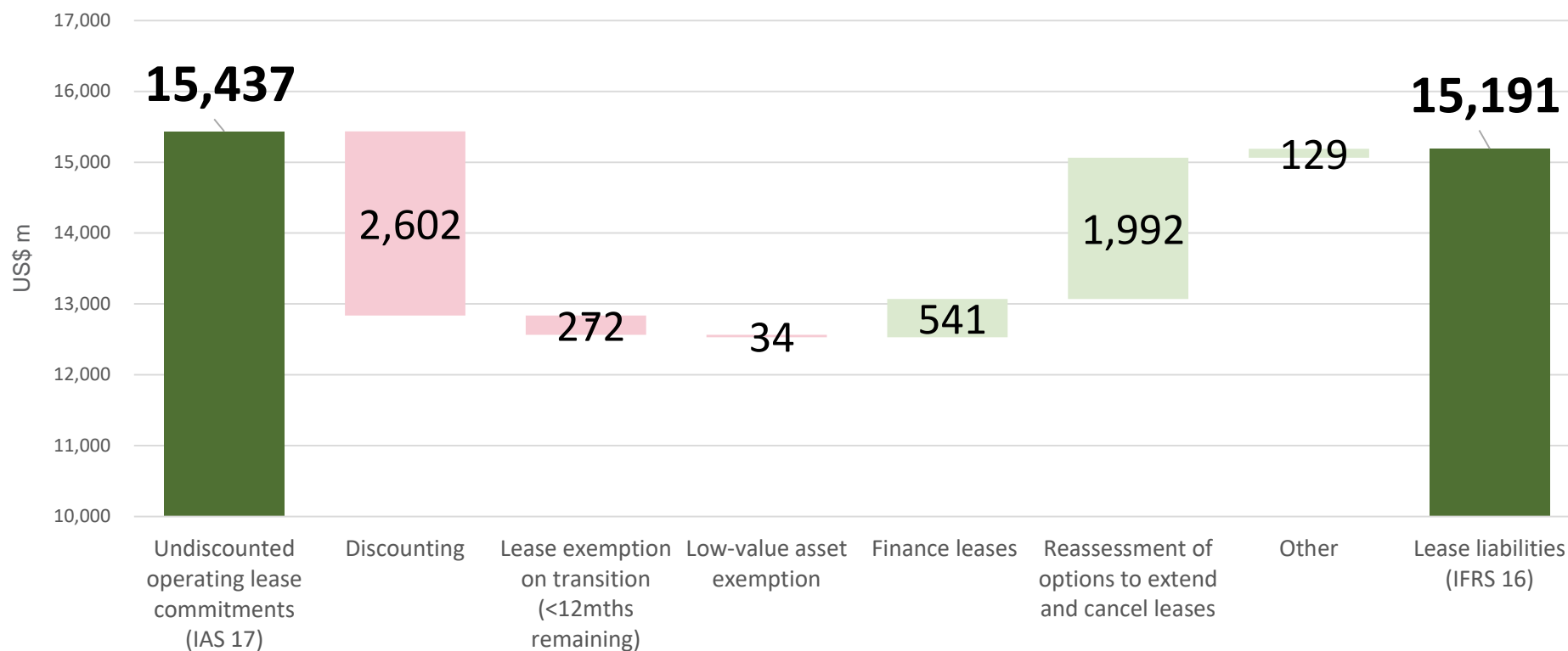
# Initial application of IFRS 15 and IFRS 16

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	IFRS 15	IFRS 16
<b>Effects</b>	<ul style="list-style-type: none"><li>○ As expected, changes to revenue <b>vary</b> by <b>sector</b> and <b>company</b> based on:<ul style="list-style-type: none"><li>✓ past accounting practices</li><li>✓ complexity of contracts</li></ul></li></ul>	<ul style="list-style-type: none"><li>○ As expected, significant effects for sectors with material operating lease portfolios, eg:<ul style="list-style-type: none"><li>✓ retailers,</li><li>✓ airlines,</li><li>✓ travel &amp; leisure</li></ul></li></ul>
<b>Disclosure</b>	<ul style="list-style-type: none"><li>○ New disclosures affect all companies</li></ul>	<ul style="list-style-type: none"><li>○ Some early adopters identified</li></ul>
<b>Initial application</b>	<ul style="list-style-type: none"><li>○ For some companies, good disclosure identified</li><li>○ Waiting to see systematic analyses</li></ul>	<ul style="list-style-type: none"><li>○ For the early adopters, some good examples of:<ul style="list-style-type: none"><li>✓ transition disclosures; and</li><li>✓ full year disclosures</li></ul></li></ul>

# Initial application of IFRS 16: Lease liabilities ‘bridge’ on transition

- Companies applying the modified retrospective transition approach are required to provide a ‘bridge’ when first applying IFRS 16 (ie a reconciliation of (i) undiscounted operating lease commitments applying IAS 17 to (ii) lease liabilities recognised on-balance sheet applying IFRS 16)
- This disclosure provides information about the effects of applying the Standard—to illustrate, the below aggregates the ‘bridges’ of 10 early adopters:



# Questions for the Boards

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- Is there any additional information Board members would like about the activities undertaken?
- Do Board members have any comments on those activities?