STAFF PAPER

June 2020

IASB Meeting

Project	**Maintenance and Consistent Application**
Paper topic	Sale of a Subsidiary to a Customer

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Introduction

1. The International Accounting Standards Board (Board) previously discussed whether to undertake narrow-scope standard-setting to address the accounting for particular transactions that involve the sale of a subsidiary to a customer. The Board's discussion related to a submission to the IFRS Interpretations Committee (Committee) about the sale of a single asset entity containing real estate—paragraph 7 of this paper describes the transaction in the submission.

2. At its meeting in October 2019, the Board asked us to undertake further research to assist the Board in assessing the feasibility of narrow-scope standard-setting to address the question.

3. The purpose of this paper is:

   (a) to provide the Board with information obtained from our research; and

   (b) to ask the Board whether it agrees with our recommendation to add a narrow-scope standard-setting project to its work plan to address the sale of a subsidiary (with particular characteristics) to a customer.

4. This paper includes:

   (a) background information (paragraphs 7–14):

      (i) transaction in the submission;

      (ii) application of IFRS Standards to that transaction; and

(iii) Committee discussion;

(b) feedback (paragraphs 15–25):

(i) investor feedback; and

(ii) feedback from others;

(c) staff analysis (paragraphs 26–51):

(i) wider-scope amendment; and

(ii) narrow-scope amendment, including analysis of the proposed characteristics; and

(d) staff recommendation (paragraphs 52–53).

5. The paper contains two appendices:

(a) Appendix A includes a summary of responses to the Committee's outreach.

(b) Appendix B contains information about the consequences of applying IFRS 15 *Revenue from Contracts with Customers*, instead of IFRS 10 *Consolidated Financial Statements*, to transactions within the scope of the possible amendment.

Summary of staff recommendations

6. We recommend proposing a narrow-scope amendment that would require an entity to apply IFRS 15, instead of IFRS 10, to disposals of subsidiaries that have all of the following characteristics:

(a) the entity contracts with a customer for goods or services that are the output of its ordinary activities in exchange for consideration;

(b) the subsidiary contains only inventory (as defined in IAS 2 *Inventories*) and any related income tax asset or liability (as defined in IAS 12 *Income Taxes*); and

(c) the entity retains no interest in the inventory transferred to the customer.

Background information

Transaction in the submission

7. The submission to the Committee described the following transaction:

   (a) An entity builds and sells real estate as part of its ordinary activities (ie the entity enters into contracts for the sale of real estate before, during or after construction of a building).

   (b) The entity establishes a legal entity (Real Estate) for each real estate asset (land and/or a building) when it acquires the land and before it enters into contracts with customers.

   (c) Real Estate holds only the real estate asset and any related tax asset or liability.

   (d) At the time Real Estate is established, the entity concludes that Real Estate is a subsidiary as defined in IFRS 10.

   (e) In selling the real estate to a customer, the entity transfers its 100% equity interest in Real Estate to the customer; ie legally, the entity sells shares and not the real estate.

   (f) As a consequence of the transaction, the entity loses control of Real Estate.

8. The submitter asked whether the entity applies IFRS 15 (and IAS 2) in accounting for the transaction—recognising revenue (and cost of sales)—or, instead, applies IFRS 10 in accounting for the transaction—recognising a gain or loss on disposal of the subsidiary.

Application of IFRS Standards to that transaction

9. In our view, IFRS 10 applies to the disposal of the subsidiary as described in the submission. This is because:

   (a) paragraphs 25 and B98 of IFRS 10 specifically apply when an entity loses control of a subsidiary; and

(b) paragraph 5 of IFRS 15 states that IFRS 15 does not apply to 'financial instruments and other contractual rights and obligations within the scope of…IFRS 10…'.

10. In applying IFRS 10, an entity is required to recognise the gain or loss associated with the loss of control of a subsidiary (paragraph 25(c))—paragraph B98 specifies how an entity calculates and recognises that gain or loss:

(a) paragraph B98(a) and (b) require the recognition or derecognition of the component parts of the gain or loss (for example, the recognition of the consideration received and the derecognition of the subsidiary's assets and liabilities) in the statement of financial position.

(b) paragraph B98(d) then requires the recognition of the *resulting* gain or loss in profit or loss after having recognised and derecognised the appropriate items in the statement of financial position.

11. Consequently, in applying IFRS 10 to the disposal of the subsidiary described in the submission, in our view there is only one amount recognised in profit or loss—the gain or loss associated with the loss of control of the subsidiary. In considering presentation in the statement of profit or loss, the entity would determine the line item within which to present that gain or loss applying IAS 1 *Presentation of Financial Statements*. The transaction does not result in the recognition of the component parts of the gain or loss in profit or loss, which the entity might then present in separate line items.

12. Consequently, we conclude that, in the transaction in the submission, the entity presents any gain or loss associated with the loss of control of the subsidiary within one line item in the statement of profit or loss.

Committee discussion

13. Some Committee members expressed concerns about the presentation of the gain or loss on disposal of the subsidiary on a 'net' basis—in their view, such presentation might not provide a faithful representation of the transaction because the transaction is part of the entity's ordinary activities. Some Committee members noted that an entity

would recognise no revenue from contracts with customers if the entity's only ordinary activity is to sell real estate and it conducts all of that activity through the disposal of subsidiaries as described in the submission.

14. Committee members noted the view of some that the transaction described in the submission is 'in substance' a revenue transaction. However, some Committee members also noted that, in their view, it would be difficult to conclude that the 'corporate wrapper' around the real estate has no substance—there is a business reason (for example, related to tax) for selling the real estate inside a legal entity structure (rather than transferring legal title to the real estate itself), and thus the corporate wrapper changes the nature and substance of the transaction. Nonetheless, they questioned whether that difference in legal form and substance should result in the entity not recognising revenue for transactions within its ordinary activities.

Feedback

15. Since the Board's previous discussion, we have held informal discussions with investors and other interested parties about possible narrow-scope standard-setting relating to the disposal of a subsidiary to a customer. The feedback from those discussions is summarised below.

16. For reference, Appendix A contains a summary of responses to an outreach request sent to members of the International Forum of Accounting Standard-Setters, securities regulators and large accounting firms. This was previously provided to the Committee in June 2019 and the Board in October 2019.

Investor feedback

17. We obtained feedback from investors in jurisdictions in which the transaction submitted is common. Those investors follow construction entities that build and sell real estate as well as other entities that hold real estate for investment or rental purposes. We asked those investors whether, in the transaction submitted, recognition of the consideration received as revenue, or as part of a net gain or loss on disposal, would provide them with more useful information. We also asked whether their view

would change if the fact pattern differed in either of the following ways: (a) the entity sells less than 100% of the subsidiary's share capital (and thus retains an interest in the subsidiary); or (b) the subsidiary contains assets or liabilities beyond only inventory and a related tax asset or liability.

18. Investors said the information that is most useful will depend on the nature of the entity's business:

    (a) if an entity is a real estate investment company that sells investment property (accounted for applying IAS 40 *Investment Property*), then recognising a net gain or loss on disposal would provide more useful information than recognising the consideration as revenue. This would be the case even if the entity were to construct the investment property itself.

    (b) if an entity is a construction company that engages in building and selling real estate to customers (ie the fact pattern in the submission), then recognising the consideration received as revenue provides the most useful information because it is part of their business model—part of the entity's ordinary activities. Users of financial statements would also be able to obtain information about the cost of those sales, which investors said is useful for entities—for example, construction entities—whose financial performance is based both on its generation of revenue and on its ability to manage costs incurred in generating that revenue.

19. Those investors said revenue recognised over time is relevant when an entity constructs real estate (eg an office building) to plans specified by a customer—ie the entity is providing construction services to the customer. However, they said revenue recognition at a point in time when construction is complete provides useful information for the sale of multi-unit residential real estate.

20. The investors we spoke to said, in their experience, it is uncommon for an entity to sell less than 100% of a real estate subsidiary's share capital, or to sell a real estate subsidiary with assets and liabilities in addition to inventory. Those investors said such transactions would appear to be different from a typical revenue transaction—therefore, recognition of the consideration received as revenue would not faithfully

represent the transaction. In their view, the recognition of revenue should be restricted to only those transactions that are equivalent to a typical revenue transaction. If an entity retains an interest in the real estate sold, or sells items other than the real estate, the transaction moves away from being equivalent to a revenue transaction for the sale of the real estate.

Feedback from others

Types of transactions

21. We obtained feedback from large accounting firms and preparers of financial statements, in addition to the feedback received from investors and the Committee's outreach. Feedback from those stakeholders identified different types of transactions involving the sale of a subsidiary to a customer.

22. As noted in Appendix A, respondents to the Committee's outreach said the transaction submitted is common in Germany, Norway, Sweden, Singapore and the UK. We have since learned that the transaction is also common in Finland, and obtained additional information about transactions in Finland, Norway, Sweden and the UK.

23. Stakeholders identified a range of transactions that vary in complexity, and include those for both commercial and residential properties:

    (a) The most straight-forward transaction identified is one in which a construction company builds a residential property that is owned by (and contained within) a subsidiary. The construction company then sells the shares in that subsidiary to a customer.

    (b) In other transactions, an entity might hold land within a subsidiary. The entity sells the shares in that subsidiary to a customer in one contract and, at the same time, enters into a contract with either the customer or subsidiary to construct a building on the land. The separate contracts specify an initial price for the shares and for the construction services, however there may be a link between those prices. The customer may also be able to return the shares to the entity if the entity fails to perform the construction services to a specified quality or by a specified date.

(c) Contracts may also include additional services beyond the transfer of real estate. For example, an entity might construct a multi-unit development owned by a subsidiary. The entity sells the subsidiary to a customer—transfer of the shares could take place before, during or after construction. In the same contract, the entity promises to find tenants for all units in the development.

(d) An entity may sell all of its interest in a subsidiary but to multiple customers. For example, we were informed of a co-operative social housing scheme whereby an entity constructs a multi-unit residential development owned by a subsidiary. The subsidiary has no share capital but the entity nonetheless controls the subsidiary during construction. When the entity sells a unit in the development to a customer, the subsidiary issues a number of shares to the customer. At that point, the entity's economic interest in the subsidiary is reduced, with the intention that its economic interest will be nil when all units are sold to customers. This type of transaction can also occur for sales of any type of multi-unit real estate development—in some cases, the subsidiary might have issued share capital, a percentage of which is sold to each customer as the customer buys an individual unit in the development.

Transactions that include other assets and liabilities

24. We received mixed feedback on how frequently subsidiaries sold to a customer hold assets or liabilities other than inventory and any related income tax balance. Some said such subsidiaries rarely hold assets or liabilities other than inventory, while others said subsidiaries sold in Finland, Norway and Sweden often contain such assets or liabilities. Examples of other assets and liabilities that a subsidiary might hold are cash, a bank loan, loans payable to the entity or another subsidiary and property taxes (that are not income taxes within the scope of IAS 12).

25. Some preparers of financial statements provided us with standard templates used when contracting with customers. In those standard contracts, the customer is required to repay any loan outstanding before the transfer of the subsidiary's shares. The

customer therefore purchases a subsidiary that contains only inventory and any related income tax balance.

Staff analysis

26. If the Board decides that standard-setting is needed to address the sale of a subsidiary to a customer, the Board could do so in one of two ways:

    (a) a wider-scope amendment to the requirements in IFRS 10 for the disposal (loss of control) of a subsidiary (see paragraphs 27–31); or

    (b) a narrow-scope amendment that would change only the scope of IFRS 10 and that of IFRS 15 in terms of the transactions to which each Standard applies (see paragraphs 32–40).

Wider-scope amendment

27. A wider-scope amendment could develop requirements that are similar to the exception from applying the deconsolidation guidance in US GAAP for transactions that are in substance addressed by Topic 606, Revenue from Contracts with Customers.

28. Paragraph 810-10-40-4A of US GAAP states:

> 810-10-40-3A The deconsolidation and derecognition guidance in this Section applies to the following:
>
> …
>
> c. A subsidiary that is not a nonprofit activity or a business if the substance of the transaction is not addressed directly by guidance in other Topics that include, but are not limited to, all of the following:
>
> 1. Topic 606 on revenue from contracts with customers

29. The guidance in US GAAP applies to a wide range of transactions—for example, Topic 606 applies to disposals of subsidiaries to both customers and non-customers.

30. If the Board were to develop requirements similar to those in US GAAP, in our view those requirements would need to specify how to determine whether the disposal of a subsidiary is 'in substance' addressed by IFRS 15, rather than IFRS 10. This could possibly be drafted similarly to the concentration test described in paragraphs B7A–B7C of IFRS 3 *Business Combinations* (the simplified assessment of whether an acquired set of activities and assets is not a business). Paragraph B7B of IFRS 3 states that the concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

31. However, when the Board previously discussed this topic, the Board asked us to consider a *narrow-scope* amendment to address specific transactions. Accordingly, we have not considered further the wider-scope amendment described above in paragraphs 27–30. The Board could consider this matter as part of the Board's ongoing Post-Implementation Review (PIR) of IFRS 10 given that IFRS 10 currently applies to the disposal (loss of control) of subsidiaries.

Narrow-scope amendment

32. The Board could develop a targeted narrow-scope amendment that would include within the scope of IFRS 15 particular transactions that involve the disposal of a subsidiary but which are 'revenue-like'. That is, other than the corporate wrapper structure around the inventory (which has determined the form of the transaction as the sale of shares), the transaction is equivalent to a revenue transaction for the sale of the inventory. The transaction described in the submission has a number of characteristics the Board could use to specify requirements in such a narrow-scope amendment.

33. If the amendment had the objective of including only 'revenue-like' transactions within IFRS 15's scope, then the amendment would require only a change in the scope of IFRS 10 and that of IFRS 15; it would not require the development of new accounting requirements. This is because IFRS 15 would already address how to account for such transactions, without the need for anything additional. In that way,

the amendment would be narrow-in-scope, with relatively low risk of unintended consequences.

34. In our view, such an amendment would result in improved information for users of financial statements. The feedback received from investors indicates that they would find useful the recognition of revenue for 'revenue-like' transactions, regardless of the form of the transaction. But also, importantly, those investors indicated that they would not support an amendment that would possibly allow a wider scope of transactions to be considered revenue transactions.

35. In addition, the narrow-scope amendment would improve consistency in application of IFRS Standards to disposals of subsidiaries—our outreach and feedback indicated that different entities apply the existing requirements differently.

A 'bright-line' distinction

36. We acknowledge that a narrow-scope amendment—which would capture only particular transactions—would result in a 'bright-line' exception to the loss of control requirements in IFRS 10. However, when an exception is created, it is important that the exception is clearly defined—we would therefore recommend proposing requirements that are 'bright', and that set out clearly defined parameters to identify which transactions would be within the scope of IFRS 15, instead of IFRS 10.

37. We also note that IFRS Standards already contain what some view as a 'bright-line' in this respect—ie if an entity sells a subsidiary to a customer (instead of the assets contained within the subsidiary), the entity applies IFRS 10 to that sale. Therefore, in considering a possible narrow-scope amendment, the Board is considering whether to move the line already in IFRS Standards to require an entity to apply IFRS 15, instead of IFRS 10, to particular transactions.

38. Our recommendation is that that line be moved to include within the scope of IFRS 15 disposals of subsidiaries that are 'revenue-like'. To distinguish 'revenue-like' disposals from all other disposals, we would propose specifying characteristics of transactions to which IFRS 15 would apply, as described in the following paragraphs.

Proposed transaction characteristics

39. With the objective of identifying 'revenue-like' transactions, we would propose that the narrow-scope amendment specify the following characteristics of disposals of subsidiaries to which IFRS 15 would apply:

    (a) the entity contracts with a customer for goods or services that are an output of the entity's ordinary activities in exchange for consideration (characteristic A);

    (b) the subsidiary contains only inventory as defined in IAS 2 and any related income tax asset or liability as defined in IAS 12 (characteristic B); and

    (c) the entity retains no interest in the inventory transferred to the customer (characteristic C).

40. Paragraphs 42–51 of this paper explain why we think each of the characteristics are necessary in determining an appropriate scope of transactions to include within the scope of IFRS 15.

41. In addition, Appendix B identifies consequences of applying IFRS 15, instead of IFRS 10, to those transactions.

Analysis of the proposed transaction characteristics

Characteristic A—goods or services that are an output of the entity's ordinary activities

42. IFRS 15 specifies how to account for revenue that arises from contracts with customers. Paragraph 6 of IFRS 15 defines a customer as 'a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration'.

43. Characteristic A—that the entity contracts with a customer for goods or services that are an output of the entity's ordinary activities in exchange for consideration—would ensure that IFRS 15 would apply only to transactions that would otherwise be within its scope if an entity were to sell the inventory directly to another party.

Characteristic B—only inventory and any related tax asset or liability

44. IAS 2 defines inventories as:

> …assets:
>
> (a) held for sale in the ordinary course of business;
>
> (b) in the process of production for such sale; or
>
> (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

45. IAS 2 does not define ‘ordinary course of business’, however we view the term ‘ordinary activities’ in IFRS 15’s definition of a customer to be an equivalent term.

46. In our view, to be considered a ‘revenue-like’ transaction, the subsidiary should contain only inventory and possibly a related income tax asset or liability. To go beyond inventory would result in a transaction that includes more than only a ‘revenue-like’ transaction. We understand that, often, the business reason for selling shares in a subsidiary, instead of directly selling the inventory, is for tax purposes. This can often result in an income tax asset or liability for the subsidiary.

47. If the subsidiary were to include assets or liabilities beyond inventory (and any related income tax balance), we think it is then appropriate to treat the transaction as a disposal of a subsidiary applying IFRS 10. If not in IFRS 10, the disposal would need to be split into its component parts—for example, the sale of inventory, the sale of each of the other assets, the settlement or transfer of each of the liabilities. In that case, there would be a need to develop requirements specifying, for example, how to allocate the consideration received to each of the assets and liabilities within the subsidiary. This would make the project a wider-scope project, and would represent a more fundamental change to the scope of IFRS 10 (which has always applied to entities, and not for example only to entities that meet the definition of a business). At this stage, we have not obtained sufficient information to suggest that the expected benefits of such a wider-scope project would outweigh the costs.

Characteristic C—no retained interest in the inventory

48. In our view, a ‘revenue-like’ transaction is one in which an entity sells all of its interest in a particular item of inventory. If an entity were to retain some interest in that inventory, the transaction would no longer be equivalent to a revenue transaction to which IFRS 15 is applied. For example, if an entity were to sell only 70% of the shares in a subsidiary that holds a single item of inventory and retains the remaining 30% of the shares, that transaction would be different from (and thus not equivalent to) a revenue transaction for the sale of the item of inventory.

49. We would propose that the *inventory* held by the subsidiary—and transferred to the customer—be the focus of Characteristic C, rather than the shares of the subsidiary (as we discussed in October 2019—at that meeting, we had suggested that the entity retain no interest in the subsidiary). Focusing on the inventory held by the subsidiary would appropriately address some of the fact patterns described in paragraph 23 of the paper.

50. For example, paragraph 23(d) describes a fact pattern in which an entity sells all of its interest in a subsidiary to multiple customers. In that fact pattern, the subsidiary owns a multi-unit residential development; the entity sells each individual unit in the development by selling a percentage of the subsidiary’s shares to each customer. The entity therefore sells all the shares in the subsidiary but to multiple customers in multiple transactions. Focusing on the inventory held by the subsidiary (ie each residential unit in the development)—rather than the shares of the subsidiary itself—means that the entity would recognise revenue for those sales applying the possible amendment recommended in this paper. If the Board were to propose a characteristic focused on the subsidiary’s shares, each of these transactions with customers would fail to be within the scope of IFRS 15 because, for each transaction, the entity would sell only a proportion of its holding in the subsidiary. In our view, assuming the other two characteristics are met, this transaction would be ‘revenue-like’ as described in this paper—ie other than the corporate wrapper structure around the multi-unit development (and therefore the form of the transactions as a legal sale of shares), the transactions with customers are equivalent to revenue transactions for the sale of each residential unit in the development.

51. Accordingly, we conclude that considering the entity's retained interest in the inventory—instead of any retained interest in the subsidiary—would result in a more faithful representation of the transaction as a revenue transaction (assuming the sale is to a customer as part of the entity's ordinary activities).

Staff recommendation

52. In our view, any project to require the application of IFRS 15—instead of IFRS 10—to disposals of subsidiaries should be limited to transactions with the characteristics described in paragraph 39 of this paper.

53. Limiting the transactions to which IFRS 15 would apply to transactions with those proposed characteristics, in our view, would ensure that an entity applies IFRS 15 only to transactions that are 'revenue-like'. As noted in paragraphs 17–20, it is for those transactions that investors informed us that the recognition of revenue (and cost of sales) would provide useful information.

Question for the Board

Does the Board agree with the staff recommendation to add a narrow-scope standard-setting project to its work plan to address disposals of subsidiaries that are 'revenue-like'? That narrow-scope amendment would require an entity to apply IFRS 15—instead of IFRS 10—to disposals of subsidiaries with all of the following characteristics:

a) the entity contracts with a customer for goods or services that are an output of the entity's ordinary activities in exchange for consideration;

b) the subsidiary contains only inventory as defined in IAS 2 and any related income tax asset or liability as defined in IAS 12; and

c) the entity retains no interest in the inventory transferred to the customer.

Appendix A—Outreach

A1. We sent information requests to members of the International Forum of Accounting Standard-Setters, securities regulators and large accounting firms.

A2. The request asked those participating to provide information based on their experience about:

(a) the prevalence of the fact pattern; and

(b) whether entities typically apply IFRS 10 or IFRS 15 in accounting for the sale of Real Estate (in the fact pattern described in paragraph 7 of this paper).

A3. We also asked those participating whether variations to the fact pattern described in paragraph 7 of this paper are common. In particular, we asked about fact patterns in which:

(a) an entity disposes of less than 100% of the share capital of Real Estate; or

(b) Real Estate contains additional assets and/or liabilities.

A4. We received 13 responses—six from large accounting firms, five from national standard-setters and two from organisations representing groups of regulators. The views received represent informal opinions, rather than formal views of those responding.

Prevalence

A5. Responses to our outreach indicated that the fact pattern described in paragraph 7 of this paper is common in some jurisdictions but not in others. Respondents said it is common in Germany, Norway, Sweden, Singapore and the UK. The fact pattern has been observed, but is not common, in Australia, Belgium, Canada, Hong Kong, Israel, Japan, the Netherlands, Poland and South Africa. One Committee member noted that the fact pattern is common in China.

A6. Some respondents said the fact pattern is common for other assets or in other industries—for example, in the construction and sale of renewable energy plants, undeveloped land and extractive industries.

A7. Respondents said a fact pattern in which an entity disposes of less than 100% of the share capital of Real Estate is not common. However, some respondents said that they had observed such a fact pattern in Denmark, Germany, Israel, Japan and the UK.

A8. Respondents also said a fact pattern in which Real Estate contains additional assets and/or liabilities is not common.

Accounting

A9. Respondents reported mixed practice—some entities apply IFRS 10 to the fact pattern described in the submission and some apply IFRS 15. Respondents said entities that apply IFRS 15 typically do so because:

(a) the transaction is part of the entity's ordinary activities; or

(b) Real Estate is not a business as defined by IFRS 3 *Business Combinations*.

A10. Some respondents also said entities may decide to apply IFRS 15 because, in their view:

(a) it would better reflect the 'substance' of the transaction—ie the entity is 'in substance' selling the real estate and not the shares;

(b) recognising a net gain or loss on disposal would not faithfully represent the entity's activities; or

(c) the transaction was structured within a separate legal entity for legal, tax or risk reasons, which should not affect the recognition of revenue.

Appendix B—Consequences of applying IFRS 15, instead of IFRS 10, to transactions within the scope of the possible amendment

B1. The submission to the Committee asked, in particular, about the recognition of income received from the sale of the subsidiary. Applying IFRS 10 an entity would recognise a gain or loss on the sale in profit or loss. However, applying IFRS 15 an entity would recognise the income as revenue and the inventory derecognised as cost of sales. In our view, this recognition difference would often be the main difference between the application of IFRS 15 and IFRS 10 to transactions within the scope of the possible amendment.

Control

B2. Applying IFRS 15—instead of IFRS 10—could also result in other differences, such as those that might arise in the context of control.

B3. The recognition and derecognition requirements in IFRS 10 and IFRS 15 are both based on control. Applying IFRS 10, an entity consolidates another entity only if it controls that other entity, and derecognises a subsidiary when it loses control of that subsidiary. Applying IFRS 15, an entity recognises revenue only when it transfers a good or service to a customer, which occurs for a good when (or as) the customer obtains control of the good.

B4. IFRS 10 and IFRS 15 contain similar notions of control, albeit expressed differently as a result of the different subject matters. However, one difference between IFRS 10 and IFRS 15 is that IFRS 15 contains a notion of transfer of control over time. For some performance obligations, an entity is required to recognise revenue over time rather than at a point in time. For some transactions with the scope of the possible amendment, this could lead to a different pattern of income recognition applying IFRS 15 than would be the case applying IFRS 10.

Other considerations

B5. IFRS 15 contains other requirements that may result in an entity accounting for some of the contracts discussed in paragraph 23 of this paper differently applying IFRS 15 than it would if it were to apply IFRS 10. For example, an entity may combine contracts applying paragraph 17 of IFRS 15, or identify different performance obligations than it would if it were to apply IFRS 10 to the sale of the shares.