
Emerging Economies Group meeting

Date	May 2024
Project	IASB's Post-implementation Reviews
Topic	PIR of IFRS 15 <i>Revenue from Contracts with Customers</i> PIR of IFRS 9 <i>Financial Instruments—Impairment</i>
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PIR—what is the objective?



OBJECTIVE

To **assess** whether the effects of applying the new requirements are as intended when the IASB developed those new requirements

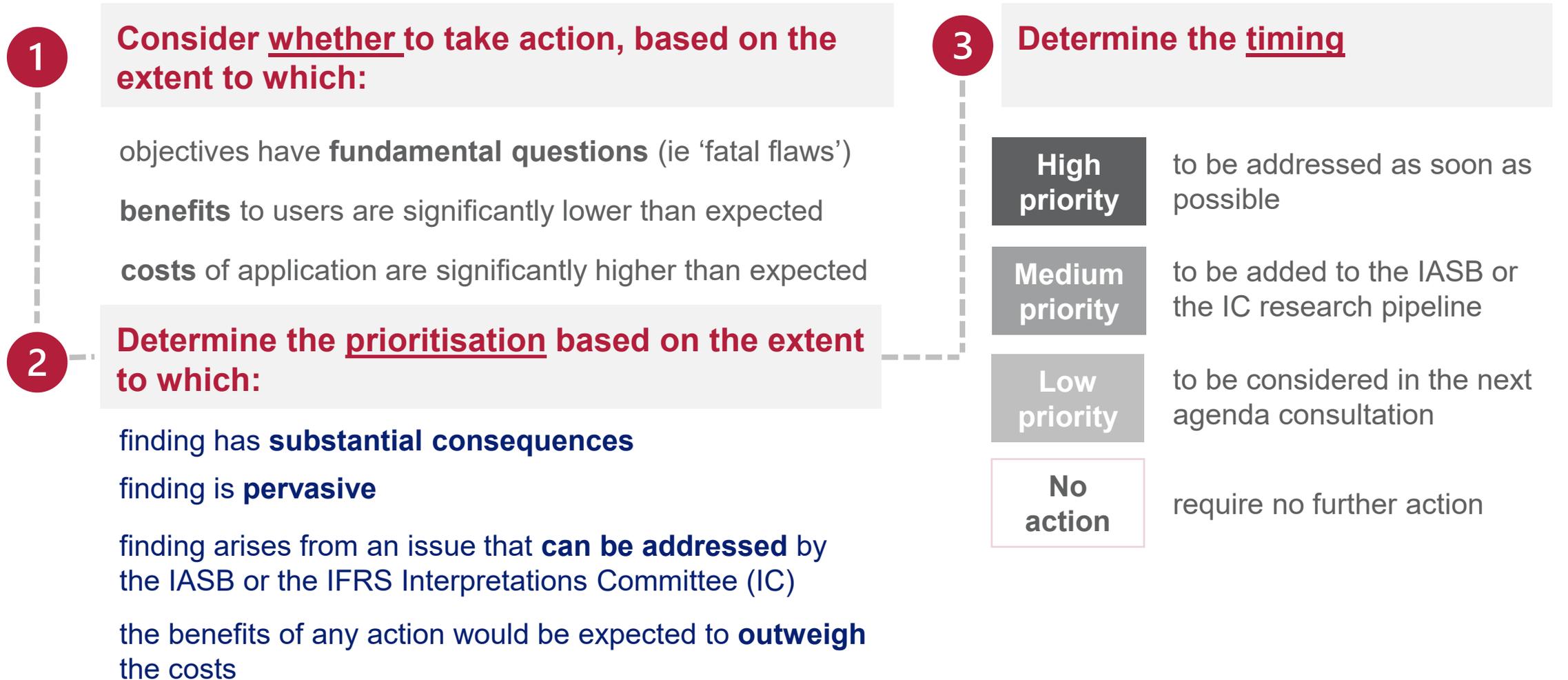
Overall, are the requirements working as intended?

Fundamental questions (ie ‘fatal flaws’) about the core objectives or principles—their clarity and suitability—would indicate that the new requirements are not working as intended

Are there specific application questions?

Specific application questions would not necessarily prevent the IASB from concluding that the new requirements are operating as intended but may need to be addressed, if they meet the criteria for taking further action

A reminder of the PIR process—how does the IASB respond to findings?



PIR of IFRS 15 *Revenue from Contracts with Customers*

Plan for PIR Phase 2



Request for Information

- Comment period ended in October 2023
- IASB received 74 comment letters



Note: Interaction with the FASB’s post-implementation review

- The IASB will consider how any action would affect the degree of convergence between IFRS 15 and Topic 606 in discussing specific topics
- In June 2024, the IASB and the FASB will have a joint discussion of their PIR findings
- The IASB will consider observations from the joint meeting in making final decisions on the project

Overview of PIR feedback*

Overall positive feedback

- IFRS 15 has achieved its objective and is working well;
- the five-step model is suitable for analysing contracts of varying complexity; and
- no fundamental questions about the objective and the core principle.

Most commonly raised **application challenges** relate to:

- principal versus agent considerations;
- identifying performance obligations;
- licensing arrangements;
- various aspects of determining the transaction price; and
- applying IFRS 15 with other IFRS Accounting Standards.

For most areas respondents suggested the IASB provide application guidance, illustrative examples and/or educational materials.

*January 2024 Agenda Papers [6](#), [6A](#) and [6B](#) summarise feedback to the Request for Information.

Summary of IASB's deliberations (1/3)

Identifying performance obligations

Feedback: Most application challenges related to:

- applying the notion of a 'distinct' good or service (including in licensing arrangements); and
- identifying a promise to transfer goods or services.

Discussion: [February 2024](#)

Tentative decision: No action*

Principal versus agent considerations

Feedback: Most requests for application guidance and illustrative examples related to:

- assessing control over services and intangible assets; and
- clarifying the relationship between the concept of control and the indicators in paragraph B37.

Discussion: [February 2024](#)

Tentative decision:

- The matter related to assessing control over services and intangible assets – low priority
- No action on other matters*

Licensing

Feedback: Most application challenges related to:

- accounting for licence renewals;
- determining the nature of a licence; and
- determining the scope of licensing guidance.

Discussion: [February 2024](#)

Tentative decision: No action

*Before concluding the PIR, the IASB will consider whether to include some explanations from the Basis for Conclusions into the Standard itself.

Summary of IASB's deliberations (2/3)

Determining when to recognise revenue

Feedback: Application challenges related to:

- applying the concept of control and the criteria for over time revenue recognition; and
- selecting the appropriate method for measuring progress.

Discussion: [March 2024](#)

Tentative decision: No action

Determining the transaction price (1/2)

Feedback: Application challenges related to applying the requirements on:

- variable consideration;
- sales-based taxes; and
- non-cash consideration.

Discussion: [March 2024](#)

Tentative decision: No action

Disclosure requirements

Feedback: Some concerns about:

- the cost-benefit balance of some disclosure requirements; and
- variation in the quality of disclosed information.

Discussion: [March 2024](#)

Tentative decision: No action

Summary of IASB's deliberations (3/3)

Determining the transaction price (2/2)

Feedback: Application challenges related to applying the requirements on:

- consideration payable to a customer; and
- significant financing component.

Discussion: [April 2024](#)

Tentative decision:

- Matters related to consideration payable to a customer – low priority
- No action on other matters

Applying IFRS 15 with other Standards

Feedback: Requests for clarifications on applying IFRS 15 with IFRS 9 *Financial Instruments*, IFRS 3 *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 16 *Leases* and other Standards.

Discussion: [April 2024](#)

Tentative decisions:

- Matters related to applying IFRS 15 with:
 - IFRS 10 and IFRS 11 – next agenda consultation
 - IFRIC 12 *Service Concession Arrangements* – low priority
- Matters related to assessing whether the transfer of an asset is a sale in a sale and leaseback transaction – forthcoming PIR of IFRS 16
- No action on other matters

Remaining topics

- Remaining application matters raised by respondents
- Possible inclusion of some explanations from the Basis for Conclusions into the Standard itself (see [February 2024 IASB Update](#))
- Updated academic literature review

Discussion: May–July 2024

Tentative decision: TBD

Question for EEG members



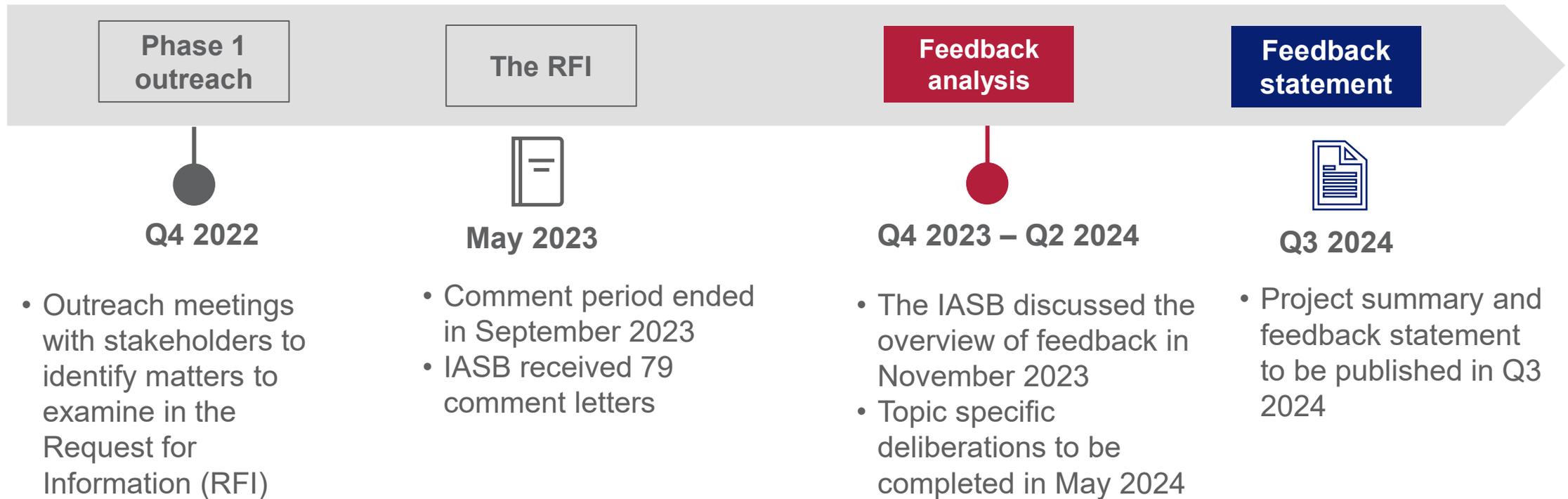
- Do you have any questions or comments regarding the PIR of IFRS 15?

PIR of IFRS 9 *Financial Instruments—Impairment*

Project overview



PIR of **impairment requirements** in IFRS 9 and **credit risk disclosure requirements** in IFRS 7 *Financial Instruments: Disclosures*



Overview of PIR feedback

Overall positive feedback

Almost all stakeholders said that the impairment requirements in IFRS 9:

- result in more timely recognition of credit losses compared to IAS 39; and
- work as intended with no fundamental questions ('fatal flaws').

Hot topics:

- application challenges arising from the interaction between the impairment requirements, including the definition of a credit loss, and other IFRS 9 requirements (eg modification); and
- diversity in the quality and granularity of credit risk disclosures.

Other application matters, including:

- Expected credit losses (ECL) for intragroup financial instruments and determining significant increases in credit risk (SICR) for particular financial instruments; and
- ECL for loan commitments, reflecting the effect of some financial guarantees in the measurement of ECL and application questions on purchased or originated credit-impaired (POCI) financial assets.

Summary of IASB's deliberations (1/2)

General Approach

Feedback: Approach works well for most financial instruments, however:

- applying the approach to some intragroup and non-commercial financial instruments results in undue costs
- applying the approach to some purchased assets results in 'double-counting' of ECL

Discussion: [February 2024](#)

Tentative decision: No standard-setting action

SICR

Feedback: It is imperative to keep the SICR approach principles-based, but:

- more explicit application guidance and illustrative examples may be helpful

Discussion: [February 2024](#)

Tentative decision: No action

Measurement

Feedback:

- there is diversity in practice relating to use of forward-looking scenarios and post-model adjustments or management overlays (PMAs)
- some application questions arise for loan commitments or financial guarantees

Discussion: [March 2024](#) / [April 2024](#)

Tentative decision:

- Matters for financial guarantees – low priority
- No action on other matters

Summary of IASB's deliberations (2/2)

Most PIR feedback was received in these two topics

ECL and other requirements

Feedback:

- The definition of 'credit loss' in IFRS 9 should be clarified
- Interaction between ECL and other requirements in IFRS 9 or in other IFRS Accounting Standards creates application issues

Discussion: [April 2024](#)

Tentative decision:

- Consider interaction of ECL with other IFRS 9 requirements as part of the [Amortised Cost](#) project
- No action on other matters

Credit risk disclosures

Feedback: Significant diversity in the quality and granularity of credit risk disclosures provided by entities
Most stakeholders suggest adding specific disclosure requirements to IFRS 7 (eg sensitivity analysis, disclosure about PMAs)

Discussion: May 2024

Tentative decision: TBD

Other topics

Feedback: Remaining application matters raised by stakeholders, such as application challenges in applying the simplified approach for recognising ECL

Discussion: May 2024

Tentative decision: TBD

Question for EEG members



- Do you have any questions or comments regarding the PIR of IFRS 9?

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