

IFRS for SMEs[®]

Accounting Standard

Revised Section 23

Revenue from Contracts with Customers

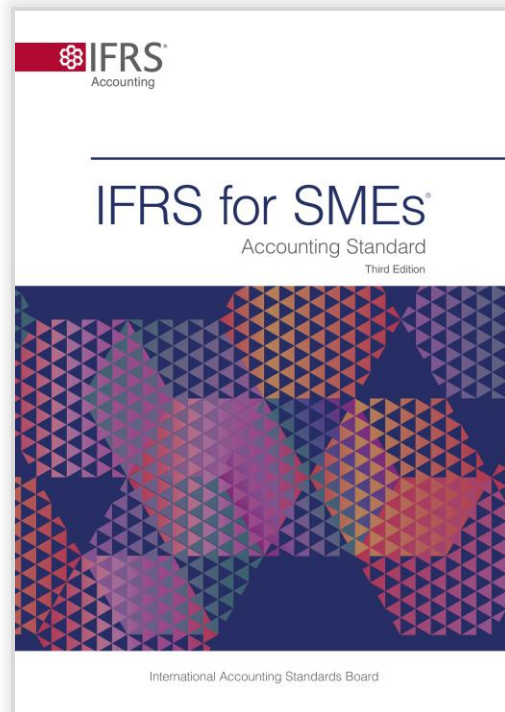
Webcast 1—Requirements

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- 1** Overview of the revised Section 23 *Revenue from Contracts with Customers*
- 2** Five-step revenue recognition model
- 3** Contract costs
- 4** Disclosures

1

Overview of the revised Section 23 *Revenue from Contracts with Customers*



Section 23 *Revenue from Contracts with Customers*

Appendix to Section 23 *Application guidance*

Appendix A *Effective date and transition*

1 Overview of the revised Section 23 *Revenue from Contracts with Customers*

Recognise an amount of revenue that depicts the goods or services the SME has transferred and reflects the consideration it expects to be entitled to in exchange for those goods or services

Five-step revenue recognition model

Enhanced disclosure requirements

- + **Greater comparability across entities**
- + **More useful information through improved disclosure requirements**
- + **A single comprehensive framework for SMEs to apply**

2 Five-step revenue recognition model

Step 1

Identify the contract(s) with a customer

Step 2

Identify the promises in the contract

Step 3

Determine the transaction price

Step 4

Allocate the transaction price to the promises in the contract

Step 5

Recognise revenue when (or as) the entity fulfils a promise

Step 1 Identifying the contract

A contract is an agreement between two or more parties that creates enforceable rights and obligations



- ☒ Contract approved by parties who are committed to fulfilling their obligations
- ☒ Identifiable rights of each party
- ☒ Identifiable payment terms
- ☒ Commercial substance
- ☒ Collection of consideration is probable

Step 2

Identifying the promises in the contract

A promise is an obligation to transfer a distinct good or service
(or distinct bundle of goods or services)

Customer can **benefit** from the good
or service

... on its own

... together with other readily available goods and services

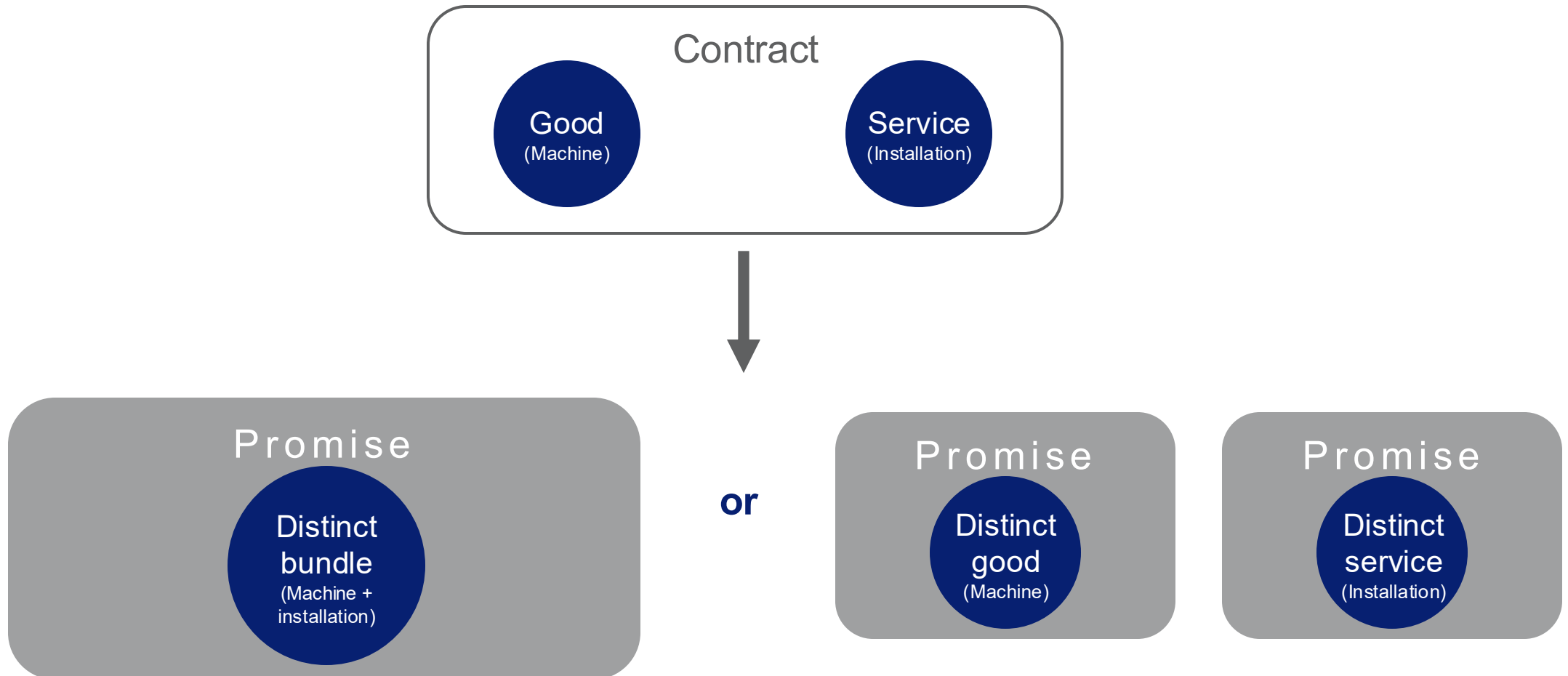
Obligation to transfer good or service
is **separate** from other obligations
to transfer goods or services

Factors that suggest the obligation is **not** separate:

- Integration that transforms the goods or services into a combined output
- The good or service modifies or customises another good or service to the extent it is transformed
- The good or service is highly dependent on, related to or affected by another good or service

Step 2

Example



Step 3

Determining the transaction price

Transaction price is the amount of consideration an SME expects to be entitled to in exchange for transferring goods or services

Variable consideration

Measure by:

- Estimating an amount
- Constraining that amount

Deferred payment

Adjust if:

- Payment is deferred
- Financing transaction

Step 4

Allocating the transaction price to the promises

Step 2

Promise

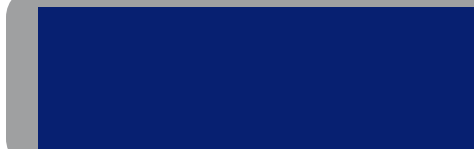
Promise

Promise

Step 3

Transaction price

Step 4



Step 4

Example

Step 2

Promise
Equipment

Promise
Training

Step 3

Transaction price
CU500

Step 4

Stand-alone
selling price
CU455

Stand-alone
selling price
CU195

$$\text{CU500} \times (\text{CU455} \div (\text{CU455} + \text{CU195})) =$$

CU350

$$\text{CU500} \times (\text{CU195} \div (\text{CU455} + \text{CU195})) =$$

CU150

Step 5**Recognise revenue when (as) promise is fulfilled**

A promise is fulfilled when a customer obtains control of the good or service

Is the promise fulfilled over time?

One of three criteria:

- 1 Customer receives and uses the benefits of the SME's performance as the SME performs
- 2 Customer controls the asset as the SME makes or improves the asset
- 3 SME's performance creates an asset that cannot be easily redirected and customer is obliged to pay for work done to date

Yes →

Recognise revenue by measuring progress towards fulfilling the promise

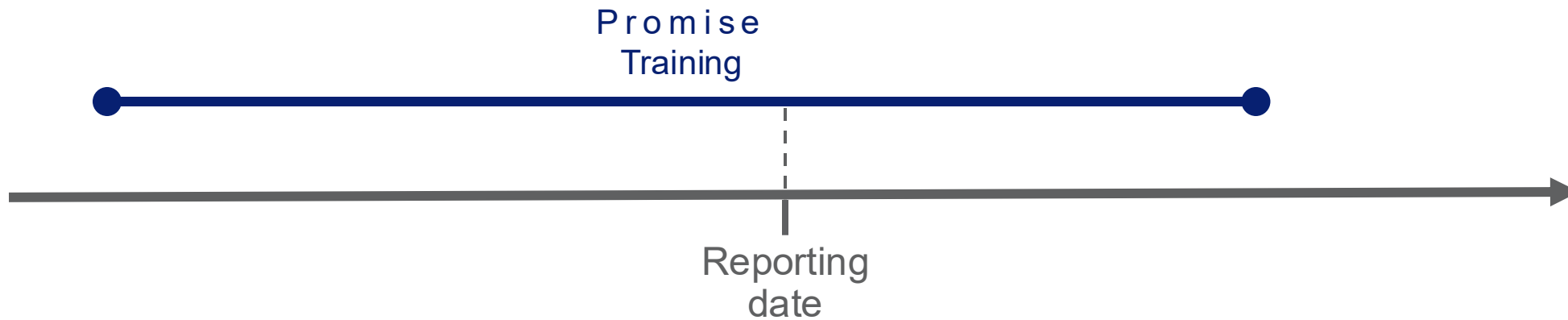
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The promise is fulfilled at a point in time

Recognise revenue at the point the customer obtains control of the good or service

Step 5

Example



Measure of progress = $12 \div 20 = 60\%$

×

CU150

=

**Revenue
CU90**

3 Contract costs

Costs to obtain

- Expense as incurred

Costs to fulfil

Recognise the costs as an asset if they:

- relate directly to a contract
- relate to fulfilling promises in future
- are expected to be recovered

4 Disclosures

Revenue

Disaggregation of
revenue

Contracts

Information about
contract balances

Information about
promises in contracts

Significant judgements

Determining the
transaction price

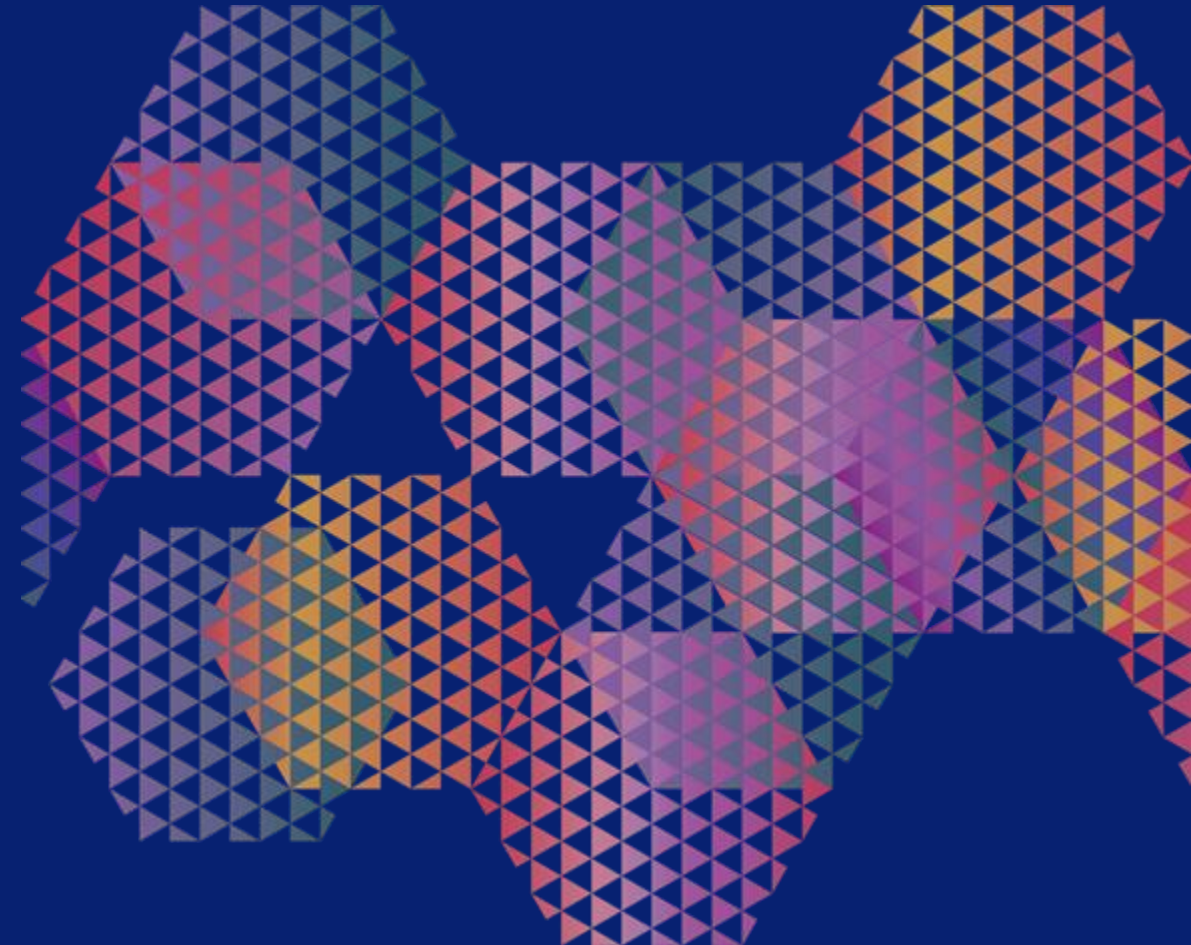
Allocating the transaction
price to promises

Methods for recognising
revenue

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Supporting materials



Resources available on the IFRS Foundation's website



www.ifrs.org/supporting-implementation/2025-ifrs-for-smes-supporting-materials/



Project
summary



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