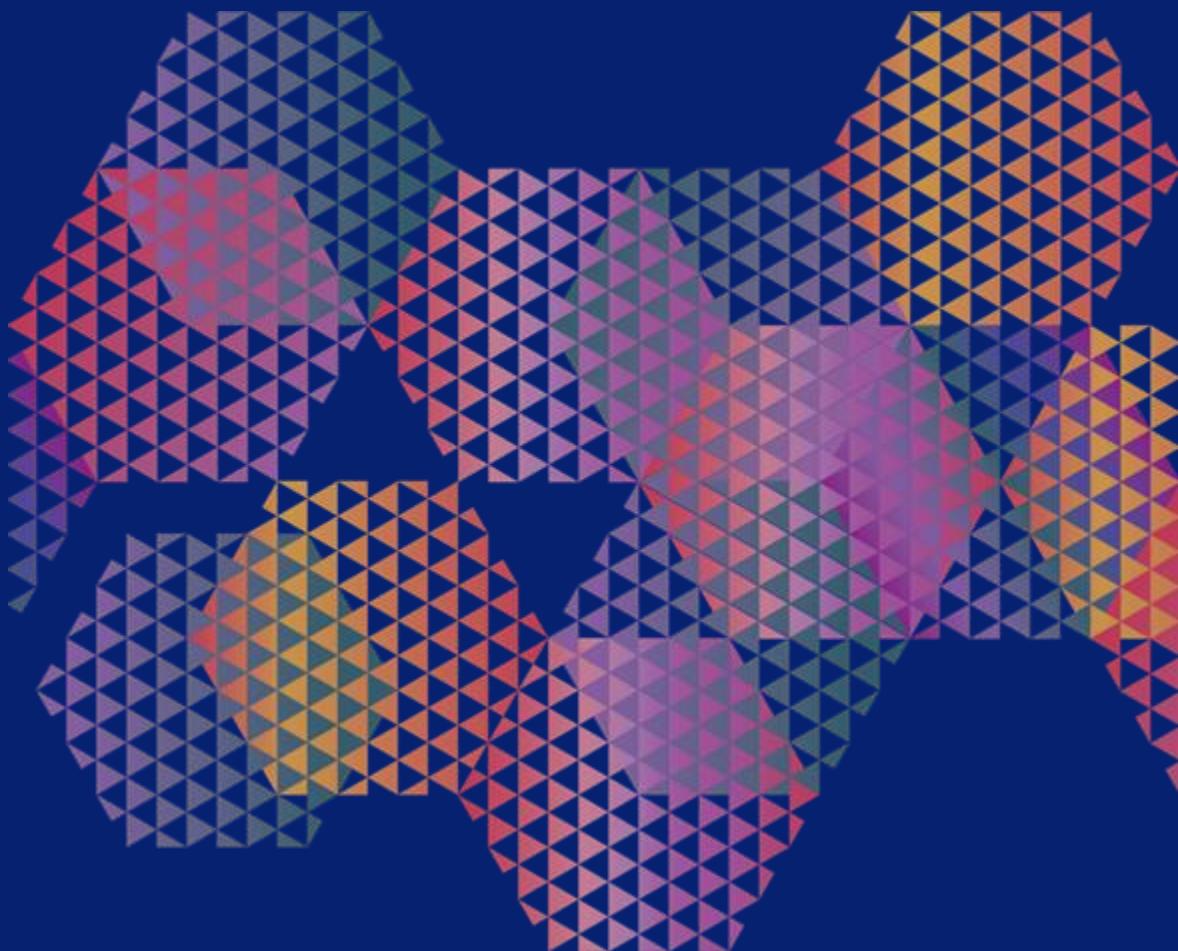

Revised Section 23 *Revenue from Contracts with Customers*

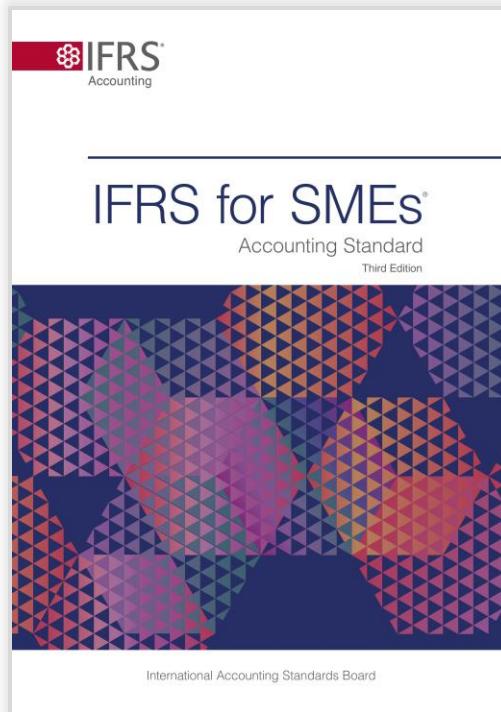
Webcast 1—Requirements



Contents

- 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

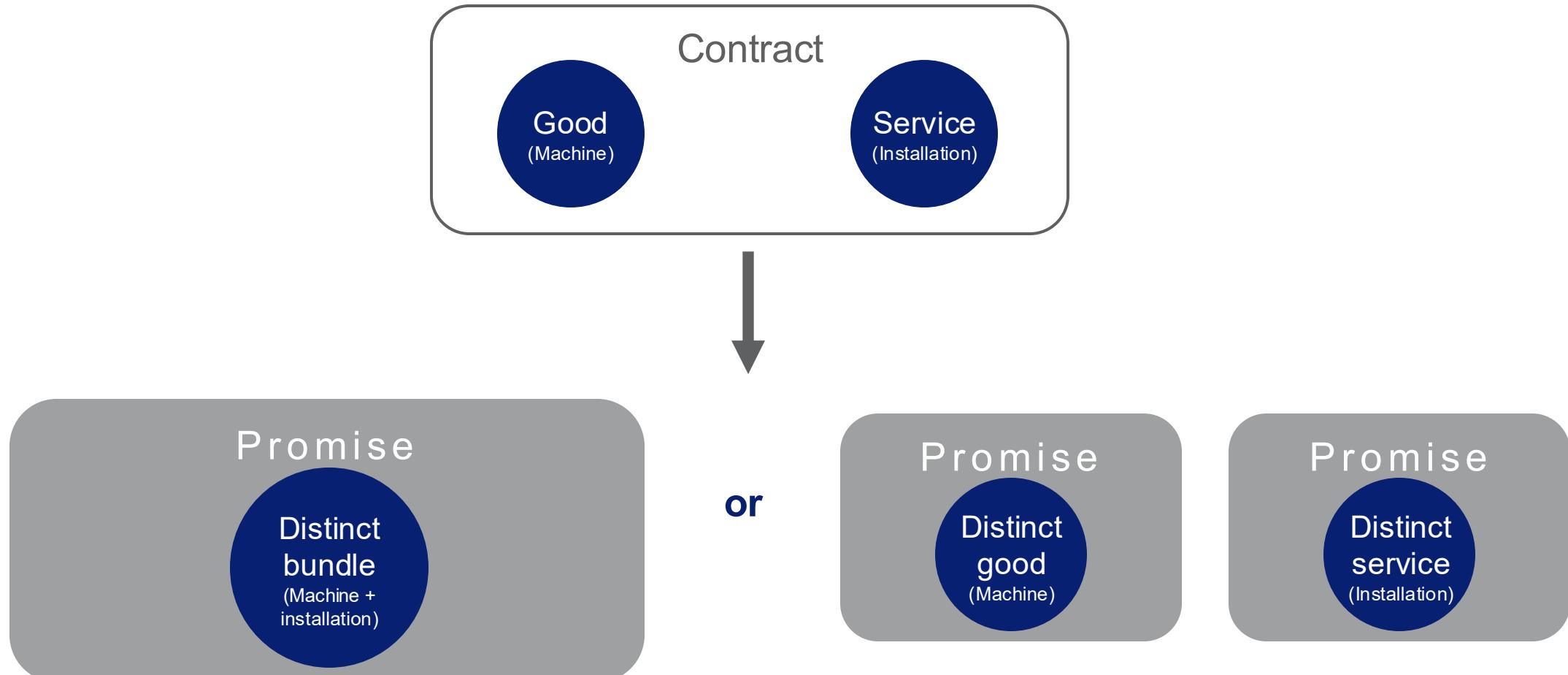
... together with other readily available goods and services

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

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

CU350

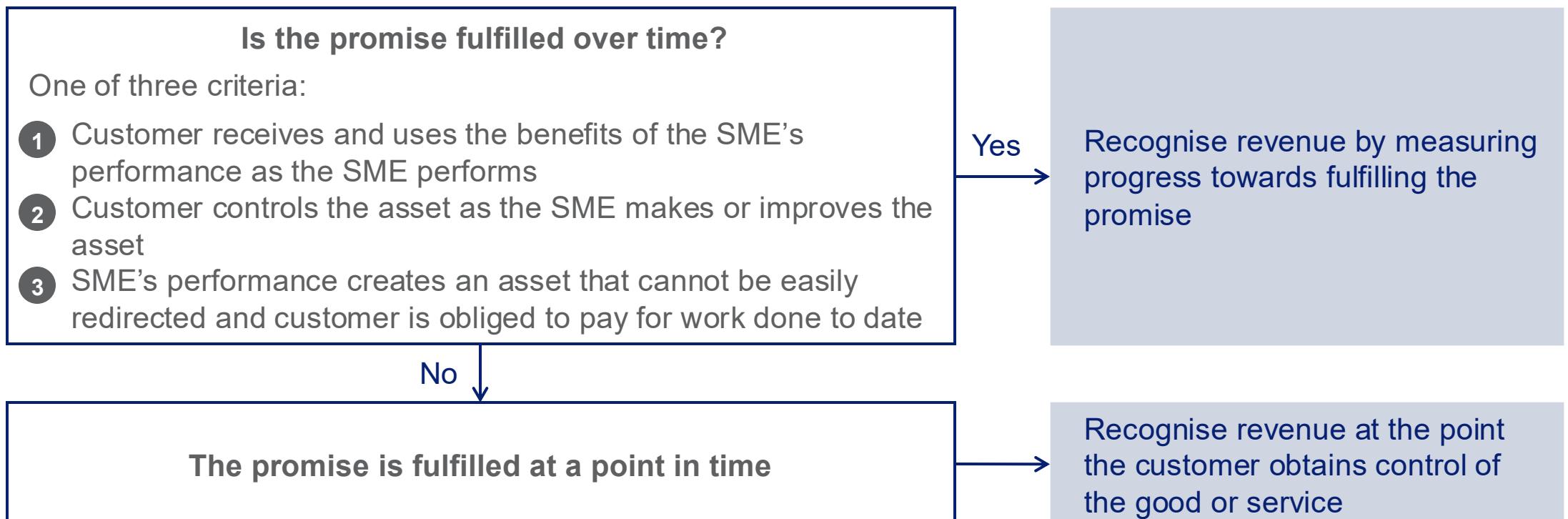
$$\mathbf{CU500 \times (CU195 \div (CU455 + CU195)) =}$$

CU150

Step 5

Recognise revenue when (as) promise is fulfilled

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



Step 5

Example



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

$$\text{Measure of progress} = 12 \div 20 = 60\% \quad \times \quad \text{CU150} \quad = \quad \text{Revenue CU90}$$

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

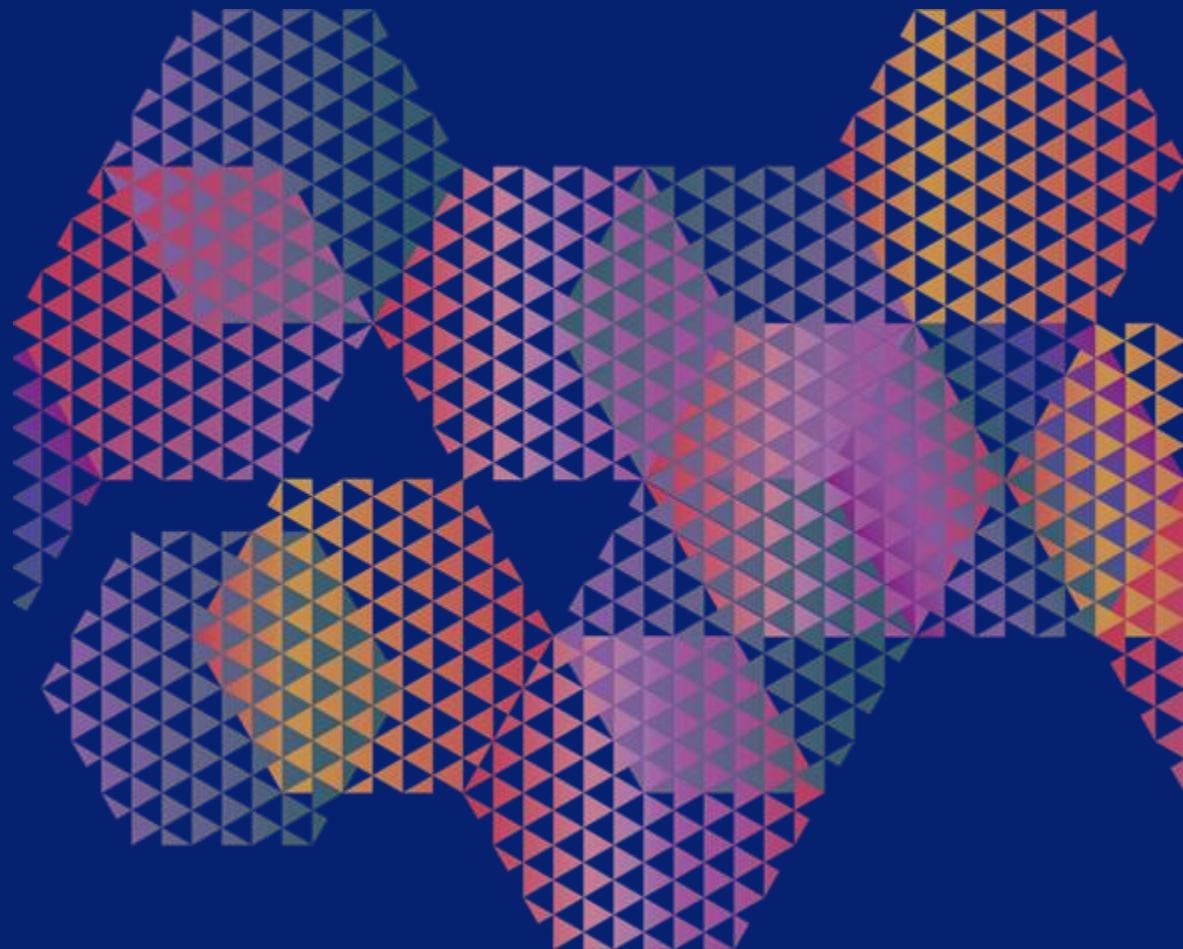
Allocating the transaction price to promises

Methods for recognising revenue

IFRS for SMEs®

Accounting Standard

Supporting materials



Resources available on the IFRS Foundation's website



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



Project
summary



Feedback
Statement



Educational
modules



Marked-up
Standard



Webcasts



Quarterly
newsletter



Podcasts



SMEIG
Q&As

IFRS for SMEs®

Accounting Standard

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