
IASB[®] meeting

Date	March 2023
Project	Post-implementation Review of IFRS 15 <i>Revenue from Contracts with Customers</i>
Topic	Cover note
Contacts	Methma Rupasinghe (methma.rupasinghe@ifrs.org) Jelena Voilo (jvoilo@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose and structure

1. This cover note provides:
 - (a) an overview of the papers for this meeting (paragraphs 2–5);
 - (b) a summary of staff recommendations from all papers for the meeting (paragraph 6–7); and
 - (c) an outline of next steps (paragraphs 8–9).

Papers for this meeting

2. The papers for this meeting provide a summary of findings of the staff's outreach and research during phase 1 of the post-implementation review (PIR) of IFRS 15 *Revenue from Contracts with Customers*, staff analysis of the matters raised and recommendations for the IASB.
3. Agenda papers for this meeting include:
 - (a) Agenda Paper 6A *Background*

This paper provides background on the IASB's previous discussions about the PIR of IFRS 15, an overview of outreach activities carried out in phase 1, an overview of other materials reviewed by the staff and an update on the US Financial Accounting Standards Board's (FASB's) PIR of Topic 606 *Revenue from Contracts with Customers*.

- (b) *Agenda Paper 6B Analysis of outreach feedback—Standard as a whole and convergence with Topic 606*

This paper analyses feedback on IFRS 15 as a whole, including the costs and benefits relating to the implementation and application of the Standard, and on convergence between the Standard and Topic 606.

- (c) *Agenda Paper 6C Analysis of outreach feedback—Requirements for the five steps of revenue recognition*

This paper analyses feedback on the requirements for the five steps of the revenue recognition model.

- (d) *Agenda Paper 6D Analysis of outreach feedback—Other areas*

This paper analyses feedback on the remaining requirements of IFRS 15 such as those on contract costs, principal versus agent considerations, licensing, disclosure, transition, and other matters.

- (e) *Agenda Paper 6E Analysis of outreach feedback—Interaction with other IFRS Accounting Standards*

This paper analyses feedback on the interaction between IFRS 15 and other IFRS Accounting Standards such as IFRS 3 *Business Combinations*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 16 *Leases*, IFRIC 12 *Service Concession Arrangements*, and other IFRS Accounting Standards.

- (f) *Agenda Paper 6F Review of academic literature*

This paper provides an overview of the academic literature relevant to the PIR of IFRS 15.

4. Agenda papers 6A and 6F are educational papers. We are not asking the IASB to make any decisions on these papers.
5. Agenda papers 6B–6E summarise feedback from phase 1 outreach. Each of these papers includes staff recommendations on the questions to be included in the request for information (RFI) for the PIR of IFRS 15.

Summary of staff recommendations

6. The staff recommend the IASB ask questions in the RFI on the following matters:
 - (a) *the Standard as a whole:*
 - (i) whether the overall objective of IFRS 15 is being met and whether the core principle of the Standard and the supporting five-step revenue recognition model are clear and suitable for making revenue accounting decisions;
 - (ii) suggestions for specific narrow-scope improvements that could improve the understandability of IFRS 15 without causing substantial cost and disruption to entities already applying the Standard;
 - (iii) suggestions for lessons learned from the implementation of IFRS 15 that the IASB could consider in improving the understandability and accessibility of its future Standards; and
 - (iv) ongoing costs and benefits of applying the requirements in IFRS 15;
 - (b) the importance of retaining *convergence between IFRS 15 and Topic 606*.
 - (c) *identifying the performance obligations in a contract:*
 - (i) fact patterns in which requirements are applied inconsistently, lead to outcomes not reflecting the underlying economic substance or lead to significant ongoing costs.
 - (d) *determining the transaction price:*

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- (i) diversity in practice in the presentation of consideration payable to a customer, in particular in relation to incentives paid by an agent to the end consumer and incentives that exceed revenue from a contract; and
 - (ii) diversity in practice in the presentation of sales-based taxes.
 - (e) *determining the timing of revenue recognition:*
 - (i) fact patterns in which the guidance is unclear or may be applied inconsistently, in particular when applying the criteria for over time revenue recognition.
 - (f) *principal versus agent considerations:*
 - (i) fact patterns in which the guidance is unclear or may be applied inconsistently, especially when applying the principle of control and related indicators;
 - (g) *licensing:*
 - (i) fact patterns in which the guidance is unclear or may be applied inconsistently, for example, out-licensing, license renewals or software as a service (SaaS) arrangements;
 - (h) *disclosure requirements:*
 - (i) requirements, the costs of meeting which exceed the usefulness of the resulting information to users of financial statements; and
 - (ii) whether the specificity of disclosure requirements is sufficient for enforcement and auditing;
 - (i) *transition requirements:*
 - (i) whether an option to use the modified retrospective method and practical reliefs offered by IFRS 15 achieved an appropriate balance between reducing the cost and burden for preparers of financial statements and providing useful information to users of financial statements.

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- (j) *the interaction between IFRS 15 and other IFRS Accounting Standards* focusing on:
- (i) IFRS 9: differentiating between a price concession and impairment losses, and circumstances in which entities are unclear about accounting for liabilities arising from IFRS 15;
 - (ii) IFRS 10: accounting for the sale of assets via corporate wrappers; and
 - (iii) IFRS 16: circumstances in which entities are unclear about applying the requirements in IFRS 15 together with IFRS 16.
7. The areas not covered by specific questions in the RFI will be covered by a general catch-all question.

Next steps

8. The IASB will be asked to approve the publication of, and set a comment period for, the RFI at a future meeting—after IASB members have reviewed a pre-publication draft.
9. The staff expect the RFI will be published around the end of June 2023.