IFRS Accounting

Staff paper

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IASB® meeting

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Project	**Post-implementation Review of IFRS 15**
Topic	**Analysis of outreach feedback—Other areas**
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Purpose and structure

1. This paper is the third of four papers analysing feedback from phase 1 outreach on the post-implementation review (PIR) of IFRS 15 *Revenue from Contracts with Customers*.

2. Agenda Paper 6C for this meeting summarises feedback on the requirements for the five steps of the revenue recognition model. This paper summarises feedback on the remaining requirements of IFRS 15, specifically on:

    (a) contract costs (paragraphs 6–13);

    (b) principal versus agent considerations (paragraphs 14–26);

    (c) licensing (paragraphs 27–36);

    (d) disclosure (paragraphs 37–49);

    (e) transition (paragraphs 50–59); and

    (f) other matters (paragraphs 60–61).

3. For each area, this paper provides staff analysis and recommendations on whether to cover the area in the request for information (RFI) and if so, which matters to ask

questions about. The areas not covered by specific questions in the RFI will be covered by a general catch-all question.

4. Agenda Paper 6E for this meeting provides the analysis of feedback on the interaction between IFRS 15 and other IFRS Accounting Standards.

Summary of staff recommendations

5. The staff recommend the IASB ask questions in the RFI about the following matters:
   - (a) *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;
   - (b) *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;
   - (c) *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;
   - (d) *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.

Questions for the IASB

Questions for the IASB
1. Do IASB members agree with the staff recommendations in paragraph 5 of this paper? 2. Are there any additional matters that the IASB should ask questions about in the request for information in relation to the areas covered in this paper?

Contract costs

Background

6. IFRS 15 includes requirements for accounting for some costs that are related to a contract with a customer.

7. An entity recognises an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered.

8. For costs to fulfil a contract that are not within the scope of other IFRS Accounting Standards, an entity recognises an asset for those costs if the following criteria are met:

   (a) the costs relate directly to a contract or an anticipated contract that the entity can specifically identify;

   (b) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and

   (c) the costs are expected to be recovered.[1]

[1] Paragraphs 91–95 of IFRS 15.

Overview of feedback

9. We did not receive much feedback on this area. Some stakeholders, mostly preparers, commented that capitalising contract costs was a significant change for some entities, in particular in the telecommunications and construction industries. A few preparers said that the guidance on costs to obtain and fulfil a contract was helpful.

10. Ongoing challenges identified by stakeholders included:

    (a) explaining the amounts related to capitalisation and amortisation of contract costs to internal management and to users of financial statements. A few preparers from the telecommunications industry said they find it difficult to explain the amounts related to capitalised costs to users of their financial statements who, in their view, are more interested in cash flows.

    (b) identifying the costs to obtain a contract. A few stakeholders said that the assessment requires significant judgement and may result in entities reaching different conclusions about whether some pre-contract costs (for example, training costs that will be reimbursed by the client) are the costs of obtaining the contract.

    (c) determining the period for amortising an asset recognised for contract costs.

11. Stakeholders did not provide any specific suggestions for clarifying guidance related to accounting for contract costs.

Staff analysis and recommendations

12. Cost accounting is a cross-cutting issue and requirements on accounting for costs are included in many IFRS Accounting Standards.

13. During phase 1 outreach we received relatively little feedback on accounting for contract costs. The feedback relates mainly to matters that require the application of judgement and the need to exercise judgment in these matters was considered by the IASB during the development of IFRS 15 and by the Transition Resource Group.

Stakeholders did not provide any suggestions for improving the current guidance. For these reasons, the staff recommend not including in the RFI a specific question on contract costs.

Principal versus agent considerations

Background

14. IFRS 15 requires an entity to determine whether it is a principal or an agent based on the nature of its promise in a contract and on whether it controls the goods or services before they are transferred to the customer:

    (a) a principal controls the goods or services before they are transferred to the customer. The principal's performance obligation is to transfer those goods or services to the customer and it recognises as revenue the gross amount of the customer consideration.

    (b) an agent does not control the goods or services before they are transferred to the customer. The agent merely facilitates the sale of goods or services between a principal and the customer. Its performance obligation is to arrange for another party to provide the goods or services to the customer. The agent recognises as revenue the fee or commission received for providing these services.

15. To help entities assess whether they control the goods or services before they are transferred to the customer, IFRS 15 includes a non-exhaustive list of indicators of control:

    (a) the entity is primarily responsible for fulfilling the promise to provide the specified good or service;

    (b) the entity has inventory risk before the specified good or service has been transferred to a customer or after the transfer of control; and

(c)	the entity has discretion in establishing the price for the specified good or service.[2]

Overview of feedback

16. This matter was one of the most commonly raised in phase 1 outreach. Many stakeholders of all types, including all accounting firms, commented on challenges related to accounting for contracts involving principal-agent considerations.

17. Some stakeholders, particularly users of financial statements, said that entities' decisions on this matter have important implications for users' decisions, particularly if those users are using revenue-based valuation models.

18. Some stakeholders said that this is not a new issue and IFRS 15 made judgements somewhat easier.

19. However, many stakeholders said that although the guidance in IFRS 15 provides a framework for considering the matter, it does not necessarily provide a definitive answer on what the accounting outcome should be. A few stakeholders said that the IFRS Interpretations Committee's discussions on *Principal versus Agent: Software Reseller* agenda decision illustrated that the conclusion requires significant judgement and depends on the specific facts and circumstances.

20. Stakeholders said that judgements are particularly challenging in arrangements that involve:
    (a) provision of a bundle of goods or services by multiple parties, especially if there are no contractual relationships between some of the parties and the entity coordinating the arrangement;
    (b) new business models, especially those built around digital platforms;
    (c) sale of services or intangible assets, including licences;

[2] Paragraphs B34A–B37 of IFRS 15.

(d) government or local regulations establishing some of the parties' rights in the arrangement; or

(e) big incentives offered to end consumers.

21. A few stakeholders said that subjectivity involved in making judgements may lead to diversity in accounting outcomes in similar circumstances.

22. Stakeholders suggested challenges relate to applying these requirements in IFRS 15:

(a) identifying the specified good or service. For example, it may be difficult to determine what distinct goods or services an entity is providing if it is coordinating the provision of goods or services but is not responsible for providing each good or service.

(b) identifying the customer. For example, an entity providing platform services may have difficulty determining whether its customer is a distributor or an end consumer. Identifying the customer may also be challenging when a governmental body is involved in the arrangements, for example in the pharmaceuticals or utilities industries.

(c) identifying the parties' roles in the arrangement, for example when:

(i) some components needed for manufacturing are provided by an intermediary or by an end consumer; or

(ii) local regulations establish some of the rights or obligations in an arrangement, such as mandatory involvement of a local party.

(d) applying the principle of control together with the related indicators. Some audit firms commented that the concept of 'control', especially in relation to services, is not well understood and that some preparers make assessment based solely on the indicators and overlook the control concept. A few stakeholders expressed a view that the indicators are more suitable for the previously required 'risks and rewards' approach rather than for the control approach in IFRS 15.

(e) applying the indicators. Some stakeholders said that it is unclear how to prioritise indicators if they point in different directions and it can be difficult to apply the indicators if multiple parties are involved in a transaction. Stakeholders also identified issues related to applying specific indicators mentioned in paragraph 15 of this paper. In their view:

   (i) assessing inventory risk is irrelevant for transactions involving services or intangible assets. Entities may also understand inventory risk differently, for example, by reference to who has custody of an asset or who holds insurance for the assets while they are being transported to the final destination.

   (ii) assessing pricing risk is not helpful if prices are driven by the market or set by regulation.

(f) estimating the transaction price when an entity determines that it acts as a principal but it does not know the final price charged to customers by an intermediary who is an agent.

23. Some stakeholders, including some accounting firms and standard-setters, said that although the matters related to principal-agent consideration were challenging, many entities have now developed policies for determining whether they act as a principal or an agent in a transaction. Those stakeholders expressed a view that remaining challenges stem from the complexity of underlying arrangements and the need to exercise judgement rather than from insufficient guidance in IFRS 15. They suggested that any significant changes to the guidance would require entities to review their previous judgements and may lead to significant disruption.

24. Others suggested ways to help entities make judgements and improve the information provided about arrangements involving principal-agent considerations:

(a) some stakeholders asked for more application guidance or illustrative examples on specific arrangements, such as those involving platform companies, provision of services or intangible assets, including digital transactions.

(b) a few stakeholders suggested providing more guidance on identifying the customer and the parties' roles in a transaction, such as asking an entity to consider whether it has all relevant information about the transaction and whether it sees a final invoice to the customer.

(c) a few stakeholders, mostly preparers, asked for more guidance on the application of the control principle, including how it aligns with the economic risk and how it should be applied in transactions involving provision of services.

(d) some accounting firms suggested clarifying the guidance on the indicators, for example, explaining how an entity should consider:

  (i) broad price discretion;

  (ii) its exposure to pricing changes; and

  (iii) the customer's ability to choose its supplier in arrangements involving platforms.

(e) an accounting firm suggested considering the simplifications to the guidance on principal-agent considerations proposed in the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard* (see paragraph 34(e) of Agenda Paper 6A).

(f) a few stakeholders said they preferred the risks and rewards approach required by the previous revenue requirements.

(g) a few stakeholders, including users of financial statements, suggested including in IFRS 15 specific disclosure requirements related to judgements applied in determining whether an entity is a principal or an agent, including requiring a quantification of the effect of the judgements. However, one stakeholder said that the disclosure of significant judgements related to principal-agent considerations is already covered by general requirements in IAS 1 and expressed a view that specific requirements could lead to boilerplate disclosures.

Staff analysis and recommendations

25. The staff note that the feedback in this area highlights matters that require application of judgement. However, while some of the issues arise from the need to apply judgement in cases involving complex arrangements, the feedback suggests that some of the guidance on determining whether an entity is a principal or an agent may be unclear or insufficient, for example, the guidance on the indicators of control.

26. In our view, gathering further information about circumstances in which entities are unclear how to apply the requirements, including applying judgement, will help the IASB assess whether the effects of the guidance on principal versus agent considerations are as expected. Further information would also help the IASB assess whether the guidance is capable of being applied consistently, whether there is any diversity in practice, the causes of any diversity, the prevalence any diversity is, and the effects of any diversity. Therefore, the staff recommend including in the RFI a question on applying the principal-agent guidance focusing on identifying fact patterns in which the guidance is unclear or is applied inconsistently and asking for suggestions on clarifying the guidance.

Licensing

Background

27. The application guidance on licensing requires an entity:

    (a) to determine whether the promise to grant a licence is distinct from other goods or services promised in a contract. The application guidance provides examples of licences that are not distinct such as a licence that forms a component of a tangible asset and is integral to the functionality of the good.

(b) to consider the nature of the licence to determine whether the licence transfers to a customer either at a point in time or over time.[3]

28. IFRS 15 provides criteria to determine whether the nature of a licence is to provide:

(a) *a right to access* the entity's intellectual property (IP) as it exists throughout the licence period—in which case the licence is accounted for as a performance obligation satisfied over time; or

(b) *a right to use* the entity's IP as it exists at a point in time at which the licence is granted—in which case the licence is accounted for as a performance obligation satisfied at a point in time.

29. Paragraph B63B provides an exception from the requirements on variable consideration for sales-based and usage-based royalties when the royalties relate only to a licence of IP or when a licence of IP is the predominant item to which the royalties relate. Revenue for such royalties is recognised only when (or as) the later of the following events occurs:

(a) the subsequent sale or usage occurs; and

(b) the performance obligations to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Overview of feedback

30. Some stakeholders, mostly accounting firms and standard-setters, suggested the IASB should consider application matters related to accounting for licensing arrangements in the RFI. These stakeholders said that applying judgement in accounting for licensing arrangements is challenging, often because the terms of the contracts are unique and complex.

[3] See paragraphs B52–B62 of IFRS 15.

31. Stakeholders raised various matters related to the application of IFRS 15 to licensing arrangements. Many of these matters stem from the interaction of the licensing guidance with other aspects of IFRS 15 requirements. The matters included:

(a) determining whether an arrangement is a licensing arrangement in cases when a contract refers to licensing but in substance the arrangement may be a sale of IP or provision of services. A few stakeholders said there may be diversity in practice in this area because some companies follow the legal form of the contract (and so account for the arrangement as a right-to-access licence) and some treat the arrangements as a sale of an intangible asset (and so recognise revenue at a point in time). For example, such questions arise in out-licensing agreements in the pharmaceuticals industry.[4]

(b) identifying performance obligations in arrangements that include an obligation to provide goods or services in addition to a licence, for example, in some hybrid SaaS arrangements when a licence is sold together with a right to access cloud services.

(c) allocating the transaction price between multiple performance obligations. Stakeholders said that judgements are particularly difficult in arrangements in which:

    (i) the transaction price includes a sales-based or usage-based royalty;

    (ii) determining the stand-alone selling prices of components is difficult;

    (iii) a contract includes a guaranteed minimum payment.

(d) determining the timing of revenue recognition, for example, when:

    (i) a customer acquires an option to download or access digital content.

    (ii) an entity renews a licence, especially if related revenue is recognised at a point in time. An accounting firm said there may be diversity in

[4] Out-licensing agreements normally involve an entity selling its rights to a fully- or partially- developed product to another entity to develop, produce or market.

practice with some entities recognising revenue when the renewal period starts and others when the renewal is agreed.

(e) determining whether specific arrangements are covered by the exemption for sales- or usage-based royalties, for example:

(i) an agent's fees that depend on sales- or usage-based royalties earned by the owner of the licence; or

(ii) arrangements in which variable consideration depends on the customer's future revenue but technically it is not a royalty on a licence.

32. To address the challenges, stakeholders asked for more guidance or illustrative examples on:

(a) industry-specific fact patterns, especially on accounting for SaaS arrangements.

(b) accounting for out-licensing arrangements; and

(c) accounting for licence renewals, including a suggestion to clarify in IFRS 15 that revenue from a licence renewal should not be recognised until the beginning of the renewal period (the FASB included such clarification in Topic 606 – see Appendix A in Agenda Paper 6A).

33. A few stakeholders expressed a view that the IFRS 15 guidance on the 'right to use' and 'right to access' licences is difficult to understand and suggested the IASB consider incorporating some of the Topic 606 guidance on 'symbolic' and 'functional' licences (see Appendix A of Agenda Paper 6A). In their view, the FASB's guidance is easier to apply and would be unlikely to lead to much change in practice, except for cases when a licence is clearly symbolic and there is no intention to promote or maintain the brand.

Staff analysis and recommendations

34. Some of the challenges highlighted in phase 1 outreach relate to other guidance in IFRS 15, for which Agenda Paper 6C recommends including questions in the RFI.

35. Stakeholders' feedback specific to licensing indicates that there may be diversity in practice, for example in accounting for out-licensing or licence renewals. Any such diversity could reduce the usefulness of information to users of financial statements. Any lack of clarity on the date of accounting for renewals may also create scope for revenue manipulation.

36. The staff think it would be helpful to gather further information on the circumstances in which entities face challenges in applying the guidance for licensing and their suggestions for improving the guidance. This could help the IASB assess whether the requirements in IFRS 15 are sufficient and capable of being applied consistently. It could also help assess the prevalence of any diversity in practice and the effects of any diversity on financial statements. Therefore, the staff recommend including in the RFI a question on applying the guidance on licensing, focusing on identifying fact patterns in which the guidance is unclear or is applied inconsistently and asking for suggestions on clarifying the guidance.

Disclosure requirements

Background

37. To help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, IFRS 15 requires an entity to disclose information about:

    (a) revenue recognised from contracts with customers, including disaggregation of revenue into appropriate categories (the Standard provides examples of such categories);

(b) any impairment losses recognised on any receivables or contract assets arising from contracts with customers;

(c) contract balances, including opening and closing balances of receivables, contract assets and contract liabilities;

(d) performance obligations, including when the company typically satisfies its performance obligations and the amount of the transaction price that is allocated to the remaining performance obligations in a contract;

(e) significant judgements, and changes in judgements, made in applying the requirements, including judgements made in determining:

  (i) the timing of satisfaction of performance obligations; and

  (ii) the transaction price and the amounts allocated to performance obligations;

(f) assets recognised from the costs to obtain or fulfil a contract with a customer; and

(g) practical expedients used.[5]

Overview of feedback

38. We received relatively little feedback on the disclosure requirements in IFRS 15.

39. Generally, users of financial statements, regulators and accounting firms commented that they saw some improvement in the usefulness of information disclosed about revenue compared to pre-IFRS 15 financial statements.

40. However, many users and regulators said that the quality and granularity of provided information varies. Some entities provide generic information, insufficient for users to understand revenue presented in financial statements. For example, users and regulators reported it can be difficult to understand the nature of an entity’s

[5] See paragraphs 110–129 of IFRS 15.

performance obligations, when control of goods or services is transferred or how the entity decides whether to recognise revenue over time or at a point in time.

41. Some stakeholders commented that in some cases IFRS 15 includes requirements that should result in useful information but entities do not always provide that information. However, some accounting firms and regulators suggested that diversity in the quality of provided information and a lack of entity-specific information result from insufficient specificity of disclosure objectives and disclosure requirements in IFRS 15. A few regulators suggested that to help regulators and auditors enforce the disclosure requirements, the IASB should tighten the wording of the requirements and reduce areas of judgement. For example, instead of giving examples of categories to use in disaggregating revenue they suggested that IFRS 15 require disclosure by those categories (subject to the overarching materiality constraint).

42. Many preparers said that it was not difficult to provide information required by IFRS 15 because they either were providing similar disclosures pre-IFRS 15 or had the information available.

43. However, some preparers, notably those with long-term contracts, found providing some information challenging and costly. Specifically, they said that entities found it difficult to create systems and processes to provide disclosures related to contract assets and contract liabilities and to remaining performance obligations and often entities still need to make manual adjustments to provide required information. Some preparers also said that:

(a) information about contract assets and contract liabilities is not material for their entities and so is not provided in their financial statements. However, gathering information to support their materiality assessment required a lot of cost and effort.

(b) it is difficult to explain to management and users of financial statements large balances related to contract assets and contract liabilities and fluctuations in those balances that may arise between contract milestones, for example, in the construction, aerospace and defence sectors.

44. Some preparers suggested that disclosures of contract assets and contract liabilities and of remaining performance obligations are not useful to users of financial statements, who, in the preparers' experience, never ask any questions about those disclosures and are more interested in revenue and cash flows amounts.

45. In contrast, users of financial statements who commented on such disclosures, said they find this information useful. A few users asked for additional disclosures related to contract liabilities—a reconciliation of cash balance to contract liabilities, especially for entities with long-term contracts involving significant upfront payments for installation and servicing of equipment. Such contracts are common in the engineering, construction, aerospace and utilities industries. These users suggested such reconciliations would help them model the company's KPIs, for example, working capital and enterprise value, by including the investment income earned on the upfront payment in the project margin calculation.

46. A few preparers said the volume of disclosures required by IFRS 15 is excessive and suggested the IASB reduce the number of required disclosures, for example, those related to variable consideration.

47. As noted in paragraph 24(g) of the paper, a few stakeholders also suggested requiring specific disclosures about judgements made in determining whether an entity is a principal or an agent.

Staff analysis and recommendations

48. Phase 1 feedback indicates that the main concerns about disclosure requirements relate to whether:

    (a) the costs of meeting some requirements—for example, disclosures related to contract assets and contract liabilities and remaining performance obligations—exceed the usefulness of the resulting information to users of financial statements.

(b) the specificity of disclosure requirements is sufficient for enforcement and auditing.

49. The staff think that gathering further information on these two matters could help the IASB to assess how effective the disclosure requirements are and so to determine whether the disclosure requirements are working as intended. Therefore, the staff recommend including in the RFI a question on these matters.

Transition requirements

Background

50. IFRS 15 allowed a choice of two transition methods:

(a) retrospectively to each prior reporting period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to expedients allowed by IFRS 15 (retrospective method). The expedients include allowing entities not to restate some of their contracts, for example, contracts that were:

(i) completed at the beginning of the earliest period presented; and

(ii) modified before the beginning of the earliest period presented.

(b) retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application (modified retrospective method). Entities applying this method are required to provide additional disclosures:

(i) the amount to which each financial statements line item is affected in the current reporting period by the application of IFRS 15 as compared to IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations that were in effect before the change; and

(ii) an explanation of the reasons for significant changes identified in (i).[6]

Overview of feedback

51. Paragraphs 18–25 of Agenda Paper 6B summarise phase 1 feedback on the costs and benefits related to implementing IFRS 15. The feedback suggests that most entities found the transition challenging and costly but overall most stakeholders agree that the benefits of IFRS 15 outweigh the costs of implementing and applying the Standard.

52. In addition, during phase 1 outreach stakeholders said that both transition methods were used by entities. The feedback suggests that:

    (a) the retrospective method was used mostly by entities whose financial statements were significantly affected by the transition to IFRS 15 or by entities that wanted to provide better trend information for users.

    (b) the modified retrospective method seemed to be commonly used for cost-benefit reasons. It was also more commonly used by entities if the effects of transition to IFRS 15 were insignificant.

53. Some national standard-setters suggested that the modified retrospective method seemed to be more prevalent in their jurisdictions, for example, in the Asia-Oceania region, in Latin America, South Africa and Eastern Europe. Other jurisdictions seemed to have a more even split between entities using retrospective and modified retrospective methods.

54. A few preparers said that the choice of methods and practical expedients helped reduce the cost and burden of the transition to IFRS 15.

[6] See paragraphs C2–C8 of IFRS 15.

55. Many users of financial statements said that the transition to IFRS 15 went relatively smoothly and that the entities' disclosures helped them understand the effects of implementing the Standard. A user said that disclosures about accounting policy changes were particularly useful because they helped analysts better understand both old and new accounting policies.

56. A few users said that a fully retrospective method is always preferable for their analysis because it provides the best information for assessing trends. It is especially helpful if a Standard has a more significant effect on the entity's financial statements.

57. A few stakeholders provided suggestions for the IASB to consider in developing transition requirements for future Standards:

    (a) a national standard-setter asked whether, in developing future accounting Standards, the IASB could do more to alleviate the transition effort for least-affected entities; and

    (b) an accounting firm said that some preparers found it difficult to understand practical expedients and their effects and suggested that it would be useful to explain practical expedients in more detail in the Basis for Conclusions on a Standard.

Staff analysis and recommendations

58. We think getting broader feedback on stakeholders' transition experience would help the IASB assess whether the transition requirements worked as intended. In addition, further feedback, including respondents' suggestions for improving transition requirements, can be a useful input for developing transition requirements for future IFRS Accounting Standards.

59. Therefore, in the interests of learning lessons for future standard-setting, the staff recommend including in the RFI a question on the transition requirements. For example, we think it could be useful to gather information on whether providing an option to use the modified retrospective method and the 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.

Other matters raised in phase 1 outreach

60. Appendix A summarises other matters raised in phase 1 outreach by one or a few respondents.

61. The feedback on these matters does not indicate that the matters are pervasive, lead to significant diversity in practice or have a significant effect on the revenue information in entities' financial statements. Therefore, the staff recommend not including in the RFI a specific question on these matters. If significant, respondents would be able to raise these matters in response to a catch-all question.

IFRS Accounting

Appendix A—Matters raised in phase 1 outreach by one or a few respondents

Topic	Matter raised
1. Repurchase agreements	• Difficulty in applying the guidance, which is seen as more rules-based than other guidance in IFRS 15, to some types of arrangements such as those involving commodities; • Challenges in applying judgement to determine whether a customer has a significant economic incentive to exercise its right to sell the asset back to the entity.
2. Consignment arrangements	• Concern that entities may be recognising revenue too early (when they deliver a product to a distributor) in cases when consignment arrangements have an extended returns policy and an entity has no enforceable right to payment.
3. Sales with a right of return	• Insufficient guidance on accounting for assets recognised for an entity's right to recover products from customers on settling a refund liability
4. Rights of first refusal	• Question about whether a right of first refusal could be treated as an in-substance call option, for example, when an asset is sold to a limited-life structured entity.
5. Warranties	• Challenges in applying judgement to determine whether a warranty is an assurance-type warranty or

Topic	Matter raised
	whether it provides the customer with an additional service.
6. Divestment of a non-core manufacturing process with a compound at the end of its useful life (pharmaceutical industry)	• Suggestion that reflecting the divestment outside revenue does not reflect the commercial substance of the transaction because selling the self-developed intangible asset or out-licensing it would lead to the recognition of revenue.
7. Terminology	• The definition of 'revenue' refers to 'ordinary activities' but the term is not defined. Varying interpretations of the term may result in differences in what entities present as revenue. • Defining 'refund liabilities' to acknowledge that they can arise beyond the right of return could help clarify some questions related to refund liabilities linked to warranties or non-cash refunds.