
IASB[®] meeting

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Project	Post-implementation Reviews of IFRS 15 and IFRS 9—Impairment
Topic	Applying IFRS 15 with IFRS 9
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Purpose and structure

1. This paper provides a summary of the feedback and staff analysis of application matters related to applying IFRS 15 *Revenue from Contracts with Customers* with IFRS 9 *Financial Instruments* that were raised by respondents in response to:
 - (a) question 9 of the [Request for Information: Post-implementation Review of IFRS 15 Revenue from Contracts with Customers](#) (the IFRS 15 RFI); and
 - (b) question 7 of the [Request for Information: Post-implementation Review of IFRS 9 Financial Instruments—Impairment](#) (the IFRS 9 RFI).
2. At this meeting, the IASB will be asked to decide whether to take action on matters relating to applying IFRS 15 with IFRS 9 and, if so, how to prioritise those matters, applying its framework for responding to the matters identified in a post-implementation review (PIR).¹

¹ See Agenda Paper 6 for the framework.

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3. This paper provides:
- (a) [summary of staff recommendations](#); and
 - (b) [summary of the feedback and staff analysis of specific application matters](#).

Summary of staff recommendations

4. Based on the analysis in this paper, the staff recommend the IASB take no action on the matters raised by respondents related to:
- (a) accounting for price reductions;
 - (b) accounting for liabilities arising from IFRS 15; and
 - (c) other aspects of applying IFRS 15 with IFRS 9 described in Appendix A.

Summary of the feedback and staff analysis of specific application matters

5. Some respondents commented on challenges they experience in applying IFRS 15 with IFRS 9 due to the intersection between the requirements in these Accounting Standards. A few respondents to the IFRS 15 RFI highlighted the topic among their major application matters.
6. Based on the feedback analysis, the staff have identified two main application matters:
- (a) accounting for cases when an entity accepts lower consideration from a customer ([price reductions](#))—for example, because the customer’s financial position has deteriorated over the course of their relationship or because the entity wishes to enhance a customer relationship; and
 - (b) accounting for [liabilities arising from IFRS 15](#).
7. This section analyses whether to take action in response to these application matters based on whether the feedback provides evidence that:

- (a) there are fundamental questions about the clarity and suitability of the requirements;
 - (b) the benefits to users of financial statements of the information arising from applying the requirements are significantly lower than expected (for example, there is significant diversity in application); or
 - (c) the costs of applying the requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the requirements were issued for which it is costly to apply the requirements consistently).
8. In addition, [Appendix A](#) summarises feedback on other matters raised by one or a few respondents and provides staff responses. The staff do not recommend the IASB take action on any of these matters because the feedback does not provide evidence of fundamental questions about the clarity or suitability of the principles in the requirements, of significant diversity in application or significant ongoing costs. The feedback does not suggest that the matters are pervasive or have substantial consequences on revenue or impairment information provided in financial statements.

Price reductions

Summary of IFRS 15 and IFRS 9 requirements

Variable consideration

Paragraphs 50 and 52 of IFRS 15 explain that, if consideration promised in a contract includes a variable amount, an entity estimates the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. The promised consideration is variable if:

- (a) the variability is explicitly stated in the contract; or
- (b) the customer had a valid expectation arising from an entity's customary business practices, published policies or other facts and circumstances

Summary of IFRS 15 and IFRS 9 requirements

which indicate that the entity's intention, when entering into the contract with the customer, is to offer a price concession to the customer.

Contract modifications

Paragraphs 18–21 of IFRS 15 state that a change in the price of a contract approved by the parties to the contract—either in writing, by oral agreement or implied in customary business practices—is accounted for as a contract modification.

Expected credit losses (ECL)

Paragraph 5.5.8 of IFRS 9 states that the amount of expected credit losses is recognised as an impairment loss in profit or loss.

Paragraph B5.5.28 of IFRS 9 states that ECL are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Because ECL consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

Feedback

9. Some respondents (mostly standard-setters and accounting firms) reported diverse views on accounting for price reductions:
 - (a) some entities apply IFRS 15 and account for the reduction as a price concession which reduces revenue (either applying the variable consideration requirements in IFRS 15 or applying contract modification requirements in IFRS 15); and
 - (b) others apply IFRS 9 and account for the reduction as ECL.
10. Respondents said significant judgement is required to determine whether to apply IFRS 15 requirements on variable consideration, IFRS 15 requirements on contract

modifications or IFRS 9 requirements on ECL. An accounting firm and a standard-setter said it might also be challenging to determine whether a change in price was already contemplated in the contract or a modification has occurred.

11. The respondents suggested adding application guidance and/or illustrative examples to clarify the accounting for price reductions. One standard-setter suggested the IASB move clarifications relating to variable consideration and ECL from the Basis for Conclusions on IFRS 15 (paragraphs BC192–BC194) to the Standard itself.

Staff analysis

Clarity and suitability of the requirements

12. Respondents' questions on accounting for price reductions related mainly to:
 - (a) determining whether a price reduction is a variable consideration or an ECL; and
 - (b) determining whether a price reduction is a contract modification or an ECL.

Variable consideration versus ECL

13. In developing IFRS 15, the IASB and the FASB (the boards) observed that the contract often specifies the terms that result in the consideration being classified as variable. In other cases, the promised consideration may be variable because the facts and circumstances indicate that the entity may accept a lower price than that stated in the contract (ie the contract contains an implicit price concession). The boards also observed that, in some cases, it may be difficult to determine whether the entity has implicitly offered a price concession or whether the entity has chosen to accept the risk of default by the customer of the contractually agreed-upon consideration. The boards noted that an entity should use judgement and consider all relevant facts and circumstances in making that determination. The boards observed that this judgement was being applied under previous revenue recognition requirements. Consequently, the boards decided not to develop detailed requirements for differentiating between a

price concession and impairment losses.² The staff think that these considerations are still valid.

14. The staff note that the impairment requirements in IFRS 9 are applied to the amounts of trade receivables and contract assets that arise from IFRS 15. In other words, the impairment requirements are applied to these assets after their amounts have been determined applying IFRS 15.
15. Therefore, consistent with Agenda Paper 27C of this IASB meeting, an entity would:
 - (a) first, determine the gross amount of a trade receivable or a contract asset. In doing so, based on paragraphs 50 and 52 of IFRS 15 an entity would need to consider all the contractual terms and relevant facts and circumstances to determine whether the contract contains explicitly or implicitly promised variable consideration. If so, the entity would need to estimate the amount of variable consideration in determining the transaction price and recognising gross receivable or contract asset. Illustrative Example 23, accompanying IFRS 15, illustrates how an entity estimates variable consideration related to price concessions.
 - (b) then, determine the ECL associated with the amount of the receivable or the contract asset applying Section 5.5 of IFRS 9. Specifically, applying paragraphs B5.5.28 and B5.5.29 of IFRS 9 the entity would determine ECL as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive from those assets.

Contract modification versus ECL

16. Paragraphs 18–21 of IFRS 15 provide requirements for accounting for contract modifications. Specifically, paragraph 21(b) of IFRS 15 requires an entity to recognise the effect of the contract modification as an adjustment to revenue at the

² See paragraphs BC192 and BC194 of the Basis for Conclusions on IFRS 15.

date of the contract modification if the remaining goods or services are not distinct (ie the adjustment to revenue is made on a cumulative catch-up basis).

17. A few respondents said it is unclear whether a price reduction accepted by an entity in cases where the remaining goods or services are not distinct should be accounted for as a contract modification (ie as an adjustment to revenue) or as an ECL (ie not as revenue).
18. An entity's considerations of the matter would be similar to those described in paragraph 15:
 - (a) first, an entity would determine the gross amount of a receivable or a contract asset. In doing so, it would need to apply judgement and consider the modified contractual terms and all the relevant facts and circumstances in determining whether a contract modification has occurred.
 - (b) then, the entity would estimate ECL associated with the amount of the receivable or the contract asset by considering all the cash shortfalls the entity expects to incur compared to the cash flows that are due to an entity in accordance with the contract.
19. For the reasons discussed in paragraphs 13–18, the staff think that the feedback to the RFI does not provide evidence to suggest that there are fundamental questions about the clarity and suitability of the IFRS 15 or IFRS 9 requirements in relation to accounting for price reductions, or that the requirements of IFRS 15 or IFRS 9 are not working as intended.

Benefits to users of financial statements

20. Respondents reported some diversity in judgements applied in determining whether to reduce revenue or recognise ECL when accounting for contract price reductions. Such diversity might reduce the comparability of the resulting information for users of financial statements. However, some of this diversity might be due to the varying and complex nature of the underlying arrangements.

21. In our outreach with users of financial statements, they did not identify concerns relating to this matter. We also note that both IFRS 15 and IFRS 7 *Financial Instruments: Disclosures* include disclosure requirements intended to help users understand revenue and ECL amounts. Specifically:
- (a) paragraph 126 of IFRS 15 requires entities to disclose information about the methods, inputs and assumptions used for determining the transaction price;
 - (b) paragraph 35B(a) of IFRS 7 requires entities to disclose the methods, assumptions and information used to measure expected credit losses; and
 - (c) IFRS 15 and IFRS 7 also require entities to provide other relevant information to meet the disclosure objectives in paragraph 110 of IFRS 15 and paragraphs 1 and 35B of IFRS 7.
22. For the reasons discussed in paragraphs 20–21, the staff think that the feedback does not indicate that the benefits to users of financial statements of the information about revenue and ECL are significantly lower than expected.

Costs of applying the requirements

23. The feedback received does not provide sufficient evidence that costs of applying the requirements on accounting for price reductions are significantly greater than expected.

Staff recommendation and question for the IASB

24. Based on the analysis in paragraphs 13–23, the staff think the findings from the RFIs do not provide evidence that the characteristics to take action described in the PIR framework are present. Therefore, the staff recommend the IASB take no action in relation to accounting for price reductions.

Question 1 for the IASB

Do IASB members agree with the staff recommendation in paragraph 24 of this paper?

Liabilities arising from IFRS 15

Summary of IFRS 15 and IFRS 9 requirements

IFRS 9:

Paragraph 2.1(j) of IFRS 9 states that IFRS 9 does not apply to rights and obligations within the scope of IFRS 15 that are financial instruments, except for those that IFRS 15 specifies are accounted for in accordance with IFRS 9.

IFRS 15:

- (a) in paragraph 108 states that a receivable is accounted for in accordance with IFRS 9;
- (b) in paragraphs B66, B68 and B70 specifies two cases (both relate to repurchase agreements) in which entities account for liabilities arising from IFRS 15 in accordance with IFRS 9; and
- (c) in paragraphs 55, 106 and B20–B27 sets out requirements on accounting for some liability types, for example, contract liabilities and refund liabilities relating to a sale with a right of return.

IFRS 15 does not specify that refund liabilities are accounted for in accordance with IFRS 9.

Feedback

25. A few respondents (mostly standard-setters) said there is diversity in practice because IFRS 15 does not specify whether to classify some of the liabilities arising from IFRS 15 as non-financial (contract) liabilities or as financial liabilities applying IFRS 9. The concerns mostly relate to liabilities for which it is uncertain whether the liability will be settled in cash or non-cash items, for example:
- (a) liabilities relating to points under loyalty programmes or gift cards which a customer can exchange for the entity's goods or services (the entity has a performance obligation) or a third party's goods or services (the entity has an obligation to pay cash to the third party) at the customer's discretion;

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- (b) refund liabilities—some entities are unsure whether a refund liability should be accounted for:
- (i) as a financial liability applying IFRS 9 and subject to the disclosure requirements of IFRS 7, because a contract might require an entity to pay cash to its customer (for example, if the customer exercises its right of return and returns the goods); or
 - (ii) as a contract liability applying IFRS 15, if the right of return expires unexercised and the entity derecognises the liability by recognising revenue; and
- (c) prepayments refundable at the customer’s request.
26. The respondents suggested adding application guidance and/or illustrative examples to clarify accounting for liabilities arising from IFRS 15.

Staff analysis

Clarity and suitability of the requirements

27. Paragraph 2.1(j) of IFRS 9 states that IFRS 9 does not apply to rights and obligations within the scope of IFRS 15 that are financial instruments, except for those that IFRS 15 specifies are accounted for in accordance with IFRS 9. Liabilities listed in paragraph 25 are not specified in IFRS 15 as being accounted for in accordance with IFRS 9. Consequently, the liabilities listed in paragraph 25 are accounted for in accordance with IFRS 15.
28. We acknowledge respondents’ requests for additional guidance and illustrative examples in respect of accounting for specific liabilities arising from IFRS 15. We think judgement is inherent in applying principle-based requirements and adding examples for specific complex fact patterns is unlikely to help many stakeholders and might result in unintended consequences.
29. In developing IFRS 15, the boards discussed accounting for specific arrangements in which entities have the option to purchase additional goods or service, such as

customer loyalty points in arrangements that include more than two parties. Paragraph BC388 of the Basis for Conclusions on IFRS 15 discusses an example of a credit card arrangement in which an entity provides the credit card holder with points based on the amount of purchases made at other entities (often referred to as ‘merchants’). The boards determined that the assessment of whether the loyalty points represent a performance obligation requires an analysis of the facts and circumstances in each arrangement, which can be complex and can vary significantly. The boards noted that IFRS 15 includes all the requirements to enable entities to account for the various arrangements.

30. We also note that the IASB received relatively few requests on this matter which suggests that most entities find the existing requirements provide an adequate basis to account for liabilities arising from contracts with customers.
31. For the reasons discussed in paragraphs 27–30, the staff think that the feedback does not provide evidence to suggest that there are fundamental questions about the clarity and suitability of the IFRS 15 or IFRS 9 requirements in relation to accounting for liabilities arising from IFRS 15 or that the requirements are not working as intended.

Benefits to users of financial statements

32. A few respondents said there is diversity in accounting for liabilities arising from IFRS 15. However, diversity in this matter is difficult to establish without carefully considering the terms and conditions of each arrangement, especially where contracts are complex. Observed diversity could be due to differences in contract terms rather than entities reaching different conclusions on the same fact pattern.
33. For the reasons discussed in paragraph 32, the staff think that the feedback provides insufficient evidence that the benefits to users of financial statements of the revenue information resulting from the application of IFRS 15 with IFRS 9 are significantly lower than expected.

Costs of applying the requirements

34. The feedback received does not provide sufficient evidence that costs of applying the requirements on accounting for liabilities arising from IFRS 15 are significantly greater than expected.

Staff recommendation and question for the IASB

35. Based on the analysis in paragraphs 27–34, the staff think the findings from the RFI do not provide evidence that the characteristics to take action described in the PIR framework are present. Therefore, the staff recommend the IASB take no action on application matters raised by respondents in relation to accounting for liabilities arising from IFRS 15.

Question 2 for the IASB

Do IASB members agree with the staff recommendation in paragraph 35 of this paper?

Question 3 for the IASB

As explained in paragraph 8, the staff recommend taking no action in relation to the matters discussed in Appendix A. Do you agree with the staff recommendation?

Appendix A—Other application matters raised by a few respondents

	Application matter	Staff response
1	A standard-setter outlined challenges with applying IFRS 9 impairment requirements to a 'prepayment' receivable from a customer. The respondent pointed at cases when an entity has an unconditional right to consideration before the entity transfers a good or service to the customer and applying paragraphs 106 and 108 of IFRS 15, as illustrated in Example 38 (Case B), accompanying IFRS 15, recognises a receivable and a contract liability. The respondent said there is diversity in views on whether the potential derecognition of the related contract liability should be considered when measuring ECL of the receivable.	<p>As noted in paragraph 15, applying IFRS 15 and IFRS 9, an entity would first apply the IFRS 15 requirements to determine whether and in what amount to recognise a receivable (and a contract liability) and then measure ECL associated with the receivable applying IFRS 9.</p> <p>The staff suggest no action because the application of IFRS 15 recognition and IFRS 9 impairment requirements depends on specific terms and conditions of a contract.</p>
2	Two respondents suggested the IASB clarify which IFRS Accounting Standard should be applied in accounting for receivables that represent an unconditional right to non-cash consideration, including which impairment requirements to use.	The staff suggest no action because the feedback does not suggest that the matter is widespread.
3	An accounting firm and a standard-setter suggested the IASB add application guidance clarifying the requirements which, in the respondents' view, appear contradictory. That is because, even though IFRS 15 allows revenue to be recognised only if it is	Paragraph 9 of IFRS 15 requires an entity to account for a contract within the scope of IFRS 15 if, among other required criteria, 'it is <i>probable</i> that the entity will collect the consideration to which it will be entitled in exchange

	<p>recoverable, IFRS 9 still requires recognition of ECL on those receivables.</p>	<p>for the goods or services that will be transferred to the customer'. IFRS 9 provides requirements to measure <i>expected credit losses</i>. Paragraph 5.5.17 of IFRS 9 states that ECL measurement reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.</p> <p>Paragraph B5.5.28 of IFRS 9 states that because ECL consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.</p> <p>Therefore, ECL is recognised even if it is probable that an entity will collect consideration.</p> <p>The staff suggest no action because the requirements are clear (ie there is no contradiction).</p>
<p>4</p>	<p>A standard-setter said that for entities that elect the simplified approach for ECL on trade receivables with a significant financing component, the discounted amount already includes the credit risk for the whole period, and the ECL under the simplified method will also include the expected loss for the same risk. The respondent said that some entities view this as double counting. Another standard-setter highlighted similar challenges raised by some entities, but acknowledged the explanation of why there is actually no</p>	<p>The staff suggest no action. As noted by a respondent, March 2023 Agenda Paper 6E explained that the discount rate determined applying paragraph 64 of IFRS 15 does not consider expected credit losses measured in accordance with IFRS 9. Therefore, we would not expect the requirements in IFRS 15 and IFRS 9 to lead to double counting for the effect of credit risk for receivables with a significant financing component. The feedback received to the IFRS 15 RFI does not</p>

	<p>double counting in March 2023 Agenda Paper 6E.</p>	<p>suggest that the matter is widespread or results in substantial consequences.</p>
5	<p>A standard-setter noted that contract assets are not only subject to credit risk, but also other risks, for example, performance risk. The respondent suggested the IASB clarify accounting for impairment of contract assets and provide more detailed application guidance and illustrative examples on how the IFRS 9 impairment requirements are applied to contract assets.</p>	<p>The respondent did not specify for which particular application challenges they require guidance.</p> <p>As noted in paragraph 15, applying IFRS 15 and IFRS 9, an entity would first apply the IFRS 15 requirements to determine the amount of a contract asset and then measure ECL associated with that asset applying IFRS 9.</p> <p>As defined in IFRS 9, ECL is based on ‘all cash shortfalls’ and, when measuring ECL, ‘an entity estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument’. For contract assets that have a significant financing component, IFRS 9 allows a policy choice to measure the loss allowance at either an amount equal to lifetime ECL (a simplified approach) or in accordance with the general approach. For contract assets that do not have a significant financing component, IFRS 9 requires an entity to measure the loss allowance in accordance with the simplified approach (see paragraph 5.5.15 of IFRS 9 and Illustrative Example 12, accompanying IFRS 9).</p>

		<p>The staff suggest no action, because there is no evidence that the requirements on this matter are unclear or insufficient to determine the accounting outcome.</p>
6	<p>An accounting firm asked whether an entity is required to include value-added tax (VAT) in the amount of a trade receivable for the purpose of measuring ECL in accordance with IFRS 9. Furthermore, this respondent asked how it would affect the measurement of ECL if in the event of non-payment by a customer the entity is entitled to a full refund of VAT previously remitted to the tax authority.</p>	<p>Applying paragraph 5.1.1 of IFRS 9, financial assets (except trade receivables within the scope of paragraph 5.1.3 of IFRS 9) are measured, at initial recognition, at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>As per paragraph 5.1.3 of IFRS 9 trade receivables that do not have a significant financing component are measured on initial recognition at an amount determined by applying IFRS 15.</p> <p>After having determined the amount of the trade receivable to be recognised, the entity then applies the impairment requirements of IFRS 9 to that amount.</p> <p>Recoverability of VAT (or similar sales taxes) from a tax authority in case of customer’s default, would depend on the specific facts and circumstances of the transaction, and the laws and regulations applicable in the seller’s jurisdiction.</p>

		<p>The staff suggest no action, as the accounting outcome would depend on specific facts and circumstances. Furthermore, the feedback does not suggest that the matter is widespread.</p>
7	<p>Two accounting firms highlighted inconsistency between the requirements of paragraph 5.1.3 of IFRS 9 and Illustrative Example 40, accompanying IFRS 15:</p> <p>(a) paragraph 5.1.3 of IFRS 9 states that trade receivables are measured at their transaction price (as defined in IFRS 15) if the receivables do not contain a significant financing component. This implies that, if there is variable consideration, such as a refund, the receivable would be recognised net of this refund.</p> <p>(b) however, Example 40, accompanying IFRS 15, shows a receivable recognised gross of the refund.</p>	<p>As one of the firms noted, as part of its Annual Improvements cycle, the IASB is now amending paragraph 5.1.3 of IFRS 9 to state that trade receivables are measured ‘at the amount determined by applying IFRS 15’ instead of ‘at their transaction price’. The narrow-scope amendment is expected to resolve the matter.</p>
8	<p>Two accounting firms said that:</p> <p>(a) paragraph 108 of IFRS 15 requires, upon initial recognition of a receivable, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised to be presented as an expense;</p> <p>(b) paragraph 5.1.1 of IFRS 9 requires an entity to measure trade receivables that contain a significant financing</p>	<p>The staff suggest no action because the requirements in paragraph 108 are sufficiently clear and the feedback does not suggest that they are causing widespread confusion.</p>

	<p>component, at initial recognition, at their fair values;</p> <p>(c) that fair value measurement might be different from the measurement of contract assets applying IFRS 15.</p> <p>The respondents suggested the IASB amend paragraph 108 of IFRS 15 to acknowledge the initial measurement requirements for receivables in IFRS 9 when contract assets become receivables. The matter is particularly relevant for long-term construction contracts and concession arrangements.</p>	
9	<p>A standard-setter suggested the IASB provide guidance on whether the derecognition requirements of IFRS 9 or other requirements apply to derecognising contract assets transferred to another party, for example, in factoring arrangements.</p>	<p>The staff suggest no action because the feedback does not suggest that the matter is widespread.</p>
10	<p>An accounting body said it is unclear whether an adjustment to a finance lease receivable resulting from the extension of a lease term is a variable consideration under IFRS 15 or a subsequent change in a financial asset that is recognised in income applying IFRS 9.</p>	<p>Paragraph 5 of IFRS 15 scopes out lease contracts within the scope of IFRS 16 <i>Leases</i>. Based on the feedback received the matter appears not widespread, however, we will share the feedback with the project team of the PIR of IFRS 16.</p>
11	<p>A standard-setter and an accounting body suggested the IASB clarify whether IFRS 15 or IFRS 9/IFRS 2 apply to particular banking transactions or transactions in commodity trading, as well as retail and consumer products, when the transaction price involves forward pricing, participation in the customer's</p>	<p>The respondents did not provide details of the transactions. The conclusion on scoping depends on specific facts and circumstances.</p> <p>The staff suggest no action because the feedback does not suggest that the matter is widespread.</p>

	profit-sharing plan, convertible bonds or free grant of shares.	
12	<p>An accounting firm suggested the IASB amend IFRIC 12 <i>Service Concession Arrangements</i> to clarify a number of matters relating to the financial asset model in that interpretation:</p> <ul style="list-style-type: none"> (a) at what point in time the operator recognises the financial asset; and (b) under what circumstances the operator's financial asset meets the SPPI criteria. 	<p>The staff suggest no action.</p> <p>Feedback to the RFIs does not provide evidence that the matter is widespread or that it results in substantial consequences.</p>
13	<p>An accounting body raised questions about executory contracts under which both parties have only partially performed and there are 'recognised' receivables and 'unrecognised' receivables. The accounting body said it is unclear:</p> <ul style="list-style-type: none"> (a) how an entity determines whether cash shortfalls are related to recognised or unrecognised receivables when measuring ECL; and (b) whether cash shortfalls should be attributed entirely to recognised receivables or allocated between recognised receivables and unrecognised receivables. 	<p>Impairment of any 'unrecognised receivables' is not in scope of IFRS 9 (see paragraph 14).</p> <p>With regards to receivables recognised in scope of IFRS 15 that are subject to the impairment requirements of Section 5.5 of IFRS 9, the allocation of cash received and cash shortfalls would depend on the terms and conditions of the contract. For example, the contract might stipulate that any cash received is allocated to the oldest outstanding receivable under the contract and any cash shortfall would be reflected in the ECL of the remaining outstanding receivables recognised.</p> <p>The staff recommend that no action is taken on this question, as the matter does not arise from IFRS 9 requirements for measuring ECL. The accounting outcome would depend on specific contractual terms and</p>

		conditions. Furthermore, feedback does not suggest that the matter is pervasive or expected to have substantial consequences.
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