ADAA – IFRS Accounting briefing paper

IFRS 15 Revenue from contracts with customers by ADAA's Amna Huwail

February 2017

Revenue is a significant number in the financial statements. History reveals revenue is susceptible to fraud. Regulators report the greatest number of accounting and audit errors in revenue recognition. A key influencer is management bias. Revenue is most susceptible to inherent audit risk. IFRS Reporters and Auditors must exercise great care implementing the new standard. The new standard is different. It is a joint standard with FASB. There is a substantial amount of guidance both inside the standard and in published comment: IASB Revenue web page, Deloitte, PWC, EY, KPMG. We recommend you review the IASB's revenue web page and your auditor's publication and engage in an early discussion. If you choose to early adopt, keep a close eye on Revenue Transition Resource Group their task is to consider revenue recognition implementation issues and to advise the IASB.

A brief history of the Revenue standards

IFRS 15 replaces IAS 11 and 18, IFRIC 13, 15, 18 and SIC-31.

IAS 11 and 18 require revenue be recognised when it is probable economic benefit will flow to the entity. Probable is a 51% test.

IFRIC 13 "Customer Loyalty Programmes" evidenced the IASB shifting away from risks and rewards toward control by separating contracts into identifiable performance obligations and recognising revenue when the obligation is complete.

IFRIC 15 'Agreements for the Construction of Real Estate' resulted in substantial restatements to derecognize revenue, previously recognised. IFRIC 15 refers (as do IAS 11 and 18) to transferring to the customer significant risks and rewards of ownership. Which although a sometimes nebulous determination has a much higher threshold test than probable. US GAAP used a 75% test for significant. IAS 17 is said by some to have a 90% test for substantial, and a 99% test for virtually certain. However, there are no bright lines in IFRS.

IFRIC 18 'Transfers of assets from customers' dealt with when cash or items of PP&E were given by customers to suppliers in exchange for access to goods and/or services. Some entities recognised revenue on connecting the customer to a network from which they could access goods and/or services. Some entities deferred revenue and recognised revenue over the period they expected the customer would access the supply of goods and/or services. IFRIC 18 failed because application hinged on the supplier's perception of whether the customer received standalone value from the connection provided at a point in time, or if the customer received value from the connection provided over time. The answer for which is, both.

IASBs' objectives for the new Revenue standard

- Clarify the principles for recognising revenue.
- Remove inconsistencies and weaknesses in revenue recognition standards.
- Provide clear principles in a robust framework.
- Provide a single model to improve comparability of industries, entities and geographies.

IFRS 15 Paragraph one - the objective

"To establish the principles to apply to report useful information about the nature, timing and uncertainty of revenue and cash flows arising from a contract with a customer." The core principle is revenue is only recognised when an entity transfers a promised good or service to a customer, satisfying a performance obligation (IFRS 15.BC17 to 24). Transfer can happen over time or at a point in time.

Scope

IFRS 15 applies to all contracts with customers to provide goods or services in the ordinary course of business, except for transactions in scope of IFRS 4 and 16 and financial instruments in scope of IFRS 9, 10, 11, IAS 27 and 28 and non-monetary exchanges between entities in the same line of business to facilitate sales to customers. These standards rank ahead of IFRS 15 in the accounting hierarchy. This point is important because customers often provide suppliers with a financial instrument in exchange for a protective right in anticipation of a subsequent sale and purchase arrangement. E.g. deposits and advance payments.

Who or what is a customer

When an entity is the end consumer of a supply of goods or services, it is obvious they are the customer. Sometimes, it is not quite so. IFRS 15.6 *"A customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration."* A counterparty to a contract is not a customer. If the customer has contracted to participate in an activity or process in which the parties to the contract share in the risks and benefits that result from the activity, such as developing an asset in a collaboration agreement, then the customer is a collaborator. Contributions from collaborators are accounted as liabilities until settled with cash or assets or services transferred to the collaborator. Contributions from customers are accounted as deferred income until control of the good or service transfers to the customer.

Customers and suppliers collaborate in supply chain transactions to share financial, development, and operational risk. A transaction structured to look like a customer/supplier transaction may in-substance be a collaboration. Which is not a revenue transaction. Transactions with a collaborator/customer can be partially in scope of IFRS 15 and partially in scope of the standards listed in the 'scope' paragraph above.

If the transaction is with a collaborator and meets the definition of 15.6 it is in scope of IFRS 15.

Revenue assessment involves five key steps

1) ***Identify the contract.***
2) ***Identify performance obligations.***
3) ***Determine the transaction price.***
4) ***Allocate the transaction price.***
5) ***Recognize revenue.***

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1) Identify the contract (IFRS 15.9)

A contract exists if:

a) The parties to it have approved it.
b) Each parties' rights to goods/services are identifiable.
c) Payment terms are identifiable.
d) The contract has commercial substance.
e) It is probable the consideration will be collected.

A Memorandum of Understanding (MoU) is not a contract unless it provides enforceable rights. Purchase orders (PO) issued in accordance with the MoU are contracts. Pricing of the POs are likely related to each other and the MoU. Which means evaluating on a combined basis. The contract term therefore may be different between IFRS 15 and IAS 18. Term affects measurement, allocation of transaction price, collectability and timing of revenue recognition.

If such is true for the supplier, it is also true for the customer. IAS 2 and 16 are both control standards, which means the supplier's assessment of IFRS 15 affects the customer's assessment of asset recognition and measurement of IAS 16 and IAS 2. If it doesn't assets and liabilities will be off the global IFRS balance sheet.

2) Identify performance obligations (IFRS 15.22)

Contracts usually state explicitly the goods or services provided to the customer. A flat, a car, a car with a five years maintenance service. Contracts do not always state explicitly the performance obligations the supplier completes to transfer control of the goods or services to the customer. Sometime they are implicit from legal and/or statutory requirements, customary business practices, and company statements and policies. Such as car recall to fix problems found after supply. This is different from warranty.

Identifying performance obligations is implicit in the old revenue standards. It is explicit in IFRS 15 because BC85 *"The Board's objective in developing the definition of a performance obligation was to ensure that entities appropriately identify the unit of account for the goods and services promised in a contract with a customer."* This is a fundamental point because if the wrong unit of account is identified the accounting will be wrong.

IFRS 15 BC93 *"The boards clarified that an entity should not account for activities it may perform that do not transfer goods or services to the customer."* The example provided is service contracts that require significant set up costs which even though required to successfully transfer the goods or services recognition would be inconsistent with the core revenue recognition principle of the transfer of goods and services to the customer.

Capable of being distinct. IFRS 15 BC95 *"…the good or service must be capable of providing a benefit to the customer…"* The example provided is the supply of a machine that if only the supplier can install, then the supply is not distinct from the installation service.

Distinct within the context of the contract. IFRS 15 BC102. Sometimes bundles of goods and services might be capable of being distinct but they are not accounted separately *"…because it would not result in a faithful depiction of the entity's performance in the contract."* The examples provided are production type and construction type contracts. Components are distinct, bricks, cement, labour and project management services but, identifying as such makes little sense because it doesn't present faithfully the nature of the promise to the customer nor result in a useful depiction of the supplier's performance.

IFRS 15.27 requires passing two tests of distinction:

- The good or service is capable of being distinct, and
- The promise to transfer the good or service is distinct in the contract.

These tests refer to specific illustrative examples to provide help in understanding and applying the standard. However example 17 has elements which seem to conflict with the standard. Example 17 is construction of a multi-unit residential complex, which appears to overrule the faithful depiction observations in the basis of conclusions. And does not seem to fit with IFRS 15.28 *"...For example, the fact the entity regularly sells a good or service separately would indicate a customer can benefit from the good or service on its own or with other readily available resources."* Which means if they don't regularly sell it separately the opposite is true. Developers sell units not bricks, cement…

3) Determine the transaction price (IFRS15.47)

The transaction price is the amount an entity expects to be entitled. It may include variable amounts due to items such as threshold discounts, refunds, right of returns, credit, price concessions, incentives, penalties, marketing support etc. Variability may be explicit or implicit. Credit risk is not a consideration in determining transaction price. It is a gating question in considering if a contract exists.

IFRS 15.70 Consideration payable to a customer includes cash…credit or other items (a coupon, a voucher) that can be applied against amounts owing by the customer or other customers are accounted for as a reduction in the transaction price and therefore of revenue unless the payment is in exchange for a distinct good or service.

IFRS15.71 if the entity cannot reasonably estimate the fair value of the good or service received from the customer, it shall account for the consideration payable to the customer as a reduction in the transaction price.

4) Allocate the transaction price (IFRS 15.73)

For multiple performance obligation contracts, each performance obligation are accounted for separately if the pattern of transfer of goods or services is different. Once an entity identifies and determines whether to separately account for the performance obligations in a contract, the transaction price is allocated to these separate performance obligations based on relative stand-alone selling prices. If the observable price is not available it is estimated applying a hierarchy:

a) Adjusted market assessment approach.
b) Expected cost plus margin approach.
c) Residual approach (in limited circumstances).

5) ***Recognize revenue***
At the time, the customer obtains control over the goods or services provided by the entity. Either over time or, at a point in time.

Performance obligations satisfied over time

The majority of this technical paper deals with the principal of identifying when performance obligations are satisfied over time because it appears the IASB included a rule in the standard enabling structuring of contracts to bring forward recognition of revenue.

IFRS 15.35 *"An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one* (emphasis added) *of the following criteria is met.*

a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

b) The entity's performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created or enhanced.

c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date."

The tests in a) and b) are not new, they existed in the old standards. The tests in c) are new and have created circumstances where the legal form of a contract can dictate the economic and commercial substance of a transaction.

IFRS 15.35 was not in the original exposure draft (ED). ED 32 and 33 required revenue recognition over time if *"the promised goods or services underlying a separate performance obligation are transferred to a customer continuously."*

In the introductory notes to the ED IN25 identifies a change in revenue recognition from IAS 18 for the development of an asset, including construction, manufacturing and customized software from point in time, to continuous revenue recognition only "*if the customer controls the asset as it is developed*." This principle was in IAS 11 and retained in BC 66. The Boards believe the definition of control and indicators of control in the ED are consistent with IFRIC 15, and therefore the accounting would be the same (BC 86). The assessment of when control transfers applies from the perspective of supplier, or customer. Consequently is revenue recognised when the seller surrenders control, or when the customer obtains control. In many cases, both lead to the same result. However, the IASB decided to assess control primarily from the perspective of the customer to minimise the risk of recognising revenue from activities that do not coincide with the transfer of goods or services to the customer. This paragraph from the earlier ED survives in IFRS 15 BC121 and the accounting makes economic sense because the customer would want control of the asset under construction as they provide the supplier with the right to receive payment for work done to date.

IFRS.15 BC 131 tells us paragraph 35 c) was added because the IASB felt it might be difficult sometimes for the supplier to identify when the customer controls the asset.

It seems strange the IASB added a rule when the facts and circumstances become too difficult to audit. Should that not be a limitation of scope and therefore no opinion given?

IFRS 15.33 *"Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset."* The IFRS Framework definition of an asset is *"a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity."* A correct interpretation of the facts and circumstances presented should result in an accounting treatment that presents faithfully the economic and commercial substance of a transaction.

When a customer visits the supermarket to shop, they take control of a supermarket basket, walk up and down the aisles taking control of goods, placing them in their basket. While in the supermarket, though the customer physically controls the goods in the basket, control only passes from the supplier to the customer when the customer pays at the checkout. Payment by the customer is the key audit test because up until that point the supermarket retains ownership rights.

Even though control has passed to the customer the supplier still warrants the goods will be satisfactory at the appropriate point of use by the customer if not the customer can return the goods for refund or replacement. The supplier thus has a remaining performance obligation even though the supplier no longer controls the goods.

A customer shopping online undertakes the same activity with a virtual shopping basket paying for the goods in the virtual checkout. The supermarket is now custodian of the goods on the customer's behalf and even though the customer has paid in full for the goods, control does not pass until delivery and acceptance by the customer.

Physical acceptance by the customer is the key audit test because until that point the customer could reject the goods even though the customer has paid for them. The control audit test is thus different depending on the relevant facts and circumstances.

The objective of IFRS 15 is to report useful information about the nature, amount, timing and uncertainty of revenue and cash from customers. The IFRS Framework states that to be useful, transactions must faithfully represent the phenomena that it purports to represent. IFRS 15 replaces IAS 11 and IFRIC 15 (both continuous transfer models) but it does not delete the principle of when relevant recognising revenue, and profit over time. The principle in IAS 11 'Construction Contracts' was that the constructor was delivering construction services for a customer and not delivering a good. In IFRIC 18 the principle was that in exchange for the asset given up by the customer the goods or service received represented standalone value to a customer. IFRS 15 does not abandon these principles but describes them in a different way.

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A no alternative use asset is an asset that cannot be assigned to any other customer. Truly how often are no alternative use assets constructed?
The construction of an airport for an airport authority is very likely a no alternative use asset.
An asset such as an aircraft carrier constructed for the Navy is a specialized asset and has no alternative use except to the Navy. The contract enforceable by the supplier on the Navy and the Navy unlikely to allow the aircraft carrier to be sold to anyone else, if they decide to exit the contract.

A B747 cargo aircraft is a specialized asset but in practice can be sold to a multiple number of alternative customers if a customer decides for whatever reason not to complete a legally enforceable contract to purchase even with advance payments previously made by the customer. A B747 cargo aircraft costing USD 100s of millions clearly has alternative use.

The Ferrari 'la Ferrari' Ferrari will say is a limited edition asset with only 500 being cars made. It was not sold on the open market Ferrari invited specific customers it chose, to buy it. Each Ferrari has a unique manufacture number and a customer with a legally enforceable contract. Even so, a customer might have decided not to go through with the purchase. The customer might have to suffer a financial penalty to pay for breaking the contract. Although likely not since number 500 auctioned at a price of USD 7 million, several million more than the price the 499 previous cars sold. Ferrari would have suffered no loss from a customer exiting the contract. A limited production run, the uniqueness 'La Ferrari' with a specific number, 499, and a contracted purchaser does not necessarily make a Ferrari with no alternative use.
However, by structuring the contract in a certain way, it might do. Question is does it make sense?

When a customer makes the first stage payment in accordance with a legally enforceable contract on completion of which the customer will receive a good. Did the customer receive in return for that payment a service or control of a good that represents standalone value to the customer? Or did the customer exchange a financial asset for another financial asset with a promise attached, to be extinguished by the receipt of the control of a good by the customer on completion of the contract?

The IASB acknowledged applying the criteria in paragraph 35a) and b) could be challenging which is why the third criteria 35c) was added.

BC122 to BC152 are revealing. BC 149 to BC152 focus on real estate. It is worth noting the IASB rejected specifying a right to payment as a more overarching criterion because a right to payment evidences a contract exists. Including a right to payment as an overarching criterion for determining when a performance obligation is satisfied could have potentially overridden the revenue recognition principle, which is about determining whether control of goods or services have transferred to the customer.

IFRS 15. BC136 *"In assessing whether the asset has an alternative use, the entity would need to consider* <u>*practical limitations and contractual restrictions*</u> (emphasis added) *on directing the asset for another use. In determining whether the entity is limited practically from directing the asset for another use, the boards decided that an entity should consider the characteristics of the asset that will ultimately be transferred to the customer. This is because, for some assets, it is not the period of time for which the asset has no alternative use that is the critical factor in making the assessment but, instead,* <u>*whether the asset that is ultimately transferred could be redirected without a significant cost of rework.*</u> (emphasis added) *This may occur in some manufacturing contracts in which the basic design of the asset is the same across all contracts, but the customisation is substantial. Consequently, redirecting the asset in its completed state to another customer would require significant rework."*
The Ferrari 'La Ferrari' needs no rework to sell to another customer, a B747 Cargo aircraft might need a repaint. An aircraft carrier might need to be stripped back to the hull so the hull can be used for something else. Whilst an airport might be a little trickier. A unit in a multiunit development needs no rework to sell to another customer.

BC137 *"Although the level of customisation might be a helpful factor to consider when assessing whether an asset has an alternative use, the boards decided that it should not be a determinative factor. This is because in some cases (for example, some real estate contracts), an asset may be standardised but may still not have an alternative use to an entity, as a result of substantive contractual restrictions that preclude the entity from readily directing the asset to another customer. If a contract precludes an entity from transferring an asset to another customer and that restriction is substantive, the entity does not have an alternative use for that asset because it is legally obliged to direct the asset to the customer. Consequently this indicates the customer controls the asset as it is created, because the customer has the present ability to restrict the entity from directing that asset to another customer (an entity would also need to consider whether a right to payment exists to conclude that control of the asset transfers over time as it is created, see paragraphs BC142–BC148)"*
Substantive rights are not the same as protective rights.

Substantive law is the set of laws that govern how members of a society behave. Substantive law defines rights and responsibilities in civil law and crimes and punishment in criminal law. It may be codified in statutes or exist through precedent in common law.
The substantive law conclusion is problematic because accountants are now reliant on lawyers to conclude if the contract with the customer in conjunction with the legal system provides substantive rights and therefore the substantive rights set the economic substance of the transaction.

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This is not necessarily a problem if actual performance follows contracted performance. Revenue and profit recognition may be a little early or even a little late but no one loses. The problem is if there is a problem. The IASB says ignore this: IFRS 15.B6 *"…The possibility of the contract with the customer being terminated is not a relevant consideration in assessing whether the entity would be able to readily direct the asset for another use."* Which is sensible when the contract is not executory but really should be assessed if the contract is executory.

An article in the National 24 February 2017 refers to a developer offering investors 50% of their money back previously paid upfront for flats the developer did not complete construction of in 2011. The investors have rejected this offer, wanting 100%. The investors haven't received their promised flats so one can understand their point.

On the SEC website is the 'Cease and Desist' order issued in January 2017 to General Motors for failure to provide appropriate audit evidence to their warranty group accountants for a defective switch which meant they did not make USD 41 million provision for a legal liability to replace. The customers control their cars the contracts are not executory but General Motors still has a performance obligation.

"BC138 The boards also noted that contractual restrictions that provide a protective right to the customer would not be sufficient to establish that an asset has no alternative use to the entity."

The difference between substantive rights and protective rights is substantial. Protective rights ensure the innocent party does not suffer financial loss when things go wrong. When a customer pays a deposit, normally they secure a protective right to purchase the allocated asset on its satisfactory completion. If the supplier doesn't complete the asset the customer has the right for the deposit to be returned. If the asset is completed (e.g. a second hand car) it provides the right to purchase the car with a final payment.

IFRS 15.31 states an asset is transferred when (or as) the customer obtains control. An investor who is also a collaborator and a customer in a property development can flip (sell on) their right to buy asset and make a profit. But until the asset is physically complete it is not possible for the investor/collaborator/customer to take legal or physical control, or benefit from its use by letting it.

No alternative use is achieved by structuring the contract to specify the asset as unique to the customer. However, *"BC141 The boards also decided that while the notion of alternative use is a necessary part of the criterion in paragraph 35(c) it is not enough to conclude that a customer controls an asset. Consequently, the boards decided that to demonstrate that a customer controls an asset that has no alternative use as it is being created, an entity must also have an enforceable right to payment for performance completed to date."* This is not the same as a deposit, or a stage payment. It is a right to payment for performance (including profit) completed. Stage payments are a method of financing either the construction or purchase (or both) of the asset and terms can range from 100% upfront to 100% over seven years starting two years before the expected date of delivery. Stage payments result in protective rights, such as the right of ownership on completion of the asset and final payment. This is not the same as a substantive right.

The following extract is from the basis of conclusions to understand the IASB's view *"Agreements for the Construction of Real Estate BC149 In developing the requirements for assessing when goods or services transfer to the customer, the boards considered the diversity in practice from applying previous revenue recognition requirements in IFRS that were specific to the construction of real estate. That diversity in practice resulted from the difficulty in determining when control of real estate transferred to the customer over time by applying the previous IFRS revenue recognition criteria to complex contracts with different facts and circumstances.*

Diversity in practice disappeared with the publication of IFRIC 15.

BC150 The boards envisage that the diversity in practice should be reduced by the requirements in paragraphs 35–37 of IFRS 15, which provide specific requirements for determining when goods or services transfer over time. However, <u>the boards observe that the pattern of transfer may be different for different real estate contracts because it will depend on the relevant facts and circumstances of each contract.</u> For example, some real estate contracts may result in an asset that cannot (under the terms of the contract) be readily directed to another customer…and the contracts require the customer to pay for performance completed to date. (both paragraph 35(c) tests passed) *However, other real estate contracts that create an asset with no alternative use to the entity may not require the customer to pay for performance completed to date."* (first test passed second test failed.)

BC151 Some respondents applying IFRS in the residential real estate industry supported the addition of the criteria for determining whether a performance obligation is satisfied over time, because they reasoned it would assist them in assessing whether revenue could be recognised over time as construction of residential units in a multi-unit real estate development occurs. Other respondents in this industry explained that although they were able to conclude that their performance does not create an asset with an alternative use (first test passed) *they were unable to meet the 'right to payment for performance completed to date' criterion* (second test failed). *This would mean that they would be able to recognise revenue only at the point in time when each unit transfers to the customer (often only after construction is complete and the customer has physical possession), which they stated would be an inappropriate depiction of their performance.*

BC152 However, the boards concluded that if either of the criteria in paragraph 35(c) of IFRS 15 is not met, recognising revenue over time would not faithfully depict the entity's performance and the entity's and the customer's respective rights and obligations in the contract. Furthermore, the boards decided that clarifying the 'no alternative use and right to payment for performance completed to date' criterion would ensure greater certainty and consistency in recognising revenue for multi-unit residential real estate developments." It is clear passing the criteria of paragraph 35 c) is a two part test the second of which is the supplier has a legally enforceable right to receive payment for performance.

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The first and core test for revenue recognition is to conclude the customer received control of an asset (or the benefit of a service). If the customer did not there can be no revenue,

As with all things IFRS, the devil is in the detail. Certain real estate entities have taken IFRS 15.35c) to mean that given a certain legal system and appropriately written contracts, percentage of completion accounting for developments under construction is achieved.

The consequences of this means the constructed asset that the investor/collaborator/customers are most interested in does not appear on the real estate entity's balance sheet, but on the customers' balance sheet.

Does this make sense from the customers' perspective? Are they accounting for PP&E under IAS 16 or are they accounting for financial asset under IFRS 9. IFRS 15.5 (c) states: *"An entity shall apply this Standard to all contracts with customers, except the following…financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments…"*

The question for the IFRS Reporter and the auditor is has the contract been assessed correctly? Is the contract executory or not executory? Are the rights legally substantive? What legal rights does the customer have? Is the economic phenomena such that the customer has taken on the commercial risks of the transaction? Including the risk the developer does not complete the building.

Accounting is of course not industry specific so it would be odd would it not if for years and years and years airlines structured transactions to be operating leases to keep the aircraft off their balance sheets, for the manufacturer to structure transactions to take them off of their balance sheet too.

And Ferrari.

Only a rigorous audit of the facts will determine the correct answer.

Performance obligations satisfied at a point in time

If a performance obligation is not satisfied over time it is satisfied at a point in time. To determine when that point in time is requires an assessment of control. Control is an available for use test. The standard highlights many ways of assessing control and from application of IAS 16, the profession is expert at determining control. However, since IFRS 15 is a revenue standard emphasis is on the IFRS Reporter to demonstrate they do not have control and that the customer does. This is going to be difficult to do. Auditors normally audit revenue for completeness and debtors for existence. If the debtor has already paid, or even if the IFRS Reporter has a legally enforceable right to receive payment it does not follow revenue is recognised.

Disclosure

IFRS 15.110 *"The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about: A) Its contracts with customers. B) The significant judgements, and changes in the judgements, made in applying this Standard to those contracts. C) Any assets recognised from the costs to obtain or fulfil a contract with a customer.*

This does not mean 'cut and paste' from the standard. Revenue is a critical judgement. We expect to see concise explanations that clearly identify the specific judgement made, or how uncertainty could affect next year's financial statements. It also means qualitative and quantitative information about any assets sold off balance sheet as a result of passing the tests in paragraph 35c).

Because the completion activities on those off balance sheet assets substantially impacts the amount, timing and certainty of future revenues and cash which is after all the objective of IFRS 15 described in paragraph number one.

Transition

There are multiple transition options ranging from full retrospective to something quite a lot less. If you do not apply a full retrospective approach, which will consume a lot of time and likely be costly, you will have IAS 18 applied to old transactions and IFRS 15 applied to new ones. Which will make comparability interesting for a while.

Accounting briefing papers are designed to assist readers in determining their accounting treatments. However a briefing paper cannot provide a definitive answer since the treatment will depend on the facts and circumstances of each situation.

ADAA's AASD
Head of Accounting and Auditing Standards Desk
Steven Ralls aasd@adaa.abudhabi.ae

IFRS Accounting briefing paper Author
Amna Huwail