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Request for Information

IFRS® Accounting Standard

Post-implementation Review
IFRS 15 *Revenue from Contracts with Customers*

Comments to be received by 27 October 2023

International Accounting Standards Board

IASB/RFI/2023/2

Request for Information

Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*

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Request for Information *Post-implementation Review of IFRS 15 Revenue from Contracts with Customers* is published by the International Accounting Standards Board (IASB) for comment only. Comments need to be received by 27 October 2023 and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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Contents

Introduction

The International Accounting Standards Board (IASB) is undertaking a post-implementation review of IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15 was developed jointly with the US Financial Accounting Standards Board (FASB) to improve the accounting for revenue arising from contracts with customers. Intended improvements include:

a comprehensive and robust framework
for the recognition, measurement and disclosure of revenue

improved comparability of revenue recognition among entities, industries, jurisdictions and capital markets	**a reduced need for interpretive guidance** to be developed case-by-case to resolve emerging issues	**the provision of more useful information** through improved disclosure requirements

IFRS 15 replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue—Barter Transactions Involving Advertising Services*.

Timeline

2014 In May 2014 the IASB issued IFRS 15. In June 2014 the IASB and the FASB set up a joint Transition Resource Group to consider potential implementation issues submitted by stakeholders.

2016 In April 2016, following Transition Resource Group discussions, the IASB issued *Clarifications to IFRS 15*.

2018 IFRS 15 became effective for annual periods beginning on or after 1 January 2018.

2022 In September 2022 the IASB began the post-implementation review of IFRS 15.

What is a post-implementation review?

The objective of a post-implementation review is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are those the IASB intended when it developed the requirements.

The IASB concludes a post-implementation review by determining:

(a) whether, overall, the new requirements are working as intended. Respondents asking fundamental questions about the clarity and suitability of the core objectives or principles in the new requirements would suggest that the requirements are not working as intended.

(b) whether stakeholders have specific questions about applying the new requirements that require a response. If stakeholders have specific application questions, the IASB may still conclude that the new requirements are working as intended. However, the IASB will respond to those application questions if they meet the criteria necessary for the IASB to take further action (see page 6).

The IASB acts, subject to prioritisation criteria, if there is **evidence** that:

there are **fundamental questions** (fatal flaws) about the clarity and suitability of the core objectives or principles in the new requirements	the **benefits to users of financial statements** of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application)	the **costs of applying** the new requirements and auditing and enforcing their application are significantly greater than expected

A post-implementation review is not a standard-setting project and does not automatically lead to standard-setting, nor is it intended to lead to the resolution of every application question. However, a post-implementation review can identify improvements that can be made to a new requirement, to the standard-setting process or to the structure of an IFRS Accounting Standard.

How does the IASB prioritise matters in a post-implementation review?

The IASB prioritises matters identified in a post-implementation review based on the extent to which evidence gathered during the review shows:

(a) the matter has substantial consequences.

(b) the matter is pervasive.

(c) the matter arises from a financial reporting issue that can be addressed by the IASB or the IFRS Interpretations Committee (Committee).

(d) the benefits of any action would be expected to outweigh the costs. To do this analysis, the IASB would consider the extent of the potential disruption and operational costs from change and the importance of the matter to users of financial statements.

Depending on this IASB assessment:

(a) high-priority matters would be addressed as soon as possible. This category is expected to be used rarely.

(b) medium-priority matters would be added to the IASB's research pipeline or the Committee's pipeline. The IASB will try to make pipeline projects active before the next agenda consultation.

(c) low-priority matters would be considered in the next agenda consultation and explored if the IASB decides to take action in its deliberations on the feedback on that agenda consultation.

(d) no-action matters will not be explored by the IASB.[1]

1 The IASB's description of the post-implementation review process is available on our website.

What is involved in a post-implementation review?

Phase 1

The IASB identifies matters to be examined, drawing on discussions with the Committee, the IASB's advisory groups and other interested parties.

The IASB publishes a **request for information** seeking information on the matters identified in Phase 1 and any other information relevant to the post-implementation review. Anyone can respond.

Phase 2

The IASB considers comments from the public consultation along with information gathered from any additional analysis and other consultative activities.

The IASB publishes a **report and feedback statement** summarising its findings and, if any, next steps. The next steps may include providing educational materials or considering possible standard-setting.

Invitation to Comment

Summary of questions

This Request for Information sets out questions in 11 sections:

(a) **Section 1** seeks stakeholders' overall views and experiences relating to IFRS 15;

(b) **Sections 2–8** seek information on specific areas of IFRS 15;

(c) **Section 9** seeks information on applying IFRS 15 with other IFRS Accounting Standards;

(d) **Section 10** seeks information on the importance of convergence between IFRS 15 and the FASB's *Topic 606 Revenue from Contracts with Customers* (Topic 606); and

(e) **Section 11** seeks other information relevant to the post-implementation review of IFRS 15.

Responses will inform the IASB's assessments in this post-implementation review (see the 'What is a post-implementation review?' section on page 5).

Guidance for responding to questions

You need not answer all questions. Comments are most helpful if they:

(a) answer the questions as stated;

(b) state the paragraph(s) of IFRS 15 to which they relate;

(c) identify the cause of the described issue;

(d) describe fact patterns relevant to the questions and explain:

  (i) how the IFRS 15 requirements are applied;

  (ii) the effects of applying the requirements (for example, the quantitative effect on an entity's financial statements or an operational effect); and

  (iii) how pervasive the fact pattern is; and

(e) are supported by evidence.

Preparers of financial statements, please respond to questions considering your entity's accounting treatment. Auditors, regulators and users of financial statements, please respond to questions considering financial statements you audit, regulate or use.

Deadline

The IASB will consider all written comments received by 27 October 2023.

How to comment

Please submit your comments:

Online	https://www.ifrs.org/projects/open-for-comment/
By email	commentletters@ifrs.org

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data. If you would like to request confidentiality, please contact us at commentletters@ifrs.org before submitting your letter.

Request for Information

1. Overall assessment of IFRS 15

Background

IFRS 15's objective is to establish the principles that an entity applies to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.[2] To meet the objective, the Standard:

(a) establishes a core principle for revenue recognition—an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(b) introduces a five-step model to support the core principle. The five steps an entity applies in recognising revenue are:

  (i) Step 1—identify the contract(s) with a customer;

  (ii) Step 2—identify the performance obligations in the contract;

  (iii) Step 3—determine the transaction price;

  (iv) Step 4—allocate the transaction price to the performance obligations in the contract; and

  (v) Step 5—recognise revenue when (or as) the entity satisfies a performance obligation.

The previous IFRS Accounting Standards had limited revenue recognition requirements. In particular, the Standards lacked requirements on important topics, such as accounting for multiple-element arrangements and allocating consideration to those elements. By providing a comprehensive and robust framework for revenue recognition, measurement and disclosure the IASB expected to improve the consistency of revenue accounting among entities and thus improve financial reporting.

The IASB expected the benefits of the new requirements to be ongoing and to justify the costs of implementing the requirements (for example, systems and operational changes), which would be incurred mainly in transitioning from the previous revenue recognition requirements.

2 See paragraph 1 of IFRS 15 *Revenue from Contracts with Customers*.

Spotlight 1—What we have heard so far

Initial feedback suggests that IFRS 15 has achieved its objective and is working well, though some stakeholders still find applying aspects of the requirements challenging. Stakeholders generally see the five-step revenue recognition model as helpful—in particular, as a robust basis for analysing complex transactions.

Stakeholders observed that implementing IFRS 15 involved a significant learning process for entities. They commented that the Standard is complex and most entities took time to understand the concepts and terminology, often turning to accounting firms for advice on developing accounting policies. Therefore, a few stakeholders suggested that the Standard might be too complex to apply for smaller entities and for entities in emerging economies.

Stakeholders reported that IFRS 15 has improved the comparability of revenue information among entities within the same industry, among industries and among entities in various capital markets. They attributed some of these improvements to convergence between IASB and FASB requirements. However, some stakeholders said entities need to use significant judgement in applying the requirements in IFRS 15 to complex fact patterns, which might lead to inconsistent outcomes among entities.

Most feedback during phase 1 of the post-implementation review related to application matters. Many stakeholders observed that although applying IFRS 15 was initially challenging, entities have now developed accounting policies. Some stakeholders cautioned the IASB against making any fundamental changes to IFRS 15 that would result in further disruption.

The cost and effort incurred by an entity in implementing IFRS 15 varied depending on the entity's industry, contract types, previous judgements and former accounting system. Many stakeholders reported that implementing IFRS 15 was challenging and costly, but that incremental costs have decreased. Some stakeholders mentioned that implementing IFRS 15 had resulted in further benefits, including better knowledge of contracts, improved internal controls and enhanced cooperation between accounting and business functions within entities. Overall, most stakeholders expressed a view that the benefits of IFRS 15 outweigh the costs of implementing and applying the Standard.

The IASB would like to understand stakeholders' views on IFRS 15 as a whole, including its understandability. The IASB would also like to gather evidence to help it assess whether the costs and benefits of preparing, auditing, enforcing and using information about revenue are those the IASB intended when it developed the Standard.

Question 1—Overall assessment of IFRS 15

(a) **In your view, has IFRS 15 achieved its objective? Why or why not?**

Please explain whether the core principle and the supporting five-step revenue recognition model provide a clear and suitable basis for revenue accounting decisions that result in useful information about an entity's revenue from contracts with customers.

If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core principle or the five-step revenue recognition model.

(b) **Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:**

(i) **in developing future Standards; or**

(ii) **in assessing whether, and if so how, it could improve the understandability of IFRS 15 without changing its requirements or causing significant cost and disruption to entities already applying the Standard—for example, by providing education materials or flowcharts explaining the links between the requirements?**

(c) **What are the ongoing costs and benefits of applying the requirements in IFRS 15 and how significant are they?**

If, in your view, the ongoing costs of applying IFRS 15 are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain why you hold this view.

These questions aim to help the IASB understand respondents' overall views and experiences relating to IFRS 15. Sections 2–9 seek more detailed information on specific requirements.

2. Identifying performance obligations in a contract

Background

IFRS 15 requires an entity to identify performance obligations in its contracts with customers. A performance obligation is defined as a promise in a contract with a customer to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity determines whether a good or service promised to a customer is distinct by considering:

(a) whether the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer; and

(b) whether the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.[3]

Appropriately identifying the promises in a contract as performance obligations is fundamental to recognising revenue on a basis that faithfully depicts the entity's performance in transferring the promised goods or services to the customer.

Spotlight 2—Identifying goods or services promised in a contract and determining whether they are distinct

Often, it is easy to identify the goods or services promised in a contract that are distinct. However, sometimes, closer analysis and judgement are required to make the assessment.

Initial feedback suggests that stakeholders sometimes find making the assessment challenging, in particular, for:

(a) arrangements involving internally developed products or digital products, for example, web-based software applications;

(b) contract modifications;

(c) licensing arrangements; and

(d) arrangements in which an entity uses its judgement to determine whether it is acting as an agent or a principal.

continued ...

3 See paragraphs 22 and 27 of IFRS 15.

... continued

Stakeholders said their challenges relate to identifying goods or services promised in a contract and determining whether those goods or services are distinct.

The IASB would like to understand from stakeholders in what circumstances they find identifying performance obligations difficult and why, and how pervasive these circumstances are.

Question 2—Identifying performance obligations in a contract

(a) **Does IFRS 15 provide a clear and sufficient basis to identify performance obligations in a contract? If not, why not?**

Please describe fact patterns in which the requirements:

(i) are unclear or are applied inconsistently;

(ii) lead to outcomes that in your view do not reflect the underlying economic substance of the contract; or

(iii) lead to significant ongoing costs.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) **Do you have any suggestions for resolving the matters you have identified?**

3. Determining the transaction price

Background

Determining the transaction price is an important step in the IFRS 15 revenue recognition model because the transaction price is the amount an entity allocates to the performance obligations in a contract and ultimately recognises as revenue.

IFRS 15 defines the transaction price as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The Standard also provides specific requirements for determining the transaction price if consideration includes a variable amount, a significant financing component or any consideration payable to the customer.[4]

Spotlight 3—Consideration payable to a customer

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer (or to other parties that purchase the entity's goods or services from the customer).

IFRS 15 requires an entity to account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.[5]

Marketing incentives to end customers

Initial feedback suggests that some stakeholders are unsure how to account for incentives offered in three-way arrangements when a party acting as an agent pays a marketing incentive to end customers—for example, when a digital platform entity offers incentives to end customers who buy goods or services such as food delivery or taxi services through the platform.

The feedback suggests that some entities treat these incentives as payments to customers and so account for them as reductions of revenue. Other entities treat these incentives as marketing expenses. This diversity in application might reduce the usefulness of revenue information to users of financial statements.

The IASB would like to understand how pervasive the practice of entities paying incentives to end customers is, how entities account for such incentives and why, and how various accounting treatments affect the usefulness of the resulting information to users of financial statements.

continued ...

4 See paragraphs 47–72 of IFRS 15.

5 See paragraphs 70–72 of IFRS 15.

... continued

'Negative' revenue

Some stakeholders were unsure how to account for consideration payable to a customer if it exceeds the amount of consideration expected to be received from the customer—for example, when an entity wishing to enter a highly competitive market offers large incentives to attract customers.

Initial feedback suggests that some entities present as 'negative' revenue the amount of consideration payable exceeding the consideration receivable. Other entities reclassify that excess as an expense. Stakeholders asked the IASB to clarify how to account for negative net consideration, including:

(a) how to determine the unit of account for assessing net consideration—for example, does an entity assess net consideration on a contract-by-contract basis or on a portfolio basis?

(b) how to determine the assessment period—for example, does an entity consider consideration it expects to be entitled to in the current reporting period or over the term of the contract?

The IASB would like to understand from stakeholders how pervasive cases of negative net consideration are, how entities account for negative net consideration and why, and how various accounting treatments affect the usefulness of the resulting information to users of financial statements.

Question 3—Determining the transaction price

(a) Does IFRS 15 provide a clear and sufficient basis to determine the transaction price in a contract—in particular, in relation to accounting for consideration payable to a customer? If not, why not?

Please describe fact patterns in which the requirements on how to account for incentives paid by an agent to the end customer or for negative net consideration from a contract (see Spotlight 3) are unclear or are applied inconsistently.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

4. Determining when to recognise revenue

Background

IFRS 15 requires an entity to recognise revenue when (or as) the entity transfers goods or services to a customer, which is when (or as) the customer obtains control of that good or service.[6]

This requirement is a change from the previous revenue recognition requirements, which were based on an entity assessing the transfer of the risks and rewards of ownership. One reason for this change was to enable entities to make more consistent decisions about when goods or services are transferred. However, in making the change, the IASB acknowledged that some judgements, especially those related to construction-type contracts and contracts for service, could remain challenging.

Spotlight 4—Criteria for recognising revenue over time

IFRS 15 includes criteria for determining whether control is transferred, and hence revenue recognised, over time. These criteria—at least one of which must be met for the recognition of revenue over time—are:

(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 that the customer controls as the asset is created or enhanced; or

(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.[7]

Initial feedback suggests that many entities have largely overcome initial challenges related to determining whether to recognise revenue over time or at a point in time. However, in some cases, for example, in the software development, gaming and construction industries, some challenges remain. Some stakeholders said that assessments based on the criterion in paragraph (c) can be especially challenging, notably in relation to the enforceability of an entity's right to payment.

The IASB would like to understand from stakeholders in what circumstances they find determining when to recognise revenue difficult and why, and how pervasive these circumstances are.

6 See paragraph 31 of IFRS 15.

7 See paragraph 35 of IFRS 15.

Question 4—Determining when to recognise revenue

(a) **Does IFRS 15 provide a clear and sufficient basis to determine when to recognise revenue? If not, why not?**

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the criteria for recognising revenue over time (see Spotlight 4).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) **Do you have any suggestions for resolving the matters you have identified?**

5. Principal versus agent considerations

Background

When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is a principal or an agent based on the nature of its promise and on whether it controls the good or service before it is transferred to the customer. According to IFRS 15:

(a) a principal controls a good or service before it is transferred to a customer. A principal's performance obligation is to provide that good or service to the customer. The principal recognises as revenue the gross amount of the consideration received in exchange for the good or service transferred.

(b) an agent does not control a good or service before it is transferred to a customer. Instead, an agent merely facilitates the sale of goods or services between a principal and the customer. An agent's performance obligation is to arrange for another party to provide the good or service to the customer. The agent recognises as revenue the fee or commission received for providing these services.[8]

Spotlight 5—The concept of control and related indicators

An entity determines whether it is a principal or an agent by identifying the specified goods or services to be provided to the customer and then assessing whether it controls each specified good or service before it is transferred to the customer.

To help an entity assess whether it controls a specified good or service before it is transferred to a customer, IFRS 15 provides a non-exhaustive list of indicators of control. Examples of indicators of control include:

(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 to the customer; and/or

(c) the entity has discretion in establishing the price for the specified good or service.[9]

continued ...

8 See paragraphs B34–B38 of IFRS 15.

9 See paragraph B37 of IFRS 15.

... continued

The indicators may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract. The IASB explained that the indicators merely support the assessment of control—they do not replace or override that assessment.[10]

Initial feedback suggests that entities sometimes find applying the concept of control alongside the related indicators challenging. Some stakeholders suggested that the concept of control is not well understood—especially in relation to services. The IASB also heard that some entities assess whether they are a principal or an agent based solely on the indicators and overlook the concept of control. Some stakeholders also said that entities sometimes struggle to apply the indicators if those indicators point to different conclusions or if an arrangement involves more than three parties.

The IASB would like to understand from stakeholders in what circumstances they find applying the concept of control and the related indicators difficult and why, and how pervasive these circumstances are.

Question 5—Principal versus agent considerations

(a) Does IFRS 15 provide a clear and sufficient basis to determine whether an entity is a principal or an agent? If not, why not?

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the concept of control and related indicators (see Spotlight 5).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

10 See paragraphs B37A of IFRS 15 and BC385J of the Basis for Conclusions on IFRS 15.

6. Licensing

Background

For contracts that grant licences of intellectual property (IP) to customers, IFRS 15 requires an entity:

(a) to determine whether the promise to grant a licence is distinct from other goods or services promised in the contract. The Standard provides examples of licences that are not distinct, such as a licence that forms a component of a tangible good 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.[11]

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

(a) a right to access an entity's 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 the 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.[12]

The Standard provides requirements for recognising revenue 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. For such royalties, IFRS 15 requires an entity to constrain estimates of variable consideration to which the entity expects to be entitled by recognising revenue only when (or as) the later of the following events occurs:

(a) the subsequent sale or usage occurs; and

(b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).[13]

11 See paragraphs B52–B62 of IFRS 15.

12 See paragraphs B56–B62 of IFRS 15.

13 See paragraphs B63–B63B of IFRS 15.

Spotlight 6—Licensing

Initial feedback suggests that sometimes entities find the requirements for accounting for licensing arrangements unclear or apply them inconsistently. For example, stakeholders asked the IASB to clarify how:

(a) to determine whether an arrangement is a licensing arrangement if the contract refers to licensing but is in substance similar to a sale of IP or service provision.

(b) to identify performance obligations in arrangements that include an obligation to provide goods or services as well as a licence.

(c) to account for licence renewals. Stakeholders commented that some entities recognise revenue when the renewal period starts and others recognise it when the renewal is agreed. Some stakeholders noted that the FASB has amended Topic 606 to clarify that an entity is not permitted to recognise revenue from a licence renewal until the beginning of the renewal period.

The IASB would like to understand from stakeholders in what circumstances they find applying the licensing requirements difficult and why, and how pervasive these circumstances are.

Question 6—Licensing

(a) Does IFRS 15 provide a clear and sufficient basis for accounting for contracts involving licences? If not, why not?

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to matters described in Spotlight 6.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

7. Disclosure requirements

Background

In developing IFRS 15, the IASB sought to improve on the disclosure requirements in previous Standards to enable entities to provide more useful information about the nature, amount, timing and uncertainty of revenue.

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 receivables or contract assets arising from contracts with customers;

(c) contract balances, including opening and closing balances of receivables, contract assets and contract liabilities, and reasons for significant changes in contract asset and contract liability balances;

(d) performance obligations, including when the entity typically satisfies its performance obligations and how much of the transaction price it allocates 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 the 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, if any.[14]

14 See paragraphs 110–129 of IFRS 15.

Spotlight 7—Disclosure requirements

Initial feedback on the disclosure requirements was generally positive. Some users of financial statements, regulators and accounting firms said they saw some improvement in the usefulness of information entities disclosed about revenue after IFRS 15 was implemented.

Stakeholders' main concerns about the disclosure requirements related to:

(a) the costs of meeting some disclosure requirements potentially exceeding the usefulness of the resulting information to users of financial statements. For example, stakeholders raised concerns about the cost of providing disclosures related to contract assets and contract liabilities and remaining performance obligations.

(b) entities sometimes omitting the information required by IFRS 15. Some stakeholders suggested this issue might be caused by a lack of specificity in the disclosure requirements.

The IASB would like evidence about how pervasive these concerns are and their causes.

Question 7—Disclosure requirements

(a) Do the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements? Why or why not?

Please identify any disclosures that are particularly useful to users of financial statements and explain why. Please also identify any disclosures that do not provide useful information and explain why the information is not useful.

(b) Do any disclosure requirements in IFRS 15 give rise to significant ongoing costs?

Please explain why meeting the requirements is costly and whether the costs are likely to remain high over the long term.

(c) Have you observed significant variation in the quality of disclosed revenue information? If so, what in your view causes such variation and what steps, if any, could the IASB take to improve the quality of the information provided?

8. Transition requirements

Background

The IASB allowed an entity applying IFRS 15 for the first time a choice between two transition methods, namely:

(a) applying the Standard retrospectively to each prior reporting period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to practical expedients allowed by IFRS 15 (retrospective method).

(b) applying the Standard retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application (modified retrospective method). An entity using this method was required to provide additional disclosures, namely:

   (i) the amount by which each financial statement line item is affected in the current reporting period by the initial application of IFRS 15; and

   (ii) an explanation of the reasons for significant changes identified in (i).[15]

IFRS 15 also required an entity to explain which practical expedients were used and, to the extent reasonably possible, to provide a qualitative assessment of the estimated effect of applying each practical expedient.[16]

The IASB introduced the practical expedients and the option to use the modified retrospective method to reduce the cost and burden of transition for preparers of financial statements. At the same time, by requiring additional disclosures, the IASB sought to ensure users of financial statements received useful information for their trend analyses.

Question 8—Transition requirements

(a) Did the transition requirements work as the IASB intended? Why or why not?

Please explain:

(i) whether entities applied the modified retrospective method or the practical expedients and why; and

(ii) whether the transition requirements in IFRS 15 achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.

15 See paragraphs C3–C8 of IFRS 15.

16 See paragraph C6 of IFRS 15.

9. Applying IFRS 15 with other IFRS Accounting Standards

Background

IFRS 15 requires an entity to apply the requirements in the Standard to all contracts with customers, except:

(a) lease contracts within the scope of IFRS 16 *Leases*.

(b) contracts within the scope of IFRS 17 *Insurance Contracts*. However, an entity may choose to apply IFRS 15 to insurance contracts that have as their primary purpose the provision of services for a fixed fee.

(c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.

(d) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

IFRS 15 also sets out requirements for contracts that are partially within the scope of IFRS 15 and partially within the scope of the other specified IFRS Accounting Standards. If the other Standards:

(a) specify how to separate and/or initially measure one or more parts of the contract, then an entity should first apply the separation and/or measurement requirements in those Standards;

(b) do not specify how to separate and/or initially measure one or more parts of the contract, then the entity should apply IFRS 15 to separate and/or initially measure the part (or parts) of the contract.[17]

17 See paragraphs 5–7 of IFRS 15.

Spotlight 9.1—IFRS 3 *Business Combinations*

Initial feedback suggests that, sometimes, the difference between the measurement principles in IFRS 3 (based on fair value) and those in IFRS 15 (based on the transaction price) might create difficulties for entities when measuring contract assets and contract liabilities acquired as part of a business combination. Fair value adjustments on acquisition of contract assets and contract liabilities could affect the amount of goodwill recognised on acquisition and amounts of revenue that will be recognised from related contracts with customers in the future.

Stakeholders suggested the IASB consider resolving the difference between the requirements for measuring contract assets and contract liabilities in IFRS 15 and IFRS 3. Stakeholders noted that in October 2021 the FASB made changes to the requirements in *Topic 805 Business Combinations*. The changes require an acquirer to apply the FASB's Topic 606 to measure contract assets and contract liabilities acquired in a business combination at the acquisition date.

The IASB would like to understand from stakeholders in what circumstances the differences between the requirements in IFRS 3 and IFRS 15 lead to significant fair value adjustments on acquisition, how pervasive the matter is and how it affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

Spotlight 9.2—IFRS 9 *Financial Instruments*

Initial feedback suggests that, sometimes, stakeholders are unsure whether to apply the requirements in IFRS 15 or those in IFRS 9.

Price concession versus impairment losses

The IASB has learned that, sometimes, stakeholders are unsure whether, when an entity accepts lower consideration from a customer whose financial position has deteriorated over the course of their relationship, the entity needs to account for this reduction:

(a) as a contract modification in accordance with IFRS 15, with the reduction treated as a price concession that reduces revenue; or

(b) as impairment of receivables or contract assets in accordance with IFRS 9.

The IASB would like to understand from stakeholders in what circumstances they find determining how to account for reduced consideration difficult and why, and entities' current accounting policies for these items.

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Liabilities arising from IFRS 15

IFRS 15:

(a) sets out requirements for accounting for some liability types, for example, contract liabilities and refund liabilities; and

(b) specifies two cases (both relate to repurchase agreements) in which entities account for liabilities arising from IFRS 15 in accordance with IFRS 9.

Some stakeholders suggested that entities might be unsure of which requirements to use to account for other liabilities arising from IFRS 15, especially if those liabilities could meet the definition of a financial liability in IAS 32 *Financial Instruments: Presentation*. For example, if an entity sells gift cards that give the customer a right to choose a supplier—including the entity—to provide goods or services, which requirements apply to the resulting liability?

The IASB would like to understand from stakeholders in what circumstances they are unsure of the requirements to apply to liabilities arising from IFRS 15, the nature of these liabilities and entities' current accounting policies for these liabilities.

Spotlight 9.3—IFRS 16 *Leases*

Initial feedback suggests that in some cases entities might find accounting for contracts that include a service component and a lease component difficult due to differences between the requirements in IFRS 15 and IFRS 16.

The IASB would like to understand from stakeholders in what circumstances they are unsure of how to apply the requirements in IFRS 15 alongside the requirements in IFRS 16, how pervasive these circumstances are, what causes the ambiguity and how that ambiguity affects the usefulness of information to users of financial statements.

Spotlight 9.4—IFRS 10 *Consolidated Financial Statements*

Some stakeholders asked how to account for transactions in which an entity—as part of its ordinary activities—sells an asset by selling an equity interest in a single-asset entity that is a subsidiary (a so-called 'corporate wrapper').

The IASB noted that it considered the accounting for such transactions:

(a) in 2019 and 2020, while discussing a question submitted to the IFRS Interpretations Committee about a transaction in which an entity, as part of its ordinary activities, enters into a contract with a customer to sell real estate by selling its equity interest in a single-asset entity that is a subsidiary. The IASB considered whether to add to the work plan a narrow-scope project relating to such transactions, but decided against doing so.

(b) during the post-implementation review of IFRS 10, IFRS 11 and IFRS 12 *Disclosure of Interests in Other Entities*. The IASB determined that the corporate wrapper matter was of low priority and would be explored further if it were identified as a priority in the next agenda consultation.

(c) in the Third Agenda Consultation. Only a few respondents suggested developing requirements on the sale of assets via corporate wrappers, so the IASB concluded that the matter did not meet the criteria for adding a project to the work plan.

In discussing the initial feedback on this matter in this post-implementation review, the IASB noted that accounting for sales of assets via corporate wrappers is a cross-cutting issue. Developing a comprehensive solution for corporate wrappers could affect multiple IFRS Accounting Standards—for example, IFRS 10, IFRS 16 and IAS 12 *Income Taxes*—and would require significant resources. Stakeholders in the Third Agenda Consultation identified other priorities for the IASB for the 2022−2026 period.

Therefore, the IASB decided against including a question about accounting for the sale of assets via corporate wrappers in this Request for Information. The IASB will assess the demand for resolving this matter in the next agenda consultation and consider whether the matter meets the criteria for adding a project to the work plan.

Question 9—Applying IFRS 15 with other IFRS Accounting Standards

(a) **Is it clear how to apply the requirements in IFRS 15 with the requirements in other IFRS Accounting Standards? If not, why not?**

Please describe and provide supporting evidence about fact patterns in which it is unclear how to apply IFRS 15 with the requirements of other IFRS Accounting Standards, how pervasive the fact patterns are, what causes the ambiguity and how that ambiguity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. The IASB is particularly interested in your experience with the matters described in Spotlights 9.1–9.3.

(b) **Do you have any suggestions for resolving the matters you have identified?**

10. Convergence with Topic 606

Background

IFRS 15 was developed jointly with the FASB. In May 2014 the IASB issued IFRS 15 and the FASB issued Topic 606. When issued, the requirements in IFRS 15 and Topic 606 were substantially converged, except for some minor differences.

In 2014 and 2015 the IASB and FASB's joint Transition Resource Group—formed to support implementation of IFRS 15 and Topic 606—discussed potential implementation issues submitted by stakeholders. As a result of these discussions, the IASB and the FASB amended their respective standards in 2016.[18] The FASB's amendments to Topic 606 were more extensive than the IASB's amendments to IFRS 15, which resulted in further differences between IFRS 15 and Topic 606.[19]

In deciding whether to take action on its post-implementation review findings, the IASB will need to consider how any actions will affect convergence between IFRS 15 and Topic 606. As part of this consideration, the IASB is seeking respondents' views on how important retaining the current level of convergence between IFRS 15 and Topic 606 is.

Question 10—Convergence with Topic 606

(a) How important is retaining the current level of convergence between IFRS 15 and Topic 606 to you and why?

18 See the IASB's *Clarifications to IFRS 15* Revenue from Contracts with Customers and the FASB's Accounting Standards Update (ASU) No. 2016-08 *Revenue from Contracts with Customers (Topic 606)—Principal versus Agent Considerations* (Reporting Revenue Gross versus Net), ASU No. 2016-10 *Revenue from Contracts with Customers (Topic 606)—Identifying Performance Obligations and Licensing*, ASU No. 2016-12 *Revenue from Contracts with Customers (Topic 606)—Narrow-Scope Improvements and Practical Expedients* and ASU No. 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*.

19 The differences between IFRS 15 and Topic 606 are summarised in Appendix A to the March 2023 Agenda Paper 6A *Post-implementation Review of IFRS 15—Background*.

11. Other matters

Background

Sections 1–10 focus on matters the IASB has identified as areas of interest to examine further in the post-implementation review of IFRS 15.

This section provides stakeholders with an opportunity to share feedback on other matters relevant to this post-implementation review.

Please share any information that would be helpful to the IASB in assessing whether:

there are **fundamental questions** (fatal flaws) about the clarity and suitability of the core objective or principles in IFRS 15	the **benefits to users of financial statements** of the information arising from applying IFRS 15 requirements are significantly lower than expected	the **costs of applying** IFRS 15 requirements and auditing and enforcing their application are significantly greater than expected

Question 11—Other matters

(a) **Are there any further matters that you think the IASB should examine as part of the post-implementation review of IFRS 15? If yes, what are those matters and why should they be examined?**

Please explain why those matters should be considered in the context of this post-implementation review and the pervasiveness of any matter raised. Please provide examples and supporting evidence.

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