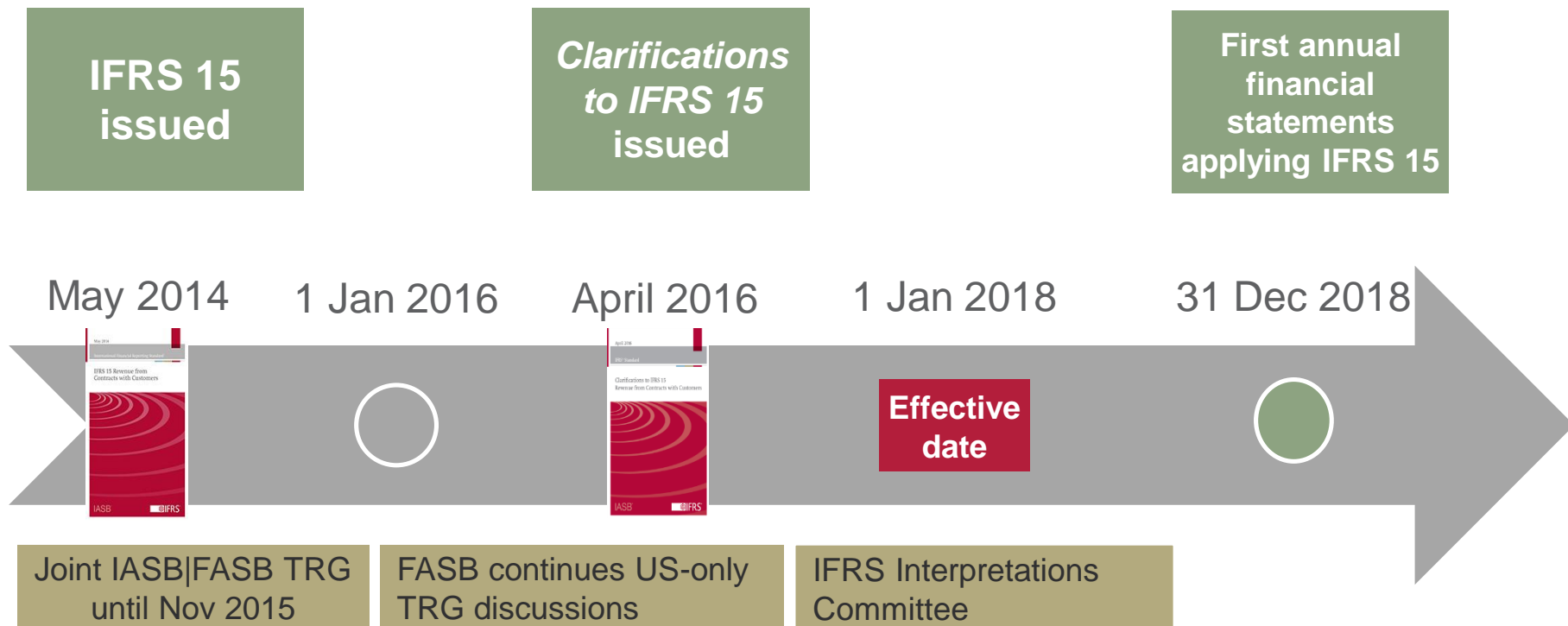


Implementing IFRS 15 *Revenue from Contracts with Customers*

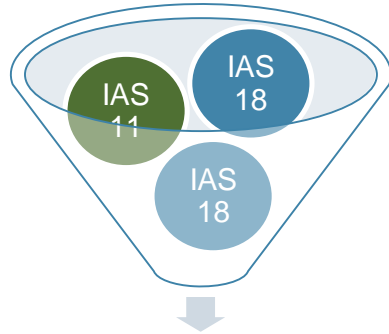
Takatsugu Ochi, IASB Member
International Accounting Standards Board
Singapore, November 2018

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

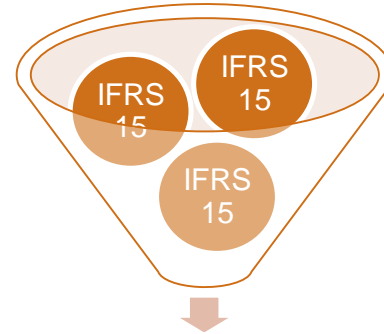
History of IFRS 15



What value does IFRS 15 deliver?



Revenue CUXXX



Revenue may be only CUXXX
± ~10%

The thought process changes even if the accounting doesn't change much

Single comprehensive framework

Greater comparability

Judgements made within the framework

More useful information for investors

Important with evolving products and business models

Supporting Implementation

How we support implementation

5



Webinars



Articles and
other materials



Conferences



Transition
Resource
Group



Education for

- investors
- regulators

Informal technical
discussions with

- regulators
- standard-setters
- audit firms

Board and IFRS
Interpretations
Committee discussions



Dedicated
website page

Supporting materials on the website

6

IFRS
Foundation
website

Supporting materials sorted by Standard

IFRS
Standards

IFRIC
Interpretations

News and
events



IFRS 15



go.ifrs.org/IFRS15-implementation

Residential real estate industry

Identification of performance obligations

- Are the land and building separate performance obligations?

Point in time or over time?

- Customer control of asset
- Enforceable rights
- Payment for performance completed to date

Tentative agenda decision

Stock exchanges

Assessment of goods and services in a contract—non-refundable
upfront fees

Transfer a promised good
or service to the customer

OR

Tasks to set up a contract

Onerous contracts

Entities previously applying IAS 11 now apply IAS 37

Are the unavoidable costs of fulfilling the contract:

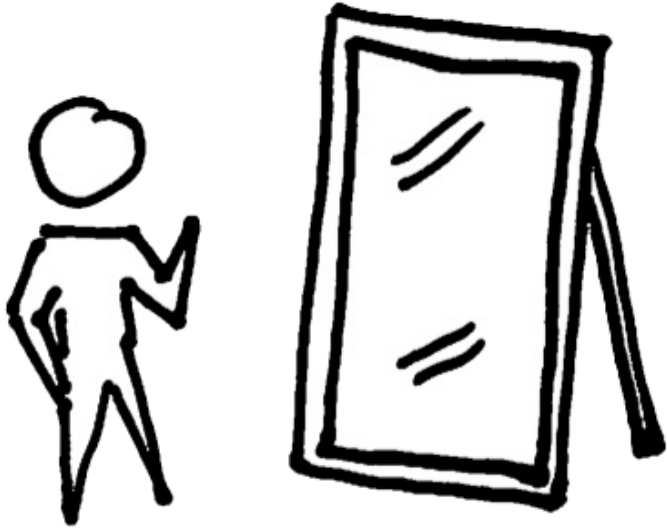
- incremental costs?
- total costs?

Board is proposing a narrow scope amendment to IAS 37

Disclosures

The objective ... 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





**Do you recognise
yourself?**

Specific topics

Principal versus agent

Who are you?
I am a 'principal'. I **control** the good or service before the customer gets it. My performance obligation is *to provide* the good or service...

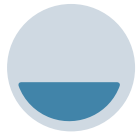
Who are you?
I am an 'agent'. I **don't control** the good or service before the customer gets it. My performance obligation is *to arrange* for the good or service to be provided...



- Facts
 - An entity, a travel agency, purchases tickets from airlines at reduced rates compared with the tickets sold directly to the public
 - The entity agrees to buy a specific number of tickets at a fixed price regardless of whether it is able to resell them
 - The entity determines the prices at which the tickets will be sold to its customers

Is the entity a principal or an agent?

Principal or agent?



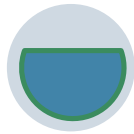
Identify the specified good or service



✓ Ticket



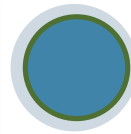
✗ Flight



Does the entity control the good or service?

Yes

- ✓ Ability to direct the use
- ✓ Obtains benefit by use/sale



The entity is...

A principal



Principal or agent?

What if a ticket is bought by the entity from an airline only when requested by a customer?



Identify the specified good or service



✓ Ticket



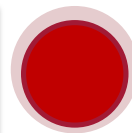
✗ Flight



Does the entity control the good or service?

No

- ✗ Ability to direct the use
- ✗ Does not obtain benefit by use/sale



The entity is...

An agent



Measuring progress towards complete satisfaction of a performance obligation

An entity shall apply *a single method of measuring progress* for each performance obligation satisfied over time and the entity shall apply that method consistently to similar performance obligations and in similar circumstances.

Contract costs

Acquire a contract

- Capitalise if incremental (except if contract \leq 12 months)

Set-up costs

- No revenue recognition
- Capitalise if create resource for future use

Fulfilment costs

- No WIP if PO satisfied over time

Get involved

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