UNCTAD-Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

Workshop on Accounting and Financial Reporting Standards

Monday, 3 October 2016
Room XXVI, Palais des Nations, Geneva
Morning Session

IFRS 15 – Revenue from Contracts with Customers

Presented by

Fábio Moraes da Costa
FUCAPE Business School, Brazil

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Trends in Financial and Corporate Reporting
IFRS 15 – Revenue from Contracts with Customers

Fábio Moraes da Costa
IFRS Adoption in Brazil – Indirect approach

IFRS 15
Revenue from Contracts with Customers

CPC 47
Brazilian Accounting Pronouncements Committee

BRGAAP ≈ IFRS
Consolidated and Individual Financial Statements
New Standard: discussions range from technical issues to taxation & dividends.

Public Companies
CVM - Brazilian SEC

Financial Institutions
BACEN – Central Bank

Insurance Companies
SUSEP – Insurance Regulator

All other entities
CFC – Federal Council of Accounting
Total revenues in Brazil (non-financial listed companies)

1.8 trillion R$ around 550 billion USD

REVENUES (%)

- Oil & Gas: 18%
- Food & Beverages: 17%
- Utilities: 14%
- Retail: 10%
- Telecom: 5%
- Mining: 5%
- Metal: 7%
- Chemical: 7%
- Other: 17%
- Telecom: 5%

Thank you.
Implementation – General topics

SCOPE

Risk sharing agreements
(Oil & Gas)

Warranties: service vs. assurance
(Retail & Consumer Products)

PERFORMANCE OBLIGATIONS & PRICE ALLOCATION

‘Combos’ & Contract changes
(Telecom)
Implementation – Some Brazilian issues

**FINANCING COMPONENT**

High interest rates in Brazil (>14%)

Issues:
- Practical expedient (<1year) vs. materiality approach (BRGAAP);
- Definition of the discount rate.

**SATISFACTION OF THE PERFORMANCE OBLIGATION**

‘Right of regret’ of 7 days (Brazilian Consumer Code)

Issue:
- When the performance obligation is satisfied?
Transition & Implementation – Some Brazilian issues

CONSTRUCTION COMPANY

\[ \text{\textendash} \]

‘INCORPORADORAS’
(Real Estate)

\[ \text{\textendash} \]

CUSTOMER

Usually, the customer buys the apartment before construction begins;

The ‘Incorporadora’ has to determine the timing of satisfaction of performance obligations: ‘over time’ vs. ‘at a point in time’;

BRGAAP allows recognition ‘over time’ (OCPC 01);

Likely to change: ‘at a point in time’ (IFRS 15).
Regulation and Taxation

• **Regulators:**
  – Brazilian reality: economic incentives (i.e., taxes) tend to create an incentive for firms to decrease (and not to increase) revenues.

• **Taxation:**
  – Many taxes are based on revenues (and aren’t VAT);
  – New ‘deferred’ sales taxes?
    • Separate performance obligations;
    • ‘Principal vs. agent’.
Initiatives in Brazil

• **Communication & dialogue:**
  – Objective: achieve a smooth transition in Brazil.
  – Round-tables, outreach activities, seminars & events.

• **Taxation:**
  – Law 12.973/2014: new accounting standards do not bring tax effects until a new tax law is issued;
  – Future tax rules being discussed by a working group: Receita Federal (‘Brazilian IRS’), Federal Council of Accounting and other entities.

• **Education:**
  – Workshops for educators: framework-based teaching and the importance of the Basis for Conclusions.
OBRIGADO!

FÁBIO MORAES DA COSTA
fabio@fucape.br