IFRS 15 – Revenue from Contracts with Customers

Presented by

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IFRS15 – Revenue from contracts with customers

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ACCA

- Global body for professional accountants
- 178,000 members and 455,000 students
- In 181 countries served by 92 offices and centres
- IFRS in the professional qualification since 1996
- Diploma and Certificate in IFRS
IFRS15 implementation
IFRS15 revenue from contracts with customers

- 5 step approach to revenue recognition
- identify the contract with a customer
- identify the separate performance obligations in the contract
- determine the contract price
- allocate the transaction price to the separate performance obligations
- recognise revenue when a performance obligation is satisfied.
IFRS15 revenue from contracts with customers

- Identify contract
- when modifications mean new contract
- Separate performance obligations
- Distinct good or services
- More emphasis on unbundling
- Greater clarity on warranties
IFRS15 revenue from contracts with customers

- Contract price
- variable consideration
- financing component
- Allocation to performance obligations
- based on stand alone selling prices
- variable consideration
IFRS15 revenue from contracts with customers

- **Satisfaction of performance obligations**
- transfer of control
- Repurchase arrangements
- Satisfied over time
- Satisfied at a point in time
- Where percentage of completion method used
- **Contract costs**
- can defer and amortise
Implementing IFRS15

• Measuring revenue is central to organisations
• Most significant number for many - margins
• New standard may delay or quicken revenue recognition
• Much more prescriptive guidance than in IAS18 or IAS11
• Sectoral approaches
• Impact on systems and procedures to prepare and demonstrate compliance
• research across organisation and trial runs
Impact of IFRS15 – some indicators

• Do you combine an initial sale with subsequent services?
• Do you make products for specific customers?
• Do you do provide products or services that need a long time to construct or develop?
• Do you have contingent income – bonuses based on targets, discounts?
• Do you have licence or royalty income?
• Do you have many contract modifications?
Questions or comments?
Thank you

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