

**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

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Revenue from Contracts with Customers

Susan Cosper – FASB Technical Director

October 3, 2016



Converged Standard on Revenue



IAS 18 Revenue

May 2014

International Financial Reporting Standard*

IFRS 15 Revenue from
Contracts with Customers

IAS 11 Construction Contracts

IASB*



FINANCIAL ACCOUNTING SERIES

FASB ACCOUNTING STANDARDS UPDATE

No. 2014-09
May 2014

Revenue from Contracts with Customers
(Topic 606)

An Amendment of the FASB Accounting Standards Codification*

Financial Accounting Standards Board

Revenue Recognition

Insurance

Internet-Broadcasters

Pay-TV

Real Estate

Software

Telecommunications

...

Significant Improvements



Robust framework for addressing revenue issues



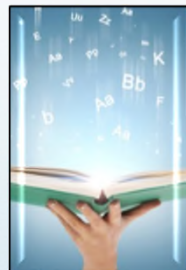
Increases comparability



Eliminates complex and prescriptive rules



Provides guidance in areas that previous GAAP and IFRS had none



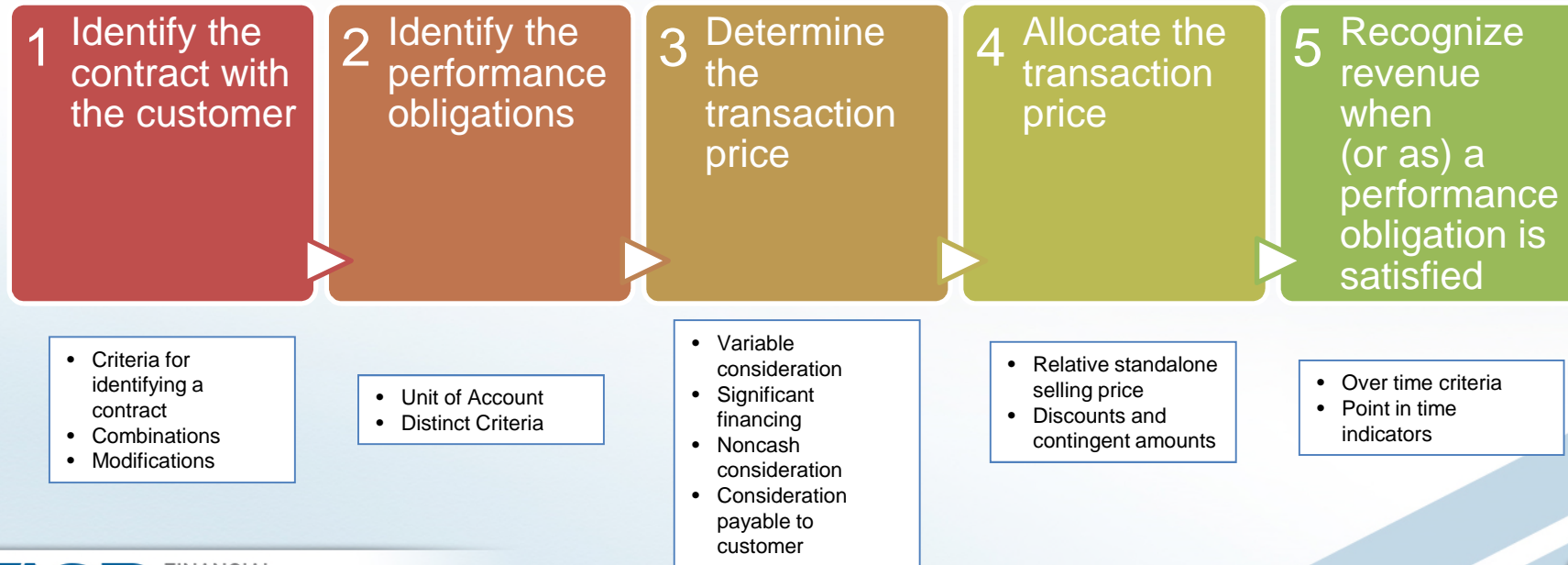
Enhances disclosures

Five Steps to Apply the Standard

Core principle

Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

Steps to apply the core principle



Transition Resource Group

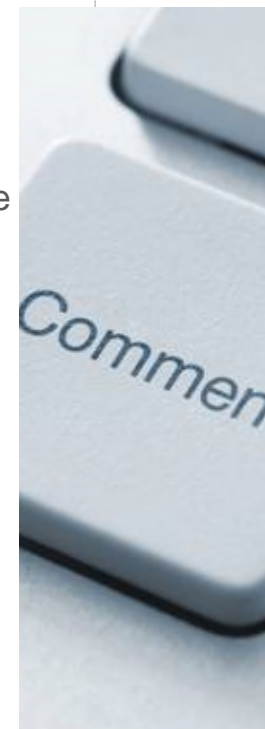
- Group to *support transition*—does *not* issue authoritative guidance
- Members include financial statement preparers, auditors and users, global representation
- Provides a forum for stakeholders to learn about the new guidance from others involved with implementation
- Public meetings to discuss implementation questions
- Clear communication about next steps for each issue
- Staff papers, meeting summaries and summary of stakeholder questions available on

www.fasb.org OR go.ifrs.org/RTRG



How to Submit an Issue to the TRG

- Any stakeholder can submit a potential implementation issue
 - We encourage submissions as soon as possible
- Issue submitted about new revenue guidance should:
 - Involve guidance that can be applied in different ways resulting in diversity in practice
 - Be pervasive (relevant to wide group of stakeholders)
- Staff will read all submissions and prioritize issues for discussion
- Visit FASB website to submit an issue



TRG Activities

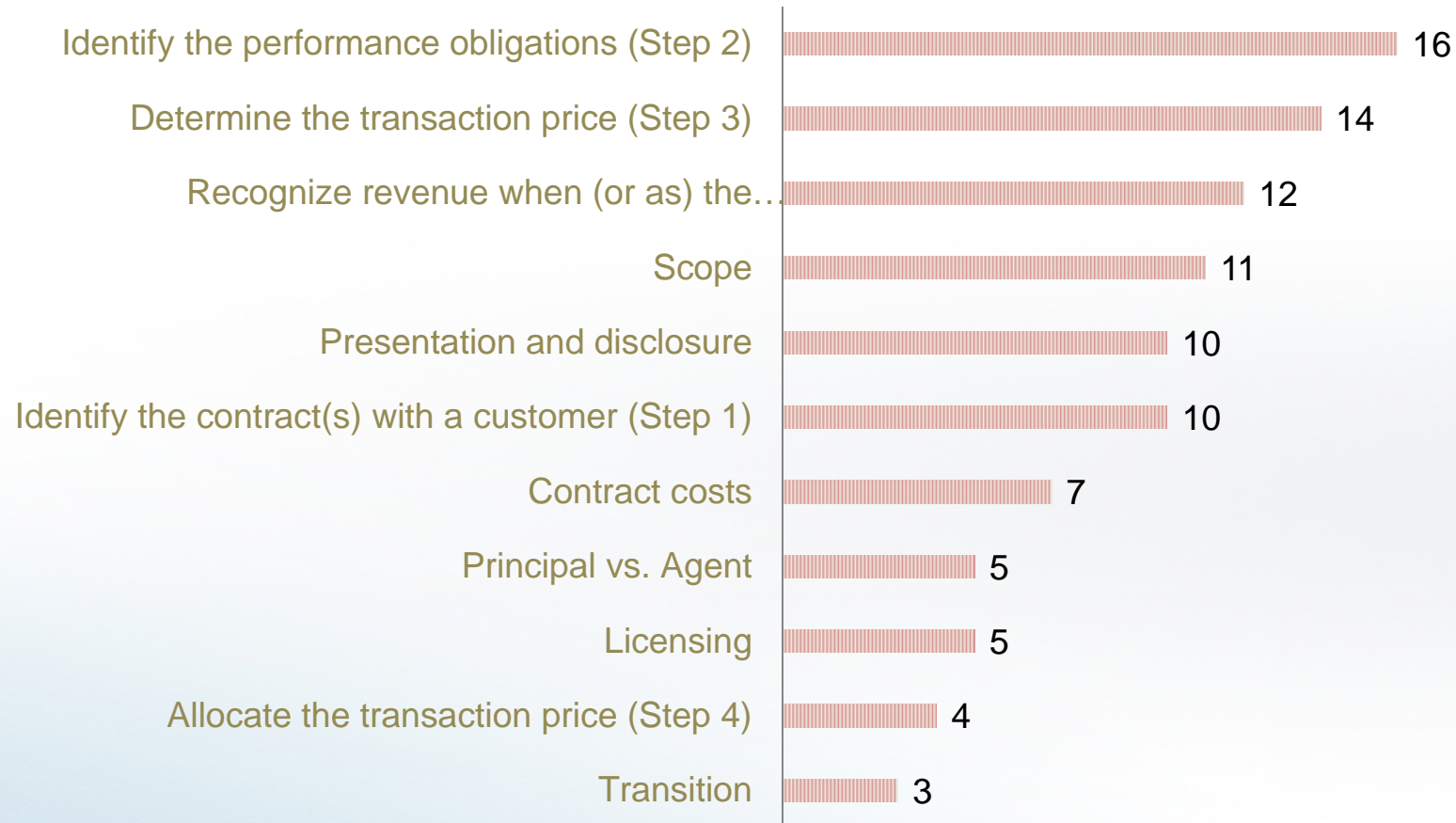


- A majority of the TRG issues were educational
- Input from TRG led to amendments to clarify the Boards' intent for a handful of issues
- Next meeting scheduled on November 7, 2016 (FASB-only with IASB observer)

**Data as of September 2016*

***55 issues discussed at Joint TRG meetings; 5 issues discussed during FASB TRG meeting (with IASB as an observer)*

Where are the issues?



Standard Setting

- Targeted amendments to clarify how the principles of the new revenue standard should be applied

Performance obligations	Clarify the application of ‘separately identifiable’ notion
Licensing	Clarify the criteria for determining the nature of licence of IP and application of royalty exception
Principal versus agent	Clarify that the determination is based on the ‘control’ principle and how that principle is applied

- New practical expedients and transition relief to reduce cost and complexity

Transition

Transition method		PY2 (2016)	PY1 (2017)		CY (2018)	CY Footnotes
Full Retrospective*	Cumulative catch-up	Contracts under <u>new</u> standard				
Modified Retrospective*		Contracts under <u>legacy</u> standard		Cumulative catch-up	Existing and new contracts under <u>new</u> standard	Existing and new contracts under <u>legacy</u> standard for CY (2018)

* Optional practical expedients available

Effective Date

- Public entities – 2018 (annual and interim periods)
- Nonpublic entities – 2019 (annual periods); 2020 (interim periods)
- Earlier adoption as of original effective date (2017) permitted

Effective date is deferred for all entities by one year.

The effective dates for Topic 606 and IFRS 15 for public entities are aligned.

Key Takeaways

- 2018 is closer than you think...get started on implementation
- Take a fresh look at your accounting, revenue disclosure, and internal controls
- Leverage FASB, IASB, and other implementation resources
- Implementation of new disclosures should not be an afterthought

Q&A

