

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

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Morning Session

IFRS 15 – Revenue from Contracts with Customers

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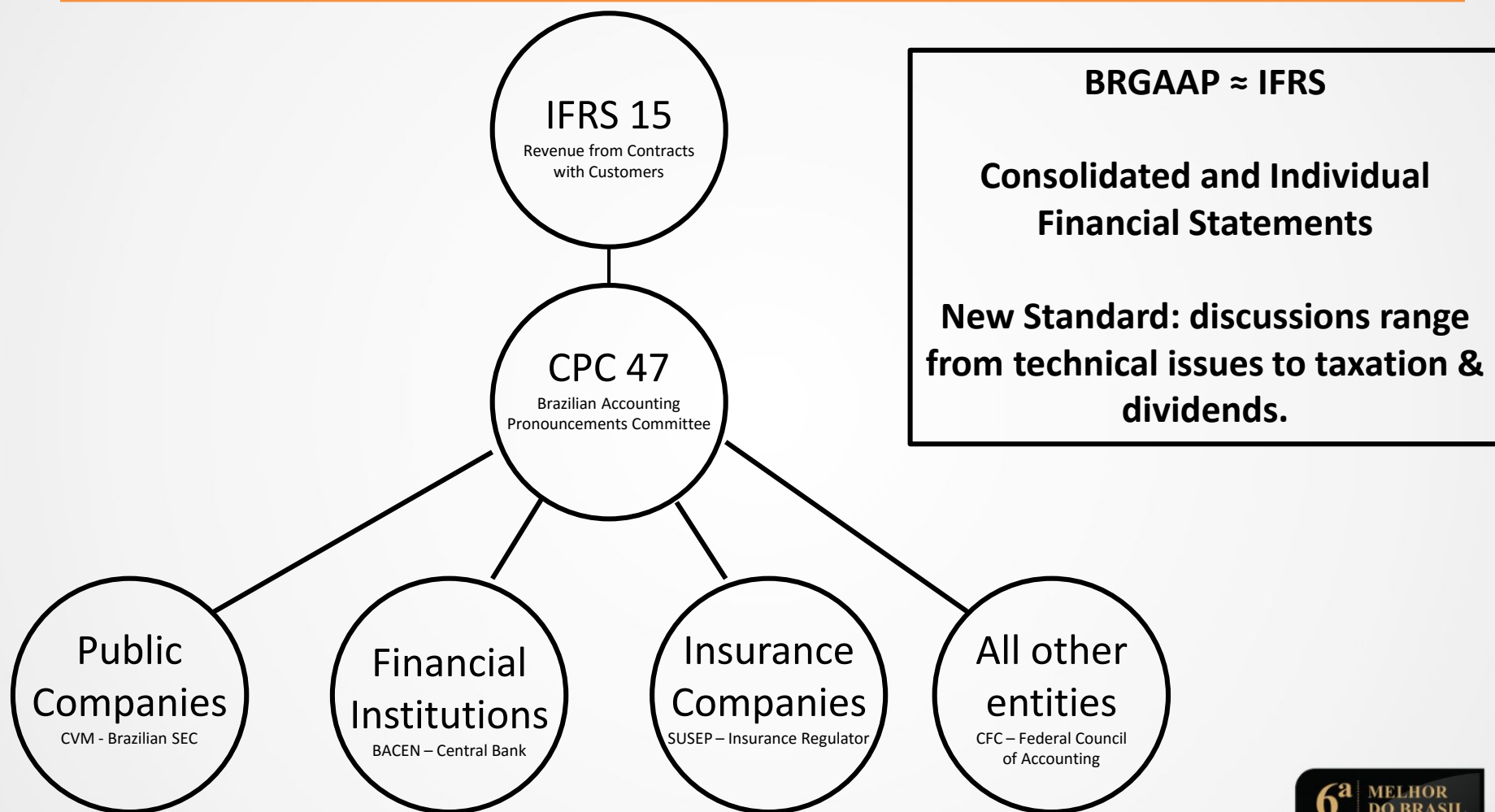


Trends in Financial and Corporate Reporting IFRS 15 – Revenue from Contracts with Customers

Fábio Moraes da Costa

ISAR Workshop – Palais des Nations, Geneva – October, 2016

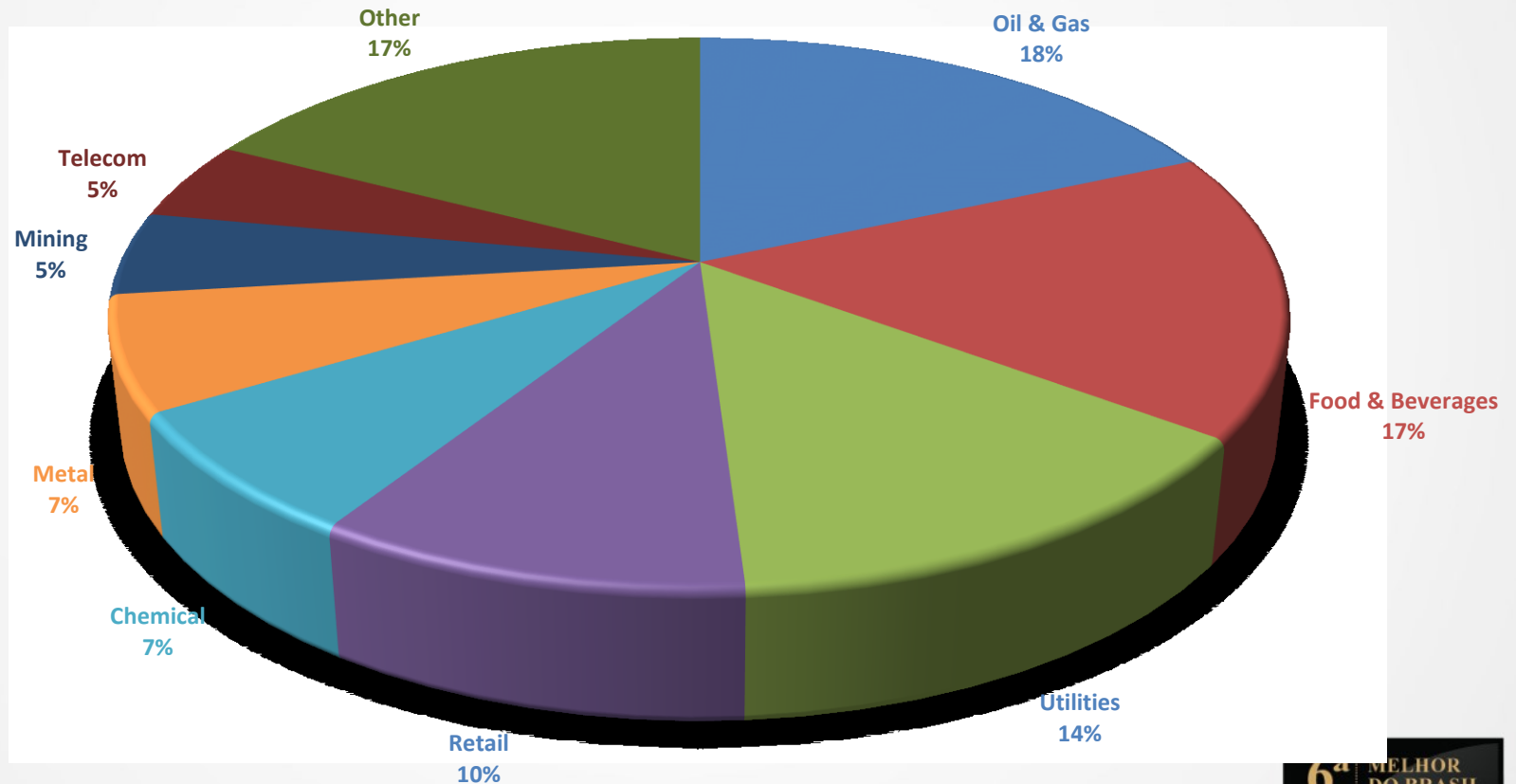
IFRS Adoption in Brazil – Indirect approach



Total revenues in Brazil (non-financial listed companies)

1.8 trillion R\$
around 550 billion USD

REVENUES (%)



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



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!

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