Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik
“IFRS 15, Revenue from Contracts with Customers”
stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:

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In brief

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Revenue recognition – the future is here

Issue

On 28 May, the IASB and FASB issued their long-awaited converged standard on revenue recognition. Those closely following the project know there are potentially significant changes coming for certain industries, and some level of change for almost all entities.

IFRS 15, Revenue from contracts with customers will be effective for IFRS reporters for the first interim period within annual reporting periods beginning on or after 1 January 2017, and will allow early adoption. The new standard will be effective for US GAAP reporters for the first interim period within annual reporting periods beginning after 15 December 2016 for public entities and after 15 December 2017 for non-public entities, with no early adoption permitted.

Impact

The new standard will affect most entities that apply IFRS or US GAAP. Entities that currently follow industry-specific guidance should expect the greatest impact. Summarised below are some of the areas that could create the most significant challenges for entities as they transition to the new standard.

Transfer of control

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, nor is it necessarily the same as the culmination of an earnings process as it is considered today. Entities will also need to apply new guidance to determine whether revenue should be recognised over time or at a point in time.

Variable consideration

Entities might agree to provide goods or services for consideration that varies upon certain future events occurring or not occurring. Examples include refund rights, performance bonuses and penalties. These amounts are often not recognised as revenue today until the contingency is resolved. Now, an estimate of variable consideration is included in the transaction price if it is highly probable (IFRS) or probable (US GAAP) that the amount will not result in a significant revenue reversal if estimates change. Even if the entire amount of variable consideration fails to meet this threshold, management will need to consider whether a portion (a minimum amount) does meet the criterion. This amount is recognised as revenue when goods or services are transferred to the customer. This could affect entities in multiple industries where variable consideration is currently not recorded until all contingencies are resolved. Management will need to reassess estimates each reporting period, and adjust revenue accordingly.

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There is a narrow exception for intellectual property (IP) licences where the variable consideration is a sales- or usage-based royalty.

Allocation of transaction price based on relative stand-alone selling price

Entities that sell multiple goods or services in a single arrangement must allocate the consideration to each of those goods or services. This allocation is based on the price an entity would charge a customer on a stand-alone basis for each good or service. Management should first consider observable data to estimate the stand-alone selling price. An entity will need to estimate the stand-alone selling price if such data does not exist. Some entities will need to determine the stand-alone selling price of goods or services that have not previously required this assessment, such as entities that report under US GAAP and issue customer loyalty points.

Licences

Entities that license their IP to customers will need to determine whether the licence transfers to the customer over time or at a point in time. A licence that is transferred over time allows a customer access to the entity's IP as it exists during the licence period. Licences that are transferred at a point in time allow the customer the right to use the entity's IP as it exists when the licence is granted. The customer must be able to direct the use of and obtain substantially all of the remaining benefits from the licensed IP to recognise revenue when the licence is granted. The standard includes several examples to assist entities making this assessment.

Time value of money

Some contracts provide the customer or the entity with a significant financing benefit (explicitly or implicitly). This is because performance by an entity and payment by its customer might occur at significantly different times. An entity should adjust the transaction price for the time value of money if the contract includes a significant financing component. The standard provides certain exceptions to applying this guidance and a practical expedient which allows entities to ignore time value of money if the time between transfer of goods or services and payment is less than one year.

Contract costs

Entities sometimes incur costs (such as sales commissions or mobilisation activities) to obtain or fulfil a contract. Contract costs that meet certain criteria are capitalised as an asset and are amortised as revenue is recognised. More costs are expected to be capitalised in some situations. Management will also need to consider how to account for contract costs incurred for contracts that are not completed upon the adoption of the standard.

Disclosures

Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts. Quantitative and qualitative information will be provided about the significant judgments and changes in those judgments that management made to determine revenue that is recorded.