

IFRS 15 Revenue from Contracts with Customers

November 2021

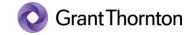
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The IASB has published IFRS 15 'Revenue from Contracts with Customers' which is effective for annual reporting periods beginning on or after 1 January 2018. IFRS 15:

- replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations;
- establishes a new control-based revenue recognition model;
- changes the basis for deciding whether revenue is recognised at a point in time or over time;
- provides new and more detailed guidance on specific topics;
- expands and improves disclosures about revenue.

IFRS 15 will apply to most revenue arrangements, including constructions contracts. Among other things, it changes the criteria for determining whether revenue is recognised at a point in time or over time. IFRS 15 also has more guidance in areas where current IFRSs are lacking – such as multiple element arrangements, variable pricing, rights of return, warranties and licensing.



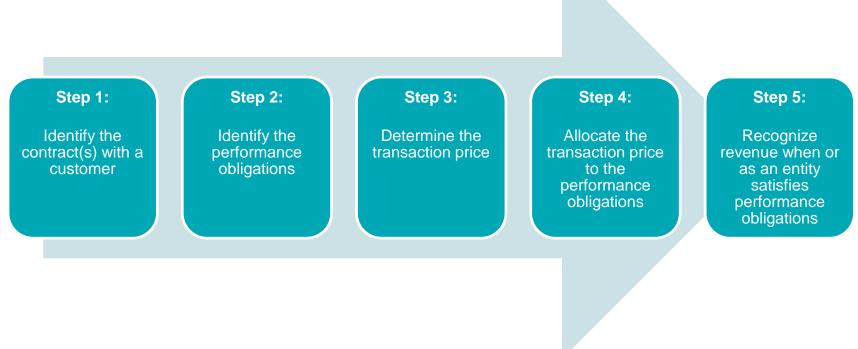


A single model for revenue recognition

IFRS 15 is based on a core principle that requires an entity to recognise revenue:

- in a manner that depicts the transfer of goods or services to customers;
- at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

Accordingly, now, there is one single model for revenue recognition in five steps as follows:



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Contract modifications



A contract modification arises when the parties approve a change in the scope and/or the price of a contract (i.e. a change order). The accounting for a contract modification depends on whether the modification is deemed to be a separate contract or not. An entity accounts for a modification as a separate contract, if both:

- the scope changes due to the addition of 'distinct' goods or services;
- the price change reflects the goods' or services' stand-alone selling prices under the circumstances of the modified contract.

Besides, IFRS 15 also provided detailed guidance for other topics which were presented in limitation under IAS 18 and IAS 11 such as contract costs, warranties, licensing, rights of return and repurchase obligations, etc.





Presentation and disclosures

Beside revenue arisen from the contract on its statements of profit or loss, IFRS 15 requires the entity to present contracts in its statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment at the reporting date.

IFRS 15 requires to disclose many new information about contracts with customers, including: recongised revenue, contract balances, performance obligations, significant judgements and other related information.



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IFRS News

Revised October 2016

IASB and FASB release major new standard on revenue recognition

"FRS 15 'Revenue from Contracts with Customers' represents the A shift in the top line – the new culmination of more than five years of cooperation between the IASB and FASB, and will affect almost every revenue-generating business that applies IFRSs. While achieving convergence has been challenging and sometimes controversial, we believe the new Standard will provide a major boost for investors looking to compare company performance across borders. FRS 15 will apply to most revenue arrangements, including

constructions contracts. Among other things, it changes the criteria for determining whether revenue is recognised at a point in time or over time. IFRS 15 also has more guidance in areas where current IFRSs are lacking - such as multiple element arrangements, variable pricing, rights of return, warranties and licensing. The actual impact on each company's top line will depend

on their specific customer contracts and how they have applied existing Standards. For some it will be a significant shift, and systems changes will be required, while others may see only

minor changes. With IFRS 15 taking effect in 2018, management should begin their impact assessment now."

Global IFRS Team Start Thornton International Ltd

global revenue standard is here at last The IASB has published IFRS 15 'Revenue

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key features of the new Standard and provides practical insights into its application and impact





Our full publication on "IFRS 15: Revenue from customer contracts"

For detail instruction on IFRS 15, please read our full report in English at the following link:

View the publication here



Contact

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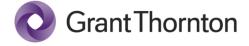
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