

Technical Accounting Alert

Clarifications to IFRS 15 *Revenue from Contracts with Customers*

Introduction

The IASB has published 'Clarifications to IFRS 15 *Revenue from Contracts with Customers*'. These amendments address a number of issues identified by the joint IASB-FASB Transition Resource Group (TRG) on revenue recognition. The TRG was formed by the Boards after issuing the new standard in 2014 and is tasked with supporting the implementation of IFRS 15. While a total of five (5) topics discussed by the TRG indicated the possible need for clarification, the IASB has elected to address just three (3) of these, striking a balance between being responsive to issues raised while minimising disruption to the implementation process. The amendments also introduce two (2) practical expedients available for use by entities implementing the new standard.

The amendments

The amendments clarify the application of IFRS 15 in three (3) specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

- identify performance obligations (by clarifying how to apply the concept of 'distinct')
- determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle)
- determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights)

The amendments also create two (2) additional practical expedients available for use when implementing IFRS 15:

- for contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations
- companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented

All TA Alerts can be found on the National Intranet (<http://gtassist.au.gt.local/>) under Professional Services/Audit & Assurance (for Grant Thornton staff only) and the Grant Thornton Australia website (www.grantthornton.com.au) under Insights/Technical publications & IFRS/Local technical and financial reporting alerts. This Alert is not a comprehensive analysis of the subject matter covered and is not intended to provide accounting or auditing advice. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at accounting and audit decisions that comply with matters addressed in this Alert. Grant Thornton is a trademark owned by Grant Thornton International Ltd (UK) and used under licence by independent firms and entities throughout the world. Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Effective date

The amendments are effective for annual periods beginning on or after 1 January 2018 (which is the effective date of IFRS 15), earlier application is permitted.

Australian context

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent amendments to AASB 15 *Revenue from Contracts with Customers* shortly.

Further information

For further information on any of the information included in this Technical Accounting Alert, please get in touch with your local Grant Thornton Australia contact or a member of the National Audit Support Team at nationalaudit.support@au.gt.com.