

Beyond the GAAP

Mazars' newsletter on accounting standards

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Editorial

While they do not form an official part of the IASB's Disclosure Initiative, the amendments proposed to IFRS 8 on operating segments are certainly in the same spirit. With this consultation, and the consultation around the discussion paper on Principles of Disclosure, the IASB has started the ball rolling for the 2017 round of deliberations on the theme of Better Communication. In Europe, the recently published standard on leases has just completed the first stage of the adoption process, EFRAG having just issued a recommendation for rapid endorsement to the European Commission.

The publication of the 2016 financial statements was an opportunity to analyse the information provided by entities about how they are implementing IFRS 15 on Revenue from Customers, in particular in light of the expectations expressed in summer 2016 by the market regulators. While the level of information disclosed is varied, some trends are starting to emerge, and you can read about these in our study!

Enjoy your reading!

Edouard Fossat

Isabelle Grauer-Gaynor

IFRS Highlights

The IASB proposes improvements to IFRS 8 on operating segments

Following its 2012-2013 review of the implementation of IFRS 8 on operating segments, on 28 March 2017 the IASB published an exposure draft proposing amendments to the standard and clarifications in three major areas.

The chief operating decision maker

The text clarifies that the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity. As it is a function, it may be carried out by an individual or a group, even if that group includes non-executive members. The text also requires an entity to disclose the title and description of the role of the chief operating decision maker in the notes.

Criteria for the aggregation of operating segments

The amendment contains clarifications regarding the similar economic characteristics required by segments in order to qualify for aggregation under paragraph IFRS 8.12. Such segments often exhibit similar long-term financial performance across a range of measures including:

- revenue growth,
- return on assets, and
- average gross margins.

Disclosures on operating segments

The first of these disclosures consists of the requirement to reconcile the segments presented in the financial statements and those presented elsewhere in the annual reporting package, requiring, where differences exist, an explanation of these differences in the notes to the financial statements.

The text then proposes to clarify that an entity may provide more disclosures than those reviewed by the chief operating decision maker if that would help users of financial statements to better evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. In the same spirit, a fuller explanation is required regarding the reconciliation of segment information and the financial statements. The aspects in question include the accounting policies applied where these are other than IFRSs, amounts not allocated to the reportable segments, and the elimination of intersegment amounts, such as revenue and intersegment receivables.

Finally, if the composition of an entity's segments changes, the text proposes that the first interim financial statements produced after this change should restate the segment information for all the interim periods in the year in which the change occurred, but also for all the comparative periods presented, unless the information is not available and the cost to develop it would be excessive.

The consultation is open until 31 July 2017, and may be found at: <http://www.ifrs.org/Current-Projects/IASB-Projects/PIR/clarifications-to-IFRS-8-arising-from-the-post-implementation-review/Pages/Exposure-Draft-and-Comment-letters.aspx>

The IASB addresses the principles behind disclosures in financial statements

In line with its initiative to improve financial reporting (the Disclosure Initiative, see Beyond the GAAP no. 84 of December 2014) and its strategic approach entitled Better Communication (see Beyond the GAAP no. 105 of November 2016), on 30 March 2017 the IASB published a discussion paper on the principles of financial disclosure.

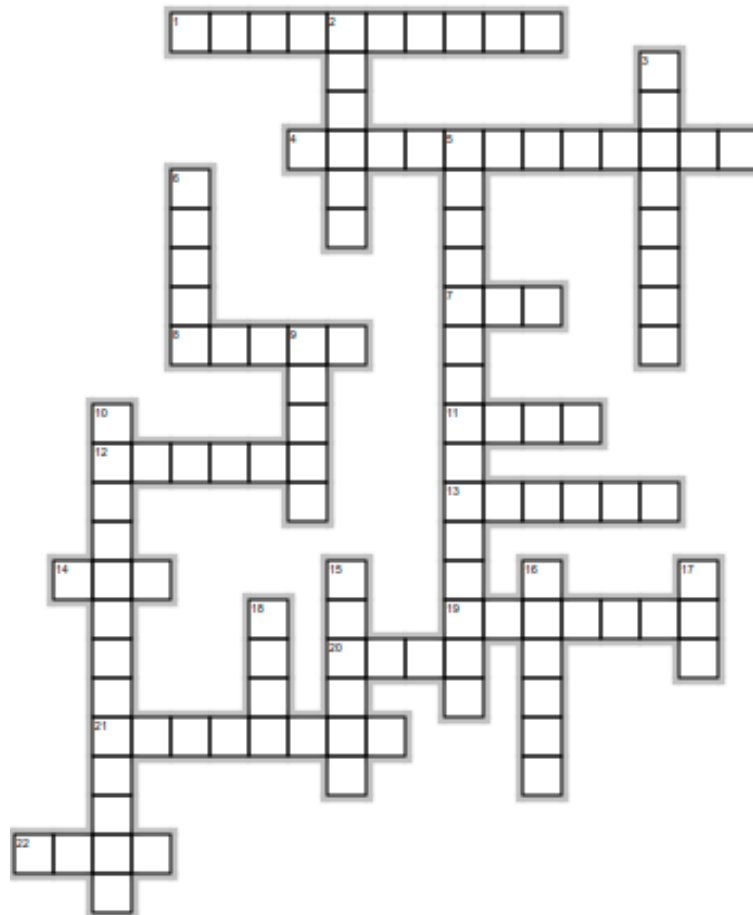
This paper seeks to answer the frequent criticism that financial statements often include too little relevant information, too much irrelevant information and information disclosed ineffectively. The discussion paper includes the following suggestions:

- Seven principles of effective communication, which could be included in a general disclosure standard or described in non-mandatory guidance;
- Possible approaches to improve disclosure objectives and requirements in IFRS Standards;
- Principles of fair presentation and disclosure of performance measures and non-IFRS information in financial statements, to ensure that such information is not misleading.

We will return to this discussion paper in a forthcoming edition of Beyond the GAAP. Meanwhile, the paper is open for comments until 2 October 2017. It is available at:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Principles-of-Disclosure/Pages/Exposure-Draft-and-Comment-letters.aspx>

Crossword: How well do you know the IFRS environment?



Down:

2. Minimum number of days for which the IASB can make a document available for consultation
3. Document setting out the procedures to which the IASB is subject
5. National or regional body for which the IASB has set up a discussion forum
6. Name of the IFRS Foundation's online shop
9. Number of governance levels in the IFRS Foundation
10. The type of majority required for an exposure draft or an IFRS standard
15. Type of analysis carried out by the IASB on new standards to satisfy the accountability principle
16. All official IASB consultations are this
17. Colour of the collection of published IFRS standards that can be applied in a given year (including early application)
18. Colour of the cover of a Discussion Paper

Across:

1. Description of the board that oversees the IFRS Foundation
4. First of the three key principles governing the IASB's processes
7. Adjective preceding the word "process" when describing the procedures that govern the IASB's work
8. Percentage (quorum) of members required for an IASB meeting
11. Initials of the body that oversees the IASB's respect of procedures
12. Record of the decisions taken by the IASB and IFRIC
13. The type of majority required for a Discussion Paper or to give the IASB staff technical guidance
14. IFRS internet extension
19. IFRS Foundation member responsible for overseeing the work of the IASB
20. New interval in years between two consultations on the IASB's work plan
21. An exercise in which the IASB contacts its stakeholders
22. How the IFRS takes its decisions on draft or final texts

A Closer Look

Into the final straight before transition to IFRS 15: what can we learn from financial reporting at 31 December 2016?

IFRS 15 becomes mandatory for financial periods commencing on or after 1 January 2018; in other words, it will come into effect in just a few months' time. Some initial lessons can already be learnt from companies' financial statements to 31 December 2016. Here, we give an overview of the financial reports published by industrial and services companies from the Eurostoxx 50, CAC 40 and Next 20 as of end-March, giving a sample of 61 organisations.

1. Financial reporting is broadly compliant with recommendations from ESMA on IFRS 15 implementation and disclosures

Last July, ESMA published a public statement recommending that entities should present progressively more qualitative and quantitative financial disclosures on the expected impacts of the new standard (see Beyond the GAAP no. 102 – July-August 2016).

As a reminder, ESMA recommended that entities should present the following specific disclosures in financial reporting for the year to 31 December 2016:

- An explanation of the entity's timeline for implementing IFRS 15;
- A description of IFRS 15 and its key concepts as they relate to the entity, to clarify how they will be implemented;
- Quantified information (such as order of magnitude) on the potential impacts of first-time application of IFRS 15, if these are known or reasonably estimable;
- A qualitative indication of the magnitude of the expected impact, if quantitative information is not available.

Moreover, if the impact is material, ESMA expects that most entities should be in a position to present quantified information (such as order of magnitude) on the potential impacts of IFRS 15 during the first period of application, in the interim financial statements for 2017.

Disclosures on the transition to IFRS 15 will thus vary depending on the magnitude of expected impacts, but also on the progress made towards transition.

Without getting bogged down in further detail, it is also important to remember that ESMA expects audit committees to monitor the implementation of the standard, as well as the accounting and financial information disclosed to investors.

2. Scope of the study and sampling

We analysed IFRS financial reporting to 31 December 2016, published by industrial and services companies from the Eurostoxx 50, CAC 40 and Next 20 indices whose reporting period was the same as the calendar year. Banks and insurance companies were therefore excluded from the sample. The analysis covered consolidated IFRS financial statements available as of 24 March 2017.

This gave us a sample of 61 European industrial and services companies (of which 60% were French companies) from a range of different market segments:

	EUR 50	EUR 50 + CAC 40	CAC 40	NEXT 20	Total
Goods and services to consumers ⁽¹⁾	8	4	8	0	20
Energy suppliers and environment	3	1	1	2	7
Real estate	0	1	0	1	2
Manufacturers ⁽²⁾	3	5	3	1	12
Basics materials and oil	2	2	1	0	5
Health	1	1	0	0	2
Services in communities	1	0	0	1	2
Technologies	1	0	1	3	5
Telecoms	2	2	1	1	6
Total	21	16	15	9	61

(1) : In which Automobile and automotive suppliers, Agribusiness and drinks, Medias, Household products and care products, Distribution, Travels and entertainments
(2) : In which Industrial products and services, Building and construction materials

French companies accounted for the majority of the sample (37 issuers), followed by German companies (12 issuers), with Dutch companies a distant third (4 issuers).

We studied the qualitative and quantitative data provided by issuers on the expected impacts of the transition to IFRS 15. All of the charts and tables in this study have been produced by Mazars, based on data gathered from the consolidated financial statements published by the companies in our sample for the period to 31 December 2016.

The examples which follow are provided as illustration only, and are not intended to represent the whole range of good practices identified in the research.

3. Interesting disclosures on the operational implementation of IFRS 15

43% of the companies in the sample presented more or less detailed disclosures on the operational implementation of internal IFRS 15 projects. One example was provided by SAP, which explained that it had launched a broad-ranging internal project to address all areas affected by the transition to IFRS 15.

Extract from SAP's consolidated financial statements to 31 December 2016:

- On May 28, 2014, the IASB issued IFRS 15 (Revenue from Contracts with Customers). The new revenue recognition standard will be effective for us starting January 1, 2018. We do not plan to adopt IFRS 15 early. The standard permits two possible transition methods for the adoption of the new guidance: (1) retrospectively to each prior reporting period presented in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), or (2) retrospectively with the cumulative effect of initially applying the standard recognized on the date of the initial application (cumulative catch-up approach). We currently plan to adopt the new standard using the cumulative catch-up approach.

We are in the process of developing our future IFRS 15 revenue recognition policies and adjusting the relevant business processes to adopt these new policies. We have established a project across SAP's operating segments. This project covers the implementation of a new SAP-based revenue accounting and reporting solution as well as the development of new revenue recognition policies. Besides this, we have established a global roll-out and training approach for all of the relevant stakeholders within the organization. As part of this effort, we have identified several differences between our current accounting policies and the future IFRS 15-based policies (as far as these have already been developed). Based on our analyses performed so far,

SAP, Annual report 2016, F-18

Some companies also said that they had been working with peers, at the international and/or national levels. This was particularly the case for companies in the tech sector: ATOS and CAPGEMINI said that they had been working with SYNTEC Numérique, a French trade body for computer services companies, to identify issues relating to the implementation of IFRS 15.

Others mentioned that they were keeping up-to-date with industry responses, particularly in the US (and notably including the sector-specific task forces run by the AICPA). THALES, for example, mentions that it is carefully monitoring the possible implications for the Aerospace and Defence sectors.

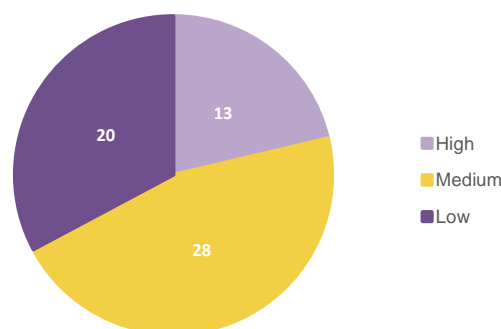
4. Varying levels of qualitative disclosures, not necessarily in line with the magnitude of the expected impacts

The majority of the groups in the sample met the regulator's expectations, with almost 70% presenting more or less detailed qualitative disclosures at 31 December 2016 on the work carried out to date and/or the issues identified. In some cases, this included the entity's chosen transition method, see section 5, below.

Some companies presented limited information, simply mentioning that IFRS 15 comes into effect imminently or stating that work on transition is under way. Of these, half stated that they did not expect any material impact, which goes some way towards justifying the relative lack of information. For the others, the lack of information does not necessarily mean that the impacts will not be material – some companies stated that they had identified areas where IFRS 15 would result in changes. Users of the financial statements will therefore need to wait a little longer for more information.

What level of disclosures did issuers present on IFRS 15 transition at 31 December 2016?

Level of qualitative informations provided regarding the future application of IFRS 15



Companies in the "low" category in the chart above are those which presented minimal information on implementation of IFRS 15 (for example, by simply stating that work was under way at the closing date to identify potential impacts).

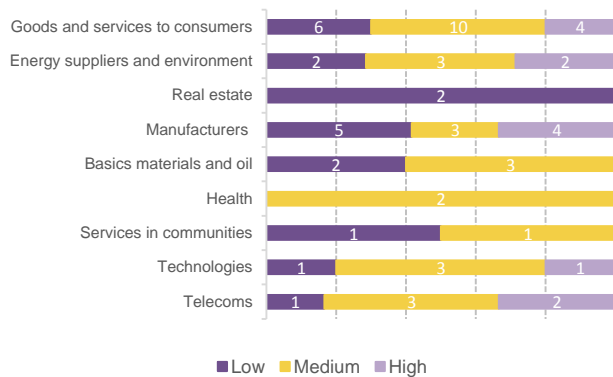
In France, AIRBUS, EDF, SAFRAN and VALEO stood out for their detailed qualitative disclosures on key issues identified (although it does not necessarily follow that IFRS 15 is expected to have a significant impact).

Overall, German companies provided the most detailed disclosures. 40% of them presented a "high" level of disclosures, with the remaining 60% rated "medium".

French companies presented a mixed picture: only 10% of them provided very detailed disclosures, and more than half published only a minimal amount of information. It is difficult to say whether this is due to delays in the transition process, an expectation that impacts will be generally limited, or a desire to be cautious in financial communications in advance of the 1 January 2018 deadline.

Which sectors presented the highest level of disclosures at 31 December 2016?

Assessment of the level of information provided by activity



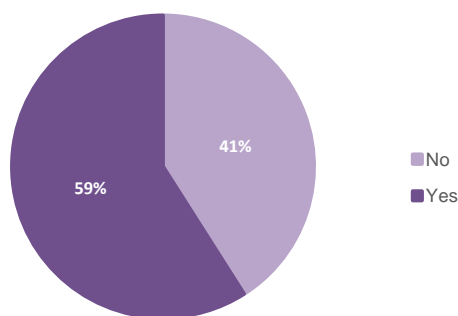
The highest level of disclosures came from companies in the aerospace industry (AIRBUS and SAFRAN), the automotive industry (BMW and VALEO) and the telecoms sector (DEUTSCHE TELEKOM and TELEFONICA).

At the other end of the scale, companies in the real estate sector and the consumer goods and services sector (excluding the automotive industry) provided relatively little information on key transition issues, as the impact of IFRS 15 is not expected to be material. However, it is difficult to generalise, as we rated ADIDAS and PHILIPS as providing a “high” level of disclosures (see extracts from their financial reporting below). Energy companies generally provided quite detailed disclosures, with EDF and ENI leading the field.

In the tech sector, the German company SAP presented a very detailed analysis. The highest level of disclosures among industrial companies (excluding the aerospace industry) came from the Irish group CRH PLC and the German company SIEMENS; these disclosures primarily focused on their construction contracts.

What percentage of companies presented disclosures on the type of impacts expected from IFRS 15 at the closing date?

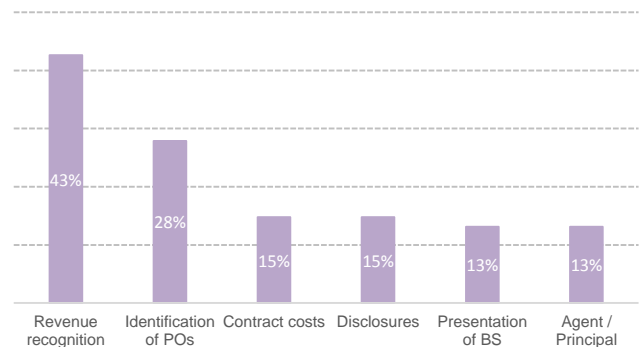
Qualitative informations disclosed on IFRS 15 anticipated impacts



As of 31 December 2016, 36 companies presented an initial analysis of the type of accounting impacts expected following the implementation of IFRS 15.

What were the main types of impact mentioned by companies at 31 December 2016?

Types of impact expected following the implementation of IFRS 15



The main types of impact mentioned were the timing of revenue recognition and identification of performance obligations. However, the other impacts mentioned vary by sector. Here, we give an overview based on the level of information available.

a. Consumer goods sector

In the consumer goods sector, two issues stand out from the available reporting. These are: accounting for price concessions and, more generally, financial incentives to customers (whether intermediate or end clients); and sales with right of return.

The issue around financial incentives relates to how these amounts payable to customers should be presented in the income statement – i.e. as an adjustment to revenue or as an expense. This is not an issue for price concessions as they must be presented as an adjustment to revenue, as no separate good or service is received in exchange by the supplier. However, estimating the variable consideration could prove difficult. Price concessions must be estimated at contract inception and revenue shall be “limited” in line with the estimated concessions.

Returns, which may take the form of total or partial refund or exchange, are also a form of variable consideration. Entities should not recognise revenue from products that they expect to be returned. However, the standard stipulates that they should recognise a liability for expected future refunds, and a corresponding asset for their right to recover the goods sold.

ADIDAS addresses both these issues in its financial reporting to 31 December 2016.

Extract from ADIDAS's consolidated financial statements to 31 December 2016:

IFRS 15 Revenue from Contracts with Customers including Amendments to IFRS 15: Effective Date of IFRS 15 (EU effective date: January 1, 2018): This new standard replaces the current guidance on recognising revenue in accordance with IFRS, in particular IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes and provides a holistic framework for all aspects of revenue recognition. IFRS 15 creates a centralised, single five-step model for recognising revenue arising from contracts with customers.

adidas offers its Wholesale customers various customer incentives such as volume rebates, cooperative advertising allowances and slotting fees. These might create additional performance obligations under IFRS 15 and require the inclusion of elements of variable consideration in the transaction price. Under the current approach, customer incentives which are contractually agreed upon in the trade term agreements are accounted for as sales discounts and are accrued over the financial year. Customer incentives which are not contractually agreed upon in the trade term agreements are accounted for as expenditure for marketing investments. Under IFRS 15, the amount and timing of revenue recognition with regard to customer incentives might be affected. Variable consideration will be included in the transaction price and the evaluation of variable consideration will require judgement in many cases. Revenue might be recognised before all contingencies are resolved, i.e. earlier than under current practice.

In accordance with IAS 18, adidas accrues revenue related to estimated returns based on past experience by means of a return provision which is recorded in the statement of financial position with a corresponding debit entry in the income statement in form of a reduction of gross sales. The current adidas policy requires that the provision is calculated on a net basis in the amount of the standard margin (i.e. the difference between gross sales and cost of sales) for the products sold which are expected to be returned. IFRS 15 requires a gross correction of expected returns by correcting gross sales and cost of sales in the full amounts. In addition, an asset for the right to recover products from customers upon settling the refund liability has to be recognised. The new approach is expected to result in a reduction in revenues and a decrease in the equity ratio due to the higher provision amount, in particular for the first set of adjusted financial statements where IFRS 15 is applied. Revenue for contracts where no reliable estimate of the amount of returns can be made is recognised before the return period ends in accordance with IFRS 15, i.e. earlier than under the current practice.

No significant changes are expected with regard to revenue from own-retail transactions and from the licensing-out of trademarks compared to the current practice in accordance with IAS 18.

In addition, the new standard is expected to significantly increase the extent of disclosures relating to revenue, thus necessitating modifications to reporting methods and IT systems in order to collect necessary information. Additionally, methods for estimating amounts whose inclusion will not result in a significant reversal of revenue when uncertainty has been resolved need to be developed and implemented. adidas has not yet decided which of the available transition methods and practical expedients will be applied. Further analysis of the expected impact on the consolidated financial statements of adidas AG is in progress.

ADIDAS, Annual report 2016, pages 145-146

DANONE's financial reporting also addresses the issue of how certain costs should be presented in the income statement (i.e. as an adjustment to revenue or as an expense).

Extract from DANONE's consolidated financial statements to 31 December 2016:

Regarding IFRS 15, based on the work carried out, the Group expects that its application will result primarily in the reclassification of certain services received or performed by the Group as well as certain expense items between sales and the corresponding operating income lines. The Group will assess these potential impacts in the interim consolidated financial statements for the six-month period ending June 30, 2017.

DANONE, Registration document 2016, page 77

b. Automakers and automotive suppliers

Some sales contracts between automakers and their customers include a repurchase option. BMW and DAIMLER address this issue in their disclosures on the expected impacts of transition to IFRS 15.

A repurchase agreement may take several forms. In particular, an entity may have an obligation to repurchase the asset at a price lower than the initial sale price if the customer exercises a put option. In some circumstances,

this type of agreement should be accounted for as if it were a sale with right of return.

Extract from DAIMLER's consolidated financial statements to 31 December 2016:

IFRSs issued, EU endorsed and not yet adopted

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. It replaces existing guidance for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The new standard lays down a comprehensive framework for determining in which amount and at which date revenue is recognized. The new standard specifies a uniform, five-step model for revenue recognition, which is generally to be applied to all contracts with customers. As a result of IFRS 15, new items are introduced in the statement of financial position: "Contract assets" and "Contract liabilities." These items can arise through advance payment or advance delivery at the contract level. In addition, disclosure requirements are extended.

Group-wide investigation of the effects on the consolidated financial statements of adopting IFRS 15 has not yet been completed. Effects on Daimler may occur, in particular with regard to the date of recognition of sales incentives and also with regard to the sale of vehicles for which the Group enters into a repurchase obligation or grants a residual-value guarantee. The latter are reported as operating leases. Under IFRS 15, such vehicle sales can necessitate the reporting of a sale with the right of return. The statement of financial position will be changed in particular by the separate presentation of "Contract liabilities." From today's perspective, the application of IFRS 15 is not expected to have any major impact on the Group's profitability, liquidity and capital resources or financial position.

Application of IFRS 15 is mandatory at the latest for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. Daimler will apply IFRS 15 for the first time for the financial year beginning on January 1, 2018. Daimler currently plans for the first-time application to be retrospectively so that the comparative period is presented according to IFRS 15.

DAIMLER, Annual report 2016, page 224

VALEO, an automotive supplier, presents an interesting breakdown of the various promises generally made to an automaker. The entity must determine whether or not each of these promises is distinct, and if they therefore constitute separate performance obligations.

Extract from VALEO's consolidated financial statements to 31 December 2016:

Standards, amendments and interpretations	Effective date	Impacts for the Group
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	<p>IFRS 15 will replace IAS 11, IAS 18 and the related IFRIC and SIC interpretations on revenue recognition. It introduces a new model for accounting for revenue from contracts with customers. Clarifications to the standard were published by the IASB on April 12, 2016 following publication of the "Clarifications to IFRS 15" exposure draft in July 2015, and are subject to approval by the European Union in the near future.</p> <p>The European Union adopted IFRS 15 on September 22, 2016.</p> <p>Together with the Business Groups and Valeo Service, Valeo selected the principal transactions and contracts representing the Group's current and future activity. These were analyzed in light of the five-step model required by IFRS 15 in order to identify areas where it needs to exercise judgment and any potential changes resulting from application of the standard. The findings of this initial analysis are presented below and may change in light of the more detailed analysis currently in progress.</p> <p>For a given automotive project, the three main promises made by Valeo to an automaker typically identified within the scope of the initial analysis are:</p> <ul style="list-style-type: none"> ■ product development, which includes determining the intrinsic technical features of parts and those related to the relevant production process; ■ supply of tooling such as molds and other equipment used to manufacture parts; ■ supply of parts. <p>The Group is continuing its analysis in order to determine whether each of these promises is distinct and whether they must be considered as performance obligations.</p> <p>Valeo also considers that the contractual promise made to the automaker in the form of warranties for the parts supplied does not meet the definition of a separate performance obligation as it does not give rise to an "additional service". Warranty costs will therefore continue to be accounted for in accordance with IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".</p> <p>An analysis of the relationship with the end customer under certain specific contracts has led Valeo to consider that it acts as agent in such dealings and not as principal.</p> <p>The Group identified an impact on the presentation of its consolidated net income as a result of applying IFRS 15 but this has not yet been quantified. This concerns contributions received from customers in respect of development costs and prototypes, which are currently shown as a deduction from Research and Development costs, net. These costs are now to be included on the "Sales" line as they result from a contract with a customer with a view to obtaining goods or services that are an output of the Group's ordinary activities in exchange for consideration.</p> <p>The choice of transition method has not yet been decided.</p> <p>During the first half of 2017, Valeo will finalize its analyses and will estimate the impacts of applying the new standard (temporarily deferred recognition of revenue, treatment of pre-production activities, presentation, disclosure requirements in the financial statements, etc.).</p>

VALEO, Consolidated financial statements 2016, page 9

c. Energy suppliers

None of the energy suppliers in the sample presented disclosures on the magnitude of the expected impact of IFRS 15 in their financial reporting to 31 December 2016. However, they all presented qualitative information on the areas affected by the new standard.

Agent vs. principal considerations are among the issues most frequently mentioned. Under IFRS 15, an entity is a

principal if it controls the promised goods or services before they are transferred to the customer.

The indicators provided in IAS 18 have been carried over to IFRS 15 for guidance purposes, but are no longer pre-eminent in determining control.

Extract from EDF's consolidated financial statements to 31 December 2016:

1.2.2.1 IFRS 15 – Revenue from Contracts with Customers

On 29 October 2016, the European Union adopted IFRS 15 "Revenue from Contracts with Customers", which must be applied from 1 January 2018 at the latest. Subject to approval by the European Union, the associated amendments will be applicable at the same date as the standard itself. The Group has not opted for early application of this standard.

The Group's preliminary analysis has identified a list of subjects for examination in the light of IFRS 15. The entities concerned have analysed their contracts and sales revenues by major categories, and working groups have been set up to assess the potential impacts of this new standard.

The cumulative revenues of entities covered by this preliminary analysis represent 95% of the Group's total revenues. The subjects identified are currently under examination, and the impacts of first application of IFRS 15 are also being assessed.

The subjects identified so far that may have an impact on Group sales are the following.

- Recognition of income from energy delivery (the agent/principal distinction):

In accordance with IAS 18, all Group entities supplying electricity or gas include the service of delivery in their sales revenues.

IFRS 15 requires analysis of whether or not the energy delivery service is a separate performance obligation within the electricity supply contract. It sets out the conditions in which an entity operates as principal or agent for the supply of a good or service with third party involvement. If the entity is classified as the principal, it can recognise the sales revenue from the delivery service, including the part of the service executed by a third party. Otherwise, it is classified as an agent, and can only include the amount of any commission in its sales revenues on delivery services.

In France, electricity delivery services are performed by Enedis, the Group's regulated subsidiary that is the French distribution network operator. As a result the principal-agent analysis under IFRS 15 only relates to the presentation of revenues in segment reporting.

However, gas delivery services in France and electricity and gas delivery services in Italy, the United Kingdom and Belgium are carried out by non-Group entities.

- Among the other subjects analysed by the Group, in certain countries, IFRS 15 could lead to changes in the recognition of market energy purchase and sale transactions as part of optimisation activities, but this would have no impact on the Group's consolidated net income.
- The Group has identified further subjects for which accounting practices could change, but the impacts on Group net income would be non-significant. Analyses will continue, in response to developments in the contractual framework and the Group's business activity, until the standard is applied.

EDF, Consolidated financial statements 2016, page 12

d. Aerospace industry

This industry involves long-term activities which require specific analyses with regard to the impact of IFRS 15 – even though these activities are not always the companies' most significant activities.

In the case of AIRBUS, construction contracts as defined in IAS 11 make up less than 20% of the group's revenue. These are primarily contracts relating to military programmes and space projects.

In its financial reporting to 31 December 2016, AIRBUS focuses on construction contracts, noting that this term no longer exists under IFRS 15 and implicitly acknowledging that revenue from contracts of this type will no longer necessarily be recognised over time. The company states the criteria that must henceforth be met for revenue to be recognised over time. AIRBUS also notes that some methods for measuring progress are no longer permitted under IFRS 15 – such as those in which the entity retains large amounts of work in progress on the balance sheet, having progressively transferred control of this asset to the customer. AIRBUS states that a different method will be used to measure progress in order to comply with IFRS 15,

although it does not stipulate exactly which method this will be.

IFRS 15 "Revenue from Contracts with Customers"

On May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations when it becomes effective.

Airbus has completed an initial qualitative assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

Revenue recognition should depict the transfer of control of the goods and services to the customer. IFRS 15 will require Airbus to identify the different performance obligations it assumes under a contract, and account for them separately based on their relative stand-alone selling prices. For all contracts, including long-term construction contracts currently accounted for under the PoC method, Airbus will only be able to recognise revenue once certain conditions providing evidence that control of a good or service has transferred to the customer are met. IFRS 15 introduces three criteria among which control is transferred over time and as a result revenue could be recognised over time:

- (i) Customer simultaneously received and consumes the benefits provided by the entity's performance as the entity performs.
- (ii) The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (iii) The entity's performance does not create an asset with alternative use to the entity and the entity has enforceable right to payment to performance completed to date.

The current significant accounting policies (see "– Note 2 - Significant Accounting Policies") will be impacted by IFRS 15, as follows:

Sales of commercial aircraft – Revenue will be recognised once the customer is controlling the aircraft. In most of the cases, the physical delivery of the aircraft results in the transfer of control to the customer. Airbus does not expect any change in the timing of the revenue recognition of commercial aircraft.

The assessment of the impact on the measurement of the revenue is still ongoing specifically on the concessions granted by some of Airbus' suppliers to Airbus' customers and on potential impact of significant financing component.

Construction contracts – This notion is not maintained under IFRS 15. Airbus has been analysing its major construction contracts (see "– Note 2: Significant Accounting Policies") and may conclude for some of them that the criteria stated under the criteria (ii) and/or (iii) criteria above are not fulfilled. In such case, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

In certain circumstances, the standard considers work in progress to be controlled by the customer, in which case it would be inappropriate for an entity to recognise work in progress as an asset on its balance sheet. As a result, Airbus will use a method which will reflect the over time transfer of control when sold assets have no alternative use to the final customer. The assessment of the quantitative impact of the implementation of the new revenue standard is still ongoing.

Transition - Airbus plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach.

The implementation of IFRS 15 will generate more extensive disclosures in the financial statements (i.e. backlog based on contract transaction price).

AIRBUS, *Financial Statements 2016, pages 12-13*

Still in the aerospace sector, SAFRAN presents a detailed breakdown of the main types of contract, and how revenue is recognised for each type.

The disclosures presented by SAFRAN on maintenance contracts reflect the fact that under IFRS 15, progress is measured on a percentage-of-completion basis. Flying hours (the current indicator for measuring progress) are not

correlated with the entity's progress in carrying out the service promised to the customer; therefore, SAFRAN anticipates that it will henceforth recognise revenue on a cost-to-cost basis.

Like other companies, SAFRAN also notes that the application of IFRS 15 will have no impact on the cash flows associated with revenue.

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Extract from SAFRAN’s consolidated financial statements to 31 December 2016:

Regarding the application of IFRS 15, the Group has also analyzed its current accounting policies in light of the provisions of new IFRS 15. This analysis was performed on the different types of contract existing within the Group.

The findings were as follows:

Contract type/Contractual clause	Current accounting treatment	IFRS 15 accounting treatment
Original equipment product and spare part sales contracts (all segments)	Revenue is recognized on delivery of the goods	Unchanged
Time and materials service agreements (Aerospace Propulsion and Aircraft Equipment segments)	Revenue is recognized on delivery of the service	Unchanged
Maintenance contract based on flying hours/landings (Aerospace Propulsion and Aircraft Equipment segments)	Revenue is recognized in line with billings (flying hours/landings)	Revenue is recognized on a percentage-of-completion basis (cost-to-cost method)
Performance warranties and extended warranties (mainly Aerospace Propulsion and Aircraft Equipment segments)	Recognized in expenses	Recognized as a deduction from revenue on delivery of the goods
Development financed by the customer up front and/or on serial production (mainly Aircraft Equipment segment)	Revenue is recognized either as billing milestones are met or on a percentage-of-completion basis (cost-to-cost method)	1) Development is a separate performance obligation: revenue is recognized on a percentage-of-completion basis (cost-to-cost method) or on completion in line with the transfer of control over the development work 2) Development cannot be separated from serial production: revenue corresponding to development is recognized on each serial product delivery
Contracts with multiple elements (e.g., development + serial product) with milestones representing contractual completion (mainly Defense and Security segments)	Revenue is recognized either as milestones are achieved or on a percentage-of-completion basis (cost-to-cost method)	1) Identification of any performance obligations incorporated into contracts 2) Transfer of control of goods and services over time: revenue is recognized on a percentage-of-completion basis (cost-to-cost method) 3) Transfer of control of goods and services at a point in time: revenue is recognized on delivery

Overall, the application of IFRS 15 is not expected to have a material impact on the Group’s annual revenue based on its current scope, and will have no impact on the associated cash flows.

The impacts will primarily relate to the deferred recognition (relative to current practices) of revenue on certain service contracts or contracts with multiple elements and to reclassifications of expenses on certain warranties as a deduction from revenue.

IFRS 15 will be applied by the Group with effect from January 1, 2018 based on the “full retrospective approach”. Accordingly, comparable data for 2017 presented in the 2018 consolidated financial statements will be restated and opening equity at January 1, 2017 will be adjusted for the impacts of the first-time application of this standard.

SAFRAN, Registration document 2016, page 82

e. Tech sector

In the digital and IT sectors, one especially hot issue is the identification of performance obligations. This is due to the complexity of companies’ offerings and the extent to which the various goods and services may or may not be yoked together.

For example, a software provider will frequently provide the software itself, installation services, subsequent updates to the software, and so on.

SAP already has already drawn the implications of this in terms of allocating the transaction price to each individual performance obligation, and the timing of revenue recognition. SAP’s financial reporting explains the changes that IFRS 15 makes to the residual method of accounting for revenue from composite contracts.

The document also reflects the impact of the detailed guidance provided in IFRS 15 on recognition of revenue from intellectual property (particularly software), when a licence constitutes a performance obligation or the predominant element thereof. IFRS 15 distinguishes between selling a right to access the intellectual property, and selling a right to use it. In the former case, revenue is recognised over time. In the latter case, revenue is recognised at a point in time, when the right is transferred to the customer.

Extract from SAP's consolidated financial statements to 31 December 2016:

within the organization. As part of this effort, we have identified several differences between our current accounting policies and the future IFRS 15-based policies (as far as these have already been developed). Based on our analyses performed so far, these differences include:

- Currently, if for any of our product or service offerings, we determine at the outset of an arrangement that the amount of revenue cannot be measured reliably, we conclude that the inflow of economic benefits associated with the transaction is not probable, and we defer revenue recognition until the arrangement fee becomes due and payable by the customer. Under our draft IFRS 15-based policies, we need to estimate, at the outset of an arrangement, the potential impact on the transaction price from both uncertainties in the measurement of revenue and from collection uncertainties and recognize the remaining revenue earlier.
- IFRS 15 requires changes to the way we allocate a transaction price to individual performance obligations, which can impact both the classification and the timing of revenues. Among these differences are changes in the application of the residual approach under IFRS 15 and the residual method which we currently apply. While the residual method we currently use aims at allocating the transaction price between deliverables, the residual approach under IFRS 15 is used for estimating the standalone selling price of a promised good or service and generally would not allow an allocation of little or no portion of the transaction price to a performance obligation. This difference may result in higher transaction price allocations to on-premise software performance obligations and thus in an earlier recognition of certain portions of the transaction price.
- **We expect a revised recognition pattern for on-premise software subscription contracts, which combine the delivery of software and support service and the obligation to deliver, in the future, unspecified software products. Under our current policies, we recognize the entire fee ratably over the subscription term. In contrast, under IFRS 15-, we would recognize a portion of the transaction price upon delivery of the initial software at the outset of the arrangement.**

- Under our current policies, we do not account for options that allow the customer to purchase additional copies of an already-licensed on-premise software product as a separate element of an arrangement. In contrast, IFRS 15 provides that such options are accounted for as a separate performance obligation if they represent a material right. In such circumstances IFRS 15 will result in allocating a portion of the transaction price to such options giving rise to the material right. This portion will be recognized upon exercise or forfeiture of the options, which may be later than the current revenue recognition timing.
- We are currently already capitalizing the cost to obtain a contract. We expect the capitalization amount to increase under IFRS 15 due to a broader definition of what is capitalizable as cost to obtain a contract.

In addition to the effects on our Consolidated Statements of Income, we expect changes to our Consolidated Statements of Financial Position (in particular due to no separate balance sheet items for deferred revenues being presented anymore, the recognition of contract assets/contract liabilities, the differentiation between contract assets and trade receivables, and an impact in retained earnings from the initial adoption of IFRS 15) and changes in quantitative and qualitative disclosure to be added. The quantitative impact of IFRS 15 on our 2018 financial statements is currently neither known to us nor reasonably estimable, as we have not yet done the following:

- Completed the analysis of the volume of contracts that will be affected by the different policy changes stemming from IFRS 15 upon adoption
- Performed estimates of the potential changes in business practices that may result from the adoption of the new policies
- Completed the identification of those contracts that will not be completed by the end of 2017 and thus have to be restated under the cumulative catch-up approach that we intend to use for transition to the new policies
- Finalized our accounting policy regarding the cost components to be included into the cost to fulfill a contract under IFRS 15.

We will continue to assess all of the impacts that the application of IFRS 15 will have on our financial statements in the period of initial application, which will also significantly depend on our business and go-to-market strategy in 2017. The impacts — if material — will be disclosed, including statements on if and how we apply any of the practical expedients available in the standard.

SAP, Annual report 2016, pages F-18 and F-19

PHILIPS also presents disclosures on the expected impact of the rules on recognition of revenue from licences of intellectual property. It anticipates that the new rules may

result in revenue being recognised at an earlier point in time.

Extract from PHILIPS' consolidated financial statements to 31 December 2016

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when revenue is recognized as well as prescribing more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue related interpretations.

The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalized. Costs that do not meet the criteria must be expensed when incurred.

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. The main aspects of the impact assessment are mentioned below:

General

Revenues of transactions that have separately identifiable components are currently recognized based on the relative fair value of the components and mainly occur in the segments Diagnosis & Treatment businesses and Connected Care & Health Informatics businesses. Under IFRS 15, the total consideration of a sale transaction will be allocated to the different elements based on their relative stand-alone selling prices. These prices will be determined based on the country list prices (including standard discounts where applicable) at which the Company sells the elements in separate transactions. If these country list prices are not available Philips will use either the adjusted market assessment approach or the expected costs plus a margin approach. The residual approach is only permissible in limited circumstances.

The Company performed an initial comparison of the fair value and the stand-alone selling prices of the identified components. Based on the initial assessment, these amounts are broadly the same, therefore the Company at this stage does not anticipate material differences in the revenue recognition under multiple component accounting.

Sale of goods

For the sale of products in the segments Personal Health businesses and Lighting, revenue is currently recognized when goods are delivered to the customer, which is the point in time at which the customer accepts the goods and the related risks and rewards of ownership are transferred. Revenue is only recognized at this moment after other requirements are also met, such as no continuing management involvement with goods, revenue and costs can be reliably measured and probable recovery of the considerations. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The overall revenue recognition requirements are captured in the steps of the five-step model.

Based on the initial assessment, the Company did not identify material differences for the mentioned segments, between the transfer of control and the current transfer of risk and rewards. As such, at this stage the Company does not anticipate material differences in the timing of revenue recognition for the sale of products.

Rendering of services

Especially within the segments Diagnosis & Treatment businesses and Connected Care & Health Informatics businesses, the Company currently recognizes revenue from services when the inflow of the amounts involved are deemed probable and revenue and associated costs related to the stage of completion of a contract or transaction can be reliably measured. Furthermore, revenue from services is deferred and recognized in the Statement of income over the period during which the service is rendered. Under IFRS 15, revenue will be recognized when a customer obtains control of the services, which can be at a point in time or over time. For each performance obligation satisfied over time, revenue needs to be recognized by measuring the progress towards complete satisfaction of that performance obligation at the end of each reporting period.

Based on the initial assessment, the Company did not identify material differences between its current accounting treatment and IFRS 15, with respect to the timing of revenue recognition of service revenues.

Royalty income

Currently the Company recognizes revenue from intellectual property (IP) royalties, which is normally generated based upon a percentage of sales or a fixed amount per product sold, on an accrual basis based on actual or reliably estimated sales made by the licensees. Revenue generated from an agreement with lump-sum consideration is recognized on accrual basis based on the contractual terms and substance of the relevant agreement with a licensee. Under IFRS 15, revenues from the license of intellectual property should be recognized based on a right to access the intellectual property or a right to use the intellectual property approach. Under the first option revenue should be recognized over time while under the second option revenue should be recognized at a point in time.

Based on the initial assessment, the Company has identified a potential impact on revenues originating from its IP royalties (Segment HealthTech Other). The potential impact is mainly related to a change in timing of revenue recognition which, under IFRS 15, could be recognized in the Statement of income at an earlier point in time rather than over time under the current methodology.

The Company is currently performing a detailed analysis on a contract by contract basis, to assess the related impact.

Costs of obtaining a contract

Under IFRS 15, the incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover them. Under the current guidance these costs are expensed when incurred.

The Company identified certain sales commissions that are typical for transactions in the segments Diagnosis & Treatment businesses and Connected Care & Health Informatics businesses to be incremental costs of obtaining a contract. The Company is currently assessing the exact amounts involved as well as the appropriate time in which capitalized contract costs should be amortized.

PHILIPS, Annual report 2016, pages 114-116

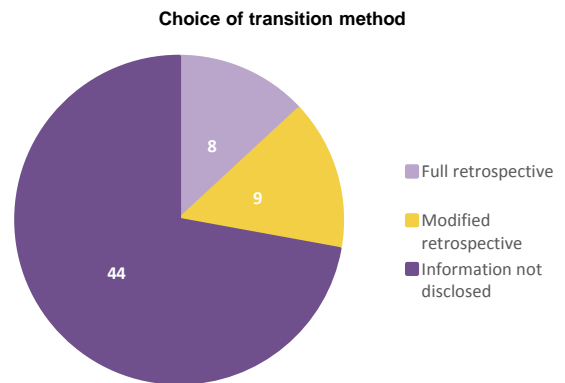
5. Transition requirements

IFRS 15 comes into effect on 1 January 2018, unless the issuer opts for early application. For entities whose reporting period is the same as the calendar year, the standard offers a choice between presenting an adjustment to equity at 1 January 2017 (full retrospective approach) or at 1 January 2018 (modified retrospective approach). If the modified approach is used, the figures for 2017 are not restated (in contrast to the full retrospective approach).

The full retrospective approach is thus more complex to implement, and requires an entity to have completed its analysis of the issues sufficiently early. However, it has the advantage that the entity is able to present comparative data.

If an entity opts for the modified retrospective method, it only needs to restate current contracts at 1 January 2018. However, it must then present disclosures in the notes at 31 December 2018 on the impact of the change in approach, which will require it to calculate the revenue under the previous standards.

How many issuers presented disclosures on their chosen transition method for first-time application of IFRS 15 and, where relevant, what method did they choose?



Only 28% of the companies in the sample presented disclosures at year-end on their chosen transition method. We may therefore infer that many issuers have not yet decided what method they will use. Nine companies have opted for the modified retrospective approach (compared with eight for the full retrospective approach). However, this method may be “over-represented” at 31 December 2016, as it is the more obvious choice for entities that expect the transition to have relatively little impact, and that are therefore likely to have finished their transition preparations earlier.

KERING is the only French company thus far to have officially decided on the modified retrospective approach (it does not expect the transition to IFRS 15 to have a material impact). DEUTSCHE TELEKOM has also opted for this method in Europe, which is more surprising as the group will be significantly affected by IFRS 15. However, with three comparative periods presented, the full retrospective approach was probably deemed to be impractical.

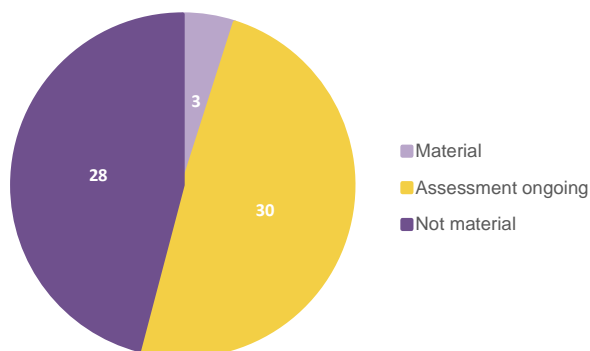
German companies in general are setting a good example, as nine companies out of the 12 in the sample have already disclosed their chosen transition method. Of these, 2/3 are planning to use the modified retrospective approach.

As a large number of companies have not yet disclosed their chosen transition method, it is difficult to identify any trends by sector, based on the expected impact on each sector.

6. Prudence regarding the magnitude of expected impacts

What level of impact do companies expect from the transition to IFRS 15?

Assessment of the expected level of impact following first-time application of IFRS 15

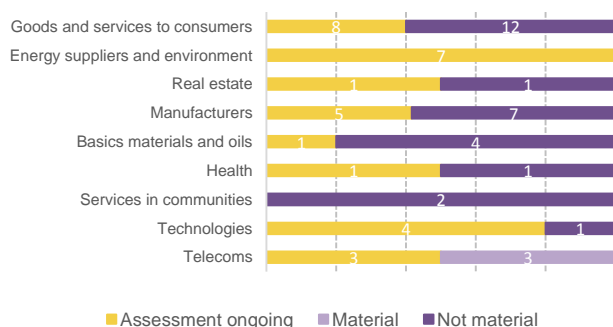


Almost half of the companies in the sample were already in a position to state that IFRS 15 will have little or no impact on their financial statements.

However, 30 out of 61 companies said that they were still in the process of identifying (and assessing) the expected impacts. This prudence reflects the difficulty faced by some companies in completing their analysis and quantifying the expected impacts following first-time application.

What level of impact is expected by sector, based on disclosures at 31 December 2016?

Assessment of the level of impact expected following first-time application of IFRS 15



Only three companies, all in the telecoms sector (DEUTSCHE TELEKOM, NOKIA and TELEFONICA), have already stated that IFRS 15 will have a material impact on their financial statements. This is unsurprising.

Of those companies stating that the impacts are not expected to be material, the majority are automakers and automotive suppliers (BMW, RENAULT and VOLKSWAGEN), luxury goods and cosmetics companies (KERING, L'OREAL and LVMH), and industrial goods and services companies (ARCELOR MITTAL, COMPAGNIE DE SAINT GOBAIN, SCHNEIDER and SIEMENS).

7. Only three companies presented quantitative disclosures

Only three companies presented quantified impacts of IFRS 15 at 31 December 2016. These were the German companies BMW and FRESENIUS (health sector), and the French company PSA.

BMW presents an initial estimate of the impact of IFRS 15 on opening equity (a reduction of €650m at 31 December 2016). However, the group also indicates that IFRS 15 is not expected to have a significant impact in 2018 and subsequent financial periods. In other words, it is basically a one-time "rebalancing".

Extract from BMW's consolidated financial statements to 31 December 2016:

The objective of the new Standard **IFRS 15 (Revenue from Contracts with Customers)** is to assimilate all the various existing requirements and Interpretations relating to revenue recognition into a single Standard. The new Standard also stipulates uniform revenue recognition principles for all sectors and all categories.

The new Standard is based on a five-step model, which sets out the rules for revenue from contracts with customers. Revenues are required to be recognised either over time or at a specific point in time.

A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, will result in the earlier recognition of eliminations. The adoption of IFRS 15 will result in a one-time reduction in equity, which will be recognised retrospectively as of the date of the beginning of the first accounting period presented on the basis of the new requirements. The actual impact of adopting the new Standard will depend on the level of inventories of vehicles held by dealerships, the expected number of leases to be concluded and the amount of inter-segment profits requiring to be eliminated at the date of first-time adoption. Based on analyses to date and the assumptions applied, it is estimated that equity at 31 December 2016 will be reduced by €650 million. The impact in the period following first-time adoption and in subsequent periods is not expected to be significant.

In the case of multi-component contracts with variable consideration components, changes in the allocation of transaction prices will result in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. However, the shift in the timing of revenue recognition is not expected to have a significant impact at the date of first-time adoption or in subsequent periods.

A different accounting treatment may be required if buyback arrangements are in place with customers, resulting in a shift in the timing of revenue recognition. The resulting impact is not expected to be significant.

The BMW Group intends to apply the new Standard entirely retrospectively at the adoption date.

BMW, Annual report 2016, page 131

FRESENIUS anticipates a fall of 1-2% in its revenue from healthcare services (without any impact on net income). This is due to the fact that implicit price concessions offered to customers will be presented as an adjustment to revenue (whereas currently they are presented as expenses).

Extract from FRESENIUS's consolidated financial statements to 31 December 2016:

In May 2014, the IASB issued **IFRS 15, Revenue from Contracts with Customers**. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. This standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment **Effective Date of IFRS 15**, which defers the effective date of IFRS 15 by one year to fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group

decided that IFRS 15 will not be adopted early and is currently evaluating the impact of IFRS 15, in conjunction with all amendments to the standard, on its consolidated financial statements. Based on findings the Fresenius Group obtained so far, it expects differences to the current accounting mainly in the calculation of the transaction price for health care services provided. IFRS 15 requires the consideration of implicit price concessions when determining the transaction price.

This will lead to a corresponding decrease of revenues from health care services and thus the implicit price concessions will no longer be included in selling, general and administrative expenses as an allowance for doubtful accounts. The first analysis of this issue showed a decrease of revenue by approximately 1% to 2% without any effect on net income. A more detailed quantification of the impact of IFRS 15 is not yet possible. The Fresenius Group also evaluates accounting policy options and transition methods of IFRS 15.

FRESENIUS, Consolidated financial statements and management report 2016, page 74

Finally, PSA cites the possibility that one of its businesses may henceforth be classified as an agent, which would reduce the group's turnover by just under €3bn.

Extract from PSA's consolidated financial statements to 31 December 2016:

In respect of IFRS 15, the Group reviewed its contracts. The main areas of impact are expected in the Automotive Equipment Division. In actual fact, from 2018 (the date of application of IFRS 15), Faurecia may be classified as agent for monolith sales, thereby reducing recognised revenue. Therefore, if Faurecia were to be classified as agent for these monolith transactions, the impact on Faurecia would be around minus €3 billion, and slightly less at PSA Group level. Furthermore, IFRS 16 (applicable at 1 January 2019 subject to adoption by the European Union) and IFRS 9 (applicable at 1 January 2018) are in the process of being analysed.

PSA, Financial statements 2016, page 20

Few of the companies in the sample say they will provide quantified data at 30 June 2017, with the exception of DANONE and DEUTSCHE TELEKOM (the latter qualifies this with "probably"). ESMA recommends quantitative disclosures at this point if the impact of IFRS 15 is material.

ORANGE states that it should be able to disclose the first quantitative impacts of IFRS 15 in the fourth quarter of 2017. These impacts will determine the choice of transition method, which has yet to be made.

Finally, VALEO states that it should be able to quantify the impact of transition to IFRS 15 during the first half of 2017, but it does not commit to disclosing figures in the interim financial statements.

The coming months are the final straight before the implementation of IFRS 15, but it is unlikely to be an easy finish for companies that face material impacts...

Key points to remember

- There are only a few months left before the effective date of IFRS 15, so the countdown has started for issuers. A number of trends are already apparent in the financial reporting to 31 December 2016, reflecting recommendations from regulators.
- ESMA recommends that entities facing material impacts from transition to IFRS 15 should present progressively more qualitative and quantitative disclosures on these impacts.
- The sample for our study comprised 61 industrial and services companies from the Eurostoxx 50, CAC 40 and Next 20, of which 60% were French companies (using the data available at 24 March 2017).
- The standard offers two transition options (the full retrospective approach or the modified retrospective approach). Entities' choice of method is likely to depend on how they expect to be affected by transition. Less than a third of companies have officially published their decision in their 2016 financial statements. Currently, issuers are divided fairly equally between the two methods, although the trends vary significantly from one country to another.
- The extent to which entities will be impacted by IFRS 15 depends on the sector in which they operate. The level of disclosures provided by companies in their financial reporting is highly – but not completely – correlated with the expected magnitude of the impact. It is therefore unsurprising that companies in the telecoms sector are among those presenting the highest level of disclosures at 31 December 2016. However, most of the companies in the sample are still in the process of assessing the magnitude of the impact.
- Based on the qualitative disclosures presented at 31 December 2016, it is already possible to identify some themes by sector. The timing of revenue recognition and identification of performance obligations were the most frequently mentioned issues.
- According to the regulator's recommendations, quantified data should be provided in the interim financial statements to 30 June 2017 if material impacts are identified. Very few companies have committed to this timetable, with some having already indicated that this information will not be published until later in 2017. However, a few groups presented quantified disclosures at the 2016 year-end.

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Events and FAQ

Frequently asked questions

IFRS

- Accounting treatment under IFRS of a minority reinvestment in a divested holding;
- Taking account of dilutive instruments in the calculation of diluted earnings per share;
- Disclosures on IAS 36 sensitivity tests;
- Derecognition nature of a reverse factoring contract;
- Accounting for an up-front payment linked to a distribution contract.

Upcoming meetings of the IASB, IFRS Interpretations Committee and EFRAG

IFRS		EFRAG	
IASB	Committee	Board	TEG
24-28 April	3 May	31 May	10-12 May
15-19 May	13-14 June	20 July	28-30 June
19-23 June	12-13 September	14 September	26-28 July

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