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Summary

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Editorial

The IASB's publication of amendments to IFRS 15 on 12 April was followed, less than a month later, by the FASB's publication of slightly different amendments to Topic 606.

While work on the IFRS now seems complete for the present, the IASB envisaging no further changes before the Post Implementation Review, nothing is less certain on the American side. This is because the American TRG is continuing its work – without the IASB, now in an observer role – and this may lead to clarifications of the US standard. Significantly, the first meeting of the US-only TRG addressed a subject that had been raised in the world of IFRSs: measuring progress by the technical milestones method.

Apart from issues of convergence between the two standards, there is also the question of the repercussions for IFRSs users of the technical conclusions reached by the American standard-setter. The analyses conducted by the TRG, the SEC or resulting from other initiatives (sectoral groups in the AICPA, for example) on Topic 606 will clearly be sources of guidance for the application of IFRS 15. But their status in the world of IFRS remains uncertain.

Enjoy your reading!

Michel Barbet-Massin Edouard Fossat

IFRS Highlights

Limiting the impact of the different effective dates of IFRS 9 and IFRS 4: the IASB amends the insurance 'predominance ratio' calculation for eligibility for the deferral approach

During its April 2016 meeting, the IASB finalised most of its decisions on the two approaches (overlay and deferral approaches) aimed at limiting the consequences of the different effective dates of IFRS 9 and of the future IFRS 4, Insurance contracts.

In the case of the overlay approach, the IASB has confirmed most of the proposals put forward for consultation (see Beyond the GAAP no 95 of December 2015 and no 92 of September 2015). It clarified that the financial assets qualifying for this approach could include surplus assets that an entity holds for the purposes of regulatory requirements or internal capital objectives. It also decided to only authorise one method of presentation: the impact of the overlay adjustment will be presented as a single, separate line item in the statement of profit or loss and in the statement of comprehensive income (OCI). This is contrary to the proposals in the consultation document.

The main decision on the deferral approach to IFRS 9 addresses a qualifying criterion, the insurance 'predominance ratio'. This ratio is determined at the level of the reporting entity (see Beyond the GAAP no 98 of March 2016). The following have been added to the items (liabilities generated by insurance activities under IFRS 4) initially included in the numerator:

- liabilities arising from activities related to insurance (which include liabilities from investment activities); and
- 'other' liabilities that are connected to insurance activities, examples of which remain to be provided.

The denominator is unchanged, and includes the total carrying amount of the entity's liabilities. A ratio of over 90% is required for an entity to qualify automatically for deferred application. If the predominance ratio is less than or equal to 90% but greater than 80%, an entity will only be eligible for this approach if it can demonstrate that it is not engaged in any significant activity that is not related to insurance activities. The predominance ratio will be assessed by reference to the entity's balance sheet, in accordance with IFRS Standards, at the annual reporting date between 1 April 2015 and 31 March 2016.

The IASB intends to publish these amendments to IFRS 4 in September 2016. The comprehensive account of the IASB's decisions is available at:
https://s3.amazonaws.com/ifrswebcontent/2016/IASB/April/IASB_April_Update.html

American TRG discusses methods for measuring progress

During its first US-only session since the IASB decision to suspend its involvement in the TRG, which was held on 18 April, the TRG discussed a paper on:

- evaluating the transfer of control over time (which leads to revenue recognition over time); and
- appropriate measures of progress.

The TRG's discussion of this topic was very rapid. Members agreed with the positions set out in the staff paper, namely:

- The transfer of control of a good or service over time means that the customer obtains control of the asset as the entity completes its performance. Therefore, control cannot transfer at discrete points in time, i.e. only at identified stages in the contract. In practice, this implies that an entity cannot recognise material work in progress for a contract for which transfer of control occurs over time. However, this does not preclude that there might be an interruption in the transfer of control to the customer over a given period if there is a break in the period of performance;
- methods that would result in not recognising all the revenue for performance to date are not appropriate measures of progress, because a measure of progress should reflect the transfer of control of the goods and services in a relevant way. In practice, this would exclude the use of methods based on technical milestones. However in the working paper the staff concede that, in some cases, an entity's selected measure of progress may depict the pattern of an entity's performance, but may not perfectly match the entity's performance, thus resulting in a immaterial asset (work in progress) being recognised.

The account of the discussion of this topic should also make it clear that before a complex asset undergoes customisation it represents generic inventory. It is only when the customisation begins that the asset is derecognised and revenue begins to be recognised over time, since the asset no longer has any alternative use for the entity (assuming that at this stage the entity has an enforceable right to payment for the works completed to date should a customer terminate the contract for its own convenience, and that criterion 35(c) of the standard is applicable).

This TRG discussion may end the debates that have raged for several months about an issue that is critical for many entities whose activities involve long-term contracts. Nevertheless, the discussions threw no light on why IFRS 15 lists a variety of measures of progress when only one, cost-to-cost (the ratio between costs incurred to date and the total estimated costs of a contract) will always be compliant with IFRS 15, given this reading of the concept of transfer of control 'over time'.

European Highlights

IFRS 15 endorsement on the right track!

On 11 April 2016, the Accounting Regulatory Committee voted in favour of the adoption of IFRS 15.

Definitive endorsement by the European Commission is expected during the second half of 2016, according to the EFRAG's Endorsement Status Report updated on 20 April 2016.

For the IFRS 15 amendments newly published by the IASB (see the study below), the same progress update suggests that the ARC should give its opinion during the final quarter of 2016, and that endorsement by the European Commission should follow during Q1 2017.

A Closer Look

IASB publishes amendments to clarify IFRS 15

On 12 April 2016, two years after the publication of the new standard on revenue recognition, the IASB issued clarifications to IFRS 15.

These clarifications relate to:

- identifying the performance obligations;
- the agent/principal distinction;
- licences of intellectual property;
- transitional arrangements.

These amendments are, generally speaking, the result of the discussions that took place in the joint Transition Resource Group. They do not affect the general principles of the standard, but simply bring clarification to some particular aspects of application.

Hitherto, IFRS 15 has been broadly convergent with the US standard, Topic 606, which was issued simultaneously. While the 2016 amendments have generally been the subject of joint discussions between the IASB and the FASB, each board has followed a separate due process. Eventually the FASB also published amendments to Topic 606, but there are divergences in certain areas. In practice, preparers using IFRSs should therefore treat the American interpretations in Topic 606 with caution.

The IFRS 15 amendments must be applied retrospectively, in accordance with IAS 8. Preparers should apply them at the date of first application of IFRS 15 as if they had been included in the initial version of the standard. Readers will recall that IFRS 15 can be applied either fully retrospectively (with the impact of the changed method in equity at the start of the first comparative period presented), or using a simplified retrospective method (with the impact of the changed method at the date of first application, generally 1 January 2018).

1. Identification of performance obligations

When an entity sells several goods or services in the same contract, IFRS 15 requires the contract to be broken down into separate performance obligations, depending on whether the criteria defined by the standard are met. The effect in practice is that revenue is recognised for each performance obligation taken separately, each obligation having its own margin.
Performance obligations are identified by means of two cumulative criteria:

- the good or the service must be capable of being distinct (on its own or if the customer can combine it with other readily available resources); and
- the good or the service must be distinct in the context of the contract.

This second criterion has raised practical questions which have led the IASB to:

- redraft paragraph 29 of the standard, which presents the indicators for assessing the circumstances under which several promises to transfer goods or services to a customer are not separately identifiable;
- provide new illustrative examples.

The Basis for Conclusions has also been expanded to further explain the guidance.

The main lessons to be drawn from these amendments are as follows.

- The principle underlying the concept of 'distinct in the context of the contract' has been clarified. The objective is to determine whether the nature of the promise, in the context of the contract, is to transfer each good or service individually or rather to transfer a combined item or items to which the individual goods or services are inputs (this combined item being substantially different from the sum of the individual promised goods or services). The Basis for Conclusions also clarifies that the analysis should not merely evaluate whether one item, by its nature, depends on the other (i.e. whether two items have a functional relationship), but should ask whether there is a transformative relationship between the two items in the process of fulfilling the contract. For example, an installation service might be indispensable if the equipment is to function. However, in the context of the contract, the equipment and its installation are generally distinct where the installation does not modify the good but simply makes it usable by the customer. This is the case when the installation does not represent a complex service under the contract and can be carried out by other entities;
- The indicators in paragraph 29 are now framed as 'factors that indicate that two or more promises to transfer goods or services to a customer are not separately identifiable' whereas the original version contained indicators for demonstrating that the goods or services were distinct in the context of the contract;

- The Basis for Conclusions notes that these indicators are not exhaustive, and that it is unnecessary to satisfy them all to show that the goods or services are not distinct in the context of the contract;
- The first indicator of paragraph 29 has been redrafted and now clarifies that combined output or outputs might include more than one phase, element, or unit. This clarification should be read in conjunction with Example 10–Case B added by the amendment and mentioned below;
- Example 10–Case B has been added, despite the many criticisms during the comments period. The context of this example has been clarified, in particular by the Basis for Conclusions. Multiple units of very specific complex goods would not be distinct in the context of the contract (and would therefore constitute a single performance obligation) when the entity is contractually obliged to provide a manufacturing process specific to that contract (implying that this process cannot be used in several contracts with the same customer or with other customers). In practice, such scenarios will occur rather seldom.
- The contractual restrictions associated with the provision of a good or service have no impact on the analysis of its distinct nature. So even when a customer is obliged to entrust the installation of a good to the entity that sold it the good, this does not undermine the distinct nature of the two performance obligations.

The FASB's amendments on these aspects are identical to those of the IASB, though the FASB offers more examples.

The FASB has also amended Topic 606 to indicate that:

- promised goods or services that are immaterial in the context of the contract do not have to be analysed to determine whether they correspond to separate performance obligations. Materiality is therefore assessed at contract level. For the IASB, the concept of materiality is not specific to this aspect of IFRS 15 and should be applied comprehensively, as for any other standard;
- maintenance and shipping activities carried out for a customer in conjunction with a good of which the customer has previously taken control should not necessarily be considered as separate services to which revenue should be allocated at inception. These activities can therefore be considered as contract fulfilment activities (accounting policy election). In this area in particular, differences of accounting treatment may appear between the two accounting frameworks.

Key points

- In order for two or more promises in a contract not to be 'distinct in the context of the contract', there must be an integration service (a transformative, and not merely functional, relationship) such that the good or service supplied to the customer is more than the simple addition of the items promised.
- The fact that two or more items are consistently sold together does does prevent them from being 'distinct in the context of the contract'. This concept does not entail a relationship of dependence, but a transformative relationship.
- The new Example 10B considers that multiple units of a complex good are not distinct in the context of the contract when the production of these units relies on tools and a manufacturing process developed exclusively for that contract and which cannot be re-used for other customers, or in other contracts with this same customer.

2. The agent/principal distinction

The amendments to IFRS 15 on the agent/principal distinction are identical to the FASB's changes to Topic 606. The initial version of IFRS 15 states that when a third party engages in the provision of goods or services to an entity's end customer, the entity must determine whether it has an obligation:

- to **supply** the goods or services itself (in which case it is acting on its own behalf); or
- to **take the necessary measures** to enable the third party to do so (meaning that it acts as an agent).

The initial version of IFRS 15 summarised the indicators in the IAS 18 application guidance on the agent/principal distinction. In so far as IAS 18 is based on a principle (the transfer of the significant risks and rewards) which is different from the principle underlying IFRS 15 (the transfer of control of promised goods or services to the customer), it was unclear whether the previous conclusions were likely to come into question on transition to IFRS 15. This is because, according to the new standard, an entity is a principal if it controls the promised good or service before its transfer to the customer.

The analysis of the agent/principal distinction may be particularly complex in the case of transactions involving services or intangible goods.

The clarifications made by the IASB relate to:

- clarification that the role of the entity (i.e. agent or principal) must be determined for each separately recognised performance obligation (i.e. for each specified good or service);
- the nature of the specified good or service where the entity acts as principal. In practice this may be:
  - a good or another asset obtained from another party that the entity then transfers to the customer;
  - a right to a service to be performed by another party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf (for example, an airline ticket sold by a travel agency corresponds to the right to a flight to be provided by an airline company). In this instance, the analysis of control must be carried out on the right, and not on the underlying goods or services. Therefore, the fact that the entity does not supply the good or service directly is not a relevant factor. If the right does not exist before the customer obtains it (for example because a restaurant voucher is not issued until it is bought by the customer), an entity is incapable of having control before it is transferred to the customer, demonstrating that it can only be acting as an agent. Finally, commentators have pointed out the practical difficulties of identifying whether to analyse a right or the underlying good or service. In the Basis for Conclusions, the IASB recognises that all the relevant facts and circumstances must be considered, and that identifying the specified good or service is a matter for judgment;
  - a good or service from another party that the entity then combines with other goods or services in providing the specified good or service to the customer. The amendment clarifies that, if an entity provides a significant service of integrating goods or services, it necessarily controls the specified good or service integrating the assets obtained from another party before that good or service is transferred to the customer. This clarification brings an end to the discussions in many situations where a entity provides a service of integrating elements which have been produced by subcontractors or co-contractors;
- amendment of the indicators in paragraph B37 to present them from the point of view of the principal rather than the agent (returning to the point of view adopted in IAS 18). However, these indicators have been reworded to bring them closer into line with the principle of transfer of control. Further, the credit risk indicator has been deleted. The comments received by the IASB as a result of the exposure draft have shown that this indicator is not generally useful for assessing the agent/principal distinction. It was also pointed out that abuse could be made of this indicator to demonstrate that an entity was acting as a principal when in fact the circumstances showed that it was only an agent. The form in which the entity receives consideration (via a commission) is no longer regarded as a significant aspect of the analysis. Finally, the amendment notes that these indicators are not exhaustive, that they may be more or less relevant depending on the nature of the good or service specified in the transaction, and that different indicators may provide more persuasive evidence in different contracts;
- the addition of illustrative examples.

The amended Basis for Conclusions clarifies that the concept of a 'specified good or service' was preferred to 'performance obligation' in order to avoid confusion when the entity acts as an agent. An agent's performance obligation is to arrange for another entity to supply the goods or services to the end customer.

Key points

- An entity acts as a principal when it has control of the goods or services before they are supplied to the customer.
- The agent/principal analysis must be conducted at the level of each performance obligation. Within a single contract, an entity can be a principal for one performance obligation and an agent for another. However, it is not possible to be a principal or agent for only part of a performance obligation.

3. Licences of intellectual property

a. Distinction between right of access to intellectual property and right of use

IFRS 15 requires entities to determine whether an entity's promise to grant a licence to a customer consists of granting a right to access the entity's intellectual property as it exists throughout the licence contract (a 'dynamic' licence) or a right to use its intellectual property as it exists at the date the rights are granted (a 'static' licence). In the first case, the revenue is recognised over time, as the obligation is satisfied. In the second case, the revenue is accounted for at a given point in time.

To make the distinction between dynamic and static licences, the initial version of IFRS 15 identified conditions for the identification of dynamic licences:

- the contract requires or the customer reasonably expects that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities;
- those activities do not transfer a good or a service to the customer as those activities occur.

It is the first condition which has raised the most questions.

The IASB has clarified this subject by indicating that an entity's activities materially affect its intellectual property when:

- these activities are expected to change the form (for example, the design) or the functionality (for example, the ability to perform a function or task) of the intellectual property to which the customer has rights;
- the customer's ability to profit from the intellectual property to which it has rights is substantially derived from or dependent on these activities. For example, the benefit of a trademark is often derived from or dependent on an entity's activities to justify and preserve the value of the intellectual property.

It has also been clarified that in the case of intellectual property that has significant stand-alone functionality (a concept that is not defined in the standard, but which is illustrated in additional examples, such as the case of software that remains functional for the customer without the need for updates or technical support over the lifetime of its use) it can be expected that the intellectual property would not be significantly affected by the entity's activities unless those activities change that underlying functionality. The IASB considers that judgment is necessary to determine whether the intellectual property to which the customer has rights has significant stand-alone functionality.

The FASB goes much further in its amendment and has developed an alternative approach to that of the IASB, by introducing a distinction between 'functional' intellectual property (intellectual property with significant stand-alone functionality) and 'symbolic' intellectual property (which has no significant stand-alone functionality). Substantially all of the utility of symbolic intellectual property derives from the entity's past or ongoing activities, including its ordinary business activities. The FASB has produced a decision tree showing that symbolic intellectual property corresponds to a right of access to the entity's intellectual property, so the revenue will be recognised over time.

The application of the guidance proposed by the two boards is only likely to result in different treatment in a few cases (for example, where a entity makes available a right to use a trademark even though there is no expectation that it will undertake any further activities), thus introducing divergences in a complex area that was discussed at great length before the original publication of IFRS 15 and Topic 606.

b. Other aspects of licences

Contractual restrictions in licences and identification of performance obligations

Unlike the IASB, the FASB wanted to clarify that the restrictions on a right to access or use an intellectual property (for example in terms of time or geographical region) are attributes of the licence and have no impact on the identification of performance obligations or on whether the licence grants a right to access or a right to use. Judgment must be applied to draw the distinction between a licence with several attributes (i.e. these are its characteristics) and a contract that includes several licences each representing a separate performance obligation.

Renewal of licences of intellectual property

Unlike the IASB, the FASB also decided to clarify the treatment of licence renewals (or extensions) by providing a new example and stating that revenue should not be recognised for renewals or extensions of licences until the renewal period begins. In its Basis for Conclusions, the IASB recognises that in some cases revenue will be recognised later under Topic 606 than under IFRS 15.

When an entity should assess the nature of a licence

Under some circumstances, it may have been originally considered that the grant of a licence of intellectual property does not correspond to a performance obligation distinct from other goods or services promised in the contract. In this instance, is it necessary to assess the nature of the licence in order to know how to recognise the revenue for a performance obligation including the grant of a licence of intellectual property?

The IASB has decided not to modify IFRS 15 in this respect; it regards the guidance currently provided in the standard, including the Basis for Conclusions, as adequate. In practice, even if a licence is not distinct from other goods or services, the IASB believes that if the licence is the predominant item which is transferred, it will be necessary to apply the guidance on licences to determine how to recognise the revenue from the licence (and hence from the performance obligation as a whole).

However, the FASB has decided to clarify Topic 606 to indicate that in the case of a performance obligation that includes the transfer of several goods or services including the grant of a licence of intellectual property (i.e., the licence is not a separate performance obligation) an entity should always (i.e. even if the licence is not the main element of the performance obligation) determine the nature of a licence in order to apply satisfactorily the general principles of revenue recognition (i.e. a distinction must be made between revenue recognised over time and that recognised at a point in time).

c. Sales-based or usage-based royalties

The IASB and the FASB have both decided to clarify the scope and applicability of the Application Guidance on sales-based or usage-based royalties received in exchange for a licence of intellectual property. This guidance is an exception to the general approach to estimating variable consideration that states that an entity must recognise such revenue only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur ('constraint' on the recognition of revenue). An entity shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:

- the sale or usage occurs; and
- the performance obligation to which the sales-based or usage-based royalty is allocated has been satisfied (or partially satisfied).

This guidance on the recognition of sales-based or usage-based royalties applies to all licences, whether they grant rights to access or rights to use.

The amendments made by the IASB (and the FASB) consist of clarification that:

- the guidance on sales-based or usage-based royalties should be applied whenever the predominant item to which the royalty relates is a licence of intellectual property.
- where a contract concluded with a customer includes the grant of a licence of intellectual property and the transfer of other goods or services, an entity should not split a single royalty into a portion subject to the sales-based or usage-based royalties guidance and a portion subject to the general guidance on variable consideration (including the constraint on variable consideration). Therefore, in practice, entities must determine whether the guidance on royalties applies in order to know how to estimate the revenue to be recognised.

Key points

- The amendments to IFRS 15 clarify the distinction between the sale of a right to use an intellectual property (revenue recognised at a point in time) and the sale of right to access an intellectual property (revenue recognised over time). However, judgment will always be required to distinguish the two.
- The provisions on the recognition of usage-based or revenue-based royalties apply whenever the licence of intellectual property is the predominant item in the contract.
- The FASB has introduced more amendments and clarifications in Topic 606 than the IASB has done in IFRS 15, and this may lead to identical situations being accounted for differently in the two accounting frameworks

4. Additional practical expedients for transitional arrangements

The transitional arrangements in IFRS 15 have been amended slightly. These changes relate to completed contracts and contract modifications.

a. Completed contracts

The amendments to the transitional arrangements for completed contracts follow TRG discussions which highlighted the difficulties of stakeholders in identifying a completed contract for the purposes of the standard. The accounting consequences of the original transitional arrangements also raised some questions. This is because the fact that a completed contract is not restated at the date of transition to IFRS 15 can have an impact when all the revenue for that contract has not been recognised at that date. This means that the revenue will be accounted for after the effective date of IFRS 15, but in accordance with the previous standard.

The IASB decided not to amend the definition of a completed contract given in the May 2014 version of the standard. A completed contract is therefore a contract for which the entity has transferred all the goods or services identified in accordance with IAS 11 *Construction contracts,* IAS 18 *Revenue* and the associated interpretations. The Basis for Conclusions clarifies that the concept of 'transfer' of the goods and services (when assessing whether a contract is completed) must be understood in accordance with the accounting principles existing before IFRS 15. Therefore, a contract is completed if, under IAS 11 or IAS 18, an entity had delivered all the goods or rendered all the services that it had identified under this same standard, even if revenue had not been recognised for reasons such as uncertainties as to collectability.

The FASB decided, via amendments to Topic 606, to define a completed contract as a contract for which all or almost all the associated revenue has been accounted for in accordance with the previous standards on revenue.

As a result of this divergence, and to enable preparers to decided whether or not to restate completed contracts depending on the expected impact, the IASB approved the following amendments:

- where the full retrospective method is used, preparers may opt for an additional practical expedient by deciding not to restate completed contacts at the start of the first comparative period presented (generally, at 1 January 2017);
- if the alternative retrospective method is used, an entity may elect to apply IFRS 15 only to contracts that are not completed at the date of first application (generally, at 1 January 2018), or to all its contracts, including contracts that are completed as defined at the transition date. Before the amendments, the option of applying IFRS 15 to contracts completed at the transition date was not available to entities applying the alternative retrospective method.

Therefore, in practice, if an entity elects not to restate completed contracts during the transition to IFRS 15 (whether or not it applies the full retrospective method), it must continue to account for completed contracts in accordance with its previous method.

However, this will have little impact since the number of completed contracts whose revenue is unrecognised at the date of transition to IFRS 15 is likely to be low, and will impact the financial statements over a relatively short period.

b. Contract modifications

Additional practical expedients are contained in the amendment on contract modifications.

If the full retrospective method is applied, IFRS 15 now authorises an option under which entities are not obliged to account retrospectively for contracts modified before the start of the first comparative period, which would otherwise have involved restating these contracts from inception and accounting for the effects of each successive modification (with the application of IFRS 15 principles on the recognition of contract modifications).

In practice, this means that at the start of the first comparative period presented, an entity will be able to reflect the aggregate effect of these modifications in order to:

- identify the satisfied and unsatisfied performance obligations at this date;
- determine the transaction price; and
- allocate the transaction price to performance obligations which are satisfied and unsatisfied.

The additional practical expedient for contract modifications is also available to preparers opting for alternative transitional arrangements (i.e. by determining the impact of transition to IFRS 15 at the start of the first period in which the standard is applied, normally 1 January 2018). This expedient may be applied, at the entity's choice, to:

- all the contract modifications occurring before the start of the first comparative period presented; or
- all the contract modifications prior to the date of initial application.

Key points

- The practical expedients for completed contracts affect contracts for which, under IAS 11 or IAS 18, an entity has delivered all the goods or rendered all the services promised in the contract, even if all the revenue has not been recognised.
- The FASB's definition of a 'completed contract' is different, and this may cause divergences between the two accounting frameworks at the first application date.
- Contracts that have been modified before the transition date will not have to be restated retrospectively modification by modification. Restatement may be determined on the basis of the last modification occurring before the transition date.

5. Other areas where the IASB has decided not amend IFRS 15, unlike the FASB

For each topic discussed, this article has touched on the differences between the amendments to IFRS 15 issued by the IASB and those to the US revenue recognition standard published in parallel by the FASB.

Divergences between the two accounting frameworks are arising in other areas where only the FASB has decided to amend the original version. However, the practical impact of these differences is likely to be fairly limited.

The most significant of these divergences are discussed below.

- **Presentation of sales taxes**: the FASB decided to amend Topic 606 to offer a choice of accounting principles to preparers enabling them to exclude from the measurement of the transaction price (stage 3 of the model) all the amounts collected from customers corresponding to taxes assessed by a governmental authority. Previously preparers had been allowed to elect to include or exclude all the taxes associated with revenue-producing transactions under US GAAP. The IASB decided not to amend IFRS 15 on this subject, as the principle was the same in IAS 18: the transaction price excludes all sums collected on behalf of third parties, such as sales taxes. An analysis must therefore be conducted for each tax in order to determine how it should be presented in profit or loss.
- **Non-cash consideration received from the customer** IFRS 15 and Topic 606 stated that, to determine the transaction price in contracts in which the customer promised non-cash consideration, the entity must measure the non-cash consideration received (or promised) at fair value. However, the standard did not indicate when this measurement should take place. The FASB decided to amend Topic 606 to clarify that fair value must be determined at contract inception. The IASB believed that this clarification was unnecessary. The Board therefore admits, in the Basiss for Conclusions, that the use of another date for measuring amounts received from the customer (in particular actual date of payment by the customer) is not prohibited in IFRSs.

After the publication of these clarifications, IFRS 15 has now reached stability for the present. In the exposure draft setting out its proposed amendments, the IASB suggested that it did not expect any further amendments before the post-implementation review which should theoretically be held in 2020-2021. It will be interesting to see how the IASB will handle and respond to any new implementation issues that arise before then. While the TRG has been been put to bed as far as IFRSs are concerned, it is still at work on the American side. On 18 April, the TRG discussed a paper on the recognition of revenue over time and on appropriate methods of measuring progress (see IFRS Highlights in this issue). This is a critical subject for industrial groups engaged in long-term contracts. Presumably stakeholders will have to make do with the FASB staff report of this meeting for clarification on how to read IFRS 15 – unless the IASB decides, in one way or another, to issue an official position on those questions debated in the TRG which have not led to the publication of an amendment.

Events and FAQ

Frequently asked questions

IFRS

- Purchase and sale options in an associate
- Activation of development costs
- Capital increase plan reserved for employees with matching contribution – recognition and presentation in the cash flow statement

Upcoming meetings of the IASB, IFRS Interpretations Committee and EFRAG

IFRS		EFRAG	
IASB	**Committee**	**Board**	**TEG**
16-20 May	12 July	16 June	25-27 May
20-24 June	6-7 September	19 July	30 June -1 July
18-22 July	8-9 November	8 September	25-27 July