



Staff Paper

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Status Report on IASB Project to Develop an IFRS on 'Revenue from Contracts with Customers'

1. IASB Exposure Draft ED/2010/6 *Revenue from Contracts with Customers* was issued jointly with the FASB in June 2010 for comment by 22 October 2010.
2. At their joint meeting on 18 – 20 January 2011, the IASB and FASB began their redeliberations of the proposals in that ED. They discussed issues regarding:
 - (a) segmenting a contract;
 - (b) identifying separate performance obligations; and
 - (c) determining the transfer of goods and services to customers.

None of these discussions affects the issues discussed in this meeting's agenda papers on Income from Non-Exchange Transactions.

Segmenting a contract

3. The IASB and FASB decided to eliminate the Revenue ED's proposed requirement to account for one contract as two or more contracts, in the situation where the price of some goods or services in the contract is independent of the price of other goods or services in the contract. Consequently, an entity would separate a contract only if the entity identifies separate performance obligations in the contract.

Identifying separate performance obligations

4. The IASB and FASB decided to retain the principle of 'distinct goods or services' as the basis for identifying separate performance obligations. The Boards asked the staff to analyse further the following attributes of a distinct good or service and to consider how an entity would apply them in various scenarios:
 - (a) distinct function;

- (b) separable risks; and
- (c) different patterns of transfer to the customer.

Determining the transfer of goods and services to customers

5. The IASB and FASB reaffirmed the core principle in the Revenue ED that an entity should recognise revenue to depict the transfer of goods and services to a customer.

Goods

6. For determining the transfer of a good, the IASB and FASB decided an entity should recognise revenue when the customer obtains control of the good. The Boards also decided that the Revenue Standard should:
- (a) carry forward most of the ED's proposed guidance on control;
 - (b) describe, rather than define, control;
 - (c) add 'risks and rewards of ownership' as an indicator of control; and
 - (d) eliminate 'the design or function of the good or service is customer-specific' as an indicator of control.

Services

7. For determining the transfer of a service, the IASB and FASB decided an entity should recognise revenue for the entity's performance of contractually-agreed tasks if:
- (a) the customer controls the work-in-process;
 - (b) another entity would not need to reperform the task if that other entity were required to fulfil the remaining obligation to the customer; or
 - (c) the entity has a right to payment for the performed task and the entity's performance to date could not be put to an alternative use by the entity (i.e., the performance to date has not created an asset that could be transferred to another customer).
8. The IASB and FASB decided an entity would recognise revenue for a service only if the entity could reasonably measure its progress toward successful completion of the service.