



Australian Government
Australian Accounting Standards Board

Memorandum

To:	AASB Members	Date:	1 July 2014
From:	Glenn Brady and Joanna Spencer	Agenda Item:	10.1 (M139)
Subject:	IFRS 15 <i>Revenue from Contracts with Customers</i>	File:	

Action

The purpose of this session is as follows:

- (a) to provide an education session on IFRS 15 *Revenue from Contracts with Customers*;
- (b) to consider amendments to domestic pronouncements that might be necessary when AASB 15 *Revenue from Contracts with Customers* (the Australian equivalent of IFRS 15) is issued; and
- (c) consider whether consequential amendments need to be made to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* when AASB 15 is issued.

Attachments

- 10.2 PowerPoint presentation on IFRS 15 *Revenue from Contracts with Customers*;
- 10.3 AASB staff issues paper re: AASB Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry* and IFRS 15 *Revenue from Contracts with Customers*; and
- 10.4 IFRS 15 *Revenue from Contracts with Customers* **[Board Only]**.

Background

Education Session

IFRS 15 *Revenue from Contracts with Customers* was issued by the IASB on 28 May 2014. As part of the preparations for issuing AASB 15 *Revenue from Contracts with Customers*, the staff will provide the Board with an education session on the requirements of the new revenue standard. AASB 15 is targeted for issue by the AASB in Q4, 2014.

Amendments to domestic pronouncements and other considerations

Staff are reviewing all domestic standards and interpretations to identify whether the scope of IFRS 15 encompasses any issues that are addressed in existing domestic pronouncements. To the extent there is an overlap in scope and/or a conflict in the requirements of the domestic pronouncements and IFRS 15, the Board will need to consider whether to withdraw, amend or retain the existing domestic pronouncement.

Based on that review (to date), staff have identified that the requirements in AASB Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry* are within the scope of IFRS 15. Agenda Paper 10.3 considers whether that Interpretation should be withdrawn, amended or retained.

Consequential amendments

AASB 15 will replace:

- AASB 111 *Construction Contracts*;
- AASB 118 *Revenue*;
- AASB Interpretation 13 *Customer Loyalty Programmes*;
- AASB Interpretation 15 *Agreements for the Construction of Real Estate*;
- AASB Interpretation 18 *Transfers of Assets from Customers*; and
- AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

The consequential amendments that accompany IFRS 15 already specify the consequential amendments to other IFRSs. However, when AASB 15 is issued, additional consequential amendments will be required to domestic pronouncements. Staff have identified a number of references (both general and specific) to AASB 111 *Construction Contracts* and AASB 118 *Revenue* in the domestic standards and interpretations. The staff plans to update these references and include them in the consequential amendments that will accompany the ballot draft of AASB 15.

Note that the issue of Tier 2 Disclosures will be addressed as Agenda item 11 of this meeting in Agenda papers 11.1 and 11.2.

Not-for-profit

Staff have not considered the *Process for Modifying IFRSs for PBE/NFP* for AASB 15 as the NFP implications of AASB 15 are being considered in the related project *Income from Transactions of Not-for-Profit Entities* which has an ED targeted for issue in Q4.

GAAP/GFS convergence – Consequential amendments to AASB 1049

Staff have analysed the requirements of IFRS 15 for any implications for GAAP/GFS. Based on this analysis staff do not think there are any GAAP/GFS differences arising from the requirements of IFRS 15 and therefore do not recommend amending AASB 1049, except for updating cross references to existing pronouncements superseded by AASB 15¹. AASB staff are in the process of confirming this conclusion with staff at the Australian Bureau of Statistics (ABS) and will advise the Board if any ABS staff have a different view.

Question for the Board

Subject to any GAAP/GFS differences identified by ABS staff, does the Board agree with the staff analysis that AASB 15 does not give rise to any GAAP/GFS differences?

¹ Note that HoTARAC raised GAAP/GFS differences in its response to ED 222 *Revenues from Contracts with Customers* – November 2011 (the second revenue ED). HOTARAC noted that GFS does not acknowledge the concept of ‘onerous contracts’ and ‘onerous performance obligations’. However, the final IFRS 15 does not include requirements for accounting for onerous performance obligations and as such, that GAAP/GFS difference has not eventuated. Regarding onerous contracts, an entity’s contracts could be deemed as onerous under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, however, staff have previously contacted ABS staff and they have confirmed informally that onerous contracts are not a cause for a GAAP/GFS convergence difference.