



Memorandum

To:	AASB members	Date:	2 December 2014
From:	Glenn Brady	Agenda Item:	4.4 (M142)
Subject:	Update on Revenue TRG	File:	

Action

For information.

Staff will provide a verbal update on the recent discussions held by the IASB/FASB Joint Transition Resource Group (TRG) on revenue.

Overview

The TRG is a limited-life group that has been established by the IASB and FASB to guide preparers in the implementation of IFRS 15 *Revenue from Contracts with Customers* and Topic 606 of the FASB's Accounting Standards Codification.

The purpose of the TRG is to:

- solicit, analyse, and discuss stakeholder issues arising from implementation of the new Standard;
- inform the IASB and the FASB about those implementation issues, which will help the boards determine what, if any, action will be needed to address those issues; and
- provide a forum for stakeholders to learn about the new Standard from others involved with implementation.

The IASB and the FASB have stated repeatedly that the TRG will not issue guidance.

The first TRG meeting was held on 18 July 2014. The second meeting was held on 31 October 2014.

Issues discussed at October 2014 TRG meeting

The following issues were discussed at the October 2014 TRG meeting:

- customer options for additional goods and services and non-refundable upfront fees
- presentation of a contract as a contract asset or a contract liability
- determining the nature of a license of intellectual property

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- distinct in the context of the contract
- contract enforceability and termination clauses

At the TRG meeting, IASB staff and FASB staff also provided a report back on the issues discussed at the July 2014 meeting. The following table summarises the outcome of those discussions.

Issue	Action
Topic 1: Gross versus Net Revenue	Board members instructed the staff to perform additional research on the topic. The focus of the additional research is to understand whether there are specific improvements the Boards could make that would assist stakeholders with making difficult judgements about the principal versus agent assessment. An update will be provided to all stakeholders after the staff completes the research.
Topic 2: Gross versus Net Revenue: Amounts Billed to Customers	The Boards do not plan any further action at this time, because the discussion indicated that stakeholders can understand and apply the applicable guidance.
Topic 3: Sales-Based and Usage-Based Royalties in Contracts with Licenses and Goods or Services Other than Licenses	Board members noted that it would be helpful to understand the other additional questions about licenses before deciding what, if any, action would be helpful to stakeholders about the royalties constraint issue. After the October 2014 TRG meeting, the Boards will provide an update about their plan for the royalties constraint implementation issue and the additional licenses issues discussed at the October TRG meeting
Topic 4: Impairment Testing of Capitalized Contract Costs	No further action planned at this time. The discussion indicated that stakeholders can understand and apply the applicable guidance. However, a decision may be made at a later date as to whether to make a technical correction or minor improvement to clarify the Board's intent with this requirement.