



<b>To:</b>	AASB members	<b>Date:</b>	23 August 2011
<b>From:</b>	Nikole Gyles	<b>Agenda Item:</b>	6.1
<b>Subject:</b>	Revenue recognition - project update	<b>File:</b>	

## Action

Receive an update on the recent tentative decisions made by the IASB and the FASB in their joint project to develop a Standard on *Revenue from Contracts with Customers* and consider if there are any issues that need to be raised with the IASB on those tentative decisions.

## Staff recommendations

Staff do not consider that there are any issues that need to be raised with the IASB in relation to the tentative decisions made at the July 2011 IASB/FASB meeting.

## Question to Board members:

Do you agree with staff's recommendation?

## Background

In June 2010, the AASB issued ED 198 *Revenue from Contracts with Customers*, which incorporates the IASB's ED/2010/6 *Revenue from Contracts with Customers*. The comment period for the IASB's ED 2010/6 closed on 22 October 2010 (the comment period for AASB ED 198 closed on 24 September 2010). The IASB and FASB began redeliberating their proposals in January 2011.

The AASB wrote to the IASB in May 2011 on some of the tentative decisions made in the *Revenue Recognition* project (link to [Letter to IASB - Revenue Recognition<sup>1</sup>](#)). At the July AASB meeting staff provided an update on the project incorporating tentative decisions made by the IASB up to July 2011.

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<sup>1</sup> [http://www.aasb.gov.au/admin/file/content106/c2/AASB\\_Letter\\_to\\_IASB\\_on\\_Revenue\\_Recognition\\_project.pdf](http://www.aasb.gov.au/admin/file/content106/c2/AASB_Letter_to_IASB_on_Revenue_Recognition_project.pdf)

# Memorandum

This memo provides a report on the outcome of the IASB's July 2011 meeting. At the time of writing this memo, the IASB does not have any meetings scheduled, at which revenue recognition is expected to be discussed, prior to the AASB September 2011 meeting. Staff will provide a verbal update of further IASB developments should any arise prior to the September 2011 AASB meeting.

At the June 2011 IASB meeting it was indicated, in light of the tentative decision to re-expose revised proposals, that the expected target date for an IFRS is the second half of 2012.

## Tentative decisions made by IASB/FASB – September 2011

At the joint IASB and FASB meetings held on 20-22 September 2011, the Boards discussed effective dates in relation to the revenue recognition project and whether early adoption of the revenue standard should be permitted.

Issue	Overview of IASB/FASB discussions	Do the tentative decisions broadly align with AASB views?
<i>Effective date</i>	<ul style="list-style-type: none"> <li>The effective date should ensure that the start of the earliest comparative period for an entity required to present two comparative annual periods (in addition to the current annual period) would be a few months after the standard is issued.</li> <li>Consequently, based on the current timetable for the project, the effective date would not be earlier than annual periods beginning on or after <b>1 January 2015</b>.</li> </ul> <p>This decision was unanimously supported by both boards.</p>	<p>Yes.</p> <p>In its submission to the IASB in January 2011 re: <i>Request for Views on Effective Dates and Transition Methods</i> the AASB supported a common effective date of 1 January 2014. This comment was made in the context that the Revenue Recognition project was expected to be finalised in June 2011. It is now expected that the project will be finalised in H2 2012.</p> <p>On this basis, we consider that a 1 January 2015 effective date is broadly consistent with AASB views.</p>
<i>Early application</i>	<ul style="list-style-type: none"> <li>Early application should be permitted. (The FASB tentatively decided unanimously that early application should not be permitted.)</li> </ul>	<p>Yes.</p> <p>In its submission to the IASB in November 2010 re: ED/2010/6 <i>Revenue from Contracts with Customers</i> the AASB strongly supports allowing early adoption.</p>
<i>IFRS 1</i>	<ul style="list-style-type: none"> <li>The same relief should be provided to first-time adopters as provided to other first-time preparers on an optional basis.</li> </ul>	<p>n/a</p> <p>In its submission to the IASB in November 2010 re: ED/2010/6 <i>Revenue from Contracts with Customers</i> the AASB did not comment on IFRS 1.</p> <p>AASB staff agree with the IASB tentative decision.</p>