AASB Exposure Draft

ED 251
July 2014

Revenue from Contracts with Customers – Tier 2 proposals

<u>Adverse</u> comments to the AASB by 29 August 2014

Australian Government

Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

The AASB invites comments from constituents who hold a different view to those set out in this Exposure Draft by 29 August 2014.

Comments should be addressed to:

The Chairman (Acting)
Australian Accounting Standards Board
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Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

This AASB Exposure Draft is available on the AASB website: www.aasb.gov.au. Alternatively, printed copies of this AASB Exposure Draft are available by contacting:

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Background

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition and measurement requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

Earlier Consultation on *Revenue from Contracts with Customers* Reduced Disclosure Requirements

In December 2011 the AASB issued the Tier 2 Supplement to ED 222 *Revenue from Contracts with Customers* that proposed reduced disclosure requirements in respect of the disclosures set out in the International Accounting Standards Board's (IASB) Exposure Draft ED/2011/6 *Revenue from Contracts with Customers*. The December 2011 Tier 2 Supplement superseded the November 2010 Tier 2 Supplement to ED 198 *Revenue from Contracts with Customers*.

During the April 2012 AASB meeting, the Board decided to finalise the proposals in the Tier 2 Supplement to ED 222 without amendment, subject to any substantive changes made by the IASB to the proposed disclosure requirements in IASB ED/2011/6.

In May 2014 the IASB finalised IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 contains a number of differences from the proposed disclosures in ED/2011/6, which were discussed during the July 2014 AASB meeting. On considering the disclosure requirements of IFRS 15, the Board decided to amend a number of the Tier 2 disclosure requirements previously proposed by the Board. In light of these amendments, and the number of changes in disclosure requirements between ED/2011/6 and IFRS 15, the Board decided that re-exposure of the proposed disclosure requirements via an 'adverse comment' Exposure Draft is warranted prior to incorporating the Tier 2 reduced disclosure requirements in the forthcoming Standard AASB 15 *Revenue from Contracts with Customers.*

The AASB's proposed reduced disclosure requirements are outlined below. If you disagree with the AASB's view, please identify the disclosure(s) you believe should be excluded or retained in Tier 2 disclosure requirements, including the reasons for your view.

ANALYSIS OF PROPOSED DISCLOSURES

This Exposure Draft sets out the disclosures proposed in IFRS 15 from which it is proposed entities applying Tier 2 reporting requirements should be exempt. The proposals in this Exposure Draft should not be seen as any indication of AASB support or otherwise for the IASB's IFRS 15.

The AASB's conclusions in relation to proposed Tier 2 disclosure requirements in this Exposure Draft have been reached after applying its usual approach to the analysis of the disclosures in IFRS 15 compared with disclosures set out in the IASB's *IFRS for SMEs* and application of the AASB's 'Tier 2 Disclosure Principles'. The analysis of the disclosures, and the AASB's proposals in relation to those disclosures, is provided in Appendix A. The 'Tier 2 Disclosure Principles' are available on the AASB website under Work in Progress/Reduced Disclosure Requirements.

The AASB's proposal to provide further disclosure relief to Tier 2 entities from those previously proposed is reflective of:

(a) changes to disclosure requirements in IFRS 15 compared with ED 222; and

(b) consideration of the disclosure requirements within the context of the final Standard.

The changes to disclosure requirements in IFRS 15 compared with ED 222 are provided in mark-up in Appendix B.

Proposed Reduced Disclosure Requirements

Under the proposals in this Exposure Draft, Tier 2 entities would be exempt from making the disclosures proposed in paragraphs 115, 116(b)-(c), 117-118, 120-122, 124(b), 126, 127(a) and the text ", by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs)" in paragraph 128(a).

The disclosures proposed in this Exposure Draft are provided below. Entities applying Tier 2 requirements are proposed to be exempted from applying disclosure requirements shown as shaded text.

PROPOSED REDUCED DISCLOSURE REQUIREMENTS: AASB ED 251

65 An entity shall present the effects of financing (interest revenue or interest expense) separately from revenue from contracts with customers in the statement of comprehensive income. Interest revenue or interest expense is recognised only to the extent that a contract asset (or receivable) or a contract liability is recognised in accounting for a contract with a customer.

Presentation

105 When either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable.

106 If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

107 If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. An entity shall assess a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset shall be measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9 (see also paragraph 113(b)).

108 A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For example, an entity would recognise a receivable if it has a present right to payment even though that amount may be subject to refund in the future. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with

IFRS 9 and the corresponding amount of revenue recognised shall be presented as an expense (for example, as an impairment loss).

109 This Standard uses the terms ‘contract asset’ and ‘contract liability’ but does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description for a contract asset, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets.

Disclosure

110 The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:

(a) its contracts with customers (see paragraphs 113–122);

(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts (see paragraphs 123–126); and

(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 (see paragraphs 127–128).

111 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

112 An entity need not disclose information in accordance with this Standard if it has provided the information in accordance with another Standard.

Contracts with customers

113 An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:

(a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and

(b) any impairment losses recognised (in accordance with IFRS 9) on any receivables or contract assets arising from an entity’s contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.

Disaggregation of revenue

114 An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87–B89 when selecting the categories to use to disaggregate revenue.

115 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8 *Operating Segments*.

Contract balances

116 An entity shall disclose all of the following:

(a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;

(b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and

(c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).

117 An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information.

118 An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following:

(a) changes due to business combinations;

(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;

(c) impairment of a contract asset;

(d) a change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable); and

(e) a change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability).

Performance obligations

119 An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:

(a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;

(b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58);

(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent);

(d) obligations for returns, refunds and other similar obligations; and

(e) types of warranties and related obligations.

Transaction price allocated to the remaining performance obligations

120 An entity shall disclose the following information about its remaining performance obligations:

(a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and

(b) an explanation of when the entity expects to recognise as revenue them amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways:

(i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or

(ii) by using qualitative information.

121 As a practical expedient, an entity need not disclose the information in paragraph 120 for a performance obligation if either of the following conditions is met:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or

(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.

122 An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained (see paragraphs 56–58).

Significant judgements in the application of this Standard

123 An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:

(a) the timing of satisfaction of performance obligations (see paragraphs 124–125); and

(b) the transaction price and the amounts allocated to performance obligations (see paragraph 126).

Determining the timing of satisfaction of performance obligations

124 For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:

(a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and

(b) an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.

125 For performance obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services.

Determining the transaction price and the amounts allocated to performance obligations

126 An entity shall disclose information about the methods, inputs and assumptions used for all of the following:

(a) determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration;

(b) assessing whether an estimate of variable consideration is constrained;

(c) allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and

(d) measuring obligations for returns, refunds and other similar obligations.

Assets recognised from the costs to obtain or fulfil a contract with a customer

127 An entity shall describe both of the following:

(a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and

(b) the method it uses to determine the amortisation for each reporting period.

128 An entity shall disclose all of the following:

(a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and

(b) the amount of amortisation and any impairment losses recognised in the reporting period.

Practical expedients

129 If an entity elects to use the practical expedient in either paragraph 63 (about the existence of a significant financing component) or paragraph 94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.

Transition

C8 For reporting periods that include the date of initial application, an entity shall provide both of the following additional disclosures if this Standard is applied retrospectively in accordance with paragraph C3(b):

(a) the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to IAS 11, IAS 18 and related Interpretations that were in effect before the change; and

(b) an explanation of the reasons for significant changes identified in C8(a).

APPENDIX A

Analysis of Disclosure Requirements in IFRS 15 *Revenue from Contracts with Customers* with a View of Determining Corresponding AASB 15 *Revenue from Contracts with Customers* Tier 2 Disclosure Requirements

Only paragraphs that contain disclosure requirements included in IFRS 15 have been included in this Analysis.

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
65 An entity shall present the effects of financing (interest revenue or interest expense) separately from revenue from contracts with customers in the statement of comprehensive income. Interest revenue or interest expense is recognised only to the extent that a contract asset (or receivable) or a contract liability is recognised in accounting for a contract with a customer.	5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period: (a) revenue. (b) finance costs. (c) …	Paragraph 65 and paragraph 5.5 of the *IFRS for SMEs* correspond. Paragraph 65 also corresponds to AASB 101 paragraph 82(b) which has been retained in Tier 2 requirements. The disclosure required by paragraph 65 satisfies the information needs of users in regard to disaggregation of amounts presented in the financial statements without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(e) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 65 should be retained in the Tier 2 disclosure requirements.
Presentation		
105 When either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable.	**Disclosures relating to revenue from construction contracts** 23.32 An entity shall present: (a) the gross amount due from customers for contract work, as an asset. (b) the gross amount due to customers for contract work, as a liability.	Paragraph 105 and paragraph 23.32 of the *IFRS for SMEs* correspond. The disclosure required by paragraph 105 provides information about contract assets and contract liabilities arising from the ordinary activities of the entity. This information is significant from a user needs point of view and the benefits of this disclosure to the users are expected to exceed the costs to the entity. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 105 should be retained in the Tier 2 disclosure requirements.

IFRS 15 Disclosure Requirement		Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
106	If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.		Paragraph 106 has no equivalent in the *IFRS for SMEs*. Paragraph 106 clarifies the requirements of paragraph 105 and is implicit in paragraph 23.32(b) of the *IFRS for SMEs*. The disclosure required by paragraph 106 provides information about contract liabilities arising from ordinary activities of the entity. This information is significant from a user needs point of view and the benefits of this disclosure to the users are expected to exceed the costs to the entity. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 106 should be retained in the Tier 2 disclosure requirements.
107	If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. An entity shall assess a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset shall be measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9 (see also paragraph 113(b)).		Paragraph 107 has no equivalent in the *IFRS for SMEs*. Paragraph 107 clarifies the requirements of paragraph 105. The disclosure required by paragraph 107 provides information about contract assets arising from the ordinary activities of the entity. This information is significant from a user needs point of view and the benefits of this disclosure to the users are expected to exceed the costs to the entity. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 107 should be retained in the Tier 2 disclosure requirements.
108	A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For		Paragraph 108 has no equivalent in the *IFRS for SMEs*. Paragraph 108 clarifies the requirements of paragraph 105. The disclosure required by paragraph 108 provides information about contract assets arising from the ordinary

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
example, an entity would recognise a receivable if it has a present right to payment even though that amount may be subject to refund in the future. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised shall be presented as an expense (for example, as an impairment loss).		activities of the entity. This information is significant from a user needs point of view and the benefits of this disclosure to the users are expected to exceed the costs to the entity. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 108 should be retained in the Tier 2 disclosure requirements.
109 This Standard uses the terms 'contract asset' and 'contract liability' but does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description for a contract asset, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets.		Paragraph 109 has no direct equivalent in the *IFRS for SMEs*. Paragraph 109 clarifies the requirements of paragraph 105. The disclosure required by paragraph 109 satisfies the information needs of users in regard to transactions and other events and conditions encountered by such entities without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(e) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs*, paragraph 109 should be retained in the Tier 2 disclosure requirements.
Disclosure		
110 The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative		Paragraph 110 has no equivalent in the *IFRS for SMEs*. The disclosures required by paragraph 110(a) and paragraph 110(c) satisfy the information needs of users in regard to short-term cash flows and liquidity and solvency, without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraphs 6(a) and 6(b) of

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
information about all of the following: **(a) its contracts with customers (see paragraphs 113–122);** **(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts (see paragraphs 123–126); and** **(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 (see paragraphs 127–128).**		'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 110(a) and paragraph 110(c) should be retained in the Tier 2 disclosure requirements. The disclosure required by paragraph 110(b) satisfies the information needs of users in regard to measurement uncertainties without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(c) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 110(b) should be retained in the Tier 2 disclosure requirements.
111 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.		Paragraph 111 has no equivalent of the *IFRS for SMEs*. Paragraph 111 supports the overall objective for the disclosure of revenue from contracts with customers specified in paragraph 105. It provides guidance but does not add disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 111 should be retained in the Tier 2 disclosure requirements.
112 An entity need not disclose information in accordance with this Standard if it has provided the information in accordance with another Standard.		Paragraph 112 has no equivalent in the *IFRS for SMEs*. It provides guidance and does not add disclosure requirements; rather, it helps avoid duplicate disclosures. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 112 should be retained in the Tier 2 disclosure requirements.

<table>
<tr><th>IFRS 15 Disclosure Requirement</th><th>Disclosure Requirements in IFRS for SMEs Section 5 Statement of Comprehensive Income and Income Statement, Section 11 Basic Financial Instruments and Section 23 Revenue</th><th>AASB Analysis and Proposal</th></tr>
<tr><td colspan="3">Contracts with customers</td></tr>
<tr><td>113 An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:
(a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and
(b) any impairment losses recognised (in accordance with IFRS 9) on any receivables or contract assets arising from an entity’s contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.</td><td>23.30 An entity shall disclose:
(a) ...
(b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from:
(i) the sale of goods.
(ii) the rendering of services.
(iii) interest.
(iv) royalties.
(v) dividends.
(vi) commissions.
(vii) government grants.
(viii) any other significant types of revenue.
11.48 An entity shall disclose the following items of income, expense, gains and losses:
(a) ...
(b) ...
(c) the amount of impairment loss for each class of asset.</td><td>Paragraph 113(a) (together with paragraph 114) and paragraph 23.30(b) of the IFRS for SMEs correspond. Paragraph 113(a) requires entities to disclose revenue from contracts with customers separately from other revenue.
The disclosure required by paragraph 113(a) satisfies the information needs of users in regard to disaggregation of amounts presented in the financial statements and short-term cash flows without significantly increasing the costs to the reporting entity.
Based on paragraph 5 and paragraph 6(e) of the ‘Tier 2 Disclosure Principles’, applying the ‘user need’ and ‘cost-benefit’ principles of the IFRS for SMEs, paragraph 113(a) should be retained in the Tier 2 disclosure requirements.
Paragraph 113(b) (together with paragraph 114) and paragraph 11.48(c) of the IFRS for SMEs correspond. Paragraph 113(b) requires entities to disclose impairment losses from contracts with customers separately from impairment losses from other contracts.
The disclosure required by paragraph 113(b) satisfies the information needs of users in regard to disaggregation of amounts presented in financial statements and liquidity and solvency without significantly increasing the costs to the reporting entity.
Based on paragraph 5, paragraph 6(b) and paragraph 6(e) of the ‘Tier 2 Disclosure Principles’, applying the ‘user need’ and ‘cost-benefit’ principles of the IFRS for SMEs paragraph 113(b) should be retained in the Tier 2 disclosure requirements.</td></tr>
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IFRS 15 Disclosure Requirement	**Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue***	**AASB Analysis and Proposal**
Disaggregation of revenue		
114 An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87–B89 when selecting the categories to use to disaggregate revenue.	23.30 An entity shall disclose: (a) ... (b) the amount of each category of revenue recognised during the period, showing separately, at a minimum, revenue arising from: (i) the sale of goods. (ii) the rendering of services. (iii) interest. (iv) royalties. (v) dividends. (vi) commissions. (vii) government grants. (viii) any other significant types of revenue. **Disclosures relating to revenue from construction contracts** 23.31 An entity shall disclose the following: (a) the amount of contract revenue recognised as revenue in the period. (b) the methods used to determine the contract revenue recognised in the period. (c) the methods used to determine	Paragraph 114 (together with paragraph 113) corresponds to paragraph 23.30(b) and paragraph 23.31 of the *IFRS for SMEs*, as both paragraph 114 and the *IFRS for SMEs* require a disaggregation of revenue to be disclosed. The disclosure required by paragraph 114 satisfies the information needs of users in regard to short-term cash flows and disaggregation of amounts presented in the financial statements without significantly increasing the costs to the reporting entity. Based on paragraph 5, paragraph 6(a) and paragraph 6(e) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 114 should be retained in the Tier 2 disclosure requirements.

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
	the stage of completion of contracts in progress.	
115 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8 *Operating Segments*.		Paragraph 115 has no equivalent in the *IFRS for SMEs*. Paragraph 115 requires entities to disclose information regarding the relationship of disaggregated revenue and revenue reported in each reporting segment, if an entity applies IFRS 8. Although AASB 8 applies to Tier 2 entities, all disclosure requirements are excluded for Tier 2 entities. To be consistent with this exclusion, paragraph 115 should be excluded from Tier 2 entity disclosure requirements.
Contract balances		
116 An entity shall disclose all of the following: (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed; (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and (c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).		Paragraph 116 has no equivalent in the *IFRS for SMES*. Paragraph 116(a) requires an entity to provide opening and closing balances of receivables, contract assets and liabilities. The disclosure required by paragraph 116(a) satisfies the information needs of users in regard to disaggregation of amounts presented in the financial statements without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(e) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' analysis of the *IFRS for SMEs*, paragraph 116(a) should be retained in the Tier 2 disclosure requirements. The disclosures required by paragraph 116(b) and paragraph 116(c) satisfy the information needs of users in regard to disaggregation of amounts presented in financial statements and short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. However, the cost to entities of the disclosure

IFRS 15 Disclosure Requirement	**Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue***	**AASB Analysis and Proposal**
		required in paragraph 116(b) and paragraph 116(c) are expected to exceed the benefits to users. Based on paragraph 5 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 116(b) and paragraph 116(c) should be excluded from the Tier 2 disclosure requirements.
117 An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information.		Paragraph 117 has no equivalent in the *IFRS for SMEs*. Paragraph 117 requires an entity to explain how the timing of satisfaction of its performance obligations relates to the typical timing of payment and the effect that those factors have on the contract asset and contract liability balance. The disclosure required by paragraph 117 satisfies the information needs of users in regard to short-term cash flows about obligations, commitments or contingencies, and measurement uncertainties. However, the cost to entities of the disclosure required by paragraph 117 would be expected to exceed the benefits to users. Based on paragraph 5 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 117 should be excluded from the Tier 2 disclosure requirements.
118 An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following: (a) changes due to business combinations; (b) cumulative catch-up adjustments to revenue		Paragraph 118 has no equivalent in the *IFRS for SMEs*. Paragraph 118 requires an entity to provide an explanation of the significant changes in contract assets and contract liabilities. The disclosures required by paragraph 118 meet the information needs of users in regard to disaggregation of amounts presented in the financial statements. However, the cost to entities of the disclosure required by paragraph 118 would be expected to exceed the benefits to users.

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification; (c) impairment of a contract asset; (d) a change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable); and (e) a change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability).		Based on paragraph 5 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 118 should be excluded from the Tier 2 disclosure requirements.
Performance obligations		
119 An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following: (a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement; (b) the significant payment terms (for example, when payment is typically due, whether the		Paragraphs 119(a)-119(c) have no equivalent in the *IFRS for SMEs*. Paragraphs 119(d) and paragraph 119(e) correspond to paragraph 85(a) of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* "85. An entity shall disclose the following for each class of provision: (a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits" (equivalent to paragraph 21.14(b) of the *IFRS for SMEs*). Paragraph 85(a) of AASB 137 has been retained in Tier 2 disclosure requirements. The disclosure required by paragraph 118 satisfies the

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58); (c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent); (d) obligations for returns, refunds and other similar obligations; and (e) types of warranties and related obligations.		information needs of users in regard to short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(a) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 119 should be retained in the Tier 2 disclosure requirements.
Transaction price allocated to the remaining performance obligations		
120 An entity shall disclose the following information about its remaining performance obligations: (a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and (b) an explanation of when the entity expects to recognise as revenue them amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways: (i) on a quantitative basis using the time bands that would be most		Paragraph 120 has no equivalent in the *IFRS for SMEs*. The disclosure required by paragraph 120 satisfies the information needs of users in regard to short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. However, the cost to entities of the disclosure required by paragraph 120 would be expected to exceed the benefits to users. Based on paragraph 5 of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 120 should be excluded from the Tier 2 disclosure requirements. [Note: In the Tier 2 Supplement to ED 222 the Board proposed to retain the equivalent paragraphs (paragraph 119 and paragraph 120). After considering the disclosure requirements within the context of the final Standard the

IFRS 15 Disclosure Requirement	**Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue***	**AASB Analysis and Proposal**
appropriate for the duration of the remaining performance obligations; or (ii) by using qualitative information.		Board tentatively decided that the costs of providing the disclosures in paragraph 120 would be expected to exceed the benefits to users.]
121 As a practical expedient, an entity need not disclose the information in paragraph 120 for a performance obligation if either of the following conditions is met: (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.		Paragraph 121 has no equivalent in the *IFRS for SMEs*. Paragraph 121 provides a practical expedient to disclosing information in relation to paragraph 120. Consistent with the proposal to exclude paragraph 120, paragraph 121 should be excluded from the Tier 2 disclosure requirements.
122 An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained (see paragraphs 56–58).		Paragraph 122 has no equivalent in the *IFRS for SMEs*. Paragraph 122 requires entities to disclose qualitatively whether it is applying the practical expedient in paragraph 121. Consistent with the proposal to exclude 120 and 121, paragraph 122 should be excluded from the Tier 2 disclosure requirements.

<table>
<tr><th>IFRS 15 Disclosure Requirement</th><th>Disclosure Requirements in IFRS for SMEs Section 5 Statement of Comprehensive Income and Income Statement, Section 11 Basic Financial Instruments and Section 23 Revenue</th><th>AASB Analysis and Proposal</th></tr>
<tr><td colspan="3">Significant judgements in the application of this Standard</td></tr>
<tr><td>123 An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:
(a) the timing of satisfaction of performance obligations (see paragraphs 124–125); and
(b) the transaction price and the amounts allocated to performance obligations (see paragraph 126).</td><td></td><td>Paragraph 123 has no equivalent in the IFRS for SMEs.
The disclosure required by paragraph 123 satisfies the information needs of users in regard to measurement uncertainties without significantly increasing the costs to the reporting entity.
Based on paragraph 5 and paragraph 6(c) of ‘Tier 2 Disclosure Principles’, applying the ‘user need’ and ‘cost-benefit’ principles of the IFRS for SMEs, paragraph 123 should be retained in the Tier 2 disclosure requirements.</td></tr>
<tr><td colspan="3">Determining the timing of satisfaction of performance obligations</td></tr>
<tr><td>124 For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:
(a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and
(b) an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.</td><td>General disclosures about revenue
23.30 An entity shall disclose:
(a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services.
Disclosures relating to revenue from construction contracts
23.31 An entity shall disclose the following:
(a) …
(b) the methods used to determine the contract revenue recognised in</td><td>Paragraph 124(a) corresponds to paragraph 23.30(a), paragraph 23.31(b) and paragraph 23.31(c) of the IFRS for SMEs, as they all require disclosure of the accounting policies/methods used to account for revenue.
The disclosure required by paragraph 124(a) satisfies the information needs of users in regard to the entity’s accounting policy choices without significantly increasing the costs to the reporting entity.
Based on paragraph 5 and paragraph 6(d) of ‘Tier 2 Disclosure Principles’, applying the ‘user need’ and ‘cost-benefit’ principles of the IFRS for SMEs, paragraph 124(a) should be retained in the Tier 2 disclosure requirements.
Paragraph 124(b) has no equivalent in the IFRS for SMEs.
The disclosure required by paragraph 124(b) satisfies the information needs of users in regard to the entity’s</td></tr>
</table>

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
	the period. (c) the methods used to determine the stage of completion of contracts in progress.	accounting policy choices. However, the cost to entities of the disclosure required by paragraph 124(b) would be expected to exceed the benefits to users. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 124(b) should be excluded from the Tier 2 disclosure requirements.
125 For performance obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services.		Paragraph 125 has no equivalent in the *IFRS for SMEs*. The disclosure required by paragraph 125 satisfies the information needs of users in regard to transactions and other events and conditions encountered by such entities without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(f) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 125 should be retained in the Tier 2 disclosure requirements.
Determining the transaction price and the amounts allocated to performance obligations		
126 An entity shall disclose information about the methods, inputs and assumptions used for all of the following: (a) determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration; (b) assessing whether an estimate of variable consideration is constrained; (c) allocating the transaction price, including	**General disclosures about revenue** 23.30 An entity shall disclose: (a) the **accounting policie**s adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services. **Disclosures relating to revenue from construction contracts** 23.31 An entity shall disclose the following:	Paragraph 126 is similar to the requirements in paragraph 23.30(a), paragraph 23.31(b) and paragraph 23.31(c) of the *IFRS for SMEs*, as they all require disclosure of the methods used to account for revenue. The disclosure required by paragraph 126 satisfies the information needs of users in regard to measurement uncertainty and the entity's accounting policy choices. However, the cost to entities of the disclosure required by paragraph 126 would be expected to exceed the benefits to users. Further, the requirements in paragraph 23.30(a), paragraph 23.31(b) and paragraph 23.31(c) of the *IFRS for SMEs* are broadly addressed in the disclosure requirements

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement,* Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and (d) measuring obligations for returns, refunds and other similar obligations.	(a) … (b) the methods used to determine the contract revenue recognised in the period. (c) the methods used to determine the stage of completion of contracts in progress.	of paragraph 124(a) (above). Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 126 should be excluded from the Tier 2 disclosure requirements. [Note: In the Tier 2 Supplement to ED 222 the Board proposed to retain the equivalent paragraph (paragraph 127). After considering the disclosure requirements within the context of the final Standard the Board tentatively decided that the costs of providing the disclosures in paragraph 120 would be expected to exceed the benefits to users.]
Assets recognised from the costs to obtain or fulfil a contract with a customer		
127 An entity shall describe both of the following: (a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and (b) the method it uses to determine the amortisation for each reporting period.		Paragraph 127 has no equivalent in the *IFRS for SMEs*. Paragraph 127(a) requires an entity to describe 'the judgments made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer'. The disclosure in paragraph 127(a) satisfies the information needs of users in regard to measurement uncertainties. However, the cost to entities of the disclosure required by paragraph 127(a) would be expected to exceed the benefits to users. Based on paragraph 5 of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 127(a) should be excluded from the Tier 2 disclosure requirements. The disclosure required by paragraph 127(b) in regard to amortisation of assets arising from the costs incurred to obtain or fulfil a contract with a customer satisfies the information needs of users in regard to the entity's accounting policy choices without significantly increasing

IFRS 15 Disclosure Requirement	**Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue***	**AASB Analysis and Proposal**
		the costs to the reporting entity. Based on paragraph 5 and paragraph 6(d) of 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 127(b) should be retained in the Tier 2 disclosure requirements.
128 An entity shall disclose all of the following: (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and (b) the amount of amortisation and any impairment losses recognised in the reporting period.		Paragraph 128 has no equivalent in the *IFRS for SMEs*. The disclosure of the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer in paragraph 128(a) satisfies the information needs of users in regard to disaggregation of amounts presented in the financial statements without significantly increasing the costs for the reporting entity. However, the cost to entities to further disaggregate this by main category of asset would be expected to exceed the benefits to users. Based on paragraph 5 and paragraph 6(e) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 128(a) should be retained, however the requirement to disaggregate by main category of asset should be excluded, from the Tier 2 disclosure requirements. The disclosure in paragraph 128(b) satisfies the information needs of users in regard to liquidity and solvency without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(b) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for* SMES, paragraph 128(b) should be retained in the Tier 2 disclosure requirements.

IFRS 15 Disclosure Requirement	Disclosure Requirements in *IFRS for SMEs* Section 5 *Statement of Comprehensive Income and Income Statement*, Section 11 *Basic Financial Instruments* and Section 23 *Revenue*	AASB Analysis and Proposal
Practical expedients		
129 If an entity elects to use the practical expedient in either paragraph 63 (about the existence of a significant financing component) or paragraph 94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.		Paragraph 129 has no equivalent in the *IFRS for SMEs*. The disclosure required by paragraph 129 satisfies the information needs of users in regard to measurement uncertainties without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(c) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph 129 should be retained in the Tier 2 disclosure requirements.
Transition		
C8 For reporting periods that include the date of initial application, an entity shall provide both of the following additional disclosures if this Standard is applied retrospectively in accordance with paragraph C3(b): (a) the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to IAS 11, IAS 18 and related Interpretations that were in effect before the change; and (b) an explanation of the reasons for significant changes identified in C8(a).		Paragraph C8 has no equivalent in the *IFRS for SMEs*. The disclosures in paragraph C8 satisfy the information needs of users in regard to measurement uncertainties in the context of transitioning to the new revenue recognition requirements without significantly increasing the costs to the reporting entity. Based on paragraph 5 and paragraph 6(c) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles of the *IFRS for SMEs*, paragraph C8 should be retained in the Tier 2 disclosure requirements.

APPENDIX B

Changes to Disclosure Requirements in final IFRS 15 *Revenue from Contracts with Customers* from the Tier 2 Supplement to ED 222.

The changes to disclosure paragraphs in the final Standard from the Tier 2 Supplement to ED 222 are in mark-up (new text is underlined and deleted text is struck through)

65~~2~~ An entity shall present the effects of financing (interest expense or interest revenue) separately from revenue from contracts with customers ~~(as interest expense or interest income)~~ in the statement of comprehensive income. Interest revenue or interest expense is recognised only to the extent that a *contract asset* (or receivable) or a contract liability is recognised in accounting for a contract with a customer.

Presentation

105~~4~~ When either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, ~~a contract asset, or a receivable~~ depending on the relationship between the entity's performance and the customer's payment. An entity shall present separately any unconditional rights to consideration as a receivable.

106~~5~~ If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, ~~or an amount of consideration is due before an entity performs by transferring a good or service,~~ the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

107~~6~~ If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as ~~either~~ a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. An entity shall assess a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset shall be measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9 (see also paragraph 113(b)). ~~or as a receivable depending on the nature of the entity's right to consideration for its performance.~~

~~(a) A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer, when that right is conditioned on something other than the passage of time (for example, the entity's future performance).~~

~~A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if nothing other than the passage of time is required before payment of that consideration is due. An entity shall account for a receivable in accordance with IFRS 9.~~

108 A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For example, an entity would recognise a receivable if it has a present right to payment even though that amount may be subject to refund in the future. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised shall be presented as an expense (for example, as an impairment loss).

109~~7~~ This ~~[draft]~~ Standard uses the terms 'contract asset' and 'contract liability' but does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description for a contract asset, the entity shall provide sufficient information for a user of the financial statements to distinguish between ~~unconditional rights to consideration (ie receivables) and conditional rights to consideration (ie contract assets).~~ receivables and contract assets.

~~108 An entity shall present a liability for onerous performance obligations (in accordance with paragraph 86) separately from contract assets or contract liabilities.~~

Disclosure

110~~9~~ The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:

- **(a) its contracts with customers (paragraphs 113–122~~3~~);**
- **(b) the significant judgements, and changes in the judgements, made in applying this ~~[draft]~~ Standard to those contracts (paragraphs 123~~4~~–126~~7~~); and**
- **(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95~~4~~ (paragraphs 127~~8~~ and 128~~9~~).**

111~~0~~ An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

~~111 Amounts disclosed are for each period for which a statement of comprehensive income is presented and as of each period for which a statement of financial position is presented, as applicable, unless otherwise stated.~~

112 An entity need not disclose information in accordance with this ~~[draft]~~ Standard if it has provided the information in accordance with another Standard.

~~113 An entity shall disclose information about its contracts with customers, including all of the following:~~

- ~~(a) a disaggregation of revenue for the period (paragraphs 114–116);~~
- ~~(b) a reconciliation from the opening to the closing aggregate balance of contract assets and contract liabilities (paragraph 117); and~~
- ~~(c) information about the entity's performance obligations (paragraphs 118–121), including additional information about any onerous performance obligations (paragraphs 122 and 123).~~

Contracts with customers

113 An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:

- (a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and
- (b) any impairment losses recognised (in accordance with IFRS 9) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.

Disaggregation of revenue

114 An entity shall disaggregate revenue recognised from contracts with customers ~~(excluding amounts presented for customers' credit risk)~~ into categories that depict how the nature,

amount, timing and uncertainty of revenue and cash flows are affected by economic factors. ~~To meet the disclosure objective in paragraph 109, an entity may need to use more than one type of category to disaggregate revenue.~~ An entity shall apply the guidance in paragraphs B87-B89 when selecting the categories to use to disaggregate revenue.

115 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8 *Operating Segments*.

Contract balances

~~117 An entity shall disclose in tabular format a reconciliation from the opening to the closing aggregate balance of contract assets and contract liabilities. The reconciliation shall disclose each of the following, if applicable:~~

- ~~(a) the amount(s) recognised in the statement of comprehensive income arising from either of the following:~~
  - ~~(i) revenue from performance obligations satisfied during the reporting period; and~~
  - ~~(ii) revenue from allocating changes in the transaction price to performance obligations satisfied in previous reporting periods;~~
- ~~(d) cash received;~~
- ~~(e) amounts transferred to receivables;~~
- ~~(f) non-cash consideration received;~~
- ~~(g) effects of business combinations; and~~
- ~~(f) any additional line items that may be needed to understand the change in the contract assets and contract liabilities.~~

116 An entity shall disclose all of the following:

- (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;
- (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and
- (c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).

117 An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and contract liability balances. The explanation provided may use qualitative information.

118 An entity shall provide an explanation of the significant changes in the contract asset and contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following:

- (a) changes due to business combinations;
- (b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
- (c) impairment of a contract asset;
- (d) a change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable); and

(e) a change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability).

Performance Obligations

119~~8~~ An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:

(a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;

(b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financial component, whether the consideration amount is variable and whether the ~~contract has a significant financing component)~~ estimate of variable consideration is typically constrained in accordance with paragraphs 56-58);

(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent);

(d) obligations for returns, refunds and other similar obligations; and

(e) types of warranties and related obligations.

Transaction price allocated to the remaining performance obligations

120~~19~~ ~~For contracts with an original expected duration of more than one year, a~~ An entity shall disclose the following information about its performance obligations ~~as of the end of the current reporting period~~:

(a) the aggregate amount of the transaction price allocated to ~~remaining~~ performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the current reporting period; and

(b) an explanation of when the entity expects to recognise as revenue the ~~that~~ amount ~~as revenue.~~ disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways:

~~120 An entity may disclose the information in paragraph 119 either~~

(i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or

(ii) by using qualitative information.

121 As a practical expedient, an entity need not disclose the information in paragraph 120~~19~~ for a performance obligation if ~~the entity recognises revenue in accordance with paragraph 42.~~ either of the following conditions is met:

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or

(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.

122 An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained (see paragraphs 56-58).

Significant judgements in the application of this Standard

123~~4~~ An entity shall disclose the judgements, and changes in the judgements, made in applying this ~~[draft]~~ Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. ~~At a minimum~~ In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:

(a) the timing of satisfaction of performance obligations (paragraphs 124~~5~~ and 125~~6~~); and

(b) the transaction price and the amounts allocated to performance obligations (see paragraph 126~~7~~).

Determining the timing of satisfaction of performance obligations

124~~5~~ For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:

(a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and

(b) an explanation of why the methods used provide ~~are~~ a faithful depiction of the transfer of goods or services.

125~~6~~ For performance obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when a ~~the~~ customer obtains control of promised goods or services.

Determining the transaction price and the amounts allocated to performance obligations

126~~7~~ An entity shall disclose information about the methods, inputs and assumptions used ~~to~~ for all of the following:

(a) determining~~e~~ the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and estimating non-cash consideration;

(b) assessing whether an estimate ~~stand-alone selling prices of promised goods or services~~ of variable consideration is constrained;

(c) ~~measure obligations for returns, refunds and other similar obligations~~ allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and

(d) measuring~~e~~ ~~the amount of the liability recognised for onerous performance~~ obligations for returns, refunds and other similar obligations.

Assets recognised from the costs to obtain or fulfil a contract with a customer

127~~9~~ An entity shall describe both of the following:

(a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraphs 91 or 95); and

(b) the method it uses to determine the amortisation for each reporting period.

~~128 An entity shall disclose a reconciliation of the opening and closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraphs 91 and 94), by main category of asset (for example, costs to obtain contracts with customers, precontract costs and set-up costs). The reconciliation shall include amounts related to each of the following, if applicable:~~

~~(a) additions;~~

~~(b) amortisation;~~

~~(c) impairment losses;~~

~~(d) reversals of impairment losses; and~~

~~(e) any additional line items that may be needed to understand the change in the reporting period.~~

128 An entity shall disclose both of the following:

(a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraphs 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and

(b) the amount of amortisation and any impairment losses recognised in the reporting period.

Practical expedients

129 If an entity elects to use the practical expedient in either paragraph 63 (about the existence of a significant financing component) or paragraph 94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.

Transition

C8 For reporting periods that include the date of initial application, an entity shall provide both of the following additional disclosures if this ~~IFRS~~ Standard is applied retrospectively in accordance with paragraph C3(b):

(a) ~~T~~the amount by which each financial statement line item is affected in the current reporting period by the application of this Standard as compared to IAS 11, IAS 18 and related Interpretations that were in effect before the change ~~as a result of the entity applying this IFRS.~~; and

(b) ~~A~~an explanation of the reasons for significant changes identified in C8(a) ~~between the reported results under this IFRS and under IAS 18, IAS 11 and related Interpretations that were in effect before the change~~.