



Australian Government
**Australian Accounting
Standards Board**

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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans

AASB comments on IASB ED/2015/2 *Effective Date of IFRS 15*
(*Proposed amendments to IFRS 15*)

The Australian Accounting Standards Board (AASB) welcomes the opportunity to provide comments on ED/2015/2 *Effective Date of IFRS 15 (Proposed amendments to IFRS 15)*. In formulating its comments, the AASB sought and considered the views of Australian constituents through comment letters and other consultation. The comment letters received are published on the AASB's website.

The AASB supports the proposals in ED/2015/2 to defer the application of IFRS 15 *Revenue from Contracts with Customers* to annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The AASB's support is based on comments from Australian constituents that the implementation of IFRS 15 is more difficult than initially anticipated, in particular with the required changes in information technology systems and considerations of domestic tax legislations such as the Goods and Services Tax. Australian constituents also agreed that it would be beneficial to align the effective date of IFRS 15 with the Financial Accounting Standards Board Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606). The deferral of the effective date would therefore permit entities more time to implement IFRS 15.

However, the AASB has concerns that amending the effective date after the Standard is issued may undermine the IASB's due process of having established the effective date for IFRS 15 after careful consideration and consultation with its constituents. In particular, the acknowledgement in the Basis for Conclusions that "the period of time from which IFRS 15 is issued until its effective date is longer than usual. However, in this case ... a delayed effective date is appropriate because of the unique attribute of IFRS 15, including the wide range of entities that will be affected and the potentially significant effect that a change in revenue recognition has on other financial statement line items" (IFRS 15, paragraph BC450).

Additionally, deferring the effective date of the Standard may set a precedent that could result in constituents seeking amendments to the effective date of other Standards that may be considered difficult to implement (for example, leases).

The AASB acknowledges that the deferral of the effective date would permit entities to apply the proposed targeted amendments to IFRS 15 at the same time as applying the existing IFRS 15 requirements. However, the AASB is not convinced that the existence of proposed amendments that *clarify* but do not *change* the requirements of a Standard is of itself a sufficient basis for a deferral of an effective date. In particular, when the effective date of a Standard is already longer than the usual 18 month period from the date of the issue.

The current effective date for periods beginning on or after 1 January 2017 would mean that most entities will apply IFRS 15 four years after the issue of the Standard. A one-year deferral of the effective date will mean the application of IFRS 15 five years after the Standard is issued. The AASB is concerned that this will perpetuate the trend for longer lead times for applying new Standards.

To ensure that the due process of the IASB is not undermined, the AASB recommends that the IASB explicitly states the deferral of the effective date of IFRS 15 is an exceptional decision and is not likely to be the normal practice of the IASB.

If you have queries regarding any matters in this submission, please contact Daen Soukseun (dsoukseun@asb.gov.au).

Yours sincerely,



Kris Peach
Chair and CEO