



WEBINAR AGN CSA - Comité de Auditoría
8 Febrero 2018

IFRS 15 Revenue from Contracts with Customers

excellent.
connected.
individual.

Agenda

- **Part I**
 - Introduction and Overview
 - The “Five Steps” to the New Standard
 - Technical Resources
- **Part II**
 - Implementation Issues
 - Key Practice Considerations

Autoría

- Este webinar ha sido producido por el Comité Internacional de Auditoría y Contabilidad (IAAC), y en particular por Scott Walters, de la firma Daszkal Bolton, Florida, EEUU.
- La traducción ha sido realizada por Marielos de Rueda, Panchita Aguirre y Asociados, Guatemala.

Overview of IFRS 15

Timeline

Joint IASB/FASB TRG discussions until Nov 2015

FASB continues US-only TRG discussions

IFRS 15/ASC 606 issued

Clarifications to IFRS 15/ASC 606 Issued

Effective date



Disclosures on possible impact of adoption of ASC 606

Significant Improvements



Robust framework for
Addressing current &
Evolving revenue issues



Increases comparability
between US GAAP and
IFRS



Fills major gaps &
Provides a Basis for
Conclusions



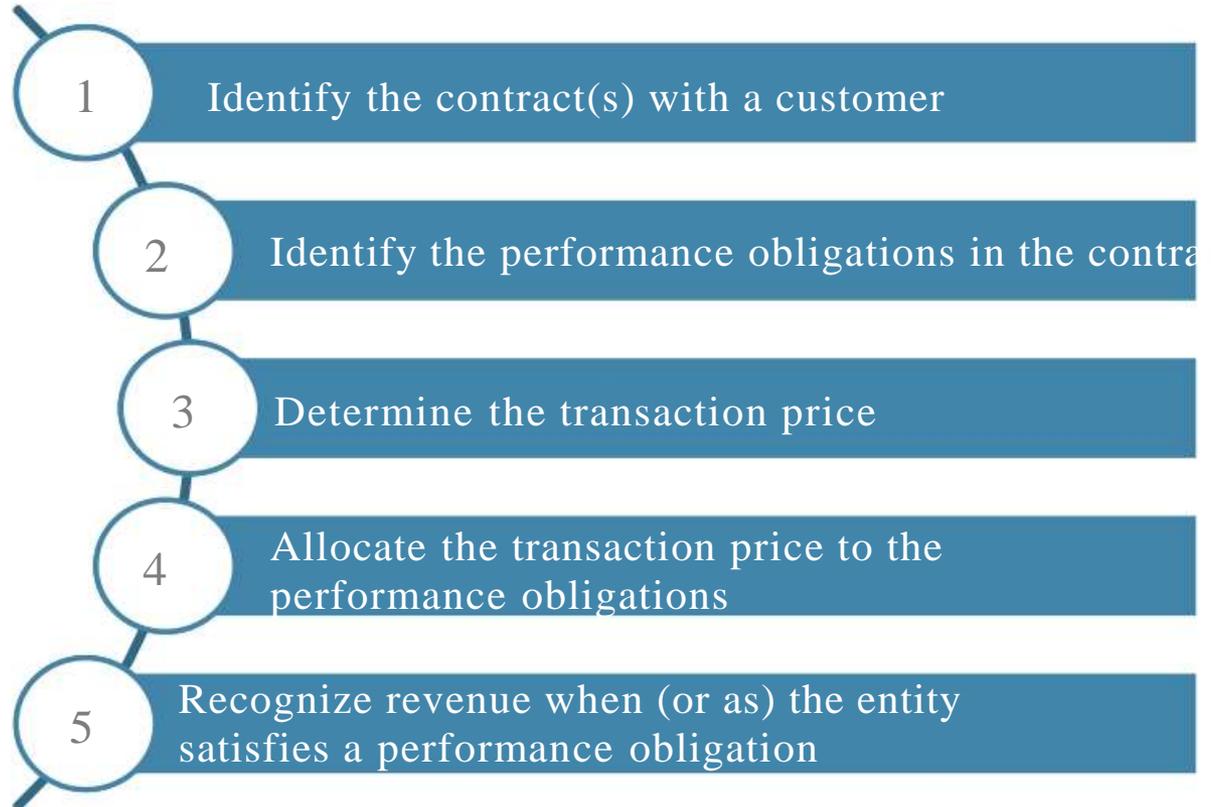
Enhances disclosures

The thought process changes even if the accounting doesn't

5-Steps to IFRS 15

The 5-Step Revenue Recognition Model

Recognize revenue to depict transfer of goods or services in an amount of consideration to which the entity expects to be entitled



Step 1

Identify the Contract

Existence of a contract

- Must meet specified criteria to apply the model, including
- Collection of consideration probable

Combine contracts

- Negotiated as a package
- Linked consideration
- Goods or services form single performance obligation

Contract modifications

- Separate contract if the modification adds distinct goods/services at standalone selling price
- Prospective if remaining goods/services distinct from goods or services already transferred
- Otherwise, cumulative catch-up

Step 1

Identify the Contract - Collectability

It is probable the entity will collect the consideration it ***will be entitled to*** in exchange for goods or services that ***will be transferred***

Assessing whether contract is a genuine transaction
(only a minority of contracts expected to fail this criterion)

Revenue recognition when a contract fails the collectability criteria:

No remaining performance obligations



Recognize revenue ***only if:***

- all consideration received; ***and***
- consideration is non-refundable

Some remaining performance obligations under the contract:



Recognize revenue ***only if:***

- contract terminated; ***and***
- consideration received; ***and***
- consideration is non-refundable

Step 1

Contract Modifications

1 year commission-based Contract for EUR120 (Prepaid)

After 6 months, add add'l 6 months service at current price

- Additional service is separate contract

After 6 months, add 6 months service for EUR40

- Remaining contract: 6 months from existing contract + 6 months from new contract
- Revenue to be recognized: EUR100 (60 + 40)

Constructing building for EUR10m
Costs EUR6m. Contract 50% complete
Change design for additional EUR6m. Costs EUR3m

- Cumulative adjustment at modification to revenue: EUR33k $[(16 \cdot .33) - (EUR10m \cdot .50)]$
- Contract 33% complete (3m/9m) at modification, previously 50% complete (3m/6m)

Step 2

Identifying Performance Obligations

Objective: Identify the promised goods or services that are distinct and should be accounted for separately

Promise to transfer a distinct good or service, or series of subs
Substantially similar distinct goods or services

Good or service
is capable of
being distinct

- Customer can benefit from good or service:
 - on its own; or
 - together with other readily available resources

Distinct within the
context of the
contract

- Is the entity's promise to transfer:
 - each of the goods or services separately; or
 - a combined item to which the goods or services are *inputs*

Step 2

Distinct within the Context of the Contract

- **Other examples**
- *customization or modification*
 - Contract to provide equipment & installation service.
 - Equipment functional without customization & modification.
 - Installation could be performed by others
- *significant integration service*
 - Multiple units of a highly complex, specialized device unique to the customer
 - Required to establish a customized manufacturing process
 - Responsible for overall contract management including integration of various activities

Step 3

A Framework for Measuring Revenue

- Transaction price is the amount to which the entity expects to be entitled in exchange for transferring goods or services
- Specific guidance on the following:

Variable consideration

Broad meaning: includes rebates & refunds

Significant financing

Adjust promised consideration if timing provides customer or entity with significant benefit of financing

Non-cash consideration

Measure at fair value unless FV cannot be reasonably estimated

Consideration Payable to customer

Reduction of the TP unless in exchange for a distinct good or service

Step 3

A Framework for Measuring Revenue

- Transaction price is the amount to which the entity expects to be entitled in exchange for transferring goods or services
- Specific guidance on the following:

Variable consideration

Broad meaning: includes rebates & refunds

Significant financing

Adjust promised consideration if timing provides customer or entity with significant benefit of financing

Non-cash consideration

Measure at fair value unless FV cannot be reasonably estimated

Consideration Payable to customer

Reduction of the TP unless in exchange for a distinct good or service

Step 4

Allocate the Transaction Price

Allocate to each performance obligation amount entity expects to be entitled to for satisfying that performance obligation



Allocate transaction price:

- Relative standalone selling price basis
- Estimate selling prices if not observable
- Residual estimation techniques may be appropriate

Discounts and variable amounts allocated entirely to specific PO if specified criteria met

Step 4

Transaction Price Allocation

Company sells 4 products in a contract for a total of EUR130

Example 1: The company regularly sell products & services separately:

Product A: EUR40	Product B: EUR55
Service C: EUR45	Service D: EUR30
Total of separate selling prices: EUR170	

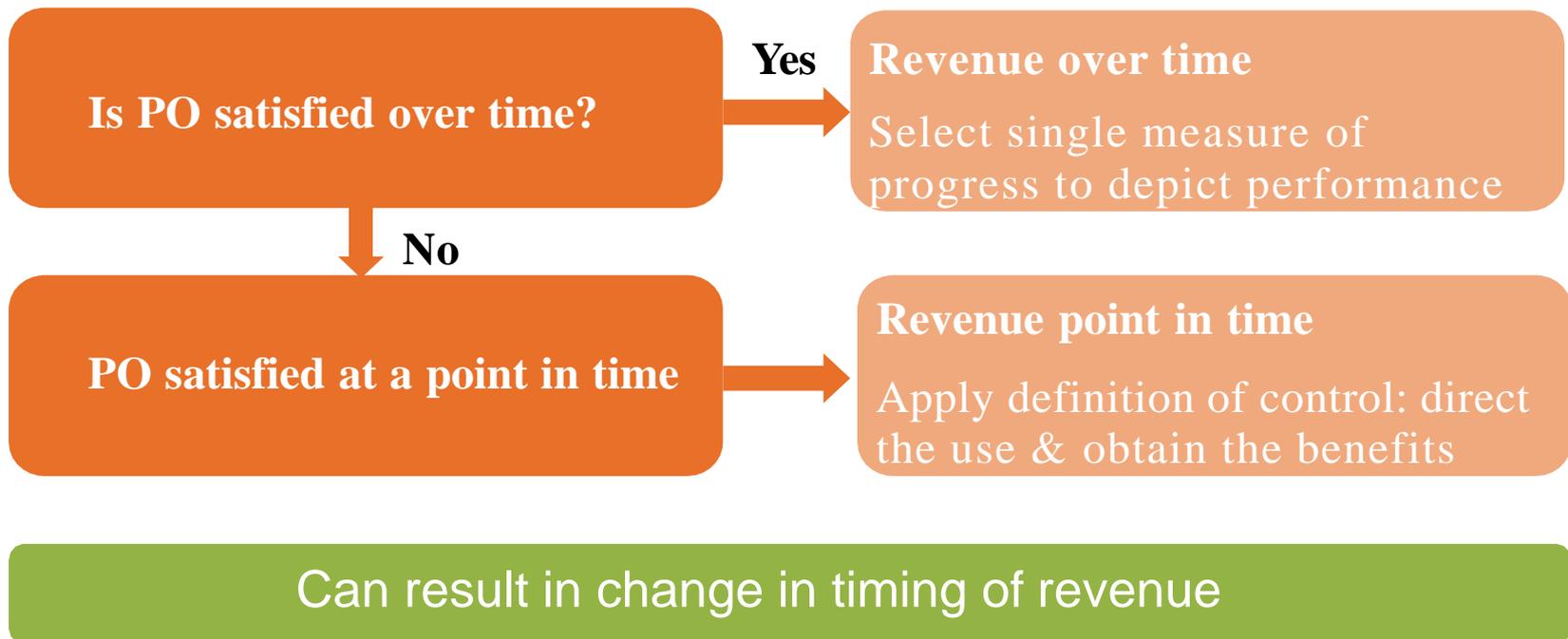
How is the transaction price allocated to each performance obligation?

- Product A: $40/170 \times \text{EUR}130 = \text{EUR}31$
- Product B: $55/170 \times \text{EUR}130 = \text{EUR}42$
- Service C: $45/170 \times \text{EUR}130 = \text{EUR}34$
- Service D: $30/170 \times \text{EUR}130 = \text{EUR}23$
- Total transaction price: EUR130

Step 5

Satisfying Performance Obligations

A performance obligation is satisfied by transferring good or service (when the customer obtains control of the good or service)



Step 5

When is PO satisfied over Time?

i.e. revenue over time

Customer receives and consumes benefits of entity's performance as entity performs *or*

- Cleaning services, shipping service

Entity's performance creates or enhances an asset that customer controls as asset is created or enhanced *or*

- Building an asset on a customer's site

Entity's performance does not create an asset with an alternative performance completed to date

- Building a specialized asset that only the customer can use

PO Satisfied at a Point in Time

- If criteria for satisfaction over time is not met, customer obtains control of promised good at a point in time
- Indicators of control include:
 - Present right to payment
 - Legal title
 - Physical possession
 - *Risks and rewards of ownership*
 - Customer acceptance

Can result in change in timing of revenue

Questions

Activate your microphone to ask your question.
When finished, turn it off again to ensure good audio quality.

Gracias por su participación

Próximo webinar:

IFRS (parte 2 de 2)

Producido por:

International Audit and Accounting Committee (IAAC)

Presentado por:

Marielos de Rueda

Fecha:

15 febrero 2018

Idioma:

Español

COMITÉ DE AUDITORÍA:



Juan Ajuriagogeasoa

Elizalde, Casares & Asociados
(Argentina)



Javier Correa Gonzalez

Correa, Leon y Asociados-Audidores,
S.C.
(Panama)



Marielos de Rueda

Panchita Aguirre De Kaehler Y
Asociados
(Guatemala)



Dr. Nicolay Galecio Sosa

Galecio Sosa Auditores Consultores
Soc. Civ.
(Peru)



Harold Martínez
Chairman

Martinez Rodriguez y Asociados S.C.
(Peru)



Antonio Mingolla

EDUARDO SCHMILOVICH -
Contadores Públicos (Argentina)



Alex Silveira

Juenemann & Asociados Auditores E
Consultores - Porto Alegre, RS