



## Heads Up

# IASB defers the effective date of IFRS 15 *Revenue from Contracts with Customers*

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### “In summary”

- The International Accounting Standards Board has tentatively decided to defer the effective date of IFRS 15.
- The new effective date will be annual reporting periods starting on or after 1 January 2018, with early adoption still permitted.
- The IASB will be issuing a narrow-scope exposure draft proposing to defer the effective date of IFRS 15 which will be available for comment.
- A final decision is expected to be made at the IASB’s July meeting.
- For some entities, the adoption of IFRS 15, or AASB 15 (the Australian equivalent), will require significant system and process changes. Entities should not delay their implementation projects as a result of this deferral.

### Background

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) was issued jointly by the International Accounting Standards Board (IASB) and the US standard-setter, the Financial Accounting Standards Board (FASB) in May 2014 as a converged Standard. The standard currently has an effective date of 1 January 2017. The Australian Accounting Standards Board (AASB) issued the Australian standard equivalent AASB 15 in December 2014 with the same effective date.

Since the issuance of IFRS 15, the Joint Transition Resource Group for Revenue Recognition (TRG) has been meeting on a periodic basis to discuss issues arising from complexities with the implementation of the Standard. The members of the TRG include financial statement preparers, auditors and users representing a wide spectrum of industries, geographical locations and public and private organisations. As a result of these meetings, the IASB is planning to issue an exposure draft with proposed clarifications to IFRS 15.

In early April 2015, the FASB tentatively decided to defer the effective date of the US equivalent Standard to annual reporting periods starting on 15 December 2017 and after, with early adoption permitted from 15 December 2016. The IASB has additionally received comment letters from IFRS preparers requesting deferral of IFRS 15.

### Related Link

[IASB Project Update](#)

## **IASB decision**

In its most recent IASB meeting held in April 2015, the IASB has decided to tentatively defer the effective date of IFRS 15 to annual reporting periods beginning on or after 1 January 2018. This proposal will be issued as a stand-alone narrow-scope Exposure Draft and will be available for a comment period of 30 days. If the proposed deferral of the effective date is finalised, for entities that have a June year-end, this means that the initial date of application will now be 1 July 2018, with the comparative period starting 1 July 2017.

The IASB's decision to defer the Standard is predicated on the plan to issue an Exposure Draft with proposed clarifications to IFRS 15. It was noted that it would be beneficial to preparers to apply the amendments at the same time as they first apply IFRS 15 to avoid repeated changes to their accounting methods. Additionally, the IASB wish to keep the effective date of the IASB's and the FASB's revenue Standards aligned.

We will continue to monitor the AASB for communications regarding the impact on Australian entities as a result of the IASB's actions and update accordingly.

## **What should entities be doing?**

By deferring the effective date by a year, the IASB has granted IFRS preparers and other standard-setters additional time to consider the requirements of the Standard. The deferral of IFRS 15 demonstrates that complexities existing in the current version of the standard are expected to require a significant amount of time for some entities to work through and develop systems and processes that address the new revenue recognition requirements. Therefore, the deferral of the effective date should by no means be interpreted as a reason for entities to delay the start of their IFRS 15 implementation projects.

We strongly encourage entities, if they haven't already done so, to begin their implementation projects.

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