



Clarity in financial reporting

AASB 15 disclosure in the year of adoption and beyond – what you need to know

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Talking points

- AASB 15 *Revenue from Contracts with Customers* (AASB 15) became effective on 1 January 2018.
- Qualitative and quantitative disclosure requirements are more extensive than in the past.
- Year-end reporters now need to turn their minds to applying the detailed disclosure requirements of AASB 15, which will be more comprehensive than those made in the half-year report in accordance with AASB 134 *Interim Financial Statements* (AASB 134).
- Regulator sentiment globally is that disclosures prepared to date have been too “boilerplate” and not sufficiently specific to the company or detailed enough to provide a clear understanding of the impact of adopting AASB 15.
- Companies are expected by the regulator to step up the quality of their disclosures in the upcoming reporting season.
- Judgement will be required in determining the appropriate level of disclosure, including the level of aggregation that will be appropriate, and is expected to differ from one entity to the next.
- The purpose of this publication is to provide guidance for companies when assessing their upcoming half-year and year-end disclosures.

For more information, please see the following websites:

www.iasplus.com

www.deloitte.com

Introduction

AASB 15 introduces a new model for revenue recognition, based upon the transfer of control rather than the transfer of risks and rewards and replaces AASB 118 *Revenue* (AASB 118) and AASB 111 *Constructions Contracts* (AASB 111). It will have a significant impact on companies in many industries. For some industries, the initial impact of applying AASB 15 is particularly significant and, therefore, the quality of information published by these companies is paramount. They will need to carefully, and clearly, using plain and understandable language, explain how their particular revenue recognition practices have changed under AASB 15 compared to the previous Standards, so that readers of the financial statements fully understand the impact on this key measure of their business performance. Qualitative and quantitative disclosure requirements are more extensive than in previous standards, and have been reproduced in [Appendix B](#) to further your understanding

Companies reporting on the half-year ending 31 December 2018

The detailed disclosure requirements of AASB 15 do not apply to condensed half-year financial statements prepared in accordance with AASB 134. However, that Standard does require disclosure of the effects of changes in accounting policies. The [Clarity in Financial Reporting – Disclosing the adoption of new accounting standards in half-year financial statements](#) (issued May 2018) provides detailed guidance of the disclosure requirements for half-year reporters.

Companies reporting on the full year ending 31 December 2018

Year-end reporters now need to turn their minds to applying the detailed disclosure requirements of AASB 15, which will be more comprehensive than those made in the half-year report in accordance with AASB 134 *Interim Financial Statements* (AASB 134).

Key points for companies to consider when preparing year-end disclosures

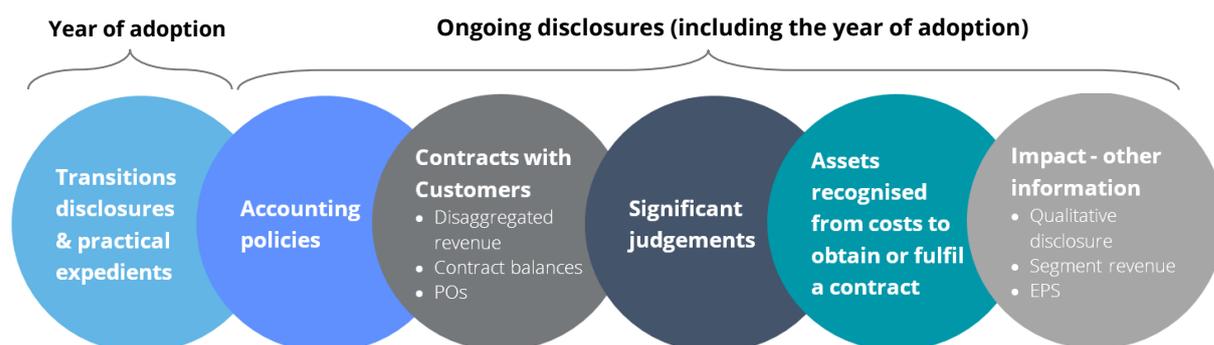
The year-end disclosure requirements of AASB 15 are more extensive than those required for half-year reporting purposes. We encourage companies to invest the time during their upcoming year-end reporting cycle to ensure that, as a minimum:

- Changes made to accounting policies (including the reasons for these changes and associated judgements) are clearly articulated and convey company-specific information
- Explanations of the impact of transition are comprehensive and are linked to other relevant information disclosed in the annual financial report
- Judgements made in determining performance obligations and the timing of their delivery to the customer are identified and explained, and
- The impact on the balance sheet is also addressed, including accounting policies for contract assets and contract liabilities.



Health check – completeness of annual disclosures¹

Are your annual AASB 15 disclosures complete? Assess whether you have included sufficiently detailed and specific disclosures about:



Materiality of information about revenue from contracts with customers

AASB 101 *Presentation of Financial Statements* (AASB 101) states that an entity need not provide a specific disclosure required by a Standard if the information is not material. Companies should assess both quantitative and qualitative factors to determine the materiality of information to be disclosed about revenue from contracts with customers.

This assessment should be made for each reporting period because a disclosure deemed to be irrelevant or immaterial in previous periods may subsequently become material as a result of increases in the monetary values to be disclosed or changes in other qualitative factors.

¹ Refer to [Appendix B](#) for a full list of disclosure requirements and [Appendix C](#) for details of the transitional provisions of AASB 15 *Revenue from Contracts with Customers*.

Explaining changes in accounting policies

One of the key disclosure requirements in the first year of applying a new accounting standard is an adequate explanation of the nature and effect of any changes in accounting policies or methods.

AASB 15 introduces a new model for revenue recognition, based upon the transfer of control rather than the transfer of risks and rewards, and in addition, a five-step model to account for revenue, how to account for costs to obtain or fulfil the contract and the presentation and classification of any amounts recognised on the balance sheet. The language used to describe the accounting policies needs to reflect these new principles in AASB 15, for example:

- The period over which parties to a contract has *enforceable rights and obligations* as opposed to the stated period of the contract.
- The concept of variable consideration and what constraint, if any, has been applied
- Whether goods or services are transferred *over time* or at a *point in time* and how this determination was made, and
- The measure of progress (i.e. input or output method) that most faithfully reflect the transfer of control over the goods or services.

Disclosures must be company-specific, and policies need to explain when revenue is recognised, how this has been determined and any judgements made in reaching those conclusions. Companies are encouraged to start drafting their disclosures early.



Thinking it through – If the impact of AASB 15 is immaterial

When a company has concluded that the impact of adopting AASB 15 is immaterial, the company will need to explain any significant judgements made in reaching this conclusion.

Many of the transition disclosures will not be required but the accounting policy wording will still need to be revisited, even if the resultant accounting remains the same. In doing so, the company will need to include an explanation of why the change in policy does not materially impact the outcome.

Transition adjustments and any practical expedients used

Transition disclosures are impacted by a company's choice of transition method. However, regardless of the method chosen, there may be an adjustment posted to retained earnings which reflects the opening impact on net assets – this will take place at the beginning of the earliest period presented for full retrospective adopters, or on transition date for modified retrospective adopters. It is important that this retained earnings adjustment is adequately explained.

Companies adopting the full retrospective method, which requires restatement of comparatives, will need to disclose a third balance sheet as at the beginning of the restated comparative period if the restatement is material. They must also quantify the impact of the changes in their accounting policy on each financial statement line item affected and on earnings per share (EPS). These disclosure requirements should result in a clear explanation of the opening transition adjustment, as well as the impact on comparative figures.

Companies adopting the modified retrospective transition method, however, are not required to restate comparatives. The impact of the change in accounting policy is explained through disclosure in the notes to the financial statements of the current year figures under *both* AASB 15 and previous standards. The expectation is for a clear explanation to be given of the reasons for adjustments to each affected financial statement line item.

Regardless of their transition method, companies are expected to ensure that upcoming annual reports contain sufficient information about their transition adjustment. This might include explaining the transition method applied, disaggregating the adjustment into its components (i.e. how the adjustment was derived), and linking this information to discussion in the rest of the financial report about the impact of the standard, such as changes made to accounting policies and practices.

AASB 15 also provides a number of practical expedients that entities may apply either on transition or on an ongoing basis. Disclosure should be made of how an entity has applied the explicit choices provided by the new Standard.



Hitting the mark - transition disclosures

Good quality disclosures will contain all of the following and any additional information necessary to provide the readers with a clear understanding of the transition to AASB 15:

- Disclosure of the transition method adopted (even if no quantitative adjustments were made)
 - Disclosures of the practical expedients applied
 - An explanation of the quantitative effects on each financial statement line item and on EPS, including a clear link or cross-reference to supporting explanations and changes in accounting policies.
-

Comparability of amounts presented

As noted earlier, the modified retrospective method of transitioning to AASB 15 involves a cumulative catch-up adjustment to retained earnings on the date of transition and comparative numbers are not restated. Companies that adopt this transition method will therefore be disclosing revenue in the current period under AASB 15 and revenue in the prior period under the previous Standards.



Thinking it through – comparability of disclosures between current and prior years

For companies adopting the fully retrospective method, the restatement of comparatives provides direct comparability for readers between the current and prior years in the primary financial statements.

Adopting the modified retrospective transition method involves prior year comparatives being disclosed as reported under *previous* accounting policies. For companies adopting this approach, comparability is provided through the requirement in AASB 15 to provide additional disclosures in the notes of the *current year* figures as they would have been reported under *previous* Standards and explanations of the reasons for significant changes identified between the old and the new guidance.

When disclosing revenue or amounts including revenue elsewhere in the accounts, current and prior year figures for companies applying the modified retrospective transition method will not be comparable.

Companies need to acknowledge this issue of comparability in their upcoming annual reports by, for example, clarifying for readers that the amounts presented have been calculated under different measurement bases, thereby impacting comparability of current and prior year figures.

Information about performance obligations

The performance obligation (PO) is a new concept introduced by AASB 15, and is essentially the unit of account for revenue recognition under the new standard. Identifying POs requires the company to determine the distinct promises to transfer goods or services to the customer, which often involves judgement. As such, it is important that companies disclose sufficient detail about any judgements made in determining POs and when they are satisfied (i.e. how the good or service is transferred to the customer).



Hitting the mark - performance obligations

The company's POs, how these are satisfied and the judgements made in these determinations are arguably some of the most critical information to provide to the reader of the financial statements. Considering the following tips will ensure disclosures hit the mark:

- Limit the use of generic language or direct quotes from the Standard
- Ensure information disclosed adds to, and is consistent with, business model disclosures elsewhere in the annual report
- Explain any judgements made in determining the POs and in particular the analysis of goods or services identified as being distinct. Refer to the section below for examples.
- When a PO is considered to be satisfied over time this will be because one of three possible criteria has been satisfied – ensure it is clear which one is relevant and provide clear explanations of the basis of the determination.

Disclosure of significant judgements

Both AASB 101 and 15 require companies to disclose details of significant judgements and changes in judgements made when applying its accounting policies. These disclosures assist the reader in understanding how the new standard has been applied to facts and circumstances specific to the company's own contracts with customers.

Examples of types of disclosure for judgements made

Type of judgement	Description
Contract term	<ul style="list-style-type: none">• When a contract contains a termination clause, the judgements made in determining whether the explicit or implicit penalty is substantive and the termination will not be exercised.
Determining POs	<ul style="list-style-type: none">• Which goods or services have been identified as distinct? What is the implication for timing of revenue? Whether a good or service is distinct or should be aggregated can significantly affect the timing of revenue recognition.

Type of judgement	Description
Determining transaction price	<ul style="list-style-type: none"> How has variable consideration been estimated, and how has the constraint been incorporated? For example, rights of return, bonuses, service level guarantees, penalties, etc. Are there any judgements around consideration payable to the customer? Is there any non-cash consideration and how has it been measured? Has the transaction price been adjusted for a significant financing component?
Allocating transaction price	<ul style="list-style-type: none"> Determining standalone selling prices (this will be particularly relevant for companies that do not have directly observable prices to reference). Allocating discounts and variable consideration.
Satisfaction of POs	<ul style="list-style-type: none"> At a point in time, when control is considered to have passed to the customer. Over time, the method used and why this faithfully depicts the transfer of control. Over time recognition will be because one of three possible criteria has been satisfied – ensure it is clear which one is relevant and provide clear explanations of the basis of the determination.
Costs	<ul style="list-style-type: none"> Identifying costs to obtain or fulfil a contract that can be capitalised. Determining the amortisation period for capitalised costs (e.g. inclusion of renewal periods).
Other	<ul style="list-style-type: none"> Scope issues, e.g. companies engaged in material collaborative arrangements should disclose whether these contracts are in scope of AASB 15. Principal versus agent considerations.

The above are common areas of focus that attract the attention of regulators – refer to [Appendix A](#).

Other considerations

New balance sheet accounts

Companies should disclose the impact of adopting AASB 15 on the balance sheet, such as highlighting new balance sheet accounts (e.g. contract assets and contract liabilities) and disclosing related accounting policies. Disclosures should include an explanation of the difference between contract assets and accounts receivable.

Contract assets are accounted for in accordance with AASB 15 and accounts receivable in accordance with AASB 9 *Financial Instruments*. Both are subject to the expected credit loss requirements as described in AASB 9.

Revenue disaggregation

AASB 15 requires disclosure of disaggregated information about revenue. For some companies, information that has historically been disclosed in the segment note will be sufficient, but for others, additional disaggregation will be required in order to meet the objective of this disclosure requirement, which is to provide useful information about the effect of economic factors on the nature, amount, timing and uncertainty of revenue.

In meeting this objective, it is important that companies ensure that the disaggregated information that is provided supports, and is consistent with, information and discussion in the rest of the annual report.



Hitting the mark – disclosure of disaggregated revenue

Disclosure of disaggregated revenue will hit the mark when:

- Consistent with information commonly disclosed outside of the financial statements
- Categories selected are meaningful for the company's business, and
- Where companies apply AASB 8 *Operating Segments*, disclosures clearly explain the relationship between the disaggregated revenue and revenue reported for each reportable segment.

Conclusion

We encourage preparers to carefully consider the extent of disclosures included within their upcoming annual or half-year financial reports. Companies should aim to ensure not only that mandatory disclosure requirements have been met, but that sufficient explanation of concepts, elaboration of judgements made and conclusions reached have also been provided. Starting with this objective will go a long way to ensuring readers understand the impact of AASB 15 on the company. We encourage early engagement with external auditors to establish a plan for hitting the mark with the disclosures made in the upcoming reporting season.

Further information

The effects of the adoption of AASB 15 can be extensive and varied depending on the precise nature of a company's transactions. A suite of resources on each standard is available via www.IASplus.com, whilst your local Deloitte specialist can be contacted in respect of assistance with projects to implement the new accounting requirements.



Appendices

[Appendix A | Regulators' comments](#)

[Appendix B | Disclosure requirements](#)

[Appendix C | Transitional provisions](#)

Appendix A | Regulators' comments

Since the new standard on revenue from contracts with customers became effective earlier this year, we have seen an increased level of scrutiny from regulators globally. In many instances, though the written comments to companies specifically inquired about disclosures (and requested more of them), we observed that the underlying reason for the comments was that the accounting position taken by companies may not have been clear through the disclosures provided, or it may have been considered potentially inappropriate. We have set out below extracts of comments sourced from publicly available reports:

Significant judgements

Identification of performance obligations

1. You state your subscription performance obligations consist of licenses, post contract customer support (PCS), and rights to continued delivery of unspecified upgrades, major releases and patches. Please provide us with your analysis as to how you determined it was appropriate to combine these promises into one performance obligation.
2. Please provide us the following information regarding your contracts that include a perpetual license and hosting services and revise your disclosures as appropriate:
 - Clarify for us whether you have determined if the perpetual license and the hosting service are one combined performance obligation and provide us with your analysis.
 - If the perpetual license and the hosting service are one combined performance obligation, tell us the period of time over which you are recognizing revenue for the combined performance obligation. If this period is longer than your initial hosting period, please explain the basis for this determination.
 - Tell us if you have identified the material right as a separate performance obligation. If you have combined the material right with the perpetual license and hosting service, please tell us how you made this determination.
 - Tell us the period of time over which you are recognizing revenue for your material right. If this period begins prior to the time the additional hosting services are provided or when the material right expires, please explain to us the basis for this determination.

Determination of the transaction price

1. We note your disclosure that your solar power system sales include performance guarantees that represent a form of variable consideration and are recognised as adjustments to revenue. Please help us better understand your accounting for these potential bonus payments and/or liquidated damages. In this regard, based on your disclosure, it is unclear to us whether these amounts are included as part of your estimate of your transaction price at the outset of the arrangement and then reassessed at the end of each reporting period.
2. Please help us better understand how you reflect consideration in the form of a non-controlling interest as part of your transaction price. In this regard, clarify for us which amounts are included in your estimate of fair value at contract inception and why any profit associated with the non-controlling interest is deferred.
3. You state that you do not offer refunds, rebates, credits or other forms of variable consideration; however, you also indicate that the transaction price includes estimates of variable consideration. Please clarify the nature of the variable consideration included in your contracts.
4. You disclose ... that every ... Certified listing carries a 30-day return policy. Please tell us how you have considered this return policy in determining the transaction price in these arrangements.
5. Please provide us with your analysis regarding payments made to partners. Describe in detail the nature of these payments and further clarify when payments are classified as marketing expenses and when payments are recognised as a reduction in revenue.
6. We note you constrain estimates of variable consideration. Please explain to us the judgments used in assessing whether an estimate of variable consideration is constrained. In this regard, describe to us the factors that resulted in the constraint of variable consideration and how the constraint will be resolved.
7. In your Product Revenue disclosure ... you indicate that you estimate variable consideration using the most likely method. Please tell us why it is appropriate to apply this method rather than the expected value method.

Allocation of the transaction price

1. We note ... that your contracts satisfy the allocation requirements in paragraph 85. In future periods, please expand your disclosure of the nature of your performance obligation to clarify that your performance obligation is a series and how you allocate variable consideration to each distinct service in the series.
2. Please tell us why the standalone selling price of software is typically estimated using the residual approach and how you met one of the criteria in paragraph 79(c). To the extent you have determined the selling price for your software is highly variable; please provide a comprehensive, quantitative discussion of such variability to support your conclusions.

3. We note the minimum and maximum amounts; however, it is unclear to us how you considered transactions within this range. Please provide us with more details of your analysis. In this regard, please tell us whether a significant number of transactions fell within a smaller portion of this range.
4. Please disclose the methods, inputs and assumptions used to allocate the transaction service fee charged to the car dealer to the identified performance obligations.

Identification of a Measure of Progress

Revise disclosures in future periods to disclose why, for performance obligations that you satisfy over time, the method used provides a faithful depiction of the transfer of goods or services.

Performance obligations

Timing of revenue recognition

For sales made through your indirect distribution channels, please clarify whether the performance obligation of providing software licenses is satisfied upon shipment or when the software is made available for download, to your indirect distribution partners or to the end user. Tell us how you considered the in determining the point in time at which you recognise revenue and disclose any significant judgements made in evaluating when control is transferred.

Significant payment terms

Please tell us how you considered and complied with the disclosures requirement outlined in paragraph 119(b) with respect to significant payment terms.

Significant financing components

Your ... contracts do not include a significant financing component because the primary purposes of your invoicing terms is to provide customers with simplified and predictable ways of purchasing your products and services, not to receive financing. You disclose your ... contracts entitle you to receive advance payment at the beginning of the contract but you do not typically consider this to be a significant financing component. Please explain to us how you determined that the payment terms of your contracts do not contain a significant financing component. Address how you concluded that the difference between the promised amount of consideration and the cash selling price is proportional to the reasons for that difference.

Principle-versus-agent considerations

Please explain to us the process by which interchange fees are earned and explain your role in the payment processing system. Tell us whether a portion of the interchange fee received by the company is remitted to a third party. If so, tell us whether revenue from these fees is presented net or gross of the amounts remitted to the third party and explain how you arrived at that determination.

Contract costs

1. It appears that a portion of your sales commissions is expensed upon delivery of the software license and a portion related to services is deferred. If so, please revise to clarify how your amortization expense reflects the transfer of the license and services to your customer.
2. Please tell us, and revise to clarify if appropriate, whether additional sales commissions are paid upon contract renewal and, if so, whether such amounts are commensurate with the initial commissions. Please also disclose how commissions paid for renewals are considered in your five year period of benefit for the initial commission. Finally, please disclose the period of time over which you amortize commission costs related to contract renewals.
3. Please revise to disclose the method by which you amortize the initial commission costs over the five-year period of benefit.
4. You disclose that deferred commissions paid upon the acquisition of an initial contract and any subsequent renewals are amortised over an estimated period of benefit based upon the weighted-average term of contracts and related product and service delivery periods. Please explain further what you mean by the "weighted average term of contracts and related product and service delivery periods." In addition, please clarify how you are accounting for commissions paid on renewals.

Disaggregation of revenue

1. We note your presentation of disaggregated revenue by major source. ... With respect to the disclosure requirements of paragraph 114, please tell us how you considered the guidance ... in selecting the appropriate categories to use to disaggregate revenue.
2. You present "vehicles, parts, and accessories" as a major source of revenue. Please explain to us why the aggregation of revenue from "parts and accessories" with revenue from "vehicles" is appropriate. We note from your disclosures that parts and accessories appear to be subject to return from customers, whereas this does not appear to be the case for vehicles. It also appears these categories may have other different characteristics, such as type of good, pricing and dollar magnitude of contribution to margins.
3. We note you provide other information outside your financial statements regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from your contracts with customers, including but not limited to:

- Monthly sales reports which include unit sales by brand, by vehicle type, and between retail and fleet sales. These reports also include a discussion of underlying trends for key vehicles and some information on transaction prices.
- A Strategic Update ... which includes a discussion of plans to shift allocation of capital from cars to SUVs and trucks and to expand electric vehicles revenue opportunities.
- An earnings call ... which includes a discussion of the strong performance of commercial vehicles as well as consumers moving away from passenger cars and into utilities and trucks and your increasing investments in these areas as a result.

Given the information cited above, it appears other information about your automotive segment's revenue (beyond geographical information) is used by the company and users of your financial statements to evaluate your financial performance or to make resource allocation decisions. In this regard, please tell us how you considered the presentation and use of such information ... when determining the appropriate disaggregated revenue categories that depict how the nature, amount, timing and uncertainty of cash flows are affected by economic factors and in the context of meeting the overall disclosure objective of paragraph 110.

Contract balances

1. Tell us your significant payment terms and how the timing of satisfaction of performance obligations relates to the timing of payment and the effect on the contract asset and liability balances.
2. You disclose that there are circumstances where customer incentives issued may exceed the reduction of revenue recorded over the contract term, and result in a recorded contract asset. Please provide examples of the types of incentives that would drive the generation of these contract assets and describe how those incentives would exceed the reduction of revenue over the contract term.

Remaining performance obligations

Please tell us how you considered the requirements to disclose information about remaining performance obligations or application of optional exemptions. In that regard, we note that ... you state that you sell product to your largest customer, representing 2% of total sales for the year, under a long-term contract. You further state that for your other customers you typically sell to them under contracts with one to two year terms.

Appendix B | Disclosure requirements

The following is a representation of the disclosures requirements in AASB 15.

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 AASB 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.

Application guidance - Disclosure of disaggregated revenue

B87 Paragraph 114 requires an entity to disaggregate revenue 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. Consequently, the extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances that pertain to the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in paragraph 114 for disaggregating revenue. Other entities may meet the objective by using only one type of category to disaggregate revenue.

B88 When selecting the type of category (or categories) to use to disaggregate revenue, an entity shall consider how information about the entity's revenue has been presented for other purposes, including all of the following:

1. disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations);
2. information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and
3. other information that is similar to the types of information identified in paragraph B88(a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions.

B89 Examples of categories that might be appropriate include, but are not limited to, all of the following:

- a. type of good or service (for example, major product lines);
- b. geographical region (for example, country or region);
- c. market or type of customer (for example, government and non-government customers);
- d. type of contract (for example, fixed-price and time-and-materials contracts);
- e. contract duration (for example, short-term and long-term contracts);
- f. timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time); and
- g. sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

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 AASB 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 the 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:

1. the timing of satisfaction of performance obligations (see paragraphs 124–125); and
2. 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.

Appendix C | Transitional provisions

The following is a representation of the transitional provisions in AASB 15.

C2 For the purposes of the transition requirements in paragraphs C3–C8A:

- a. the date of initial application is the start of the reporting period in which an entity first applies this Standard; and
- b. a completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations.

C3 An entity shall apply this Standard using one of the following two methods:

- a. retrospectively to each prior reporting period presented in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, subject to the expedients in paragraph C5; or
- b. retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application in accordance with paragraphs C7–C8.

C4 Notwithstanding the requirements of paragraph 28 of AASB 108, when this Standard is first applied, an entity need only present the quantitative information required by paragraph 28(f) of AASB 108 for the annual period immediately preceding the first annual period for which this Standard is applied (the 'immediately preceding period') and only if the entity applies this Standard retrospectively in accordance with paragraph C3(a). An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so.

C5 An entity may use one or more of the following practical expedients when applying this Standard retrospectively in accordance with paragraph C3(a):

- a. for completed contracts, an entity need not restate contracts that:
 - i. begin and end within the same annual reporting period; or
 - ii. are completed contracts at the beginning of the earliest period presented.
- a. for completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
- b. for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with paragraphs 20–21. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
 - i. identifying the satisfied and unsatisfied performance obligations;
 - ii. determining the transaction price; and
 - iii. allocating the transaction price to the satisfied and unsatisfied performance obligations.
- c. for all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue (see paragraph 120).

C6 For any of the practical expedients in paragraph C5 that an entity uses, the entity shall apply that expedient consistently to all contracts within all reporting periods presented. In addition, the entity shall disclose all of the following information:

- a. the expedients that have been used; and
- b. to the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients.

C7 If an entity elects to apply this Standard retrospectively in accordance with paragraph C3(b), the entity shall recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. Under this transition method, an entity may elect to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end).

C7A An entity applying this Standard retrospectively in accordance with paragraph C3(b) may also use the practical expedient described in paragraph C5(c), either:

- a. for all contract modifications that occur before the beginning of the earliest period presented; or
- b. for all contract modifications that occur before the date of initial application.

If an entity uses this practical expedient, the entity shall apply the expedient consistently to all contracts and disclose the information required by paragraph C6.

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 AASB 111, AASB 118 and related Interpretations that were in effect before the change; and
- b. an explanation of the reasons for significant changes identified in C8(a).

C8A An entity shall apply Clarifications to AASB 15 (see paragraph C1B) retrospectively in accordance with AASB 108. In applying the amendments retrospectively, an entity shall apply the amendments as if they had been included in AASB 15 at the date of initial application. Consequently, an entity does not apply the amendments to reporting periods or to contracts to which the requirements of AASB 15 are not applied in accordance with paragraphs C2–C8. For example, if an entity applies AASB 15 in accordance with paragraph C3(b) only to contracts that are not completed contracts at the date of initial application, the entity does not restate the completed contracts at the date of initial application of AASB 15 for the effects of these amendments.

Contacts



Elna How

Director
Brisbane
ehow@deloitte.com.au



Debra Wan

Director
Sydney
dwan@deloitte.com.au



Alison White

Partner
Sydney
aliswhite@deloitte.com.au



Clive Mottershead

Partner
Melbourne
cmottershead@deloitte.com.au



Anna Crawford

Partner
Sydney
acrawford@deloitte.com.au

Deloitte Touche Tohmatsu Limited
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

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