AASB 15 Revenue from Contracts with Customers
What this means for business – Katelyn Bonato, Deloitte
UNDERSTAND WHAT THIS MEANS FOR YOUR BUSINESS

DO NOT UNDERESTIMATE THE MAGNITUDE OF THIS TRANSITION TO BUSINESS AS A WHOLE

KEY DECISIONS TO BE MADE
WHY?
ELIMINATE INCONSISTENCIES AND WEAKNESSES
ELIMINATE INCONSISTENCIES AND WEAKNESSES

MORE PRESCRIPTIVE GUIDANCE

WHY?
IMPROVE COMPARABILITY

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IMPROVE COMPARABILITY
ELIMINATE INCONSISTENCIES AND WEAKNESSES

MORE PRESCRIPTIVE GUIDANCE

IMPROVE DISCLOSURES

WHY?

IMPROVE COMPARABILITY
Recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
THE FIVE STEP APPROACH
IDENTIFY THE CONTRACT WITH THE CUSTOMER

IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS IN THE CONTRACT
IDENTIFY THE CONTRACT WITH THE CUSTOMER

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DETERMINE THE TRANSACTION PRICE
IDENTIFY THE CONTRACT WITH THE CUSTOMER

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ALLOCATE THE TRANSACTION PRICE TO SEPARATE PERFORMANCE OBLIGATIONS
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DETERMINE THE TRANSACTION PRICE

ALLOCATE THE TRANSACTION PRICE TO SEPARATE PERFORMANCE OBLIGATIONS

RECOGNISE REVENUE WHEN EACH PERFORMANCE OBLIGATION IS SATISFIED
Significant judgements applied

Transaction price

Allocation methods and assumptions
Contracts with customers

- Disaggregation of revenue
- Contract balances (including reconciliation)
- Information about performance obligations
- Remaining performance obligations
- Practical expedients
Policy decisions
Cost to obtain a contract
Costs to fulfil a contract
TRANSITION APPROACH – CONSIDER THE OPTIONS
1. Retrospective Approach (with/without practical expedients)

2. Modified Approach
DUAL RECORDS
<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Retrospective Approach</th>
<th>Modified Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>AASB 111/AASB 118</td>
<td>AASB 111/AASB 118</td>
</tr>
<tr>
<td>2018</td>
<td>Dual Records AASB 15</td>
<td>Dual Records AASB 15</td>
</tr>
<tr>
<td>2019</td>
<td></td>
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</tbody>
</table>

= Cut-off analysis required to be performed on open contracts
PRACTICAL ISSUES
SUBSCRIPTION REVENUE CONSIDERATIONS
REVIEW OF PRODUCTS & CONTRACTS

Product pricing more transparent
Assess: Accounting for contracts in scope
Update: Terms and Conditions
Impact: Long term contract negotiation
Remuneration Schemes
(KPI / Bonus Structures)
Training
Project Management
SYSTEM CHANGES

MANAGING STAKEHOLDERS

• Shareholders (expectation / outlook)
  • Financiers (loan covenants)
  • Regulators (disclosures)
OUR IMPLEMENTATION APPROACH
OUR SUGGESTED APPROACH INCLUDES FIVE PHASES AIMED AT SUCCESSFUL IMPLEMENTATION

01 IMPACT ASSESSMENT
- Understand revenue streams and product lines most likely impacted
- Understand which step of AASB 15 model could have material impact

02 DETAILED GAP ANALYSIS
- Perform detailed contract reviews
- Assessment of current process and data gaps
- Preliminary analysis of transition method and portfolio approach

03 DEFINE SOLUTIONS
- Define new accounting policies
- Finalise approach to address data and system gaps
- Define training and communication approach

04 DESIGN AND DEVELOP
- Design, develop and test system and process solution
- Test and migrate pilot data
- Design controls and determine operational KPIs

05 IMPLEMENT AND DELIVER
- Delivery of implementation plan
- Plan and execute final cut-over and go-live process
- Monitor ongoing compliance and performance
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ANTICIPATE THE COMMON ROAD BLOCKS
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KATELYN BONATO – kbonato@deloitte.com.au

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