



Accounting & Auditing News

IFRS 15 — Revenue from Contracts with Customers: Part 1 – Introduction

On May 28, 2014 the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), issued IFRS 15 to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP.

Overview

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

The standard should be applied in an entity's IFRS financial statements for annual reporting periods beginning on or after 1 January 2017. Earlier application is permitted.

IFRS 15 replaces the following standards and interpretations:

- IAS 11 *Construction contracts*
- IAS 18 *Revenue*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 18 *Transfers of Assets from Customers*
- SIC-31 *Revenue - Barter Transactions Involving Advertising Services*

Objective

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Scope

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for:

- leases within the scope of IAS 17 Leases;
- financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- insurance contracts within the scope of IFRS 4 Insurance Contracts; and
- non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

Further, a contract with a customer may be partially within the scope of IFRS 15 and partially within

the scope of another standard. In that scenario:

- if other standards specify how to separate and/or initially measure one or more parts of the contract, then those separation and measurement requirements are applied first. The transaction price is then reduced by the amounts that are initially measured under other standards
- if no other standard provides guidance on how to separate and/or initially measure one or more parts of the contract, then IFRS 15 will be applied

Please contact the Technical Research Group at +63 2 581 9000 local 9088/9078 or e-mail phtr@deloitte.com for questions regarding this publication.



Member of Deloitte Touche Tohmatsu Limited

19th Floor Net Lima Plaza
5th Avenue corner 26th Street
Bonifacio Global City, Taguig
Philippines 1634

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