Implementando la NIIF 15 Ingresos de Actividades Ordinarias procedentes de Contratos con Clientes

Implementing IFRS 15 Revenue from Contracts with Customers

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October 2014

International Financial Reporting Standards

IFRS Conference
Mexico

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Ordinarias procedentes de Contratos con Clientes
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The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.


October 2014

• A genuinely global Standard
  – Joint Standard with FASB
  – Replaces IAS 18, IAS 11 and related Interpretations

• A framework for revenue recognition

• Effective date 1 January 2017
  – Early application permitted

• Ongoing support with new joint Revenue Transition Resource Group
Culmination of an extensive due process

December 2008
Discussion Paper
Preliminary Views on Revenue Recognition in Contracts with Customers
211 comment letters

June 2010
Exposure Draft
Revenue from Contracts with Customers
974 comment letters
Roundtables

November 2011
Revised Exposure Draft
Re-exposure of Revenue from Contracts with Customers
358 comment letters
Roundtables

May 2014
Final Standard (IFRS)
IFRS 15 Revenue from Contracts with Customers
Effective date: 1 Jan 2017

IFRS 15 has a broad scope

✓ All contracts with customers, except
  ✗ Lease contracts
  ✗ Insurance contracts
  ✗ Financial instruments
    – Guidance in IFRS 9 on whether a fee is part of the financial instrument or in scope of IFRS 15
  ✗ Non-monetary exchanges in the same line of business to facilitate sales to customers
## The 5-step revenue recognition model

1. **Recognise revenue to depict transfer of goods or services in an amount of consideration to which expected to be entitled**

2. Identify the contract(s) with a customer

3. Identify the performance obligations in the contract

4. Determine the transaction price

5. Allocate the transaction price to the performance obligations

6. Recognise revenue when (as) a performance obligation is satisfied

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## A new approach

A framework for revenue recognition to address current and evolving transactions, regardless of industry or jurisdiction

- A principle-based approach, supported by
  - More guidance for complex areas and examples
  - Comprehensive Basis for Conclusions
  - Disclosures to provide insights into judgements
- Accounting might not change for some contracts—but different thought process
**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 add distinct goods/services at standalone selling price
- Prospective if remaining goods/services distinct
- Otherwise, cumulative catch-up

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**Step 2: A framework for identifying performance obligations**

**Promise to transfer a distinct good or service, or series of substantially similar distinct goods or services**

**Good or service capable of being distinct?**
- Customer can benefit from good or service on its own or together with other readily available resources

**Good or service distinct in context of contract?**
- Promised good or service separately identifiable from other promises
  - Good or service is not an input to produce specified output
**A framework for measuring revenue**

Amount of consideration to which entity expects to be *entitled* in exchange for goods or services

**Variable consideration**
- Estimate using:
  - Expected value
  - Most likely amount
  - but ‘Constrained’ (next slide)

**Significant financing**
- Adjust consideration if timing provides customer or entity with significant benefit of financing

**Non-cash consideration**
- Measure at fair value unless cannot be reasonably estimated

**Consideration payable to customer**
- Reduction of the TP unless in exchange for a distinct good or service

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**When to recognise variable consideration**

Include estimate of some/all of variable consideration in the transaction price only to extent it is *highly probable* a significant reversal of revenue will not occur when uncertainty is resolved

- Variable consideration is a broad term
  - includes rebates, refunds, price concessions
- Estimate of transaction price updated each period
- Expectations of revenue reversal assessed using 5 indicators
When is PO satisfied over time (ie revenue recognised over time)

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

- Routine or recurring services

Entity’s performance creates or enhances an asset (eg WIP) 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 use to entity and entity has an enforceable right to payment for performance completed to date

- Building a specialised asset that only the customer can use

Asset has no alternative use and Right to payment for performance to date

Contractually or practically cannot redirect asset in completed state

Throughout contract, right to approximate selling price of goods/services transferred

- Includes a profit margin

- New guidance provides clearer objective than definition of construction contract in IAS 11 and guidance in IFRIC 15
Contract costs

Costs of obtaining a contract
Recognised as an asset if:
• Incremental
• Expected to be recovered

For example: Selling commissions

Costs of fulfilling a contract
Recognised as an asset if:
• Relate directly to a contract
• Relate to future performance
• Expected to be recovered

For example: Pre-contract or setup costs

Onerous contracts
Apply IAS 37

Application Guidance—a dual model for licences

Determine nature of the performance obligation for distinct licences

Right to use IP as exists when granted ▶ Revenue at point in time

Right to access IP as exists throughout licence period ▶ Revenue over time

Right to access IP if
• Licensor will undertake activities that significantly affect the IP and
• Licence exposes licensee to effects of activities and
• Activities are not a good or service to licensee
Application Guidance—principal or agent?

Determine nature of performance obligation

PO to *transfer* goods/services to customer → control goods/services before transfer

- Entity is principal

PO to *arrange* for provision of goods/services → don't control goods/services before transfer

- Entity is agent

• Indicators to help determine whether entity had control
  • Indicators are similar to previous guidance but conclusions may differ because context different

Comprehensive and cohesive disclosure requirements

To enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers

**Revenue**
- Disaggregation of revenue (also required for Interims)
- Amounts recognised relating to performance in previous periods

**Contracts**
- Information about contract balances & changes
- Information about performance obligations
- Amounts allocated to remaining performance obligations

**Judgements**
- Timing of and methods for recognising revenue
- Determining the transaction price and amounts allocated to performance obligations
Transition and effective date

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Retrospective</strong></td>
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<tr>
<td>(with optional practical expedients)</td>
<td></td>
<td>Cumulative catch-up</td>
<td>Contracts under new standard</td>
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<tr>
<td><strong>Cumulative effect at date of application</strong></td>
<td>Contracts not restated</td>
<td>Cumulative catch-up</td>
<td>Existing* and new contracts under new standard</td>
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<tr>
<td><strong>CY footnotes</strong></td>
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</table>

*contracts for which entity has not transferred all goods or services identified under IASs 11 & 18

- Effective date: annual reporting periods beginning on or after 1 January 2017
- Early application permitted

Some key effects

<table>
<thead>
<tr>
<th>Sector</th>
<th>Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction / Aerospace &amp; Defence</strong></td>
<td>- Revenue may be recognised over time (eg percentage of completion) but ‘PO over time’ criteria must be met</td>
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<tr>
<td></td>
<td>- More discipline in cost-to-cost measures of performance</td>
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<td></td>
<td>- Costs capitalised if result in resources to be used in fulfilling contract, not to normalise margin</td>
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<tr>
<td><strong>Telcos</strong></td>
<td>- Revenue recognised for ‘free’ handset, as well as for airtime contract</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>- Revenue recognition deferred for some sales incentives and incidental obligations</td>
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<td></td>
<td>- Revenue deferred for some implicit product warranties</td>
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</tbody>
</table>
### Some key effects continued

<table>
<thead>
<tr>
<th>Sector</th>
<th>Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>• Elimination of VSOE, so revenue can be recognised when license transferred</td>
</tr>
<tr>
<td></td>
<td>• Revenue recognition for software development only if ‘PO over time’ criteria met</td>
</tr>
<tr>
<td>Media/pharma</td>
<td>• Revenue may be recognised on transfer of licence, but will need to consider if licence is right to use or right to access</td>
</tr>
<tr>
<td></td>
<td>• Sales-based royalties recognised as sales occur</td>
</tr>
<tr>
<td>Asset management</td>
<td>• Contingent fees based on index recognised only if highly probable will not be reversed</td>
</tr>
</tbody>
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### Revenue Transition Resource Group

- New, limited life, joint group with FASB
- Supports transition to IFRS 15
  - Advises boards about implementation issues
  - Forum from which stakeholders can learn about IFRS 15
- Will *not* issue authoritative guidance
- Members include preparers, auditors, users plus observers (including regulators)
How does the Group operate?

- Stakeholders submit implementation questions
  - Submissions remain private
- IASB and FASB prioritise the questions for Group discussion
- Group discusses the questions in a public meeting
  - All meeting materials available on website
- IASB and FASB determine if/what action required in light of input from the Group’s discussion
- First meeting 18 July, next meeting 31 October
- Further details available at [http://go.ifrs.org/RTRG](http://go.ifrs.org/RTRG)

Thank you
Overview

► The new standard will likely affect the measurement, recognition and disclosure of revenue, which is often the most important financial performance indicator.

► Gaining an understanding of the effects of the new standard, providing early communication to stakeholders and planning ahead are crucial for a successful implementation.

► Entities that do not expect significant changes in the measurement of recognition of revenue will need to validate that assumption and identify any necessary changes to policies, procedures, internal controls and systems to ensure that revenue transactions are appropriately evaluated through the lens of the new model.

► Entities should start planning as soon as possible. Early preparation is the key to a smooth transition.

► Need to plan for significantly expanded disclosure requirements

► Entities may experience a significant change in the timing of revenue recognition.
Actions entities should consider taking

### Control environment
- Adjust or add controls to address increased judgements and estimates, including documentation and testing of those new controls.
- Revise control frameworks to ensure ongoing regulatory compliance.
- Update policies and procedures to conform with IFRS 15.

### Investor relations
- Consider early education on impact for key constituents.
- Anticipate potential changes to underlying key metrics, including gross margins.
- Benchmark relative to global peer group to understand any differences in effect.

### Processes and systems
- Update key processes and controls for any changes in how transactions are accounted for under IFRS 15.
- Develop IT systems and manual processes for data accumulation and expanded reporting requirements.
- Plan for financial statement presentation changes including expanded note disclosures.

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### Training and communication
- Plan and deliver training for finance, operations, sales and marketing, business and IT staff.
- Develop communication plan for affected internal functions and external stakeholders.

### Employee benefits
- Align performance management frameworks and related compensation plans with new revenue model, including revising commission structures and terms of share-based payment arrangements.

### Tax planning
- Identify any impact on existing tax strategies and planning.
- Consider whether any changes to transfer pricing are necessary.
- Manage any necessary integration with new revenue systems implemented in response to IFRS 15.

### Management information
- Plan for potential adjustments to key performance indicators.
- Consider changes to internal management reporting to better align with new external disclosures.
- Adjust financial planning and analysis based on effect of IFRS 15.

### Business operations
- Modify contracting procedures.
- Understand any effect on existing regulatory requirements.
- Communicate information needed for estimates and judgement to finance function.
- Monitor potential effect on covenants during implementation.

### Project management
- Develop a comprehensive project management function, involve executives extensively and provide appropriate resources and budgets.
- Establish an integrated governance structure with other change programmes.
Implementing accounting change

► Users of financial statements analyze revenue very closely, so entities should focus on establishing effective revenue recognition policies and practices that will provide a solid foundation in the future.

► A common model for implementing accounting change in an organization includes the following five phases:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>Identify accounting, reporting, and tax differences and consequences on business processes and systems</td>
</tr>
<tr>
<td>Design and planning</td>
<td>Set up project infrastructure and management, including road map and change management strategy</td>
</tr>
<tr>
<td>Solution development</td>
<td>Identify solutions, prepare implementation plan and develop solutions across workstreams</td>
</tr>
<tr>
<td>Implementation</td>
<td>Approve and roll out solutions across workstreams</td>
</tr>
<tr>
<td>Post-implementation</td>
<td>Address deferred items and transition to operational model</td>
</tr>
</tbody>
</table>

Implementing accounting change

► The related workstreams that should be considered in this effort include:

► Accounting and reporting

► Tax

► Business processes and systems

► Change management, communication and training
Assessment phase

► The assessment phase is perhaps the most critical of the five phases for implementing an accounting change because it lays the foundation for the rest of the implementation effort.
► To identify its significant and unique revenue streams, an entity generally will look at its product and service offerings.

Assessment phase activities

► Once an entity has identified its significant revenue streams, it should apply the new standard to representative arrangements within each revenue stream, as well as consider the related effects on systems, processes, income taxes and change management. Procedures under each workstream to be considered include:

<table>
<thead>
<tr>
<th>Accounting and reporting</th>
<th>Tax</th>
<th>Business processes and systems</th>
<th>Change management and communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Understand the requirements of IFRS 15, train the finance function and assess the potential impact on the entity</td>
<td>* Understand the effect of IFRS 15 on the tax function</td>
<td>* Understand the overall process and system landscapes of the entity related to revenue (current and future)</td>
<td>* Understand the entity’s organisational knowledge structure and knowledge management approach</td>
</tr>
<tr>
<td>* Identify differences between current standards and IFRS 15 by applying the standard to representative revenue arrangements</td>
<td>* Identify new deferred tax items as a result of IFRS 15</td>
<td>* Inventory all potential accounting differences from the accounting and reporting and tax work streams</td>
<td>* Develop considerations for communication protocols</td>
</tr>
</tbody>
</table>
Assessment phase activities

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Identify additional disclosure requirements in IFRS 15</td>
<td>Identify areas in which the entity's current tax accounting policies (i.e., policies applied in the entity's tax returns) will be affected by IFRS 15, including transfer pricing</td>
<td>Determine process/functional areas most affected by IFRS 15 (processes, systems and people) through gap analysis</td>
<td>Develop an overall training roadmap to embed knowledge of IFRS 15 in the organization</td>
</tr>
<tr>
<td>Identify accounting and reporting areas requiring further investigation and evaluation that could be addressed in the next phase of the project</td>
<td>Determine the nature of the effect of IFRS 15 on tax compliance and planning</td>
<td>Identify current and planned system and process initiatives and assess the effect of implementing IFRS 15</td>
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</tbody>
</table>

Significant judgments and estimates

- The following aspects of the new model are examples of areas requiring significant judgment:

  - Identifying the contract
    - Collectability
    - Combining contracts
    - Contract modifications
  - Identifying performance obligations — determining distinct goods and services
  - Determining the transaction price
    - Estimating variable consideration, including application of the constraint
    - Determining the significant financing component
    - Estimating stand-alone selling prices
Significant judgments and estimates

- Determining whether performance obligations are satisfied over time or as of a point in time
- Determining whether licenses represent a right to use intellectual property or access to intellectual property over time

In the later phases of the implementation effort, an entity should design and implement processes to make these judgments to ensure consistency across the organization, as well as related controls.

Assessment phase outputs

- An entity should be able to answer the following questions about its significant revenue types under the new standard and its implementation approach:
  - Will the entity apply a full retrospective or modified retrospective transition method?
  - Which significant performance metrics will be affected?
  - Has the entity determined what changes are required to accounting systems and processes?
  - Are there plans to change the way the entity does business?
  - How will the guidance affect the entity’s accounting policies?
  - What changes to internal controls are required?
  - What impact will the revenue recognition standard have on tax?
Remaining implementation process

The outputs of the assessment phase will determine the activities in the remaining phases of the implementation process. These activities will include:

► Developing new accounting policies and procedures

► Identifying an approach to determine the cumulative effect upon transition, including the potential tax effect

► Creating technical design documents for systems changes

► Performing a variety of other activities across the accounting and reporting, tax, business processes and systems, change management, communication, and training work streams.

Communicate with key stakeholders

Throughout the implementation effort, an entity should engage in frequent communication with key stakeholders.

Management should update the audit committee regularly on the standard and the entity’s implementation process, including:

► Overview of the standard

► Anticipated effect on significant revenue streams

► Transition method
Audit committee

Audit committee members can be valuable resources for an entity during the implementation effort, given their experience and exposure to other companies facing the same challenges.

Investors

► A public entity listed in the US will be required to disclose information about the potential effects of the new standard to the extent known.

► Public entities in the US will also have to consider whether their implementation of new controls and processes, if any, requires disclosure about material changes in internal control over financial reporting under item 308 (c) of Regulation S-K.

► A nonpublic entity is not required to make the disclosures described in SAB Topic 11.M, it may want to consider doing so to help inform financial statement users about potential changes in revenue recognition.

Next steps

► Entities should perform a preliminary assessment on how they will be affected as soon as possible so they can determine how to prepare to implement the new standard. All entities need to make sure they have processes and systems in place to collect the necessary information to implement the standard.

► Public entities also should consider how they will communicate the changes with investors and other stakeholders, including their plan for disclosures about the effects of new accounting standards.
Industries impacted

- Aerospace and defense
- Airlines
- Asset Management
- Automotive
- Banking
- Brokers and Dealers in securities
- Engineering and construction
- Health Care
- Insurance
- Life Sciences
- Media and Entertainment
- Mining and Metals
- Oil and Gas
- Power and Utilities
- Real State
- Retail and Consumer Products
- Software and cloud services
- Technology
- Telecommunications

Airlines

- Airlines will have to change how they account for loyalty programs, which could affect their financial results.
- They also may need to change their income statement presentation for inter-airline billings, ancillary services and passenger ticket breakage.

Airline entities moving from an incremental cost method to treating loyalty points as a revenue element will have to allocate some portion of the transaction price to the loyalty element, based on the estimated standalone selling price of each performance obligation.

Airlines that have treated miles or points sold to partners, such as co-brand credit card providers, as revenue elements should be able to use that model as a starting place for the estimates necessary to value flown miles.

However, the new guidance may affect the valuation of the miles.
Asset management

► Under the new guidance, performance-based fees will not be recognized until it is probable that a significant reversal in the amount of cumulative revenue will not occur.

► Current industry guidance requiring distributors of mutual funds with no front-end sales load to defer and amortize incremental direct distribution costs has been retained.

► Certain other effects of the revenue standard may not be as apparent. For example, an entity will need to adjust deferred tax balances for revenue that has or will create temporary differences in the future.

Automotive

► Original equipment manufacturers and automotive parts suppliers may identify more performance obligations than they do today.

► Automotive parts suppliers may be required to change the timing of revenue recognition for contracts to supply customized parts.
Brokers and dealers

► Broker-dealers may need to recognize selling commissions on the settlement date instead of the trade date.

► Certain wealth and asset management performance-based fees may be recognized later than they are today.

► The new standard significantly increases the volume of required disclosures in entities’ interim and annual financial statements.

Engineering and construction

► While many of the principles in the new standard are similar to today’s guidance, entities should not assume that the pattern of revenue recognition for their arrangements will be unchanged. E&C entities will need to make many judgments that they may not be used to making.

► Key issues for the industry include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognizing contract costs and addressing disclosure requirements.
Insurance

- Insurance entities will have to use the new model to account for third-party administrator arrangements and managed care arrangements. Insurance brokers also will have to apply the new standard.

- Estimating variable consideration will be a significant change for insurance entities and brokers, and they may need to change their processes and information systems to capture information they will need to apply the standard and make required disclosures.

Media and entertainment

- M&E entities that license intellectual property (IP) will need to determine whether a license provides a right transferred to a customer at a point in time or a promise to provide access over time. This evaluation will dictate the timing of revenue recognition.

- All M&E entities will need to assess how they will be affected by the new standard, including changes to the guidance for advertising barter transactions and cost capitalization.

The following M&E subsectors are expected to be affected:

- Advertising and measurement
- Broadcasting and cable networks
- Film, TV, online video, and electronic games production and distribution
- Media conglomerates
- Music
- Publishing and information services
- Sports, theme parks and live events
- Cable and satellite distributors (multichannel video programming distributors)
Media and entertainment

In particular, M&E entities should begin to assess their licenses of IP to understand how certain activities they perform may affect the determination of whether the license represents a right to use (i.e., point in time revenue recognition) or a right to access (i.e., over time revenue recognition).

Applying some aspects of the standard will require significant judgment. As such, M&E entities should ensure they have adequate policies and procedures in place to support their judgments and application of the standard.

Mining and metals

Mining and metals entities may find it challenging to determine whether counterparties in certain mining and metals arrangements are customers. They also may find it difficult to evaluate the effects of various pricing terms and to account for take-or-pay and other long-term supply arrangements.

Mining and metals entities may have to change their processes and information systems to capture information needed to apply the standard and make required disclosures.
Oil and gas

- The key issues for the industry include appropriately identifying the performance obligations in the contract and allocating the transaction price to those performance obligations, which will affect how revenue is recognized.
- Oil and gas entities may have to change their processes and information systems to capture information they will need to apply the standard and make required disclosures.

Power and utilities

- The key issues for the industry include determining how the standard applies to rate-regulated activities and identifying performance obligations, estimating variable consideration and accounting for contract modifications.
- Power and utilities entities may have to change their processes and information systems to capture information they will need to apply the standard and make required disclosures.
Real estate

- Entities that sell real estate subject to the revenue standard will generally be able to recognize revenue and associated profit when control of the property transfers. An evaluation of the buyer’s initial and continuing investments or the seller’s continuing involvement with the property will no longer be required. However, entities must still assess the collectibility of the transaction price using the principles of the new revenue standard.

- Fees for property management and other services may be recognized differently due to the new requirements to estimate variable consideration and to determine the number of performance obligations contained in the contract.

An overview of the revenue recognition model with a focus on entities that:

- Own, operate and sell real estate assets
- Provide real estate property management services
- Engage in hospitality management activities
- Construct and sell single-family homes and residential developments (e.g., condominiums)

Software and cloud services

- Software entities, including those that sell products through resellers or distributors, may recognize some revenue sooner than they do today.

- Entities will no longer be required to establish vendor-specific objective evidence of fair value to account for goods and service separately.

- Entities will need to evaluate whether services that are now considered post-contract customer support and often treated as a single unit of accounting will be separate performance obligations.

- Entities will be required to capitalize incremental costs of obtaining a contract (e.g., sales commissions) that meet certain criteria. This may change practice for entities that currently expense such costs.
Technology

► Determining whether to present gross or net revenue for the sale of goods or services when there are more than two parties in an arrangement will continue to be challenging and will require significant judgment.

► The new standard could change practice for technology entities that sell their products through distributors or resellers, potentially accelerating the recognition of revenue.

► Entities will be required to capitalize incremental costs of obtaining a contract (e.g., sales commissions) that meet certain criteria. This will change practice for entities that currently expense such costs.

Telecom

► Core principle: Recognize 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

► Key principle – to help users of financial statements understand the amount, timing and uncertainty of revenue and cash flows arising from contracts with customers

► Present both qualitative and quantitative information about:
  ► Contracts with customers
  ► Significant judgments and changes in judgments made in applying the guidance to those contracts
  ► Assets recognized from costs to obtain or fulfill a contract
  ► Fewer disclosure requirements for nonpublic companies