

STAFF PAPER

January 2016

IASB Meeting

Project	Revenue from Contracts with Customers		
Paper topic	Clarifications to IFRS 15—transition, effective date and summary of due process		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the 'Board') and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

Background and purpose

1. The Board issued the [Exposure Draft](#) *Clarifications to IFRS 15* for public comment in July 2015. The 90-day comment period ended on 28 October 2015. The Board received 74 comment letters.
2. At its December 2015 meeting, the Board discussed the feedback from respondents to the ED and made tentative decisions to finalise the proposed amendments. A summary of the tentative decisions made in the December 2015 meeting is presented in *Appendix A*.
3. The purpose of this paper is:
 - (a) to discuss the feedback from respondents to the ED on the proposed transition requirements;
 - (b) to consider whether there is a need for re-exposure;
 - (c) to discuss the mandatory effective date of the amendments *Clarifications to IFRS 15*;
 - (d) to ask the Board to confirm that it is satisfied that it has complied with the due process requirements to date;
 - (e) to ask whether any Board member intends to dissent from the publication of the final amendments *Clarifications to IFRS 15*; and
 - (f) to seek the Board's permission to ballot for publication.

Transition

Summary of proposals

4. The Board proposed to add paragraph C8A requiring an entity to apply the clarifying amendments to IFRS 15 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board also proposed that in applying the clarifying amendments retrospectively, an entity should apply the amendments as if they had been included in IFRS 15 at the date of initial application. The Board's considerations in support of retrospective application of the clarifying amendments are explained in paragraphs BC118–BC120 of the Basis for Conclusions on the ED.
5. Mr Ochi voted against the publication of the ED, because he disagreed with the proposal to require an entity to apply the clarifying amendments to IFRS 15 retrospectively. He thought that entities should be permitted to apply the clarifying amendments prospectively. His alternative view is explained in paragraphs AV1–AV3 of the ED.
6. For convenience of the Board members, the proposed paragraph C8A, paragraphs BC118–BC120 and paragraphs AV1–AV3 of the ED are reproduced in *Appendix B*.

Summary of feedback from respondents

7. Only one preparer group commented on the proposed transition requirements and supported the alternative views of Mr Ochi. That respondent thought that the effect of the clarifying amendments on the financial statements of an entity that has already early adopted IFRS 15 is not likely to be significant; consequently, an entity that has early adopted IFRS 15 should be required to apply the clarifying amendments prospectively.

Staff analysis and recommendations

8. We continue to think that an entity should be required to apply the clarifying amendments retrospectively. As explained in paragraph BC118 of the ED, the amendments are intended to clarify the Board's intentions rather than change the Standard. Furthermore, prospective application of the clarifying amendments

would reduce comparability (potentially for some years) in the limited cases for which the proposed amendments might result in significant changes to an entity's application of IFRS 15. This approach is consistent with feedback received from users of financial statements during the development of IFRS 15, highlighting that retrospective application would be the most useful transition method for them to understand trends in revenue.

9. Consequently, we recommend that the Board should confirm its previous decision to require an entity to apply the clarifying amendments to IFRS 15 retrospectively.

Question 1 for the Board

Does the Board agree with the staff recommendation to confirm the proposal in the ED to require an entity to apply *Clarifications to IFRS 15* retrospectively?

Transition requirements for a first-time adopter

10. We considered whether IFRS 1 *First-time Adoption of International Financial Reporting Standards* needs to be amended to include any special transition provisions for a first-time adopter. We note that:

- (a) IFRS 1 does not allow a first-time adopter to use the modified retrospective transition method; and
- (b) by cross-referring to paragraphs C5 and C6 of IFRS 15, IFRS 1 allows a first-time adopter to use all the transitional practical expedients that are available to an existing IFRS preparer that applies IFRS 15 using the full retrospective transition method.

Consequently, we do not think that special transition provisions are needed in IFRS 1 for these amendments. Furthermore, the objective of these amendments is only to clarify the requirements in IFRS 15.

Finalisation or re-exposure

11. In accordance with the due process requirements, the Board considers whether the final decisions made in respect of any proposed amendments include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the Basis for Conclusions accompanying the ED. The more extensive and fundamental the changes from the ED, the more likely the proposals should be re-exposed.
12. In respect of *Clarifications to IFRS 15*, the Board considered the feedback and substantially completed its redeliberations of the proposals in December 2015. Respondents generally supported the Board's approach and the Board largely confirmed the clarifying amendments to IFRS 15 as proposed in the ED, with two notable exceptions regarding:
 - (a) identifying performance obligations; and
 - (b) the modified retrospective transition method.

Identifying performance obligations

13. With regard to identifying performance obligations, the Board previously decided not to amend the Standard. Instead, it proposed to provide the necessary clarifications by amending only the accompanying Illustrative Examples. To achieve the same objective of clarifying the requirements the FASB, however, proposed to amend both the requirements of the US equivalent Topic 606 *Revenue from Contracts with Customers* and the accompanying Illustrations. In the Basis for Conclusions on the ED, the Board explained (a) the FASB's proposals; and (b) the reasons for the Board's decisions, thereby giving an opportunity to IFRS stakeholders to compare and analyse the proposals of the two Boards.
14. Taking into account the feedback received from respondents, the Board considered further the benefits of convergence and decided to amend the requirements in IFRS 15 on identifying performance obligations in line with the amendments proposed by the FASB and confirmed in the FASB's October 2015 meeting. This preserves full convergence of a core part of IFRS 15 with

Topic 606. The Board instructed the staff to work with the FASB staff to try to achieve converged wording with the FASB's related amendments to Topic 606.

Modified retrospective transition method

15. In accordance with the original transition requirements in IFRS 15/Topic 606, an entity using the modified retrospective transition method applies the Standard retrospectively only to contracts that are not completed contracts at the date of initial application.
16. In July 2015, members of the Revenue Transition Resource Group (TRG) discussed different views on what constituted a completed contract. To address that issue, the FASB, in its Proposed Accounting Standards Update *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, published in September 2015, proposed to amend the definition of a completed contract. In addition, the FASB proposed an amendment to permit an entity to apply the modified retrospective method either to all contracts at the date of initial application or only to contracts that are not completed contracts at the date of initial application. The Board considered the issue at its September 2015 meeting and decided not to amend the definition of a completed contract.
17. However, in the comment letters on the ED, the most frequent comment was to ask the Board to retain convergence of the completed contract definition. In its redeliberations of the proposals in the ED, the Board considered whether to amend the definition of a completed contract or to allow an option to use the FASB's proposed definition. However, the Board reaffirmed its previous decision not to amend the definition of a completed contract, but decided to allow an entity using that transition method to apply IFRS 15 retrospectively either to contracts that are not completed contracts as at the date of initial application of the Standard or to all contracts including completed contracts. The Board observed that allowing this option would (a) eliminate the tension caused by the different definitions of a completed contract; and (b) help an entity to achieve a converged outcome under IFRS and US GAAP.

Staff analysis and recommendation

18. We consider that amending the definition of a completed contract, or allowing an option to use the FASB's proposed definition of a completed contract, would have been a fundamental change from the proposals in the ED. The Board's decision as explained in the previous paragraph addresses the issue that emerged from the TRG and responds to the comment letter feedback on the ED without significantly changing the transition requirements in IFRS 15.
19. We do not think that the Board's decision (a) to amend the requirements in IFRS 15 on identifying performance obligations to align with the amendments to Topic 606; and (b) to allow an entity using the modified retrospective transition method to apply IFRS 15 to all contracts including completed contracts are fundamental changes from the proposals in the ED. Consequently, we consider that there is no need for re-exposure.

Question 2 for the Board

Does the Board agree with the staff's conclusion that there is no need for re-exposure?

Mandatory effective date of the amendments

20. In accordance with the due process requirements, the Board sets a mandatory effective date to give jurisdictions sufficient time to incorporate the new requirements into their legal systems and to give sufficient time to those applying IFRS Standards to prepare for the new requirements.
21. During the course of discussions leading to the development of the clarifying amendments ED, the Board considered the effective date for the clarifying amendments to IFRS 15 (see [Agenda Paper 7B](#) of the June 2015 Board meeting).
22. IFRS 15 originally had an effective date of 1 January 2017. In September 2015, the Board issued an amendment [Effective Date of IFRS 15](#) deferring the effective date of IFRS 15 from 1 January 2017 to 1 January 2018. One of the considerations of the Board in deferring the effective date of IFRS 15 was that the deferral would provide additional time to entities that wish to implement the

clarifying amendments along with the Standard. Consequently, the Board set an objective of finalising the clarifying amendments with sufficient time to set an effective date that aligns with the revised effective date of IFRS 15.

23. The Board decided that it would be useful to give some indication in the ED of the expected effective date of the clarifying amendments to IFRS 15. Accordingly, the Board explained its considerations on the effective date in paragraph BC116 of the Basis for Conclusions on the ED.

BC116 The IASB is not proposing an effective date for *Clarifications to IFRS 15*. The IASB's objective is to finalise the proposed amendments with sufficient time to set an effective date that aligns with the revised effective date of IFRS 15. In July 2015, the IASB decided to defer the effective date of IFRS 15 by one year to 1 January 2018. [emphasis added]

24. Furthermore, the Board decided that an entity should be permitted to apply the clarifying amendments earlier than their effective date. This would allow an entity the choice of either:
- (a) applying the clarifying amendments on the same date as it first applies IFRS 15; or
 - (b) applying the clarifying amendments at a date later than when it first applies IFRS 15.

In other words, an entity that has decided to early apply IFRS 15 and that is in an advanced stage of early application would have the flexibility to apply these amendments either together with the Standard or at a subsequent date.

Summary of feedback from respondents

25. Very few respondents, mainly the national and regional standard-setters, a preparer and an accountancy body, commented on the effective date of the clarifying amendments. All of them agreed with aligning the effective date of the clarifying amendments with the effective date of IFRS 15. They also urged the Board to finalise the clarifying amendments expeditiously with sufficient time to be able to align the effective dates.

26. One respondent was concerned that there would be continuing pressure to make additional changes to IFRS 15 and further defer the effective date as new implementation issues arise. Consequently, that respondent suggested that further changes to the Standard should not be made, to avoid any such pressures on the effective date and to create a stable final Standard.
27. There was no specific feedback on the Board's proposal to allow early application of the clarifying amendments to IFRS 15.

Staff analysis and recommendations

28. The Board has substantially completed its redeliberations of the proposed clarifying amendments. The final clarifying amendments to IFRS 15 are expected to be published by the end of March 2016. This gives sufficient time to our stakeholders to prepare for applying the clarifying amendments from 1 January 2018. Furthermore, the objective of the amendments is to *clarify* the Board's intentions when developing the requirements in IFRS 15 and not to change the underlying principles of accounting for revenue from contracts with customers in accordance with IFRS 15.
29. For the reasons previously considered by the Board and based on the feedback received from respondents, we recommend that the Board should align the effective date of the clarifying amendments with the revised effective date of IFRS 15, ie 1 January 2018. We also recommend that early application of the amendments should be permitted.

Question 3 for the Board

Does the Board agree with the staff recommendation of 1 January 2018 as the mandatory effective date of *Clarifications to IFRS 15* and to allow early application of the amendments?

Confirmation of due process steps

30. In *Appendix C* to this paper, we have summarised the due process steps taken so far since publishing the ED.

31. We note that the required due process steps applicable so far for the publication of the final amendments have been completed, as documented in *Appendix C*.

Intention to dissent

32. In accordance with paragraph 6.23 of the *Due Process Handbook*, we are also formally asking whether any Board member intends to dissent from the publication of the final amendments *Clarifications to IFRS 15*.

Other questions for the Board

4. Is the Board satisfied that all due process steps required so far that relate to the publication of the final amendments *Clarifications to IFRS 15* have been complied with?
5. Do any of the Board members intend to dissent from the publication of *Clarifications to IFRS 15*?
6. Do we have permission to ballot for publication of *Clarifications to IFRS 15*?

Appendix A
Summary of tentative decisions of the Board

The following table presents a summary of tentative decisions made by the Board for each of the targeted topics.

Topic	Decisions made during the development of the ED	Redeliberations
Identifying performance obligations	<p>The IASB and the FASB (the Boards) decided to add some illustrative examples to the Standard to clarify how the Boards intend the guidance on identifying performance obligations to be applied.</p> <p>In addition, the FASB decided to incorporate further amendments in Topic 606 to address implementation issues about (1) identifying promised goods or services that would be subject to the separation guidance; (2) application of the distinct guidance; and (3) accounting for shipping and handling activities, as well as to make some technical corrections to Topic 606 in this area.</p>	
	<p><i>'Distinct within the context of the contract'</i></p> <p>The Board decided not to amend the requirements in paragraphs 27 and 29 of IFRS 15. However, in addition to including illustrative examples (as noted above), the Board also noted that the discussion and the analysis of the issues relating to 'distinct within the context of the contract' in paragraphs 34–43 of Agenda Paper 7C of the February 2015 meeting could help educate and inform practice.</p> <p>In addition to providing additional illustrative examples, the FASB decided to amend the guidance in Topic 606 about when an entity's promise to transfer a good or service is separately identifiable (that is, distinct within the context of the contract) by both:</p> <ul style="list-style-type: none"> (a) expanding upon the articulation of the separately identifiable principle in the Codification; and (b) enacting revisions to the factors in paragraph 606-10-25-21 [29 of IFRS 15] to more closely align those factors to the re-articulated separately identifiable principle. 	<p>The Board decided to amend IFRS 15 to clarify the factors that indicate when two or more promises to transfer goods or services are not separately identifiable. The Board instructed staff to work with FASB staff to try to achieve converged wording with the FASB's related amendments to Topic 606.</p>
	<p><i>Promised goods or services</i></p> <p>The FASB decided that an entity is not required to identify goods or services promised to the customer that are immaterial in the context of the contract. Optional goods or services should continue to be accounted for in accordance with paragraphs 606-10-55-41 through 55-45 (paragraphs B39–B43 of IFRS 15). An entity would not be required to accumulate goods or services assessed as immaterial to the contract and assess their significance at the financial statement level. The Board decided not to incorporate similar guidance into IFRS 15.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>

Topic	Decisions made during the development of the ED	Redeliberations
	<p><i>Shipping and handling activities</i></p> <p>The FASB decided to clarify the guidance in Topic 606 as it applies to shipping and handling activities. The revised guidance would clarify that shipping and handling activities that occur before the customer obtains control of the related good are fulfilment activities. In addition, the FASB decided to permit an entity, as an accounting policy election, to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfilment activities. The Board decided not to provide a similar policy choice.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>
<p>Principal versus agent considerations</p>	<p>The Boards decided to propose the same amendments to clarify the principal versus agent considerations guidance in Topic 606. The following paragraphs set out the Board's and the FASB's tentative decisions.</p> <p><i>Principle for determining whether an entity's promise is to provide or to arrange</i></p> <p>The Boards reaffirmed the principle in IFRS 15 and Topic 606 that an entity's promise is to provide a specified good or service to a customer (that is, the entity is a principal) when it controls the specified good or service before that good or service is transferred to the customer. In contrast, the entity's promise is to arrange for another party to provide that good or service (that is, the entity is an agent) when it does not control the specified good or service before it is transferred to the customer.</p>	<p>The Boards confirmed the proposals in the ED.</p>
	<p><i>Unit of account for the principal versus agent evaluation</i></p> <p>The Boards decided to amend the guidance on principal versus agent considerations to clarify that an entity determines whether it is a principal or an agent for each specified good or service promised to the customer; a specified good or service is a distinct good or service (or distinct bundle of goods or services) to be provided to the customer; and depending on the circumstances, a specified good or service may be a right to an underlying good or service to be provided by another party.</p>	<p>The Boards confirmed the proposals in the ED.</p>
	<p><i>Application of the control principle</i></p> <p>The Boards decided to amend the guidance on principal versus agent considerations to clarify the application of the control principle in the context of services by explaining the scenarios in which a principal can control a service to be provided by another party.</p>	<p>The Boards confirmed the proposals in the ED.</p>

Topic	Decisions made during the development of the ED	Redeliberations
	<p><i>Control indicators</i></p> <p>The Boards decided to amend the guidance on principal versus agent considerations to clarify the role of the indicators in paragraph B37 of IFRS 15 and paragraph 606-10-55-39 of Topic 606. In particular, those amendments would:</p> <ul style="list-style-type: none"> (a) clarify that the indicators assist in the evaluation of control, rather than override or replace the control evaluation; (b) reframe the indicators to indicate when an entity is a principal, rather than when an entity is an agent; (c) clarify how each indicator relates to the control principle; and (d) clarify that one or more indicators may be more or less relevant to the control evaluation in different contracts. 	<p>The Boards confirmed the proposals in the ED. The Boards also decided to eliminate exposure to credit risk as an indicator (paragraph B37(e) of IFRS 15 and paragraph 606-10-55-39(e) of Topic 606) as to whether an entity controls a specified good or service before it is transferred to the customer.</p>
	<p><i>Illustrative Examples</i></p> <p>The Boards tentatively decided to amend the principal versus agent examples in IFRS 15 and Topic 606, and to include some additional examples, to clarify the application of the principal versus agent guidance.</p>	<p>The Boards confirmed the proposals in the ED.</p>

Topic	Decisions made during the development of the ED	Redeliberations
Licensing	<p><i>Determining the nature of the entity’s promise in granting a licence</i></p> <p>The Boards decided to improve the operability and understandability of the Application Guidance in the Standard. To do so, the Boards propose clarifying that the entity’s promise to the customer in granting a licence is to provide a right to access the entity’s intellectual property (which is satisfied over time) when the contract requires or the customer reasonably expects the entity to undertake activities (that do not transfer a good or service to the customer) that significantly affect the utility of the intellectual property to which the customer has rights. The utility of the intellectual property to which the customer has rights is significantly affected when either:</p> <ul style="list-style-type: none"> (a) the expected activities of the entity are expected to change the form (for example, the design) or the functionality (for example, the ability to perform a function or task) of the intellectual property to which the customer has rights; or (b) the value of the intellectual property to the customer is substantially derived from, or dependent upon, the expected activities of the entity. For example, the value of a brand or logo is typically derived from, and dependent upon, the entity’s ongoing activities that support or maintain the intellectual property. <p>In addition, the Boards clarified that when intellectual property has significant standalone functionality (that is, the ability to process a transaction, perform a function or task, or be played or aired), such as software or media content, a substantial portion of its utility is derived from that functionality and is unaffected by activities of the entity that do not change that functionality (such as promotional activities).</p> <p>The FASB further decided to clarify in the guidance that when an entity grants a licence to symbolic intellectual property (that is, intellectual property that does not have significant standalone functionality, such as brands, team or trade names, or logos), it is presumed that the entity’s promise to the customer in granting a licence includes undertaking activities that significantly affect the utility of the intellectual property to which the customer has rights.</p>	<p>The Board confirmed the proposals in the ED.</p>
	<p><i>Sales-based or usage-based royalties</i></p> <p>The Boards decided to clarify the scope and applicability of the Application Guidance on sales-based or usage-based royalties promised in exchange for a licence of intellectual property as follows:</p> <ul style="list-style-type: none"> (a) an entity should not split a single royalty into a portion subject to the sales-based or usage-based royalties exception and a portion that is not subject to the royalties constraint (and, therefore, would be subject to the general guidance on variable consideration); and (b) the sales-based or usage-based royalties exception should apply whenever the predominant item to which the royalty relates is a licence of intellectual property. 	<p>The Board confirmed the proposals in the ED.</p>

Topic	Decisions made during the development of the ED	Redeliberations
	<p><i>Determining when an entity should assess the nature of a licence</i></p> <p>The FASB decided to clarify in Topic 606 that, in some cases, an entity would need to determine the nature of a licence that is not a separate performance obligation in order to appropriately apply the general guidance on whether a performance obligation is satisfied over time or at a point in time and/or to determine the appropriate measure of progress for a combined performance obligation that includes a licence.</p> <p>The Board decided that a clarification to the application guidance in IFRS 15 with respect to this issue was not necessary because there is adequate guidance in IFRS 15 and the accompanying Basis for Conclusions. In reaching this conclusion the Board noted the analysis in paragraphs 59–64 of Agenda Paper 7B of the February 2015 meeting.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>
	<p><i>Contractual restrictions in licence arrangements</i></p> <p>The Board decided that a clarification to the Application Guidance in IFRS 15 with respect to this issue was not necessary because there is adequate guidance in IFRS 15 and the accompanying Basis for Conclusions. In reaching this conclusion, the Board noted the analysis in paragraphs 68–73 of Agenda Paper 7B of the February 2015 meeting.</p> <p>The FASB decided to clarify in Topic 606 that contractual restrictions of the nature described in paragraph 606-10-55-64 [B62 of IFRS 15] are attributes of the licence; and therefore, do not affect the identification of the promised goods or services in the contract. For example, an entity would not identify a different number of promised licences in a contract that grants a customer unlimited rights to use specified intellectual property for a defined period of time than it would in a contract that grants a licence that restricts how often the intellectual property may be used during the licence period.</p>	<p>During the redeliberations, the Board also discussed some additional implementation questions relating to contractual restrictions in a licensing contract that were discussed by the TRG in November 2015. The Board observed that the application guidance on licensing does not override the five-step revenue recognition model of IFRS 15. An entity is expected to apply the general requirements for identifying performance obligations to identify whether a contract includes one or multiple licences. Similarly, the entity would apply the contract modifications guidance when accounting for renewal of or modifications to a licensing contract. Consequently, the Board decided to confirm its previous decision not to amend IFRS 15.</p>

Topic	Decisions made during the development of the ED	Redeliberations
Practical expedients on transition	<p><i>Contract modifications</i></p> <p>The Boards decided to provide a practical expedient on transition that would permit an entity to account for a modified contract by:</p> <ul style="list-style-type: none"> (a) identifying all the satisfied and unsatisfied performance obligations in the contract at the contract modification adjustment date (CMAD) reflecting all modifications from contract inception to the CMAD; (b) determining the transaction price at the CMAD reflecting all modifications from inception to the CMAD; and (c) allocating the transaction price to the performance obligations identified at the CMAD based on the historic standalone selling price of each good or service. <p>The FASB decided that entities electing the full retrospective transition method would use the beginning of the earliest period presented as the CMAD and that entities electing the modified retrospective transition method would use the date of initial application as the CMAD.</p> <p>The Board decided that entities electing either the full retrospective or modified retrospective transition method would use the beginning of the earliest period presented as the CMAD.</p>	<p>The Board confirmed the proposals in the ED. Furthermore, the Board decided to permit an entity using the modified retrospective transition method and electing to apply the contract modifications practical expedient, to apply that expedient either:</p> <ul style="list-style-type: none"> (a) at the beginning of the earliest period presented in the financial statements in which IFRS 15 is first applied; or (b) at the date of initial application of IFRS 15.
	<p><i>Completed contracts</i></p> <p>The Board decided to provide a practical expedient that would permit an entity electing the full retrospective approach to apply the Standard retrospectively only to contracts that are not completed contracts as of the beginning of the earliest period presented. A completed contract is a contract for which the entity has transferred all of the goods and services identified in accordance with IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, and related Interpretations. The FASB decided not to add a similar practical expedient to Topic 606.</p>	<p>The Board confirmed the proposals in the ED.</p>
	<p><i>Transition disclosures</i></p> <p>The Boards decided to require entities to disclose the use of either of the above practical expedients and, to the extent reasonably possible, a qualitative assessment of the estimated effect of applying the expedient(s).</p>	

Topic	Decisions made during the development of the ED	Redeliberations
Other topics for which the Board decided not to amend IFRS 15	<p><i>Collectability</i></p> <p>The FASB decided to amend the collectability guidance in Step 1 (Identifying the Contract) in Topic 606 to clarify:</p> <ul style="list-style-type: none"> (a) when a contract is ‘terminated’ in accordance with paragraph 606-10-25-7 [paragraph 15]; and (b) that the objective of the collectability threshold in paragraph 606-10-25-1(e) [paragraph 9(e)] is to assess an entity’s exposure to credit risk for the goods and services that will be transferred to the customer. Consequently, in some circumstances, an entity might not assess its ability to collect all of the consideration in the contract in order to meet the collectability threshold. <p>The Board decided not to make any clarifications or amendments to IFRS 15 in the light of the issues regarding the collectability highlighted during the TRG discussions in January 2015.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>
	<p><i>Measuring non-cash consideration</i></p> <p>The FASB decided to clarify the guidance in the Standard to require that non-cash consideration to be measured at contract inception. The FASB also decided to clarify that when the fair value of the non-cash consideration varies due to both the form of the consideration and reasons other than the form of consideration, the constraint on variable consideration would only apply to variability resulting from reasons other than the form of the consideration.</p> <p>The Board decided not to make any amendments to the requirements for non-cash consideration or the accompanying Illustrative Example 31. The Board noted that the approach required by the FASB’s amendment, if finalised, would not be the only acceptable interpretation of IFRS 15.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>
	<p><i>Presentation of sales taxes</i></p> <p>The FASB decided to provide a practical expedient that would permit entities, as an accounting policy election, to present amounts collected from customers for taxes within the scope of Subtopic 605-45 (paragraph 606-10-15-2(e)) net of the related amounts remitted (that is, such amounts would be excluded from the determination of the transaction price in the Standard). An entity not electing this practical expedient would apply the Standard, as issued, in determining whether those taxes should, or should not, be included in the transaction price. An entity would be required to disclose its accounting policy election to present tax amounts collected from customers on a net basis. The Board decided not to add a similar practical expedient to IFRS 15.</p>	<p>The Board confirmed its previous decision not to amend IFRS 15.</p>

Topic	Decisions made during the development of the ED	Redeliberations
	<p data-bbox="286 268 689 300"><i>Definition of a completed contract</i></p> <p data-bbox="286 316 1500 411">The Board decided not to amend the definition of a completed contract. Furthermore, the Board noted that the discussion and the analysis of the issues in paragraphs 17–26 of Agenda Paper 7 of the September 2015 meeting could help educate and inform practice.</p> <p data-bbox="286 427 521 459">The FASB decided:</p> <ul style="list-style-type: none"> <li data-bbox="286 475 1512 627">(a) to clarify that a completed contract is one for which all (or substantially all) of the revenue was recognised under previous revenue Standards. Accounting for elements of a contract that do not affect revenue under previous revenue Standards (for example, a warranty that was not accounted for as a deliverable under previous revenue Standards but would be a performance obligation under Topic 606) would not be relevant to the assessment of whether a contract is complete. <li data-bbox="286 627 1489 722">(b) to amend the modified retrospective transition method to permit an entity to use that method for all contracts, ie including contracts that are completed contracts at the date of initial application of Topic 606. 	<p data-bbox="1541 268 2045 363">The Board confirmed its previous decision not to amend the definition of a completed contract.</p> <p data-bbox="1541 379 2045 563">However, the Board decided to permit an entity using the modified retrospective transition method to apply IFRS 15 either to all contracts or to contracts that are not completed contracts at the date of initial application.</p>

Appendix B

Extracts from the ED in respect of the transition requirements for clarifying amendments

Transition

...

C8A An entity shall apply [Draft] *Clarifications to IFRS 15* (see paragraph C1A) retrospectively in accordance with IAS 8. In applying the amendments retrospectively, an entity shall apply the amendments as if they had been included in IFRS 15 at the date of initial application. As a consequence, an entity does not apply the amendments to reporting periods or contracts to which the requirements of IFRS 15 are not applied in accordance with paragraphs C2–C8. For example, if an entity applies the transition method in paragraph C3(b), the entity does not restate contracts that are completed at the date of initial application for the effects of these amendments.

Basis for Conclusions on the Exposure Draft *Clarifications to IFRS 15*

...

Transition and effective date

...

BC118 The IASB proposes that an entity should apply the proposed amendments retrospectively in accordance with IAS 8. In reaching its decision to require retrospective application, the IASB observed that the amendments are intended to clarify the IASB's intentions when developing the requirements in IFRS 15 rather than change the requirements of IFRS 15. The IASB decided not to propose prospective application of *Clarifications to IFRS 15* because this would reduce comparability in the limited cases that the proposed amendments may result in significant changes to an entity's application of IFRS 15. This approach is consistent with feedback received from users of financial statements during the development of IFRS 15 highlighting that retrospective application would be the most useful transition method for them to understand trends in revenue.

BC119 Paragraph C8A proposes that in applying the amendments retrospectively, an entity should apply the amendments as if they had been included in IFRS 15 at the date of initial application. The expected outcome of applying the amendments retrospectively is summarised as follows:

- (a) for entities that adopt both IFRS 15 and *Clarifications to IFRS 15* at the same time, any effect of applying the amendments would be reflected in the effects of initially applying IFRS 15.
- (b) for entities that adopt *Clarifications to IFRS 15* after the date of initial application of IFRS 15, the effects of initially applying IFRS 15 would be restated for the effects, if any, of initially applying the amendments.

BC120 The outcome of retrospective application of *Clarifications to IFRS 15* will depend on which transition method an entity selects when it first applies IFRS 15—either the full retrospective method or the modified retrospective method. The selection of the transition method will determine, for example, whether periods before the date of initial

application of IFRS 15 are restated as well as the amount and date of the adjustment to retained earnings. Retrospective application of *Clarifications to IFRS 15* will affect only those reporting periods and those contracts to which IFRS 15 has been applied. For example, consider an entity that uses the modified retrospective method and initially applies IFRS 15 on 1 January 2017 and *Clarifications to IFRS 15* on 1 January 2018. Retrospective application of *Clarifications to IFRS 15* would not require the restatement of financial information before 1 January 2017 for the effects of the amendments. Any effect of applying the amendments would be included in a restated cumulative effect adjustment as of 1 January 2017.

Alternative view

Alternative view on the Exposure Draft *Clarifications to IFRS 15* as published in July 2015

- AV1 Mr Ochi voted against the publication of the Exposure Draft *Clarifications to IFRS 15*. He agrees with all of the proposed clarifying amendments to IFRS 15 and the additional transition reliefs. However, he disagrees with the proposal to require an entity to apply the amendments to IFRS 15 retrospectively. Mr Ochi thinks that the IASB should propose a different transition method for those entities that apply the amendments at a date later than when they first apply IFRS 15 as originally issued. Specifically, he thinks such entities should be permitted to apply the amendments to IFRS 15 prospectively, ie only to contracts entered into on or after the effective date of the amendments.
- AV2 Mr Ochi notes that the IASB allowed early application of IFRS 15 and acknowledges that many entities might be well advanced in their implementation processes. Indeed, he is aware of at least one large company that has already adopted IFRS 15. Consequently, some entities might in effect be required to restate some contracts twice, both on first applying IFRS 15 as originally issued and again when first applying the amendments to the Standard.
- AV3 Mr Ochi agrees in principle with publishing clarifications to a Standard before the effective date of that Standard if they would be helpful to constituents. However, in such cases, he thinks that the IASB should provide due consideration to those entities that have already started to prepare for early application of the Standard. Mr Ochi notes that a number of jurisdictions are at different stages in their adoption of IFRS. In that regard, he thinks that allowing early application of a Standard supports the smooth adoption of IFRS. He therefore believes that the IASB should be careful to ensure that it does not in effect penalise those entities that begin their implementation process early and reward those that delay. Mr Ochi thinks it is not just a question of considering the extent or potential effect of any clarifications to a Standard; rather it is a matter of principle. Mr Ochi thinks that proposing clarifications, even if their potential effect is expected to be limited, could adversely affect the behaviour of entities in the future when the IASB issues new Standards. This might act as a disincentive to entities to start their implementation of a new Standard on a timely basis.

Appendix C

Confirmation of the due process steps followed so far in the development of *Clarifications to IFRS 15*

Step	Required/ Optional	Metrics or evidence	Actions
Consideration of information gathered during consultation			
The Board posts all of the comment letters that are received in relation to the ED on the project pages.	Required if request issued	Letters posted on the project pages.	All 74 comment letters received by the Board have been posted on the project webpage. http://www.ifrs.org/Current-Projects/IASB-Projects/Clarifications-IFRS-15-Issues-from-TRG-discussions/Pages/Comment-letters.aspx
Round tables between external participants and members of the Board.	Optional	Extent of meetings held.	Not considered necessary as these targeted amendments are narrow in scope and the objective is to clarify the Board's intentions when developing the requirements in IFRS 15.
Board meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	Meetings held. Project website contains a full description with up-to-date information. Meeting papers posted in a timely fashion. Extent of meetings with consultative group held and confirmation that critical issues have been reviewed with them.	The Board considered the feedback from respondents and redeliberated its proposals at its December 2015 meeting. The project website has up-to-date information. http://www.ifrs.org/Current-Projects/IASB-Projects/Clarifications-IFRS-15-Issues-from-TRG-discussions/Pages/default.aspx Meeting papers have been posted in a timely fashion. Necessary approvals have been taken for minor delays in posting the joint staff papers.
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or on-going associated costs.	Required	Publication of the Effect Analysis.	We assessed the likely effects of the final amendments as being limited because they are narrow in scope and the objective is to clarify the requirements in IFRS 15.
Email alerts are issued to registered recipients.	Optional	Evidence that alerts have occurred.	An email alert would be issued shortly before the publication of the final amendments.
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	Extent of meetings held, including efforts aimed at investors.	Not considered necessary as these targeted amendments are narrow in scope and the objective is to clarify the Board's intentions when developing the requirements in IFRS 15.
Regional discussion forums are organised with national standard-setters and the Board.	Optional	Extent of meetings held.	We have discussed the proposals in the ED with ASAF in October 2015. The feedback from ASAF was considered by the Board in its redeliberations of the proposals.
Finalisation			
Due process steps are reviewed by the Board.	Required	Summary of all due process steps have been discussed by the Board before a Standard is issued.	Presented at the January 2016 meeting of the Board.
Need for re-exposure of a Standard is considered.	Required	An analysis of the need to re-expose is considered at a public Board meeting, using the agreed criteria.	To be considered by the Board at its January 2016 meeting. See the analysis in paragraphs 11–19 in the main body of this paper.
The Board sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	Effective date set, with full consideration of the implementation challenges.	To be set by the Board at its January 2016 meeting. The staff recommends 1 January 2018 as the effective date, which is expected to give well over a year for implementing the amendments. See paragraphs 20–29 in the main body of this paper.

Step	Required/ Optional	Metrics or evidence	Actions
Drafting			
Drafting quality assurance steps are adequate.	Required	The Translations team has been included in the review process.	The Translations team will be included in the review process.
Drafting quality assurance steps are adequate.	Required	The XBRL team has been included in the review process.	The XBRL team will be included in the review process.
Drafting quality assurance steps are adequate.	Optional	The Editorial team has been included in the review process. In addition, external reviewers used to review drafts for editorial review and the comments collected have been considered by the Board.	The Editorial team will be asked to review the pre-ballot draft. We will perform an editorial review of the pre-ballot draft with external parties.
Drafting quality assurance steps are adequate.	Optional	Draft for editorial review has been made available to members of the IFASS and the comments have been collected and considered by the Board.	The pre-ballot draft would be made available to members of the IFASS.
Drafting quality assurance steps are adequate.	Optional	Draft for editorial review has been posted on the project website.	Not considered necessary.
Publication			
Press release to announce final Standard.	Required	Press release has been announced in a timely fashion. Media coverage of the release.	A press release would be issued announcing the publication of the final amendments.
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the Board has responded to the comments received.	Required	Publication of the Feedback Statement.	A Feedback Statement is not needed, because the targeted amendments are clarifying in nature and narrow in scope (ie it is not a major amendment).
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	Number of podcasts held.	Not considered necessary.
Standard is published.	Required	Official release.	Final amendments will be made available on eIFRS on the publication date.