# Revenue From Contracts With Customers Ifrs 15

Academic Paper from the year 2018 in the subject Business economics - Investment and Finance, grade: A-, University of Auckland (Graduate School of Management), course: BUSMGT 731: Financial Reporting and Accounting, language: English, abstract: This report aims to investigate the impact of NZ IFRS 15 on the telecommunication industry. The main focus will be on Spark Limited, a New Zealand based company that will effectively implement NZ IFRS 15 from the financial year ending 30 June 2019 (Spark New Zealand, 2018). In the wake of this, we will provide some background on the introduction of the standard, the implementation as proposed by the five-step model, the impact on the financial results for Spark, as well as practical business consideration for the retrospective adoption. Spark expects the adoption of the standard to have an effect on its accounting operations, particularly regarding the allocation of transaction prices. To ensure a smooth transition, the company will need to assess its impact and prepare departments and stakeholders for the anticipated changes. In July 2014, the New Zealand Accounting Standards Board published a new standard that introduced significant changes to how companies recognise, measure and disclose revenue in their financial statements. The adoption of NZ IFRS 15 Revenue from Contracts with Customers is fraught with hurdles for telecommunications entities due to the variety of plans they offer and the frequency at which customer make changes to their plans (Ernst & Young, 2015).

The New Revenue Recognition Standard is a joint bold move made by both the FASB and the IASB to give top-lines of companies, across industries, a common denominator. It is a move from the fair value measure of vendor-specific objective evidence ('VSOE') to measure revenue, to one which takes into account what consideration the entity really expects to be entitled to receive from a contract with a 'customer'. The new standard broadens the definition of revenue to include newer concepts like contract costs incurred for transferring a good/ service, material rights and gain and loss from the sale of non-financial assets. There is specific guidance around contract combinations and contract modifications. 'Transfer of control to a customer' is the axis of the new revenue recognition standard. As control usually transfers before risks and rewards usually do, entities may witness an acceleration in revenue recognition. Collaborative arrangements have come under the scanner as the collaborator may be acting as a 'customer'. ASU 2018-18 issued in November 2018 removes the bias that amidst a risk and benefits sharing atmosphere of a collaborative arrangement, control of an output of an ordinary activity of one collaborator could be transferred to another collaborator for a consideration. Distinct goods/ services are now determined based on whether they are both individually distinct and are distinct within the context of the contract. Individually distinct goods/ services are now determined based on the characteristics of the goods or services themselves, instead of the way in which the customer may use the goods or services. VSOE rules are past tense and a good/ service may be distinct even if VSOE could not be established earlier. This may lead an increase or decrease in performance obligations, leading to difference in timing of revenue recognition. Increased judgement is needed for demarcating between a sale/ lease/ financing, in estimating variable consideration after applying constraints and in the capitalization and amortization of contract costs-especially in case of a principal versus agent situation. More disclosures are required. Provision for loss on contracts may apply to entities as ASC 606 amends ASC 605 for those paragraphs instead of superseding them. The position under IFRS is different as with the superseding of IAS 11 Construction contracts, the non-onerous provision for loss on construction contracts has been done away with. ASU 2017-01 and ASU 2017-05 narrowing the definition of 'business' and defining an 'In Substance Nonfinancial asset', respectively, impact the new revenue recognition standard from the point of view of a sale of non-financial assets to a customer- where the interest in an entity does not fall under the new definition of business but within the definition of essentially a non-financial asset. IFRS 3 has also been amended for a new definition of business and that does bring US GAAP and IFRS closer. The new standard interacts with the new leases standard and there may be a pit stop at ASC 606 before an entity transitions to the new leases standard. This book brings you the impacts from an exotic mix of industries as varied as aerospace and defense, engineering, media and entertainment, airlines, pharmaceuticals, health care, early-stage life sciences, software, construction and real estate, retail and e-commerce, hospitality, telecommunications, shipping, automotive, outsourcing and investment companies and promises deep learning. The new revenue recognition standard affects more than just revenue and impacts the business processes and results in dual SOX testing during the transition phase. With all the shuffling around the timing of payments being linked to the satisfaction of performance obligations, managements should properly assess their normal operating cycles and working capital. With sufficient discussions and training, all managements will be able to do the 'heavy lifting'.

IFRS 15Revenue from contracts with customersIfrs 15Revenue from Contracts with Customers, with SAP Revenue Accounting and Reporting

The New Revenue Recognition Standard is a joint bold move initiated by both the FASB and the IASB to give top-lines of companies, across industries, a common denominator. It is a move from the fair value measure of measuring revenue, to one which takes into account what consideration the entity really expects to be entitled to receive from a contract with a 'customer'. The new standard broadens the definition of revenue to include newer concepts like costs to obtain and fulfil a contract, material rights and gain and loss from the sale of non-financial assets. There is specific guidance around contract combinations and contract modifications. Collaborative arrangements have come under the scanner as the collaborator may be acting as a 'customer'. The standard interacts with the new leases standard and lease and non-lease components of a contract would need to be separated. 'Transfer of control to a customer' is the axis of the new revenue recognition standard. As control usually transfers before risks and rewards usually do, entities may witness an acceleration in revenue recognition. Distinct goods/ services are now determined based on whether they are both individually distinct and are distinct within the context of the contract. This may lead an increase or decrease in performance obligations leading to difference in timing of revenue recognition. Provision for loss on contracts of the non-onerous kind for construction contracts have been done away with. Increased judgement is needed for demarcating between a sale/ lease/ financing, estimating variable consideration after applying constraints and in the capitalization and amortization of contract costs-especially in case of a principal versus agent situation. More disclosures are required. This book brings you the impacts from an exotic mix of industries as varied as aerospace and defense, engineering, media and entertainment, airlines, pharmaceuticals, health care, early-stage life sciences, software, construction and real estate, retail and e-commerce, hospitality, telecommunications, shipping, automotive, outsourcing and investment companies and promises deep learning. The new revenue recognition standard affects more than just revenue and impacts the business processes and results in dual SOX testing during the transition phase. With sufficient discussions and training, all managements will be able to do the 'heavy lifting'.

The New Revenue Recognition Standard is a joint bold move made by both the FASB and the IASB to give top-lines of companies, across industries, a common denominator. It is a ground-breaking shift from the fair value measure of vendor specific objective evidence ('VSOE') to measure revenue, to one which takes into account what consideration the entity really expects to be entitled to receive from the contract with a 'customer'. Collaborative arrangements would come under the scanner as the collaborator may not be acting as a 'customer'. Moreover, the terms 'client' and 'customer' would no longer be fungible.ASC 606 provides guidance that will apply to all entities, including non-public entities that previously did not have extensive guidance. IFRS differs in this respect as IFRS for Small and Medium-sized Entities is available for entities that do not have public accountability.The new standard broadens the definition of revenue to include newer concepts like costs to obtain and fulfil a contract, material rights and gain and loss from sale of non-financial assets. The revenue is recognised upon control transfer rather than on delivery/ transfer of risks and rewards and the standard introduces the concept of 'control transferred at a point in time' and 'control transferred over time'. The standard requires management to increase exercise of judgment and estimate variable consideration, after applying constraints. The hierarchy for estimating stand-alone selling prices has been done away with. Allocation of discounts and assessing collectability may undergo a change as the two would be analysed at the worm's eye view level of the performance obligation and not at the bird's eye view level of the contract. Early in 2017, we saw ASU 2017-01 and ASU 2017-05 narrowing the definition of 'business' and defining an 'In Substance Non financial asset', respectively. The new definition of business disqualifies a set as a business when all or substantially all of the fair value of the gross assets (acquired or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets- think early stage life sciences companies, real estate and shipping companies. Further the new definition of business requires an input and a substantive process that together significantly contribute to the ability to create output- all of which should be acquired and evaluation of whether a market participant is able to replace the missing elements has been done away with. Further cost savings would not qualify as an output, which would be aligned with outputs described in ASC 606. The overall assessment of a business however still continues to be done from a market participant's angle and the buyer's and seller's intentions do not affect the analysis- same as today, except that the requirement of assessing whether a market participant would be able to replace missing elements has been done away with. These two ASUs impact the new revenue recognition standard from the point of view of a sale of non-financial assets to a customer- where the interest in an entity does not fall under the new definition of business but within the definition of essentially a non-financial asset.The new revenue recognition standard affects more than just revenue and impacts the business processes and results in dual SOX testing during the transition phase. With sufficient training, discussion and planning, all managements will be able to do the 'heavy lifting'.

And invitation to comment -- Revenue recognition based on changes in assets and liabilities -- A contract-based revenue recognition principle -- Performance obligations -- Satisfaction of performance obligations -- Measurement of performance obligations -- Potential effects on present practice.

Companies are required to implement a new accounting standard in January 2018 - the IFRS 15 standard for revenue from contracts with customers. In the process, they have the unique chance to do more than just fulfill a regulation: The implementation is an opportunity to critically assess processes for revenue accounting and improve inefficient "business-as-usual" processes. When the standard is implemented together with process improvements and powerful software, your company can gain a competitive advantage and significantly lower the cost of becoming compliant. Those companies that drag their feet and have to comply on a manual basis each month after January 2018 will be at a disadvantage, due to the high cost of manually reconciling accounts and creating reports. In this book, you will learn the regulatory background of IFRS 15 and how to best meet the challenges associated with implementation, based on examples from the telecommunications and software industries. "IFRS 15: Revenue from contracts with customers, with SAP Revenue Accounting and Reporting" prepares organizations for the impact of the standard on processes throughout the company that are related to revenue recognition. The authors explore: - How the most important IFRS 15 framework, the 5-step model, works - How different areas of your company will be affected by IFRS 15 - How IFRS 15 implementation works with the solution from one vendor, SAP's Revenue Accounting and Reporting (SAP RAR) module.

Bachelor Thesis from the year 2015 in the subject Business economics - Accounting and Taxes, grade: 1,0, European University Viadrina Frankfurt (Oder), course: International Accounting, language: English, abstract: Die Arbeit stellt die praktischen und theoretischen Konsequenzen der Umstellung der Umsatzerfassung nach International Rechnungslegungsstandards mit der Einführung des IFRS 15 dar. Dabei liegt der Fokus der Arbeit auf der bilanziellen Behandlung von Langzeitfertigungsaufträgen, zB. Eigentumswohnungen.