

# Food, drink and consumer goods

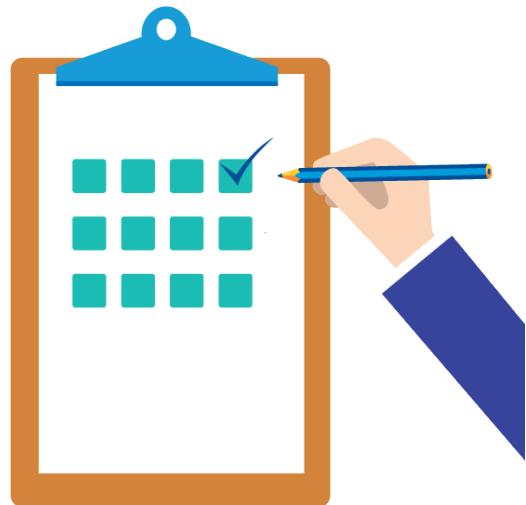
IFRS 15 Revenue – Are you good to go?



# Are you good to go?

IFRS 15 will change the way many food, drink and consumer goods companies account for their contracts.

To help you drive your implementation project to the finish line, we've pulled together a list of key considerations that many companies in your sector need to focus on.



**For each of the following,  
documenting your analysis  
and the conclusions drawn  
will be essential**



# Performance obligations

**Do several goods and services promised in the contract meet the new 'distinct' test to be accounted for separately?**



**A good or service is distinct if it is...**

Capable of being distinct



Distinct in the context  
of the contract

**Think about...**

**Warranties | Customer incentives | Licences | Shipping and handling | Training**

# Warranties

**Do your arrangements include warranties that need to be accounted for as separate performance obligations?**



**A warranty is a performance obligation if it...**

**Is sold separately**

**or**

**Provides more than assurance  
on compliance with  
specifications**

**Warranties that meet neither criteria are accounted for as a provision**

# Variable consideration

If the contract price contains variable consideration, have you decided on the **estimation method** and applied the **constraint**?



Think about...

**Rights of return | Discounts | Price concessions | Rebates**

# Sales with a right of return

**Does your accounting policy for sales with a right of return meet the requirements of IFRS 15?**

**When an entity makes a sale with a right of return it recognises...**

**Revenue net of  
expected returns**

**Liability for expected  
returns**

**Asset for carrying  
amount of expected  
returns less recovery  
costs**

**Expected returns are estimated using the variable consideration guidance**

# Payments to customers

**Have you determined whether payments to customers should be netted against revenue?**

**A payment to a customer that is not for a distinct good or service is netted against revenue...**

**At the later of when you...**

- recognise revenue for related goods or services, or**
- pay, or promise, the amount**

**Think about...**

**Credits | Payments to distributors | Payments to retailers | Slotting fees**

# Timing of revenue recognition

**Will there be any changes to the timing of your revenue recognition?**

**Revenue is recognised...**

**At the point in time  
when the customer  
obtains control**

**or**

**Over time if specific  
criteria are met**

**Think about...**

**Contract manufacturing | Distribution arrangements | Franchises**

# Measure of progress

**Do you use the units of production or units of delivery methods to recognise revenue?**

? Only permissible if...

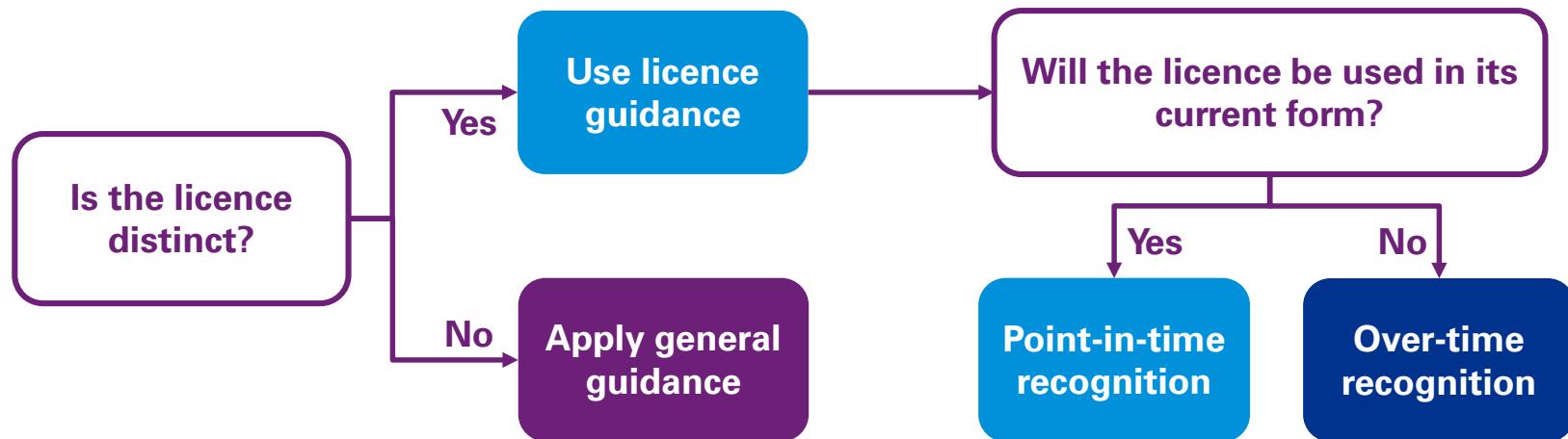
**They do not give rise to material amounts of WIP controlled by the customer**



**Alternative measures include cost-to-cost method and surveys**

# Licences of intellectual property

## How and when will you recognise licence revenue?

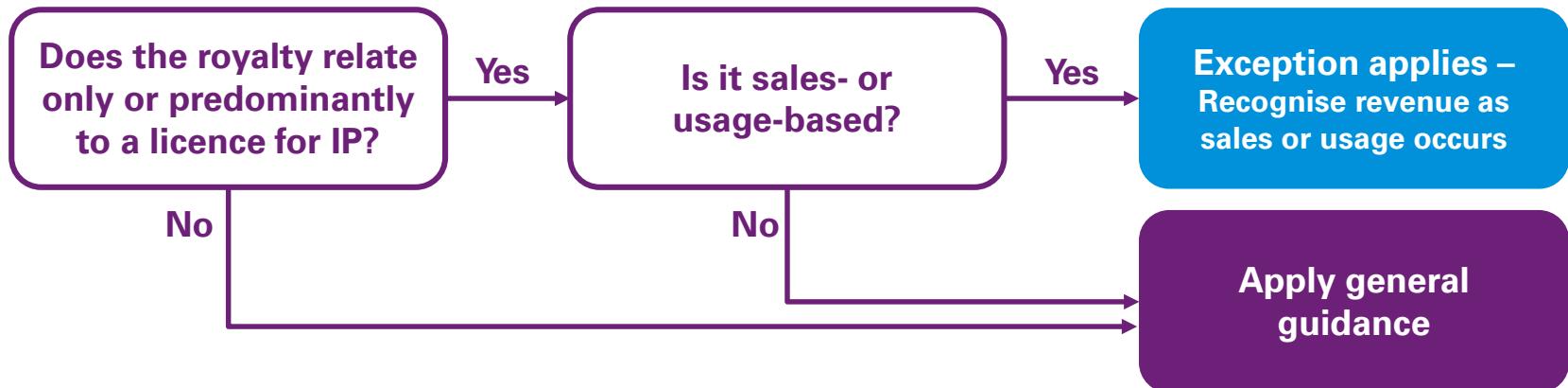


Think about...

Brands | Franchise arrangements

# Royalty arrangements for licences

## Do your royalty arrangements qualify for the royalty exception?



Think about...

Payments by franchisees | Royalties with a guaranteed minimum | Tiered royalties

# Transition adjustments

**Have you identified all of the areas where differences exist between IFRS 15 and your existing accounting?**



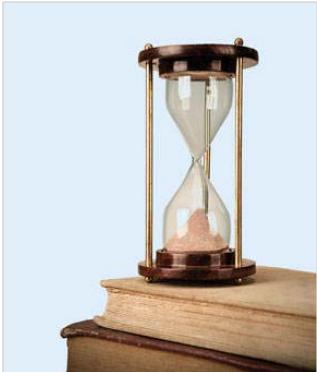
**Use the helpful guidance in our *Transition Options* and *Issues In-Depth* publications**



**IFRS 15 is more detailed than the existing revenue requirements, so you may find unexpected changes in your accounting**

# Disclosure requirements

**Have you identified the additional information and processes needed to meet the disclosure requirements?**



**Read our *Guide to annual financial statements – IFRS 15 supplement***



**Under IFRS 15, you'll need to provide more detailed information about contract terms, as well as how and when you recognise revenue**

# Checklist of actions

Have you...?		Have you...?	
Determined whether your contracts include <b>more than one performance obligation?</b>	<input checked="" type="checkbox"/>	Assessed whether the <b>timing of your revenue recognition</b> will change?	<input type="checkbox"/>
Determined whether you need to account for <b>warranties</b> as separate performance obligations?	<input type="checkbox"/>	Selected your <b>measure of progress</b> for contracts recognised over time?	<input type="checkbox"/>
Revised your estimates of <b>variable consideration</b> elements – e.g. rights of return, rebates and discounts?	<input type="checkbox"/>	Determined how to account for your <b>licensing arrangements?</b>	<input type="checkbox"/>
Assessed whether your accounting policy for <b>sales with a right of return</b> meets the requirements of IFRS 15?	<input type="checkbox"/>	Assessed whether your <b>royalty arrangements</b> qualify for the royalty exception?	<input type="checkbox"/>
Determined whether <b>payments to customers</b> should be netted against revenue?	<input type="checkbox"/>	Identified and quantified your <b>transition adjustments?</b>	<input type="checkbox"/>
		Identified the additional information needed to meet the <b>disclosure requirements?</b>	<input type="checkbox"/>

# How did you do?

**How many of our 11 questions  
have you answered 'yes'?**

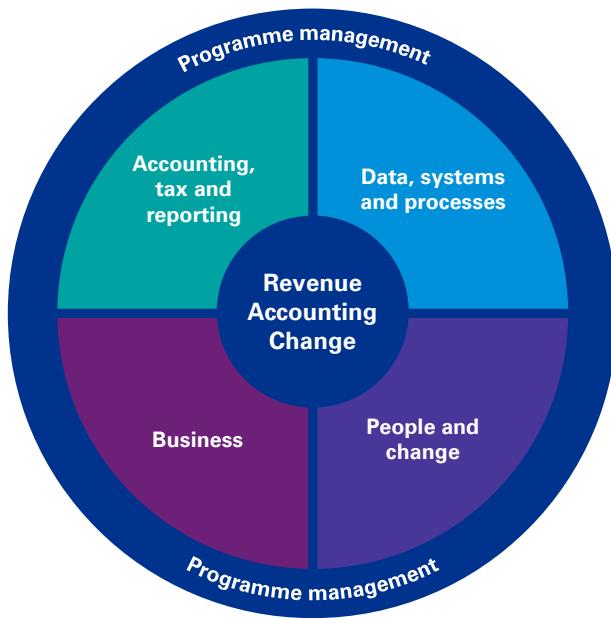
**All 11 – You're good to go!**

**5-10 – You're on your way**

**0-4 – You really need to engage**



# Don't forget the broader business impacts



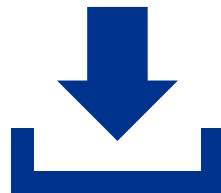
## Have you...

- **updated your management reporting, including KPIs?**
- **developed a transition plan for parallel runs, including reconciliations?**
- **thought about the tax implications?**
- **calculated the impact on bonus schemes?**
- **compared your approach with peers?**

# Find out more



**Talk to your  
usual KPMG  
contact**



**Use our  
Transition  
toolkit**



**Follow the  
discussion on  
LinkedIn**



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