



Retail



IFRS 15 Revenue – Are you good to go?

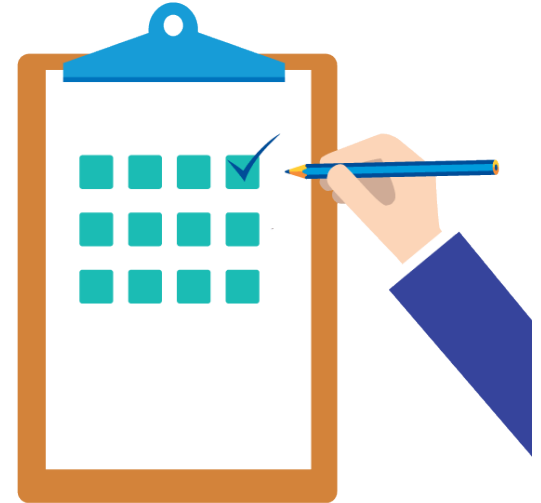
May 2017

kpmg.com/ifrs

Are you good to go?

IFRS 15 will change the way many retailers and wholesalers 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 retailers and wholesalers need to focus on.



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



Distinct goods and services

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...

Customer options | Warranties | Shipping and handling | Installations

Customer options

Do you need to defer revenue because your sales transactions give rise to **material rights**?

A material right is an option to acquire additional goods or services...

Obtained by entering into the original contract

+

At a price lower than their stand-alone selling prices

Think about...

Loyalty schemes | Coupons and vouchers | Free gift cards | Discounts on future purchases

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 under IAS 37

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 | Rebates | Discounts | Price concessions | Incentives

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

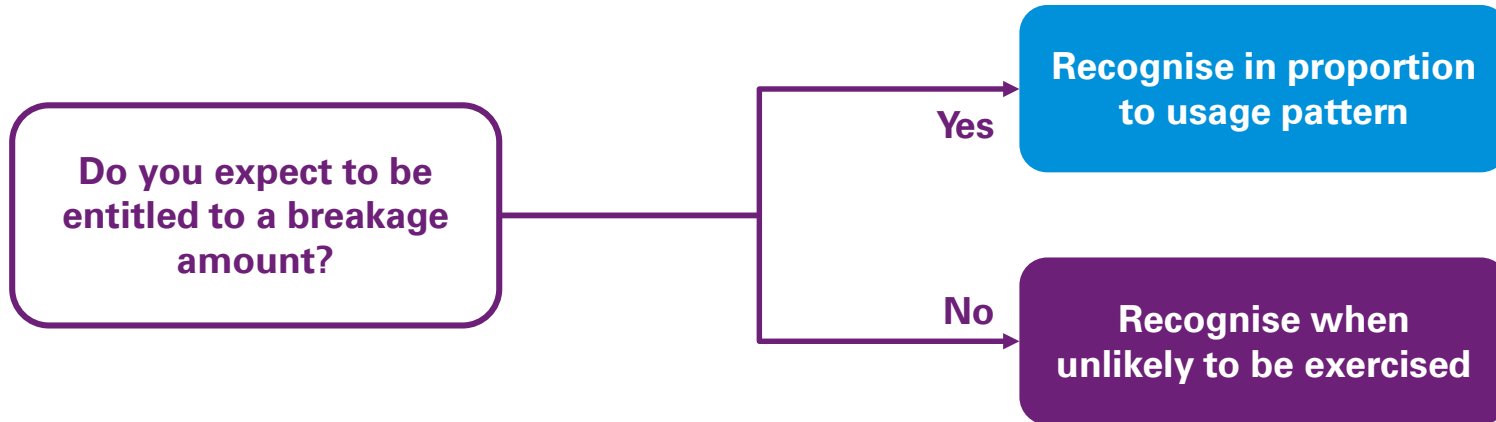
Liability for expected returns

Asset for carrying amount of expected returns less recovery costs

Expected returns are estimated using the variable consideration guidance

Breakage

Is your policy for recognising breakage consistent with IFRS 15?

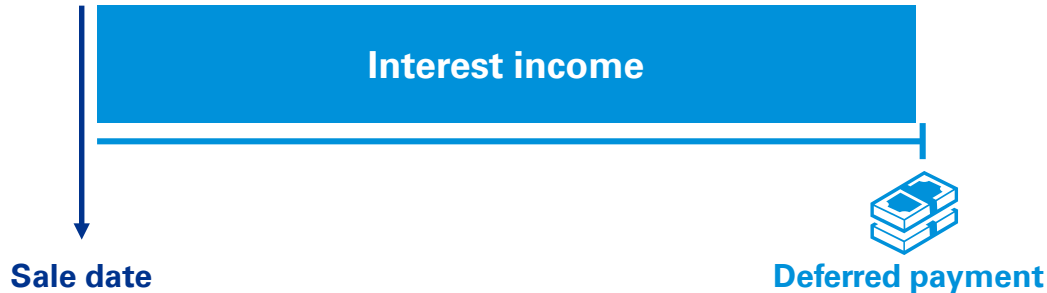


Think about...

Non-refundable gift cards and vouchers

Significant financing components

Do deferred payment terms in your contracts give rise to a significant financing component?



Practical expedient – No need to recognise if period between sale and payment is < 1 year



'0% finance' arrangements can include significant financing components

Principal vs agent

Have you reassessed whether you are acting as principal or agent under IFRS 15?



Principal vs agent questions can be complex for e-commerce transactions

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...

Slotting fees | Coupons and vouchers | Credits | Payments to distributors

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...?	<input checked="" type="checkbox"/>	Have you...?	<input checked="" type="checkbox"/>
Determined whether your contracts include more than one performance obligation ?	<input type="checkbox"/>	Assessed whether your accounting policy for breakage meets the requirements?	<input type="checkbox"/>
Assessed whether customer options mean you need to defer revenue?	<input type="checkbox"/>	Identified and calculated any significant financing components ?	<input type="checkbox"/>
Determined whether you need to account for warranties as separate performance obligations?	<input type="checkbox"/>	Reassessed whether you are acting as principal or agent under IFRS 15?	<input type="checkbox"/>
Revised your estimates of variable consideration elements – e.g. rights of return, rebates and discounts?	<input type="checkbox"/>	Determined whether payments to customers should be netted against revenue?	<input type="checkbox"/>
Assessed whether your accounting policy for sales with a right of return meets the requirements of IFRS 15?	<input type="checkbox"/>	Identified and quantified your transition adjustments ?	<input type="checkbox"/>
		Identified the additional information needed to meet the disclosure requirements ?	<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



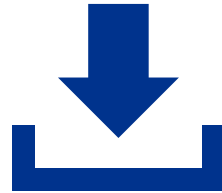
Have you...

- 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**



kpmg.com/socialmedia

© 2017 KPMG IFRG Limited, a UK company limited by guarantee. All rights reserved.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG International Cooperative (“KPMG International”) is a Swiss entity that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no audit or other client services. Such services are provided solely by member firms of KPMG International (including sublicensees and subsidiaries) in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind KPMG International or any other member firm, in any manner whatsoever.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.