IFRS 15 – Intro for styret og revisjonsutvalget

4.2A Revenue

Forthcoming: IFRS 15

IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Overall approach

- The core principle of the standard is that revenue is recognised in the way that depicts the transfer of the goods or services to the customer at the amount to which the entity expects to be entitled. An entity implements the core principle by applying a five-step, contract-based model to recognise and measure revenue from contracts with customers.

Step 1: Identify the contract

- An entity accounts for a contract in accordance with the model when the contract is legally enforceable and all of the following criteria are met:
  - the contract is approved and the parties are committed to their obligations;
  - rights to goods or services and payment terms can be identified;
  - the contract has commercial substance; and
  - collection of the consideration is considered probable.

Step 2: Identify the performance obligations in the contract

- A performance obligation is a promise to deliver a good or service that is distinct – in other words:
  - the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and
  - the entity's promise to transfer the good or service to the customer is separately identifiable from other goods or services in the contract.
- An entity accounts for a series of distinct goods and services as a single performance obligation if they are substantially the same and have the same pattern of transfer.

Step 3: Determine the transaction price

- The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring the goods or services to the customer.
- In determining the transaction price, an entity considers the effects of variable consideration (including the constraint), whether there is a significant financing component in the arrangement, consideration payable to the customer and non-cash consideration.
- Sales- and usage-based royalties arising from licences of intellectual property are excluded from the transaction price and are generally recognised as the subsequent sale or usage occurs.

Step 4: Allocate the transaction price to the performance obligations in the contract

- The transaction price is generally allocated to the performance obligations in a contract on the basis of relative stand-alone selling prices.
- Discounts and variable consideration may be allocated to one or more specific performance obligations in certain circumstances.

Step 5: Recognise revenue

- Except for distinct licences of intellectual property, which are subject to specific guidance in the standard, revenue is recognised over time if one of the following criteria is met.
  - The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
  - The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
  - The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

- If a performance obligation is not satisfied over time, then the entity recognises revenue at the point in time at which it transfers control of the goods or services to the customer.

Costs

- The standard includes guidance on accounting for incremental costs to obtain and costs to fulfil a contract that are not in the scope of another IFRS.

Presentation

- An entity recognises a contract asset when it transfers goods or services before it has an unconditional right to payment, and a contract liability when the customer makes a payment before it receives the goods or services.

Disclosures

- An entity provides specific quantitative and qualitative disclosures to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Transition

- An entity may make the transition to the standard using one of two methods.
  - Apply the standard retrospectively (with optional practical expedients) and record the effect of applying the standard at the start of the earliest presented comparative period.
  - Apply the standard to open contracts at the date of initial application and record the effect of applying the standard at that date. The comparative periods presented are not restated.
