



# Retail



IFRS 15 Revenue – Are you good to go?

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# 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**

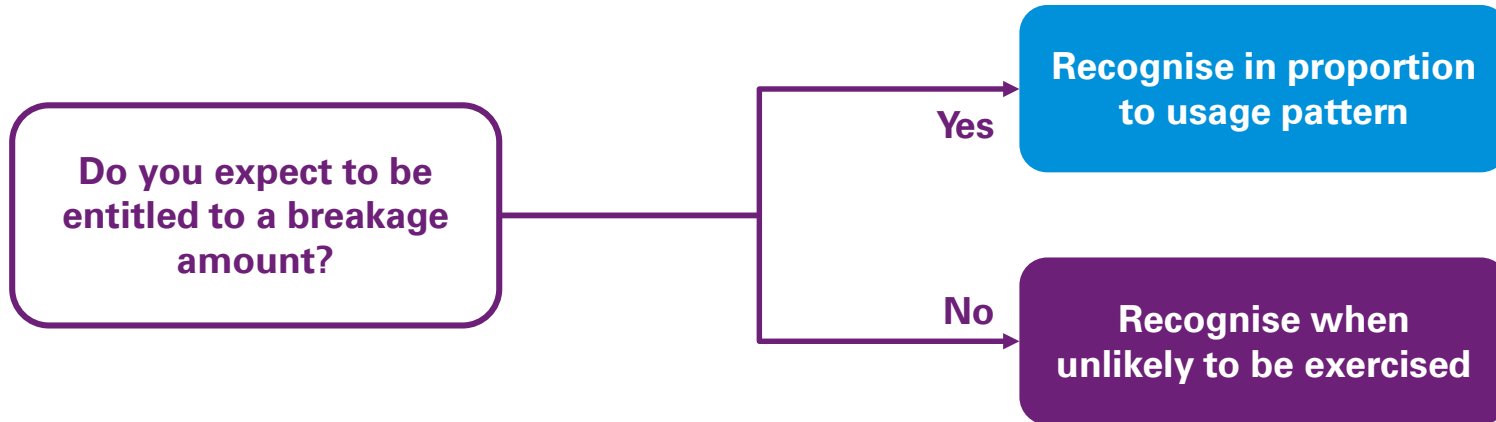
**Asset for carrying amount of expected returns less recovery costs**

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



# Breakage

## Is your policy for recognising breakage consistent with IFRS 15?

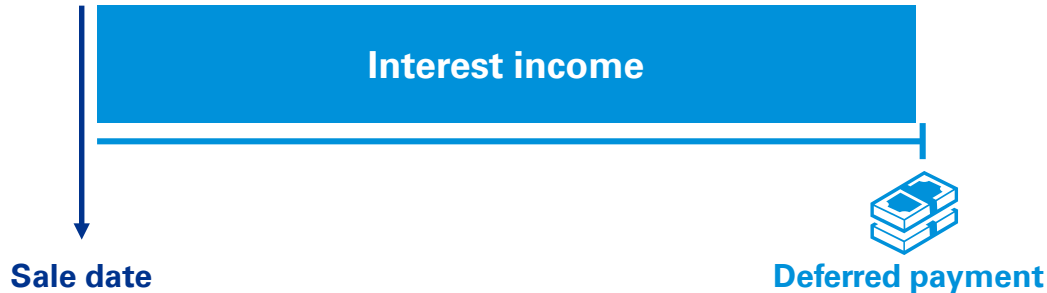


**Think about...**

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



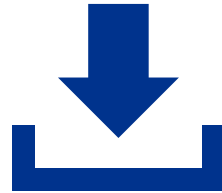
## Have you...

- 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  
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