KPMG

Disclosures under IFRS 15

February 2018

Disclosures under IFRS 15

This overview of the disclosure requirements under the new revenue standard highlights similarities with and differences from the existing disclosure requirements.

A separate section sets out the disclosures that an entity is required to make on transition to IFRS 15.

IFRS 15.116–118

Disclosure requirements	Revenue recognised: Over time	Revenue recognised: At a point in time	What's new?
Contract balances			
The opening and closing balances related to contracts with customers (if not otherwise separately presented or disclosed) for: – contract assets – contract liabilities – receivables from contracts with customers	✓	✓	🟡
The amount of revenue recognised in the current period that was included in the opening contract liability balance	✓	✓	🔴
The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods – e.g. changes in transaction price	✓	✓	🔴
An explanation of how the timing of satisfaction of the entity's performance obligations relates to the typical payment terms and how these two factors will affect the contract asset and contract liability balances	✓	✓	🔴
An explanation of the significant changes in the balances of contract assets and contract liabilities, including both qualitative and quantitative information – examples could include:	✓	✓	🔴
– changes arising from business combinations			🟢
– cumulative catch-up adjustments to revenue (and to the corresponding contract balance) arising from a change in the measure of progress, a change in the estimate of the transaction price or a contract modification			🔴
– impairment of a contract asset			🔴
– changes in the timeframe for a right to consideration becoming unconditional (reclassified to a receivable) or for a performance obligation to be satisfied (the recognition of revenue arising from a contract liability)			🔴

🔴 **New disclosure required under IFRS 15**

🟢 **Existing requirement**

🟡 **Expanded requirements** Similar disclosure requirements exist under current standards[a]; however, they are more detailed or specific under IFRS 15

a. For example, IAS 1 *Presentation of Financial Statements*, IAS 11, IAS 18, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 8 *Operating Segments*.

	Disclosure requirements	Revenue recognised		What's new?
		Over time	At a point in time	
IFRS 15.119–122	**Performance obligations**			
	When the entity typically satisfies its performance obligations – e.g. on shipment, on delivery, as services are rendered or on completion of service	✓	✓	🟢
	Significant payment terms – e.g. whether the contract has a significant financing component, the consideration is variable and the variable consideration is constrained	✓	✓	🔴
	The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (if the entity is acting as an agent)	✓	✓	🟡
	Obligations for returns, refunds and other similar obligations	✓	✓	🟢
	Types of warranties and related obligations	✓	✓	🟡
	The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. A quantitative (using time bands) or a qualitative explanation of when the entity expects that amount to be recognised as revenue is also required	✓	✓	🔴
IFRS 15.121, 129	As a practical expedient, an entity is not required to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations, and when the entity expects to recognise that revenue using quantitative or qualitative disclosures, if: – the contract has an original expected duration of one year or less – the entity applies the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date – e.g. a service contract in which the entity bills a fixed hourly amount If an entity elects to use the practical expedient, then it discloses that fact			
IFRS 15.122	The entity also discloses whether it is applying the practical expedient and whether any consideration from contracts with customers is not included in the transaction price – e.g. whether the amount is constrained and therefore not included in the disclosure	✓	✓	🔴
IFRS 15.123–126	**Significant judgements when applying IFRS 15**			
	An entity discloses the judgements and changes in judgements made in applying the new standard that affect the determination of the amount and timing of revenue recognition – specifically, those judgements used to determine the timing of the satisfaction of performance obligations, the transaction price, and amounts allocated to performance obligations	✓	✓	🟡

🔴 **New disclosure required under IFRS 15**

🟢 **Existing requirement**

🟡 **Expanded requirements** Similar disclosure requirements exist under current standards[a]; however, they are more detailed or specific under IFRS 15

a. For example, IAS 1, IAS 11, IAS 18, IAS 37 and IFRS 8.

IFRS 15.123–126

Disclosure requirements	Revenue recognised		What's new?
	Over time	At a point in time	
Significant judgements when applying IFRS 15 (continued)			
For performance obligations that are satisfied over time, an entity describes the method used to recognise revenue – for example:	✓		
– a description of the output or input method and how those methods are applied			🟢
– why such methods are a faithful depiction of the transfer of goods or services			🔴
For performance obligations that are satisfied at a point in time, IFRS 15 requires a disclosure about the significant judgements made to evaluate when the customer obtains control of the promised goods or services		✓	🟡
An entity discloses information about the methods, inputs and assumptions used to: – determine the transaction price, which includes: - estimating variable consideration - assessing whether the variable consideration is constrained - adjusting the consideration for a significant financing component - measuring non-cash consideration – allocate the transaction price, including estimating the stand-alone selling prices of promised goods or services and allocating discounts and variable consideration – measure obligations for returns and refunds, and other similar obligations	✓	✓	🔴

IFRS 15.127–128

Disclosure requirements	Over time	At a point in time	What's new?
Assets recognised from costs to obtain or fulfil a contract with a customer			
An entity discloses the following items that are recognised from the costs incurred to obtain or fulfil a contract with a customer: – the amount of amortisation – any impairment losses recognised in the reporting period These items are separated by their main category – e.g. acquisition costs, pre-contract costs, set-up costs and other fulfilment costs	✓	✓	🔴
An entity describes the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer and the method used to determine the amortisation for each reporting period	✓	✓	🔴

🔴 **New disclosure required under IFRS 15**

🟢 **Existing requirement**

🟡 **Expanded requirements** Similar disclosure requirements exist under current standards[a]; however, they are more detailed or specific under IFRS 15

a. For example, IAS 1, IAS 11, IAS 18, IAS 37 and IFRS 8.

Transition disclosures

An entity applies IFRS 15 in accordance with the specific transition requirements in that standard using either:

- The retrospective method – i.e. retrospectively adjusting each comparative period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, with a choice of practical expedients in IFRS 15; or
- The cumulative effect method.

Retrospective method

Full retrospective approach

Disclosures under IFRS 15
An entity applying the full retrospective approach presents the full disclosures required under IFRS 15 for the current period and each of the comparative periods presented.
Disclosures under IAS 8
Disclose: – The fact that IFRS 15 has been adopted. – The nature of the change in accounting policy. – The transitional provisions: - a statement that the transitional provisions in IFRS 15 have been applied; - a description of the transitional provisions adopted; and - the transitional provisions that might impact future periods. – For the annual period immediately preceding the first annual period in which IFRS 15 is applied, disclose[†]: - the amount of the adjustment to each financial statement line item affected; and - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 *Earnings per Share* applies). – The amount of the adjustment relating to earlier periods, to the extent practicable. † IFRS 15.C4 specifies that the quantitative information required by IAS 8.28(f) need not be disclosed for the current period or earlier comparative periods, although an entity may choose to do so.

Retrospective with practical expedient approach

Disclosures under IFRS 15

If an entity uses any of the practical expedients in IFRS 15.C5, then it discloses this fact and provides a qualitative assessment of the estimated effect of applying each expedient to the extent reasonably possible.

If it applies the practical expedient in IFRS 15.C5(d), then for all prior periods presented it need not disclose:

- the amount of the transaction price allocated to remaining performance obligations; and
- an explanation of when it expects to recognise that amount as revenue.

Disclosures under IAS 8

Disclose:

- The fact that IFRS 15 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 15 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.
- For the annual period immediately preceding the first annual period in which IFRS 15 is applied, disclose†:
  - the amount of the adjustment to each financial statement line item affected; and
  - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 applies).
- The amount of the adjustment relating to earlier periods, to the extent practicable.

† IFRS 15.C4 specifies that the quantitative information required by IAS 8.28(f) need not be disclosed for the current period or earlier comparative periods.

Cumulative effect method

Under the cumulative effect method, IFRS 15 is applied as of the date of initial application and comparative information is not restated.

Disclosures under IFRS 15

An entity presents the full disclosures required under IFRS 15 for the current period – i.e. its first year of application.

If an entity uses the practical expedient in IFRS 15.C5(c), then it discloses this fact and provides a qualitative assessment of the estimated effect of applying that expedient to the extent reasonably possible.

For reporting periods that include the date of initial application, disclose:

- the amount by which each financial statement line is affected in the current reporting period by the application of IFRS 15 as compared with the previous revenue recognition requirements; and
- an explanation of the reasons for significant changes

Disclosures under IAS 8

Disclose:

- The fact that IFRS 15 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 15 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.