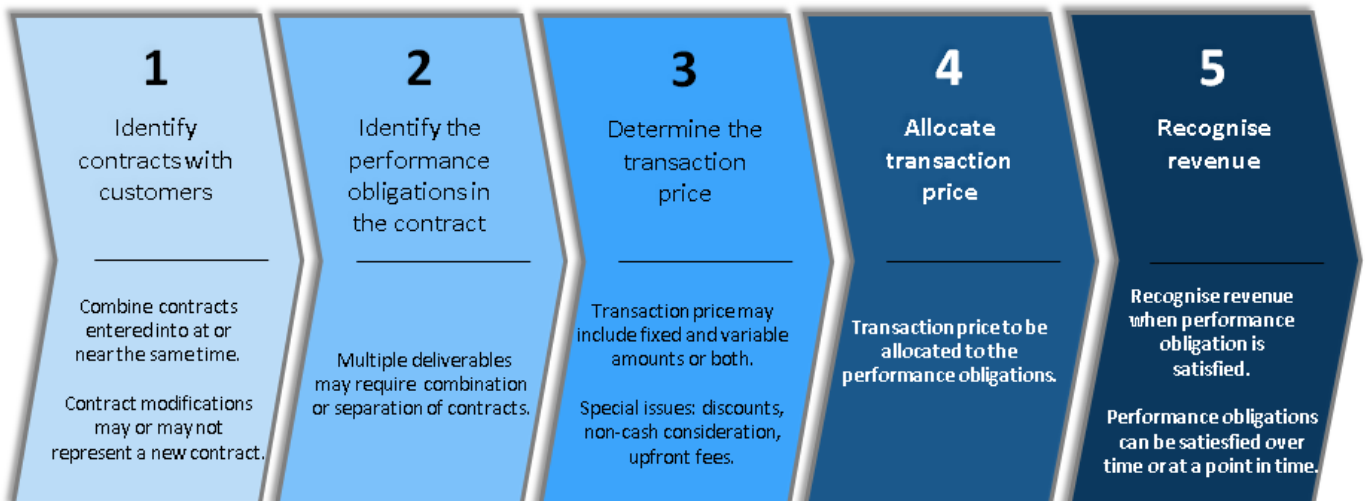


IFRS 15 Revenue from Contracts with Customers

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly issued IFRS 15 – *Revenue from Contracts with Customers* that supersedes virtually all revenue recognition requirements in IFRS and US GAAP. IFRS 15 removes inconsistencies and provides a more robust framework for addressing revenue recognition issues. IFRS 15 will likely affect an entity’s financial statements, business processes and internal control over financial reporting. An early assessment will be the key to managing the implementation of this accounting standard.

Scope of IFRS 15

IFRS 15 applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IFRS 17 (Leases). IFRS 15 replaces all of the revenue standards and interpretations in IFRS including IAS 11 (Construction Contracts), IAS 18 (Revenue), IFRIC 13 (Customer Loyalty Programmes), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfer of Assets from Customers) and SIC-31 (Revenue – Barter Transactions Involving Advertising Services). The principles of IFRS 15 will be applied using the following five steps:



Effective date and transition

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. IFRS 15 must be adopted using either a fully retrospective approach for all periods presented in the period of adoption (with some relief provided) or a modified retrospective approach (application of IFRS 15 retrospectively to the most current period presented).

BHP can support you in implementing IFRS 15

| | |
|--|--|
| Preparatory work | <input type="checkbox"/> Analyse accounting manual <input type="checkbox"/> Analyse documentation of internal controls on revenue recognition <input type="checkbox"/> Identify country/product specific issues |
| Step 1: Identify the contact(s) with customers | <input type="checkbox"/> Identify and documentation of typical customer contracts (including master agreements) <input type="checkbox"/> Identify contract modifications <input type="checkbox"/> Combining contracts necessary? |
| Step 2: Identify the performance obligations in the contract | <input type="checkbox"/> Identify the promised goods and services in the contract? <input type="checkbox"/> Separate performance obligations vs. goods and services that are not distinct? |
| Step 3: Determine the transaction price | <input type="checkbox"/> Identify variable considerations <input type="checkbox"/> Other peculiarities (rights of return, up front fees, consideration payable to customers)? |
| Step 4: Allocate the transaction price to the performance obligations in the contract | <input type="checkbox"/> Determine the reasonable estimation method <input type="checkbox"/> Treatment of changes in transaction price after contract inception |
| Step 5: Recognise revenue when/as the entity satisfies a performance obligation | <input type="checkbox"/> Performance obligations satisfied over time vs. control transferred at a point of time? <input type="checkbox"/> Treatment of sales or usage-based royalties on licences of intellectual property? |
| Step 6: New disclosure requirements | <input type="checkbox"/> Check relevant disclosures <input type="checkbox"/> Information for completing disclosures available? |

Although 2018 may seem some way off, this implementation date for IFRS 15 *Revenue from Contracts with Customers* has been set because some entities will need significant time to prepare for the impact of the new standard.

In some cases, the standard will require significant system changes or will significantly affect other aspects of operations (e.g. internal controls and processes, Key Performance Indicators, compensation and bonus plans, bank covenants, tax etc.), and, therefore, it is imperative that entities identify any such impacts early on.



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Since 1948 BHP has been successful in helping individuals and companies to achieve their goals in both their commercial and private endeavours. Clients now range from individuals and entrepreneurs to multi-national and listed companies with operations across Germany, Europe and abroad.

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Firm established in 1948
MGI Worldwide member since 1974