The Ministry of Education of the Republic of Azerbaijan

ACCOUNTING TREATMENT OF NEW STANDARD, IFRS 15 REVENUE FROM CONTRACTS: ISSUES AND PROBLEMS AFFECTING COMPANIES WITH INTRODUCTION OF NEW STANDARD

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Abstract

The dissertation verifies the significance and advantages of IFRS-15. There are different challenging situations in the recording or accounting information in the statement. And in these conditions the standards of IFRS help for solving of problems.

IFRS-15 determines how and when the reporters of standard will account revenue as well as demanding such companies to supply users of financial statements with more relative, informative disclosures. The new standard supplies a sole, principles based 5 steps model to be implemented to all agreements with clients.

There are also some problems and issues about recognition of some revenues. And under this standard, problems about recognition of prices in the statement are settled. Some of these problems are telecom specific issue, acting of transaction as principal or agent, disclosures of statements and so on.

The most crucial part of standard is five-step model. And revenue is recognized in the IFRS-15 according to this model. This model overcomes different challenging situations in the IFRS-15.

The main principle of this standard is that a company will determine revenue to demonstrate the transfer of promised products or services to clients in an amount that reflects the consideration to which the company anticipates to be entitled in exchange for these products or services.

The presentation in financial statement is so significant for companies and entities. Agreements with clients will be presented in a statement of financial position of company as a contract liability, contract asset or a receivable, depending on the connection between the company`s performance and the payment of client.

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CHAPTER 1 Introduction

IFRS which is abbreviates for International Financial Reporting Standards are the interpretations issued by the International Accounting Standards Board. In advance, the IFRS were called as the IAS until establishment of IASB. The mission of IFRS is to develop standard that bring efficiency and clearness to financial markets in the world. There are also different advantages of IFRS for business. One of the main beneficial features of these standards is to ease comparison of businesses. Which are based in different countries in respect of using similar standards. IFRS also creates more flexibility. So that it is based on principles in place of rules.

IFRS is used in more than 120 countries except the United States. Because in the United States "Generally Accepted Accounting Principles "or "GAAP" is used. GAAP focuses more on rules than IFRS. The objective of IFRS Foundation is not to obtain profit on the contrary, to develop a single set of high quality, comprehensible and globally accepted accounting standards.

The new standards bring with some baseline and understandable definitions and assist the companies to plan and review their accounting to comply with the new standards. One of these new standards is IFRS 15 – Revenue with Contracts from Customers and this standard was issued in May 2014 by Boards. The aim of Board was to improve new revenue standards that would: eliminate weaknesses and incompatibility, supply a more powerful framework for revenue issues, provide more helpful information to users. This standard influence all entities that go into contracts to provide products to their clients, unless the contracts are comprise of other IFRSs or US GAAP requirements.

"IFRS 15" was interchanged with all of the revenue standards in IFRS , including "IAS11 – Construction Contracts" , " IAS18 – Revenue " , "IFRIC13 – Customer

Loyalty Programmes" , IFRIC15 – Agreements for the Construction of Real Estate". IFRS 15 identifies the priciples a business must implement to measure and recognise revenue and cash flows. The principles of IFRS15 present five steps model for applying this standart . And this steps are following:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when the entity satisfies a performance obligation.

According to IFRS-15 , there are two types of costs identified with the contract. These are: "Costs to obtain a contract" for example a sales commission (under IFRS 15, these expenses are perceived as a asset if they are required to be recovered from the client.) and "Costs to fulfill a contract".

In the IFRS-15 , sales taxes , value added taxes or goods and service taxes are not included to revenue . Because these amounts are collected for third parties and these are not bring economic benefits .

IFRS-15 is viable at this point for annual reporting periods after 1January 2018 . The amendments about IFRS-15 are issued by IASB in April 2016. As IASB ,the FASB issued amendments about defining performance obligations , clarify for a licence of intellectual property and so on. The requirements of IFRS-15 are exceptionally comprehensive so , IFRS-15 allows 2 methods of adoption .

These are :

1. Full retrospective adoption – According to this approach , "IFRS-15" must be applied fully to all previous reporting periods with some exceptions.

2. Modified retrospective adoption – According to this method , comparative figures stay as they were accounted for under the past norms and the cumulative effect of IFRS-15 is recognised

IFRS 15 likewise endorses some introduction rules, vital exposures and gives further guidance in the particular conditions .

CHAPTER 2 Five-step model

2.1 Identify the contract with a customer.

Under IFRS-15 five steps model is used for recognition of revenue. For implementation of this model, firstly an entity must identify the contract with the client. Enforceable rights and commitments must be applied in contract to fall within the scope of the model. There are different forms of contracts. These are written , oral or implied. Written contracts may be required for exact arrangements conform to laws or regulations. Application of IFRS-15 for entities is required to the contractual period because of the parties have obligations and applicable rights. IFRS-15 requires a business to clarify a contract with a client that is inside of scope of the model in the standard only if all criteria are met. These criterias are following :

1. The parties of contract have approved or accepted the contract
2. Each parties rights can be defined. The rights are transferring of goods and services.
3. The business or entity can determine the payments about transactions of services or goods.
4. There are commercial substance in the contract .
5. The contract can be verbal , implied or written.
6. It is probable that the business will gather the consideration to which it will be entitled.

The assessment of these criteria begins at the inception ofthe arrangemen. A business or entity does not reappraisal these criteria if the criteria are met unless the iportant change in facts is appeared. For instance, if the ability of pay of customer significantly goes bad, in this case an entity would have to reappraisal whether it is probable that the business will gather the consideration. Before implementation of the

model in IFRS-15, the parties must have confirmed the contract. The approval of parties is so significant because a contract might not be legally applicaple without it. Additionally, the contract forms is not identifying factor according decide of the Board in assessing of contract. Instead of this, entity must consider related facts. In addition to accepting the agreement, both parties must perform their personal obligations. So, the entity must provide the promised goods and services. And the client must purchase those promised goods and services.

This criterian is quite comprehensible. If the goods and services which are provided in the contract can not be defined, it is not possible to bring to a conclusion that a business has a contract inside of the scope of the model in IFRS15. The board demonstrate that if the promised goods or services can not be defined , the business can not appraise.

The Board requires regulations to have commercial substance. Commercial substance means that changing of the risk, amount, timing of the business's future cash flows as a result of the contract. According to model in IFRS-15, arrangement must have commercial substance. Otherwise the model does not apply. İf a contract has commercial substance may require important judgement.

Accordingly IFRS-15, client's ability and intend to pay the amount of consideration is called collectability. Ability to pay of customer based on the customer's financial capacity should be appraised by entity. Customer's intention to pay should be considered. And for it, relevant facts and past experiences are assessed by the business. The baseline of assessment is collectability criterion. As a result of assessment , if the client's ability to pay is lower , a business would not enter into an agreement with this customer.

Firs of all, businesses will need to define the transaction price and then assessing the collectability of that amount. Because of variable consideration , the transaction price and contract price often will be different. IFRS-15 demands a business to reappraise whether it is probable that it will gather the consideration when important facts and

circumstances change. If customer's financial condition falls and available cash on hand is restricted , the business does not reappraisal the collectability criterian. But , in a next year if financial condition of clients futher declines after losing access to credit , in this situation, subsequent changing of financial condition of customers is so important and the reassessment is required for identifying an agreement.

For the partial termination of an agreement, a business should account as a contract alteration. And it culminate a change in the scope of the agreement. For instance, A change in the agreement from five years to three years before the beginning of year three. IFRS-15 notifies that an agreement alteratin exists when the parties to a contract confirm an alteration that changes existing applicable rights and commitment of the parties to the agreement. Modifying of the applicaple rights and obligations is result of a partial termination of a contract.

If a business enters into an agreement with a client and to provide services for four years, in this case, the business can cancel fourth year of the contract . At the end of the second year, customer pays termination penalty for cancellation of fourth year of contract.

In general, businesses will implementthe model to individual agreements with a client. But, IFRS-15 requires businesses to combine agreements together with the same client whether they meet one of the following criteria:

(a) the agreements are negotiated as a package with a only commercial aim.

(b) The amont of consideration to be paid in one agreement connected with the performance or price of another contract

(c) The products or services commited in the agreements are a single performance obligation.

The Board stated that the reason of combining contracts is differences of the amount and timing of revenue depending on accounts separately.

There are similar sides of contract combination requirements in IFRS-15 with some requirements in IAS-11. But there are also some main differences between them. So, unlike IFRS-15, IAS-11 permitted a business to combine contracts with a few clients. On the contrary, the contract combination requirements in IFRS-15 only implement to contracts with the same clients. IAS-11 also did not entail that agreements be entered into at the same time. However in IFRS-15 entering of contracts at the same time is required.

Parties of the contract mostly decide to change the scope of price of their agreement. If this modification happens, a business must identify whether the change it is accounted for as a new contract or as section of the available agreement. In general, when the contract modification occurs, but in some situations that arrangement is more difficult. So contract modifications in IFRS-15 helps entities for making this determination in this situation. And it is approved by the parties to the agreement. In some industry, an agreement alteration may be identified as a variation or an amendment. An agreement modification is available when the parties of contract accept a modification. A contract modification may be accepted as written, oral or implied. If the parties of contract have not accept a contract modification, a business will maintain to carry out this Standard to the available agreement untill the contract modification is approved.

If the arrangement does not meet the criteria under the standard, the standard states how to account for it. According IFRS-15, if a business collect consideration from customers, the consideration is recognised as revenue when following events has occured:

(a) There is not any remaining obligations as transfering of goods by a business to customer

(b) The consideration is received from the customer by entity and this consideration is non-refundable.

FASB brought new amendment about recognition of revenue in May 2016. Accorging this amendment, revenue is recognised in the amount of the non-refundable when the arrangement does not meet the criteria.

2.2 Identify the performance obligations in the contract

The second step of five step models is " Identify the performance obligations in the contract". Compliance with this step, promised productions and services must be identified inside of contract. And determination of seperate performance obligations is also significant. The Board try to improve "performance obligation". Because this development plays a main role for entities and assists to them. And for identifying the performance obligation, entity demands assessment of the goods and services in a contract. A performance obligation is:

(1) A good or service is clear and apparent.

(2) A series of apparent and distinct products and services are the same and that have the identical pattern of transfer to the customer.

According to the standart and this step, a series of identical products must be the same pattern of transfer to the client if these following standards are met.

(a) Every products in the series which is transferd to the customer by an entity whould meet the criteria to be a performance obligation nsatisfied over time.

(b) The second criteria is the using of same method.

Under this step, identification of promised goods and services in the contract is required by standard.

Under IFRS-15, Identification of distinct promised goods and services are very important. The standard involves the examples of promised goods and services whics are following.

(1) Sale of products which produced by an entity

(2) Resale of products which purchased by a business

(3) Granting licences

(4) Providing a services which is ready for useing by customers when they decide.

(5) Constructing and improving an asset on behalf of a client.

(6) Providing options topurchase additional products or services.

After identification of promised goods and services in the agreement , an entity identify which products or services express separate performance obligations. There are different promises to provide goods or services to a client in the contract. These promises are called "performance obligation". And an entity would account for a performance obligation separately if the promised products and services are clear and distinct. If the product or service is sold separately if it is distinct and clear. And the distinct product and service has distinct profit margin.

Some items will have to be appraised according to IFRS-15to identify if they represent promised products and services in the agreement. Such items are given free to the customer. These items may include: "free handsets" provided by telecommunication companies, client loyalty points rewarded by airlines, supermarkets, hotels. Despite of a company may not consider these products or services to be the base items which the customer agreements to receive, the Board concluded that they are products or services for which the client pays and to which the company would gather consideration.

According to IFRS-15 , "stand-ready" obligation as a promised service is ready and available products for using of customers when they want and decide to use it. So "stand-ready" obligation is the promise that the client will have accept a product or service. In general, "stand-ready" obligation mostly appear in the software industry.

Some “free products or services” will have to be appraised according to the standard to identify if they represent promised products or services in an agreement.

A similar policy choice in IFRS-15 has not be permitted by IASB. It is known that IFRS-15 requires a company to appraise the products and services promised in an agreement with a client in order to define performance obligation. Such a policy choice would override that requirement. In different companies different policies is applied and it is possible that companies with important shipping operations may make variable policy choices. So, it could decrease comparability between companies. According to this policy choice, it is possible that discrepancy between “IFRS” and Us ”GAAP” companies may appear in practice.

The standard of FASB permits companies to ignore promises that are assumed to be “immaterial” in the context of an agreement. That is, according allow of “ASC-606” companies to ignore items that are immaterial at the contract level and does not demand that the items be gathered and appraised for “materiality” at the business level. But ASC-606 states that companies will still need to assess if clients choices for additional products or services are materials rights to be accounted for corresponding with the related requirements. IFRS-15 does not contain clear language to exhibid a company can ignore promised products and services that are immaterial in the context of the agreement. But in the basis for conclusions the IASB stated that it did not mean for companies to define every possible promised product or services in an agreement and that companies should regard materiality and the comprehensive aim of IFRS-15 when appraising promised products and services and defining performance obligations.

According to TRG members, the identification of whether pre-production activities are a promised product or service will demand judgement and consideration of the facts and situations. Performing of pre-production activities before delivering any units under a production agreement is needed frequently by an entity. For instance,

some long-run supply arrangements demand a company to exhibit up-front engineering and design services to make new technology to the needs of a client.

In accordance with agreement of TRG members if a company is having difficulty identifying whether a pre-production activity is a promised product or service in a contract, the company should regard whether control of that product or service transfers to the client. For instance: if a company has engineering performance and development of services performance as part of developing a new product for a customer and the client will possess the resulting intellectual property, the company would likely result that control of the intellectual property is transferred and these additional activities are a promised product or service in the agreement.

The "TRG" members stated that appraising of control transfers in such arrangements may be challenging. Under some arrangements, legal title of the product or service made from the "pre-production activity" is transferred to the client. But,TRG members commonly compromised that a company should consider all indicators of control transfer according to IFRS-15.

A portion of transaction price for good or service will be gathered by a company if a pre-production activity is identified to be a promised product or service. For instance, a single performance obligation contains the pre-production activities. If the pre-production activity is involved in a performance obligation, they would be regarded when measuring this activity separately.

According to the discussion of TRG members, there are different numerous examples about "stand-ready" obligations. The stand-ready obligation is described by standard as a promised service which is standing ready to provide services or goods for clients. Compliance with TRG agenda paper, there are different types of promisis to a client that could be regarded stand-ready obligations, depending on the situations and facts. These are following:

(1) Obligations for which the delivery of the good, service, intellectual property is inside the control of the company, however is still being improved.

(2) Obligations for delivery products and services which is outside the control of the client and company. For example: the promise of company is to remove the snow from an airport runway for a fixed fee if the wether condition get worse. And this situation is not under control for company and customer.

(3) Obligations for which the delivery of the products and services is within the control of the customer.

(4) Obligations to make a product or service existing to a client permanently. For example: a membership for something that provides unlimited entrance to a client for a particular period of time.

After defining of promised products and services in the agreement, a company arranges which of those products and services will be treated as separate performance obligations. So, the company defines the individual units of account. If the products and services are distinct and clear , promised products and services represent separate performance obligations.

If a promised product is not clearor distinct, a company is demanded to combine that product or service with other promised products or services untill it describes a bunch of products or services that, together, is clear and distinct.

According to IFRS-15, there are two-step process for identfying whether a promised product or service is “distinct. These steps are following:

(a) Consideration at the level of the individual product or service. So, the product or service is capable and inclined of being distinct and clear.

(b) Consideration of if the product or service is separable and from another promis in the agreement.

So, these two criteria are very significant for determining whether a good or service is distinct. If both of these criteria are met, this good or service is distinct. And in this case, the individual product or service should be accounted for as a separate unit of account.

The Board stated that both of these steps are significant in defining whether a promised good or service must be accounted for separately.

The mean of first criteria is that a promised products or service must be capable of being distinct by providing a benefit to the client either on its own or together with other resources that are readily available to the client.

The standard notifies that a client can utilize from a product or service if the product or service could be used , sold for cash moe than scrap value or held in a way that this product will bring economic benefits. A client may be able to utilise from some products or services on their own or alo another readily exsting resource. A readily existing resource is a product or service that sold independently by the company.

Determination of capable of being distinct of a product or service will be aboveboard in many circumstances.

According to the standard, when evaluateing if a company`s promises to send products or services to the client are separately identifiable from other promises in the agreement the aim is to identify if the nature of the promise , in the agreement is to transfer every one of those products or services individually or, instead, to transfer a combined items to which the promised products are inputs. So, two or more promises about transfering of products or services to a client are not separately identifiable include the following, according to factors.

(1) A company provides a service combined with another goods or services in the agreement into a bunch of products or services which the client has

contracted. In other saying, the company is using these goods and services as an input to produce or deliver the integrated output determined by the client. There are different phases or elements in the combined output.

(2) One or more of the goods or services do crucially modifies or these goodsmay be modified or customised by other goods or services promised in the agreement.

(3) The highly interrelation or dependency of the goods or services. In other saying, every one of these goods and services is impacted each others in the agreement.

To identify whether promised goods or services are separately identifiable, a company will need to assess whether its pomis to nsfer eacproduct or service individually or a combined item thatinvolves the individual goods or services promised in theagreement. Thereby, a company would assess if the promised goods or services in the agreement are outputs or they are inputs to a combined item. So the promised goods and services in the combined items may be inputs or outputs.

The board stated that the seperately identifiable principle is implemented in the context of the bundle of promised services or goods in the agreement. That is, the separately identifiable principle is intended to define when a performance in transferring a bundle of products or services of company in an agreement is fulfilling a single promise to a client.

According to IFRS-15, there are three factors that are intended to assist companies define when the promises in a bundle of promised goods or services are not separately identifiable and,therefore, must be combined into a single performance obligation. The Board stated that those three factors are not an comprehensive list and all of the factors don`t need to appear in order to result that the promises of company to transfer products or services are not separately identifiable. Given in this arrangement within the scope of IFRS-15, the Board expects that there will be some

examples in which the factors will be less related to the assessment of the separately definable principles. Companies may need to implement important judgement to interpret whether a promised product or service is separately identifiable.

The first factor of three factors is “significant integration service”. In this factor, IASB identified that , when a company provides an important service of integrating goods or services represents a combined output or outputs. And several phases or units may be include to the combination output.

The second factor is significant modification or customisation. This means that a good or service can be modified another good or service in an agreement.

The third factor is that the promised goods or services are “highly interdependent or highly interrelated”. One of the promised goods and services is crucially affected by another promised good or service.

To be accounted for as a series, distinct goods or services should be quite the same. In general, theagreement of the TRG stated that, when defining if distinct goods or services are quite the same, companies will need to first identify the nature of their promise. So, if the nature of the promise is to deliver a determined quantity of service, the assessment considers if every one of services is distinct and quite the same.

It is significant to underline that even if the activities of company to satisfy a promise different crucially throughout the day and from day to day, but it is fact that distinct goods or services are not quite the same. For example, suppose that the nature of the promise is to provide a daily hotel management service. These services is include activities that may different each day. For instance: reservation services, cleaning services, security service. But, the company identifies that the daily hotel management services are quite the same because the nature of the company`s promise is the identical each day and the company is providing the identical overall management service each day.

A determination of company whether a performance obligation is a single performance obligation comprising a series of distinct products and servicesor a single performance obligation comprising products and services that are not distinct from one another will impact the accounting in the following areas:

(a) Distribution of changeable consideration

(b) Contract or agreement modifications

(c) Modifies in transaction price

Conversely, whether the company defines that the entire service period is a single performance obligation that is involved of non-distinct services, the bonus would be containing in the transaction price and recognised based on the size of progress determined for the entire service period. For instance: imagine the bonus becomes piece of the transaction amount at the end of year two. Then, a portion of the bonus would beidentified at that the end of year two based on performance completed to date and a portion would be identified as the residual of the performance obligation is satisfied. In consequence, the bonus price would be identified as revenue through to the end of the five year service period.

According to TRG meeting at the March 2015, the members of TRG were asked if , in order to implement the series requirement, the accounting result needs to be the identical as if the emphasizing distinct product or service were accounted for as "separate performance obligation".

In general the members of TRG determined that the accounting consequence does not need to be identical. Moreover, a company is not demanded to demonstrate that the consequence would be the same as if the products and services were accounted for as separate performance obligations.

The paper of TRG agenda stated that , when making the assessment of whether products or services are distinct and quite identical , a company first needs to define the nature of the promise of company in providing goods and services to the client.

So, if the nature of the promise is to convey a specified quantity of service, the assessment must consider if each service is distinct and identical rather. Conversely, whether the nature of promise of company is to stand ready or provide a single service for a period of time the assessment would consider if each time increment, rather than the underlying activities, is distinct and quite identical. The paper of TRG agenda stated that the Board intended that a series could comprise of either specified quantities of the empasising product or service delivered, connecting the nature of the promise.

We can illustrate an example about determining whether goods and services are distinct. So, assume that a company is a software developer and this company enters into an agreement with e clientto transfer a software license, service of installation and provide unspecified software updates and technical help for a three-year period. The company sells lisence and services which are installation, technical support separately. The installation service does not crucially modify the software. So, the company evaluate the products and services promised to the client to identify which product or service are distinct accordingly IFRS-15. The client is able to utilise from the updates together with the software lisence transferred at the start of the contract.

The company also regard the principle and the factors according to IFRS-15 and identifies that the promise to transfer each product or service to the client is separable identifiable from each of the other promises. The installation services do not crucially impact the client`s ability tu use and benefit from the software lisence because this service of installation is routine an can be get from alternative providers. The company observes that none of the promised goods or services ccrucially modify one another. In conclusion, the company states that the software and the different services do not crucially impact each other and not highly interrelated.

According to this appraising , the company defines these performance obligations in the agreement. These obligations are following:

(1) Software updates

(2) An installation service

(3) Technical assist

(4) The software lisence

The main obligation in this situation is the software lisence.

Whether a promised product or service does not suit the criteria to be distinct, a company is required to combine that product or service with other promised goods or services until the company defines a bundle of products or services that, together, is distinct.

When more than one side is contained in supplying products or services to a client, the standard demands a company to identify whether it is “a principal” or “an agent” in these transactions by assessing the nature of its promise to the client. There are some indicators that demonstrate the differencies between agent and principal. These differences are following:

(1) In the agent there are any inventory risk of company before or after the products have been ordered by a client during shipping or on return.
(2) In the agent the consideration of company is in the form of a commission.
(3) In the agent the company is not exposed to credit risk for the receivable from a client.
(4) In the agent, the other party is first of all responsible for fulfilling the agreement.

Each indicator clarifies how it helps the evaluation of control. Considering one or more of the indicators will often be useful and helpful and , depending on situations and facts. If the company obtains different conclusions about if it controls the product and service by implementing the control of definition of standard versus the principal indicators, the company must reassess its evaluation, considering the situations and

facts of its contract.the reason of this , result of the company about contol and principal indicators must align.

One of the indicators of principal is that the company has inventory risk. Inventory risks is created when a company obtains the specified product or service before it is ordered by a client. Inventory risk also appear if a client has a right of reurn and the entity will take back the specified product or service if the client exercises that right.

The identifiation of the company is principal or agent is very important. Because this situation impacts to the revenue recognition. So, if the company is principal in the contract the revenue is identified as the gross amount. And when the company is the agent, the revenue is identified as net amount.

The company may supply their clients with right of return. But this right is not useful for company. Because, in this situation the risk is existed in the company. And the right of return make uncertain all of the sales of company. Because every one of the sales has risk according to right of reurn the product. Each transaction may be failed by the customer.

2.3 Determine the transaction price

The third step of the five steps model is that "determination of the transaction price". The price of transaction is the amount of consideration which is the company expects from client in exchange for transferring products or services. There are several impacts to the transaction price. These are following:

(1) Client`s credit risk
(2) Time value of material (if material).

The IFRS-15 states that the transaction price is determined according to the agreement. There are include variable or fixed amounts or both of them to the consideration promised in an agreement.

The amount, timing and nature of consideration impacts to the transaction price of the agreement. In the time of determination of the transaction price , a company regard the impacts of all of the following.

(a) Consideration payable to a client
(b) The availability of an important financing component in the agreement.
(c) Variable consideration
(d) Non-cash consideration
(e) Forcing or constraining prediction of variable consideration.

For the identification of the transaction price , a company shall predict that the products and services will be sent to the client as promised in according to the available agreement and that the agreement will not be cancelled changed or renovate.

Transaction price is identified according to the contract and which amount is expected by the company. The amount to which the company anticipates to be entitled also excludes amounts gathered on behalf of third party. For example : sales tax. According to conclusion of the board`s decides the transaction price would not involve the impacts of the client`s credit risk.

Identifying the transaction price is a crucial step in applying IFRS-15 because this amount is shared to the identified performance obligations and is identified as revenue when these performance obligations are satisfied. In general, the transaction price is identifiable because the company obtains payment when it sends products or services and the price is fixed. But if the price is not fixed in contrast is variable, in this case, determination of variable transaction price is very difficult and challanging. Payment of consideration or consideration paid may also impact the identification of the transaction price.

The standard involves a general principle that a company will identify the transaction price specific of amounts collected on behalf of another party. For example, such

amounts include handling , shipping fees , reimbursements of out-of-pocket expenses and taxes or other evaluations gathered and remitted to government authorities.

So, at the meeting of TRG at the July 2014, the members of TRG usually compromised that the standard is clear that any amounts that are not gathered on behalf of another party would be included in the transaction price.

The board issued amendments in may 2016, to its standard to permit a company to make an accounting policy choice to illustrate revenue net of certain types of taxes(involving use, sales, VAT taxes) with a requirement for arranges to disclose the policy.

An expectation of company about the considerationis reflected by transaction price.the consideration`s amount is able to different because of rebates, credits, discountes, refunds,performance bonuses, penalties or other alike items.

In some situations, the variability in concern with the promised consideration may be obviously stated in the contract. The standard notes that if some criterias exists , the promised consideration is variable. These criterias are following:

(1) The client has aviable expectation arising from a company`s customary business practices, especial statements that the company will certify an amount of consideration that is less than the price stated in the agreement.
(2) Other situations and facts that demonstrate the company`s intention, when connect the contract with the client, is to propose a price concession to the client.

The standard stated that there are different reasons of variable consideration. These are: incentives price concessions rebates, performance bonuses, discounts, penalties, refunds.it is significant for companies toappropriately describe the different samples of variable consideration involved in an agreement because the second step of assuming variable consideration demands companies to implement a constraint to all variable consideration.

It is very significant that the penalties, liquidated damages, compensation from other alike clausesbe accounted as variable consideration or warranty provisions according to the standard. In general , most of the liquidate damages , penalties and others must be accounted for as variable consideration. But, in some situations, these amounts may be considered similar to warranty payments. For example to this situation is in which a company pays the client`s direct costs to remedy a defect

Some agreements supply for liquidated damages, ,penalties or other damages if a company fails to distribute future products or services or if the products or services fail to meet exact specifications.

Penalties and other clauses are accounted as warranty provision if some situations. These are following:

(a) Consideration paid or payable to a client.
(b) An assurance-type or service-type warranty.

A company is required to predict an amount of variable consideration by using these following methods.

(1) The expected value – is the total of probability-weighted amounts in a range of possible consideration amounts. An expected value may be asuitable prediction of the amount of variable consideration if a company has a large number of agreements with alike characteristics.
(2) The most likely amount – is the single most likely outcome in a range of possible consideration amounts.

A company implements the selected method consistently to each type of variable consideration along the agreement term and makes current variable consideration at the end of each reporting period.

Companies will identify the expected value of variable consideration using the total of probability-weighted amounts in a chain of possible amounts under the agreement. To do this , a company defines the possible amounts or outcomes of

an agreement and the probabilities of those outcomes. According to the conclusion of board the method of expected value may better estimate expected consideration if a company has a major number of agreements with similar characteristics. If the company has a single agreement with a large number of possible outcomes, this method may also better predict consideration.

The IASB stated that it did not plan to eliminate the use of predictions from the revenue recognition standard. Conversely, board wanted to make sure the predictions are stable and result in useful information. Following this aim , the Board resulted that it was suitable to include estimates of variable consideration in revenue only when a company has a "high degree of confidence" that revenue will not be reversed in a next reporting period. The IFRS-15 demands a company to include in the transaction price some or all of an amountof variable consideration predicted only to the extend that it is highly probable.

In making this evaluation, a company is demanded to consider both the " likehood and the magnitude" of the revenue reversal. And there are different factors in the standard that enhance the likehood or the magnitude of a revenue reversal. These are following:

(a) The experience of the company with similar types of agreements is limited.
(b) The agreement has a large chain of possible consideration amounts.
(c) The amount of consideration is highly sensible to factors external the impact of company.
(d) The consideration`s uncertainty is not anticipated to be solved for a long period of time.

For applying the constraint , a company will need to consider both the likehood and magnitude of aq revenue reversal.

The variable consideration has several types that are continual included in agreements that have crucial uncertainties. It is very difficult for a company to propound it is

probable that these of predicted amounts will not be subsequently reversed. Samples for this situation are following:

(1) Long-run property supply arrangements that settle based on market prices at the futureinstalment time.
(2) Payments contingent on regulatory approval
(3) Contingency fees of lawsuit or regulatory outcomes.

Members of TRG discussed about applying the constraint for variable consideration at the performance obligation or contract level at the January 2015. And then the members agreed that the constraint would be implement at the contract level.

According to the standard, when an agreement involve variable consideration , a company will need to make current its prediction of the transaction price at the end of the each period. And this reflects a company`s revised expectations about the price of consideration.

A company may accept consideration that it will refund to the client in the future because the consideration is not an amount to which the company finally will be empowered under the agreement. If a company anticipates to refund some or all consideration, the amounts accepted will need to be accounted as “refund liabilities”. The refund liability is updated end of the each period. Also refund liability may be relevant to sales with right of return.

The standard stated that there are different reasons that impact to the transaction price. An these called specific types of variable consideration. One of these types is rights of return. In return, the client may accept a full or partial repay of any consideration paid. According to the standard, right of return does not indicate a separate performance obligation. Conversely, a right of return impacts the transaction price and the quantity of revenue. In other saying, rights of return make variability in the transaction price.

Te record for the send of goods with a right of return, a company shall confirm all of the following:

(a) A refund liability
(b) An asset for its right to rescue goods from clients on setting the refund liability.
(c) Revenue for the transferred goods in the amount of consideration to which the company anticipates to be empower. So, revenue would not be recorded for the goods anticipated to be returned.

Finally, when clients exercise their rights of return, the company may accept the returned goods in a saleable or repairable situation.

It is anticipated that companies will often use the expected value method to predict variable consideration relevant to returns. In spite of the fact , rhere are two possible outcomes for each agreement from the variability of good return. So, the good either will be sent back or will not be sent back.

Companioes occasionally charge clients a"restocking fee" when a good is returned. In this situation , this question is raised by the stakeholders, how to record for restocking fees and relevant costs.

The members of TRG compromised that fees ofrestocking for products that are anticipated to be returned would be involved in the prediction of transaction price at agreement inception and accounted as revenue when control of the product transfers.

The standard notes that a company recognises sales-based and usage-based royalties asrevenue only in some situations. These situations are following:

(1) The later sales or usage take place
(2) The performance obligation ,to which some or all of the sales or usage based royality has been shared or has been partially satisfied.

In certain transactions, the received of the consideration does not suit the timing of the assign of products or services to the client. For instance: preparing or paying of the consideration after the services are provided. Sometimes clients pay consideration in arrear or in advance. And it makes some differences. So, if the client pays in arrears, the client is effectively provided by the company. Otherwise, if the client pays in advance, the company has effectively accepted financing from the client. The standard notes that for identification of the transaction price, a company shall arrange the promised amount of consideration for the impacts of the time value of money if the time is agreed by the customer and company for payment.

The standard states that the important financing components impact to the determination of the promised amount of consideration. A company shall regards all related facts and situations is evaluating if an agreement involves a financing component and if that financing component is important to the agreement, involving both of the following:

1) The distinction between selling price of the promised products or services and the price of promised consideration.
2) The connected impact of all of the following:
    a. The difference of time between when the company assigns the promised products or services to the client and when the client pays for these products or services.
    b. The prevailing rate of interest in the relevant market.

This evaluation may be hard in some situations, so a practical expedient is provided by the Board. Sometimes the company need not arrange the promised amount of consideration for the impacts of a crucial financing component when the company expects that the period between from the company transfers a promised product or service to a client to the client pays for that product or service will be one year or less.

However, a company is not demanded to arrange the promised price of consideration for the impacts of an important financing component if the company anticipate, at contract inception, that the time between the transferring of products or services to the client and paying of consideration for products and services by the client will be one year or less. This practical expedient is added to the standard by the Board. Because, it eases the implementation of this aspect of IFRS-15 .

The standard demands that the rate of interest be a rate similar to that the company would have used in a separate financing transaction with the client. Because most companies are not in the business of go into free-standing financing regulations with their clients, they may find it hard to define a suitable rate.

The standard states that an important financing component does not appear if the distinction between the promised consideration and the selling price of the product or service appears for causes other than the provision of finance.

According to IFRS-15, a company must regard the distinction between the price of promised consideration and the price of selling of a promised products or service when identifying whether a important financing component appear in an agreement. At the March 2015 the members of the TRG discussed to regard whether a financing component exists if the promised consideration is equal to the price of selling.

At the meeting of TRG, the members of TRG in general compromised that the standard does not prevent a company from deciding to record for a financing component that is not important. For instance: a company may have a portfolio of agreements in which there is blend of important and unimportant financing components. A company could select to record for all financing components as if they were important in order to abstain distinctive accounting methods to each.

The discussion of TRG members is about how a company would calculate the arrangement to revenue for agreements that involve an important or significant financing component. In general the members accepted that the standard does not

involve requirements for how to compute the arrangement to the transaction amount due to an important financing component. So, when the client pays in advance, a financing component will be accounted as “interest expense”. And when the client pays in arrears, a financing component will be accounted as “ interest income”. Companies need to regard necessity external IFRS-15 to identify the suitable accounting treatment.

Members of TRG discussed about allocation of important financing component by a company when there are various or multiple performance obligations in an agreement. The standard is explicit that, when identifying the transaction amount in STEP3 of the model, the impact of financing is not included from the transaction amount prior to the allocation of the transaction amount to performance obligations.

Client consideration may be in the form of services, products, or other non-cash consideration. Sample for these: plant, equipment, property, a financial instrument). The non-cash consideration is recorded to the transaction price as fair value of the non-cash consideration.

In some situations, companies may accept payments from clients before they supply the contracted service or deliver a product. “Upfront fees” usually relevant to the installation of a product to be used or a service to be provided in the future. In many situations, the upfront amounts paid by the client are “non-refundable”. Examples involve charge or fee paid for affiliation to a sport complex, health club or activation fees for internet services. In general, an upfront fee expresses an advance payment for future products or services.

In some situations, changing of transaction price can take place for different reasons, involving the solubility of uncertain incident or other changes in situations that change the price of consideration to which a company anticipates to be entitled in exchange for the promised products and services.

2.4 Allocate the transaction price to the performance obligations in the contract

The fourth step of five steps model is "Allocate the transaction price to the performance obligation". The allocation aim of the standard is to allocate the transaction amount to each performance obligation. In general the allocation is done proportionally to the stand-alone price of selling.

The first is identification of separate performance obligations and then the transaction amount has been identified, the standard usually demands a company to allocate the transaction amount to the performance obligations proportionally to their stand-alone prices of selling.

In many cases, stand-alone prices of selling will not be easily appreciable and observable. In this situation, the company must predict the stand-alone selling price. If a stand-alone price of selling is predicted, a company is demanded to regard all of the information that is fairly existing to the company. This information is including market conditions, information about the client and so on. Stand-alone selling prices are not made current to reflect changes between agreement inception and when performance is complete.

If the agreement is altered or changed and this alteration is treated as a separate agreement, the accounting for the original agreement would not be impacted, however the stand-alone selling prices of the distinct and clear products or services of the new, separate agreement would have to be identified at the time of the alteration.

To identify a stand-alone selling price may be found difficult by some of the companies, especially for products or services that are never sold separately. In some situations, stand-alone selling price of a performance obligation may be predicted using a "residual approach" by the entity.

To predict the stand-alone selling price, a company may regard the stated prices in the agreement, however the standard states a company cannot assume that a contractually stated price or a list price for a product or service is the stand-alone

price of selling. To maximize of using of noticeable inputs in its prediction is needed by the company.

The following list, which is supply samples of market conditions to consider:

- Pricing of rival for a similar or same product or service.
- Current trends of market that impacts to the pricing
- Market perception of the product or service
- Potential limits on the price of the product or service
- The market share of the company
- Product`s expected life
- Impacts of the geographic area according to pricing

According to IFRS-15 there are three estimation approaches for prediction of price of products and services. These are following:

(1) The adjusted market assessment
(2) Expected cost plus a margin approach
(3) Residual approach

Additionally, a company can need to use a compounding of approaches to predict the stand-alone selling prices of products or services promised in an agreement if two of more of these products and services have extremely variable or indefinite stand-alone price of selling.

Adjusted market assessment approach – according to this approach, the prices of goods and services is determined compliance with the market in which it sells products and services. For instance, a company might denominate rival`s prices for identical products or services and arrange these prices to reflect the company`s costs and margins. If a company uses adjusted market assessment approach, market conditions is considered by the company. Implementing of this approach will be simple when a company has sold the product or service for a period of time or a rival proposes similar products or services that the company can use as a foundation for its

analysis. This approach may be hard when a company is selling a completely new product or service because it may be difficult to estimate market demand.

The approach of expected cost plus margin – this approach consider to internal factors, however also has an external component. The margin can have to be arranged for distinctions in goods, geographies, clients and other factors.

There are different useful sides of the expected cost plus margin approach in many conditions, particularly when the performance obligation has an identifiable direct fulfillment cost. But when there are not any clearly determinable direct fulfillment costs or the amount of these costs is unknown, this approach may be less useful.

Residual approach – this approach permits a company to assume the stand-alone selling price of promised products or services as the distinction between the total transaction price and the visible stand-alone price of selling of other products or services in the agreement supplied one or two criteria are met. In general this approach is used for multiple promised products or services when one of the products or services is unknown.

Prediction of stand-alone selling prices is not particularly addressed by IFRS-15. Conversely, it illustrates that a company should make this prediction for every one of the distinct product or service emphasizing each performance obligation in an agreement with a client.

In general, it is estimated that the facts or situations of companies is considered for identify how mostly they will need to make a current their predictions. The information of predictions of stand-alone selling price can be used for similar or identical transactions. So the information has not altered.

For allocating the price of transaction, the method of stand-alone cost is the default method. But, the Board stated that this method can`t forever conclude a correct and accurate depiction of the price of consideration to which a company anticipates to be

entitled from the client. For this reason, the standard supplies two exceptions to the price of selling method of allocating the transaction amount.

One of the exceptions is allocating a discount. If the company sells a bunch of products or services, the price of the bunch is frequently less than the total of the stand-alone selling prices of the individual goods. This discount would be shared proportionately to all the separate performance responsibilities according to the method of stand-alone selling price.

However, it has some complex situations. So, the standard notes that if a company identifies that a discount in an agreement is not relevant to all of the products and services in the agreement, the company allocates the whole discount of the agreement merely to the products and services. This exception is used by a company when the value of specific products and services is mostly independent or free of other products and services in the agreement.

The standard demands allocation of discount wholly to one or more if the following criteria are met:

(a) According to a stand-alone basis, the company steadily sells every one of the distinct product and service.
(b) The company steadily sells a bunch of some of these product or services on a stand-alone basis at a discount to the stand-alone selling prices of the products in each bunch.
(c) The discount attributable to every one of bunches of products identified in (b) fairly the identical as the discount in the agreement.

The agreement can be changed for different causes after agreement inception. These changes may be resolution of unclear incidents or other alterations in situations. So these changes impacts to the price of consideration.

Alterations in the all transaction value are commonly allocated to the performance obligations. Prices allocated to a satisfied performance obligation

must be accounted as revenue or a decrease in revenue when the price of transaction changes.

2.5 Recognise revenue when the entity satisfies a performance obligation

The last step of the five step models is recognition of revenue when a performance obligation is satisfied. So, the company appeases a performance obligation by transferring of control of a product or service to the client. According to IFRS-15, a company merely identifies income when it satisfies a determined performance obligation by transferring a product or service to a client.

The talent of the client to accept the benefit from the product and service is represented by its right to fairly whole cash inflows, or the decrease of the cash outflows, made by the product or services.

The standard illustrate that a company should identify, at agreement inception, if it will transfer control of a product and service over time.

Mostly, companies sent the products or services to the client over time. Although the identification of whether products or services are sent over time is understandable and easy in some agreements, it is more hardly in the other agreements. The standard notes that a company transfers control of a product or service over time for assist companies identify whether control transfers over time if one of the following criteria is met:

(1) The client at the same time accepts and consumes the benefits or profits provided by the performance of company as the company performs.
(2) The performance of company makes or increases an asset that the client controls as the asset is made or enhanced.
(3) The performance of company does not make an asset with an alternative utilization to the company and the company has an enforceable right to payment.

According to the Board, in more service agreements the performance of company makes an asset, momently, because that asset is simultaneously accepted and consumed by the client. In this situation, the client attain control of the company`s output as the company performs. That`s why, the performance obligation is satisfied over time.

Sometimes, the service agreements may be unclear whether the client simultaneously accepts and consumes the benefit of the company`s performance over time. Standard notes that, for some kinds of performance obligations, the evaluation of whether a client accepts the profits of a company`s performance as the company performs and simultaneously use up these benefits as they are accepted will be straightforward.

The IASB stated that, when a company is making an asset that is mostly customized for a especial client, that the company could utilize that asset for any other object.

After agreement inception, a company does not make its evaluation of whether an asset has an alternative or additional use for any latter changes in facts and situations, unless the company or customer approve an agreement alteration that substantively alters the performance responsibility or obligation. According to the Board lack of an alternative use of company for a product or service does not mean that the client efficiently controls the products or services.

When a company has identified that a performance obligation is satisfied, the IFRS-15 demands the company to choose a single income recognition method for the relative performance responsibility or obligation.

A single income recognition method is required to select for measure progress. The selected method must be implemented in similar or identical situations. There are two methods for identifying income on agreements including the transfer of products and services over time.

- input method
- output method

According to output method revenue is recognized on the basis of direct measurements of the amount to the client of the products or services transferred to date relevant to the remaining products and services promised under the agreement. The output methods also has disadvantages and these are that the outputs utilized to determine progress may not be directly observable or remarkable and the information demanded to implement them may not be existing to a company without undue expense. For this reason, method of input may be important.

For faithful description of performance of company is output measure. So it directly identifies the amount of the products and services transferred to the client. There are also two methods of output. These are:

(1) units of production
(2) units of delivery

Input methods identify revenue based on efforts of company. The standard illustrates that, in such situations, the best description of the performance of company may be to recognize income at a value equal to the expense of the products used to satisfy the performance obligation. Zero margin is example for it.

CHAPTER 3. Issues

3.1 Principal vs Agent

There are common types of transaction. A company should install in any transaction whether it is acting as principal or agent. Principal and agent has several differences. So, if the company controls the promised products or services before it issent to the client, it is called as principal. If company`s performance obligation is to adjust for the provision of products or services by the other party, it is called as agent.

Amendments are issued by the IASB in April 2016 that illuminated how a company defines the unit of account for the agent versus principal assessment and how the control principle implements to exact types of editings, such as transactions of service.

The Board clarified that in order for a company to result that it is supplying the product or service to the client, it should first control that product or service. So, the company are not able to supply the product or service to a client if the company does not first control it. The company is a principal for the transaction, if the company controls the products. And if the control is not appear before it is transferred to the client, the company is an agent.

Companies will need to attentively appraise whether a net or gross presentation is proper. So the determination of principal or versus is more significant for transactions. There are different impacts of acting as a principal or versun in the transaction. A company makes this identification for every one of the determined product or service promised to the agreement. The standard state that, if an agreement involves more than one determined product and service, a company might be an agent for some and a principal for others.

For the determination of the nature of its promise (agent or principal), the company must

(1) define the determined products or services to be supplied to the client

(2) evaluate whether it controls every one of the determined product or service before that product or service is sent to the client.

For identification of nature of transaction, the indicators of standard is very crucial. So there are several indicators that illustrate the differences of principal and agent in the transaction. The principal indicators are following:

(1) the responsibility of company for fulfilling the promise to supply the determined product or service.
(2) The inventory risk of the company before the determined product or service has been sent to a client or after transfer of control to the client.
(3) The company has discretion in installation the amount for determined product or service. Installation the price or amount that the client pays for the determined product or service may illustrate that the company has the ability to direct the utilization of that product or service and acquire fairly all of the remaining profits or benefits.

These indicators assist to companies for evaluation of control. The first indicator for principal, is that the company is first of all responsible for both fulfilling the promise to supply the especial product or service to the client.

The second indicator of to be principal of the company is that the the company has “inventory risk”.The mean of the inventory risk is obtaining of the property for reselling it at aprofit. If reseller or company acquire the determined products or service before it is demande by the client, in this situation inventory risk appears. If a right of return of the client also creates inventory risk. There are some factors that decrease the inventory risk of reseller. For instance, the product of reseller may be importantly decreased or reduced if it has the right of return to the supplier products it cannot sell or products are sent to back by clients.

The third indicator of principle isthat thecompany has discretion in installation the price of the determined products or service.

The acting of the company as agent or principal impacts to the recognition of the revenue. If the company is principal in the transaction, the revenue accounted as the gross amount. And if the company is the agent, the revenue acounted as the net amount that yje company is entitled toretain in return for its products or services as the agent. The fee or commission of the company can be the net amount of consideration .

The first the company identifies if it is the agent or principal and then the amount of net or gross revenue that would be accounted. Principal would accounte income when it transfers or sends the determined product or service to the client. In the agent the revenue is accounted when its performance obligation to regulate for the determined products or services is complete.

The Board stated that, in some agreements in which the company is the agent, control of determined products or services promised by the agent can send before the client accepts relevant products or services from the principal. For instance, a company might satisfy its commit to supply clients with loyalty points when these points are sent to the client if:

- The promise of the company is to supply loyalty points to clients when the client obtains products or services from the company.
- The points give customers right to future discounted purchases or obtains with the other party.
- The company identifies that it is aqn agent an those points doesn`t be controlled by the company before they are sent or transferred to the client.

So the nature of the company`s performance obligation can not be determined or known untill the client makes its option. Consequently, control of determined products or services promised by an agent can send before the clientacceptes relevant products or services from the principal.

Another distinction relevant to identifying theprice of transaction when a company is the principal, however is unable to identify the final price charged to the client. According to the conclusions of amendments in May 2016, the Board noted that, if uncertainty relevant to the price of transaction is not finally anticipated to be resolved, itwould not satisfy thedefinition of variable consideration and ,for this reason, should not be involved in the price of transaction.

3.2 TELECOM specific issues

The new IFRS-15 will impact the price, timing, accounting of revenue or income and some expenses for telecom companies. The five steps model of new standard is implemented to wireless, cable and the other telecommunications entities. According to the fact thatthe IFRS-15 suspends the contingent cap methodology that a lot of telecom companies have used when accounting for salesof wireless regulation.the IFRS-15 changes places the contingent cap methodology with a need that telecom companies identify the amount of income for every one of the element in a bunch by allocating the value of the transaction based on stand-alone price of selling. The result of this change is that higher amount of income being allocated to products and less income being allocated to services.

Ifrs-15 demands a telecom company to allocate the value of transaction to choices to obtain additional product and services that supply a client with a material right. So, this also demands careful analysis. The new standard implements to agreements to deliver products or services to a client. But, if an agreement, or part of an agreement is in the scope of other especial demands, thenit falls external the scope of the IFRS-15. For instance: a lease would be in the content of the standard of leasing. This can implement to some product supplied to clients in a telecom agreement.

A company generally evaluates the collectibility when defining whether to account revenue.the collectibility is implemented to the amount or quantity anticipates to be

entitled exchange for the products or services thatwill be sent to the client, which can not be stated price of contract. The evaluation copnsiders:

- The legal right of companies
- Past practice
- The ability of customee to pay
- How the company intends to control its exposure to risk of credit throughout the agreement.

When evaluating if collectibility is probable, a company of telecom must not regar if all the consideration accordingly agreement will be recovered. In general telecom companies do not contract for postpaid services with clients with law ratings of credit without a guarantee.

Companies of telecom can have historical nportfolio information that illustrate that a exact percentage of clients are likely to default and that`s why not all billed quantities are collectible.

When the equipment of the telefon can be sold , provided or leased to the client as part of the service, these results impact to the revenue recognition. So, if a telecom service agreement involves equipment, the company evaluates whether that product or equipment is leased, provided to the client or sold as part of its service.this evaluation is demanded even if the agreement does not invoiced separately from another service. Leased product or equipment is not include to the new standard.

If the company results that the equipment is not leased to the client, then it demands to analyse the promise`s nature made to the client. If the product transfers to the client, then it can be distinct and clear and therefore a"separate performance obligation".

There can be a circumstance where the telecom company charges a fee of month for the utilization of the product or equipment that does not represent a lease however is supplied to the client as part of its service.

Allocation of the transaction price in the telecom company is very significant. The amount of transaction isusually allocated to every one 0of the performance obligation relevant with stand-alone prices of selling. But when the determined criteria are met,variable consideration or discount is shared to one or more of the performance responsibility in the agreement.

For example: a telecom entity provide client with a free handset when they agreed for two-year agreement for provision of service of network. The telephone has a has a stand-alone value of $100 nd the agreement is for $20 per month. Before IFRS-15, the agreement would identify no revenue relevant to the telephone an a sum of $240 per annum relevant to agreement. According to IFRS-15 revenue should be allocated or shared to the telephone because delivery of the telephone constitutes a performance obligation. This issue is calculated as follows:

Handset	100$	%17
Contract for two years	480$	%83
Total value	580$	%100

We must determine the percentages firstly and then we must find the proportions of the prices.

For year1

Handset (480x17%)	82	(82/2=41)
Contract (480-82) / 2	199	

In conclusion according to IFRS-15 revenue of $41 is moved year2 to year1.

It illustrates the calculation way of allocation.

Allocating of discount is also available in the transaction according to step of IFRS15. So in this situation discount is shared or allocated entirely to one or more of the performance responsibilities.

3.3 Disclosure

IFRS-15 supplies distinct presentation and disclosure needs, which are more detailed. The reassessment of accounting policy disclosures will be needed by company. The challanging issues about revenue or costs also accounted in the disclosure. So disclosures is so importants for the companies. In general, IFRS-15 crucially enhances the quantity of disclosures demanded in financial statement of company,in addition, many of them are new requirements.

IFRS-15 does not diversify between non-public and public companies.

The “contract liabilities” and “contract assets” is required to present in the statement of financial position. When a company contents a performance responsibilities by transferring a promised products or service, the company has obtained a right to consideration from the client and , for this reason , has a contract asset. Contract liability is existed when the client performs initial, by prepaying its promised consideration.

In some entities, it is common for a company to bill its clients previously of performance. For instance, a company that agreed non-cancellable agreement demanding payment a month before the company supplies the product or services would account a receivable. In this condition, income is not recognised until products are sent to the client.

According to the standard, Board stated that making the difference between a contract asset and a receivable is significant because doing so supplies users of financial statements with related facts or information about the risks associated with

the rights of the company in an agreement. Contract asset is exposed to performance risk too.

Sometimes impairments also appair in the contracts or agreements.and this impairment losses are recorded separately from other impairment losses. A company could have accounted other assets relevant to agreements with a client. The standar demands that any assets beoffered separately from contract liabilities and assets in the balance sheet. These prices are also evaluated for impairment severally.

To disclose quite information or fact is the aim of company . so the company try to understand the amount, price, timing, nature, cash flow or revenue relevant to contract with client. To obtain that aim, a company is demanded to disclose qualitative and quantitative facts or information. These are following:

(1) The important judgements and alterations in the judgements,made in implementing the standard to these clients.
(2) Any asset accounted from the expenses to get or fulfil an agreement with a client.
(3) Its agreements with clients.

Companies must review their disclosures to identify whether they have suit the disclosure aim of the standard to provide users to comprehend the amount, nature, timing, cash flows , uncertainty od income arising from agreements with clients.

The generality of the disclosures of standard relevant to agreements of company with clients. These disclosures involve revenue`s disaggregation, fact about contract asset and balances of liability and information about a performance responsibility of company. The Board to demand companies to disclose the following quantities relevant to agreements with clients:

- IFRS-15 demands a company to disclose the price of income recognised from agreements with clients severally from other sources of income.

- IFRS-15 also demands a company to disclose impairment losses from agreements with clients severally from other impairmen losses if they are not presented in the comprehensive income statement severally.

The appeal guidance indicates that the more suitable categories for a especial company will depend on its informations and situations, but a company must regard how it disaggregates income in other communications. When identified which categories are more beneficial and suitable. These categories are including:

- Geographical region
- Type of product or service
- Type of agreement
- Agreement duration(short-term, long-term agreements)
- Sales channels
- Type of a client (non-government or government clients)

CONCLUSION AND RECOMMENDATIONS

IFRS-15 presents a new model for revenue determination with a sole principle that implement to all of the agreements. Some companies and entities will be affected more than others, but with the potential for important alter and additional disclosure demands, don`t postpone finding out how it will impact you.

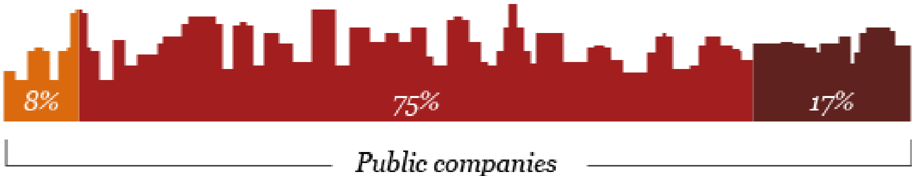
The Boards resulted that the issuance of the standard obtains their aims. This is because, this standard supplies a stable and overall framework that.

- Will implement to a broad range of transactions and companies and will develop the comparability of the defining of revenue or income across companies and jurisdictions.
- May be implemented to complicated transactions
- Will demand developed disclosures that will increase the understandability of income or revenue, which is a critical part of the analysis of a company`s performance.

In the light of those successes, the boards identified that the issuance of IFRS-15 would consequence in an overall development to financial reporting. The board also concluded that these advantage or profit would be ongoing and would justify the expenses of applying IFRS-15 that would be incurred first of all during the transaction from former income determination demands.

But, because of distinction in their former income determination demands, the boards stated that their rationale for the consequence that IFRS-15 results in a development to financial reporting was slightly distinctive.

Additional materials



Have not started *Assessing* *Implementing*

As at (billions)	December 31, 2017			January 1, 2017		
	As currently reported	IFRS 15 effects	Pro forma	Excluding effects of IFRS 15	IFRS 15 effects	Pro forma
ASSETS						
Current assets						
Cash and temporary investments, net	$ 0.5	$ —	$ 0.5	$ 0.4	$ —	$ 0.4
Accounts receivable	1.6	*	1.6	1.5	*	1.5
Income and other taxes receivable	0.1	—	0.1	—	—	—
Inventories	0.4	*	0.4	0.3	*	0.3
Contract assets **	—	0.8	0.8	—	0.7	0.7
Prepaid expenses	0.3	0.2	0.5	0.2	0.2	0.4
	2.9	1.0	3.9	2.4	0.9	3.3
Non-current assets						
Property, plant and equipment, net	11.4	—	11.4	10.5	—	10.5
Intangible assets, net	10.6	—	10.6	10.4	—	10.4
Goodwill, net	4.2	—	4.2	3.8	—	3.8
Contract assets **	—	0.4	0.4	—	0.3	0.3
Other long-term assets	0.4	0.1	0.5	0.6	0.1	0.7
	26.6	0.5	27.1	25.3	0.4	25.7
	$ 29.5	$ 1.5	$ 31.0	$ 27.7	$ 1.3	$ 29.0
LIABILITIES AND OWNERS' EQUITY						
Current liabilities						
Short-term borrowings	$ 0.1	$ —	$ 0.1	$ 0.1	$ —	$ 0.1
Accounts payable, accrued liabilities and other	2.4	—	2.4	2.4	—	2.4
Dividends payable	0.3	—	0.3	0.3	—	0.3
Advance billings and customer deposits	0.8	(0.1)	0.7	0.8	(0.2)	0.6
Provisions	0.1	—	0.1	0.1	—	0.1
Current maturities of long-term debt	1.4	—	1.4	1.3	—	1.3
	5.1	(0.1)	5.0	5.0	(0.2)	4.8
Non-current liabilities						
Provisions	0.5	—	0.5	0.4	—	0.4
Long-term debt	12.3	—	12.3	11.6	—	11.6
Other long-term liabilities	0.8	—	0.8	0.7	—	0.7
Deferred income taxes	2.5	0.4	2.9	2.1	0.4	2.5
	16.1	0.4	16.5	14.8	0.4	15.2
Liabilities	21.2	0.3	21.5	19.8	0.2	20.0
Owners' equity	8.3	1.2	9.5	7.9	1.1	9.0
	$ 29.5	$ 1.5	$ 31.0	$ 27.7	$ 1.3	$ 29.0

* Amounts less than $0.1 billion.

** Will be measured at and classified as amortized cost upon application of IFRS 9, *Financial Instruments*, as discussed further in *(a)*.

Impacts of application of IFRS 15, *Revenue from Contracts with Customers*

Electronic resources and websites

https://www.iasplus.com/en/standards/ifrs/ifrs15

https://accountsexamples.com/ifrs-15-effects-of-future-adoption-described-with-illustrative-example-ias-8-para-30/

http://www.aseanconnections.com/IFRS-15-Revenue-from-Contracts-with-Customers.aspx

file:///C:/Users/user/Downloads/J13882%20Global%20model%20financial%20statements%20sr81.pdf

file:///C:/Users/user/Downloads/ED-9---IFRS-15-Revenue-from-Contracts-with-Customers--Appendix-G.pdf

https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/

https://www.ifrsbox.com/ifrs-15-vs-ias-18/

http://www.ey.com/Publication/vwLUAssets/IFRS_Developments_Issue_108_-_Principal_versus_agent:_IASB_to_propose_amendments_to_IFRS_15./$File/Devel108_Revenue_May2015.pdf

https://www.bdo.com.au/en-au/accounting-news/accounting-news-may-2016/iasb-issues-clarification-to-ifrs-15