

PIR IFRS 15

SURVEY WITH NATIONAL STANDARD SETTERS

16 MARCH 2023



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SURVEY WITH NATIONAL STANDARD SETTERS

In November 2022, EFRAG conducted a questionnaire-based survey to gather the views of European stakeholders on the IASB's Post Implementation Review of IFRS 15 *Revenue from Contracts with Customers*

The survey was targeted at national standard setters.

The feedback received informs EFRAG on the implementation and application challenges related to IFRS 15 and related costs and benefits.

EFRAG received 8 completed surveys (% in the graphs below reflect the answers obtained for each question, which may be below 8)

Key messages include:

- Most respondents considered that IFRS 15 is generally working well but there is room for improvement
- IFRS 15 can be complex to implement but when implemented it works well
- When referring to the initial implementation of IFRS 15, the majority of the respondents considered that the initial implementation had been challenging for the construction, software and telecommunication industry

SURVEY WITH NATIONAL STANDARD SETTERS

Key messages include (cont.):

- When referring to the ongoing application challenges, the majority of the respondents considered that the software and telecommunication still found the application of IFRS 15 challenging
- When referring to the most prevalent issues, the majority of the respondents mentioned the principal vs agent considerations, interaction with other IFRS Accounting Standards and the accounting for variable consideration
- When referring to the IFRS Standards that raise the most significant interaction issues with IFRS 15, the majority of the respondents mentioned IFRS 9, IFRS 10 and IFRS 16
- Respondents expected only some limited narrow-scope amendments to IFRS 15 (e.g. more guidance and illustrative examples) – “stability should be the primary goal of the PIR IFRS 15”

OVERALL ASSESSMENT OF IFRS 15

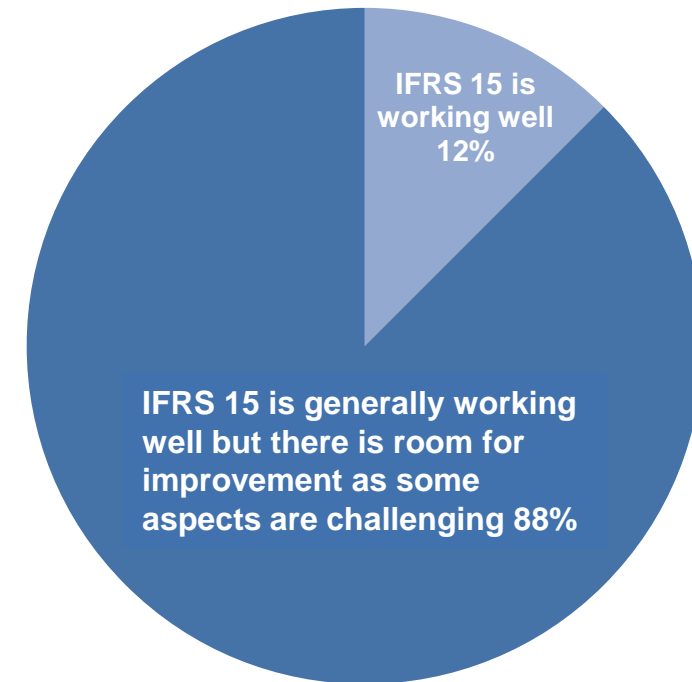
IFRS 15 is working well but there is room for improvement

Most respondents considered that IFRS 15 is generally working well but there is room for improvement as some aspects are challenging

IFRS 15 reduces diversity in practice

IFRS 15 can be complex to implement, but when implemented it works well

Implementing IFRS 15 is considered generally a challenge for smaller entities which have less IFRS expertise

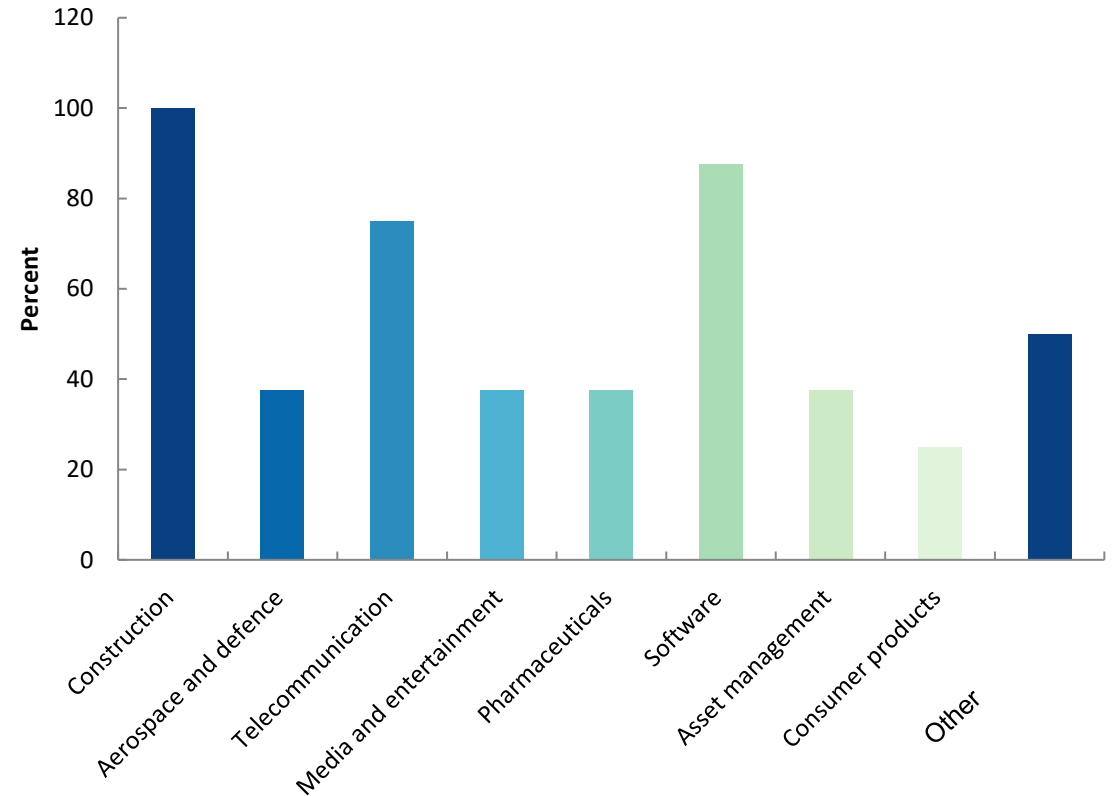


INITIAL IMPLEMENTATION CHALLENGES BY INDUSTRY

When referring to the initial implementation of IFRS 15, the majority of the respondents considered that the initial implementation had been challenging for the construction, software and telecommunication industry

One respondent detailed that in general the initial implementation had been challenging and had resulted in significant costs and efforts for many companies. However, for many it had only a very limited impact . With hindsight, there were questions on whether there could have been a more pragmatic way to improve the accounting rather than building a completely new standard from scratch

This respondent considered that implementation had been particularly challenging for the construction, aerospace and defense, telecommunication, media and entertainment, pharmaceuticals, software, asset management and consumer products industry

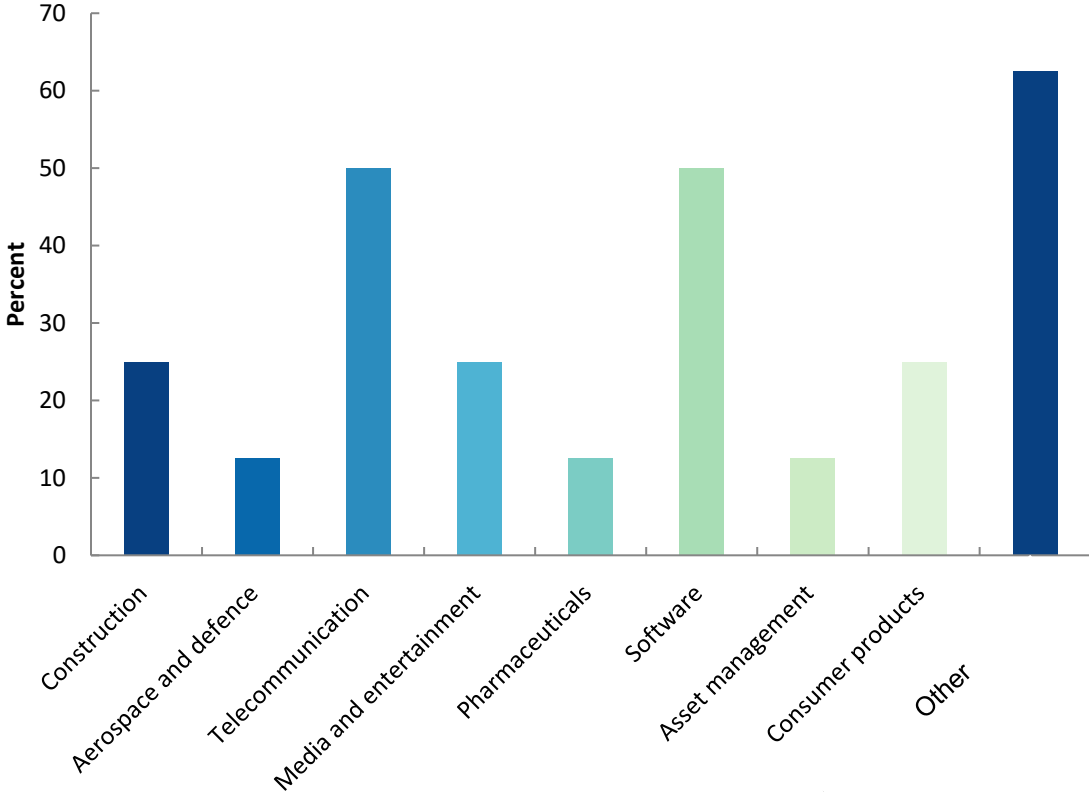


ONGOING APPLICATION CHALLENGES BY INDUSTRY

When referring to the ongoing application challenges, the majority of the respondents considered that the software and telecommunication still found the application of IFRS 15 challenging.

Some respondents also mentioned 'other industries' including automotive, medical devices, energy, companies with "As-a-Service" business models, real estate, technology, investment banking and seismic.

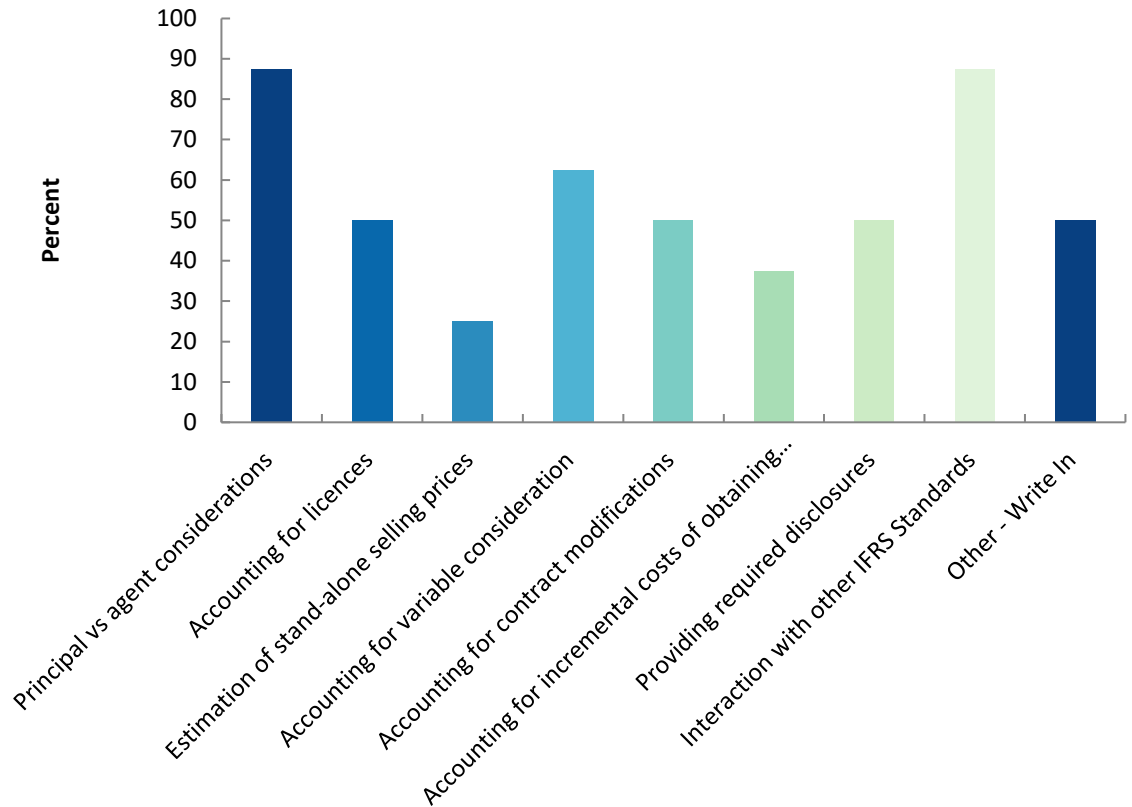
One respondent detailed that it depends on the complexity of the contracts agreed and not on a specific industry, although some industries are likely to enter into more complex contracts.



MOST PREVALENT APPLICATION ISSUES

When referring to the most prevalent issues, the majority of the respondents mentioned the principal vs agent considerations, interaction with other IFRS Accounting Standards and the accounting for variable consideration

Respondents also referred to the identification of performance obligations, collaboration arrangements, portfolio approach, residual approach, distinct goods or services, disaggregation of revenue in the notes to the financial statements and significant financing component

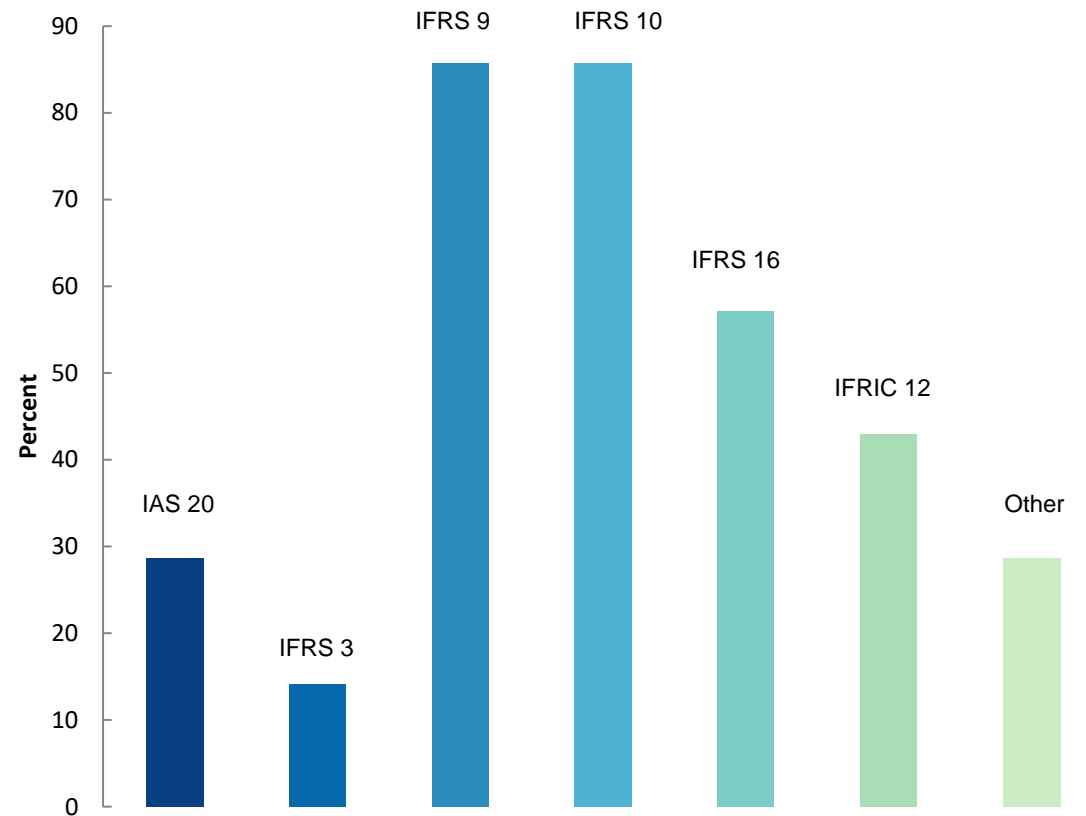


INTERACTION CHALLENGES WITH OTHER IFRS STANDARDS

When referring to the IFRS Standards that raise the most significant interaction issues with IFRS 15, the majority of the respondents mentioned IFRS 9, IFRS 10 and IFRS 16

One respondent that referred to the interaction of IFRS 15 with IFRS 9 considered that it was not clear which standard applied to gift cards when a gift card is not of the client itself

Two respondents that referred to the interaction of IFRS 15 with IFRS 16 highlighted the challenges related to sale and leaseback transactions



HOW THE IASB SHOULD ADDRESS THE APPLICATION ISSUES

RESPONDENTS CALLED FOR STABILITY AND NARROW-SCOPE AMENDMENTS

One respondent noted that even if various application matters had been raised during the implementation of IFRS 15, pragmatic solutions had been found in practice. For this reason, stability should be the primary goal of the PIR IFRS 15; fundamental conceptual discussions should be avoided at all costs

One respondent expected only some limited narrow-scope amendments to IFRS 15. In addition, adding relevant examples focusing on emerging issues could be helpful when applying IFRS 15 in the future. Now that IFRS 15 has been implemented by entities which apply IFRS, we do not see a need nor a desire for wider or more fundamental amendment

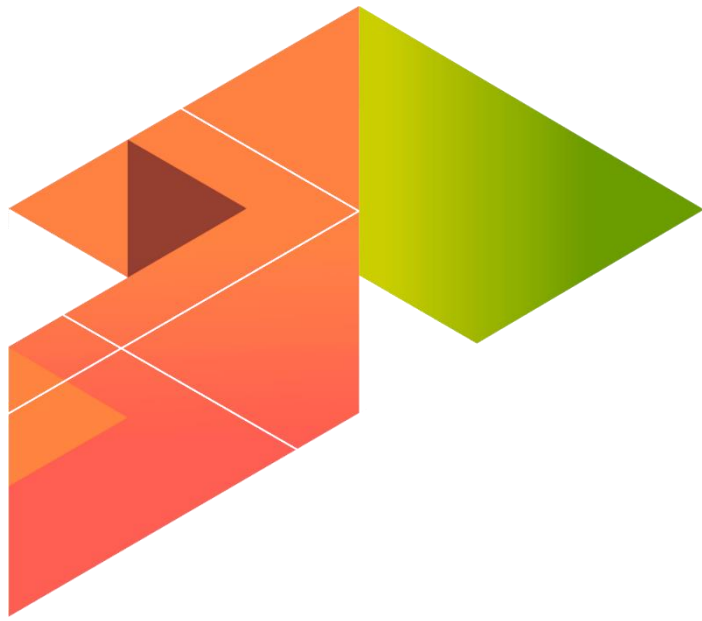
Finally, one respondent considered that the IASB should assess the effects of using IFRS 15 and draw conclusions regarding the benefits over the various industries, the actual asset / liability variations and sensitivity analyses to this new standard, as well as decide if the precedent can be used in other instances (like in software production or long term fabrication stocks)



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Thank you



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