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Post-implementation Review IFRS 15 Cover Note

Objective

- 1 The objective of the session is to discuss and approve a final comment letter ('DCL') on the Request for Information on the Post-implementation Review ('PIR') IFRS 15 *Revenue from Contracts with Customers* (the Standard), issued by the IASB on 29 June 2023 (the 'RFI').

Background of the IASB project

- 2 In May 2014, the IASB issued IFRS 15 which replaced some standards and interpretations including IAS 11 Construction Contracts and IAS 18 Revenue. IFRS 15 became effective for annual periods beginning on or after 1 January 2018. At the same time, the US Financial Accounting Standards Board (FASB) introduced into its Accounting Standards Codification® Topic 606 *Revenue from Contracts with Customers* substantially converged with IFRS 15.
- 3 In April 2016, the IASB issued Clarifications to IFRS 15 Revenue from Contracts with Customers which resulted in a number of clarifications around the identification of performance obligations, the principal versus agent consideration, and the accounting of licences.
- 4 In March 2023, the IASB discussed the questions to be included in the RFI based on the feedback received during its outreach on phase 1 of the project (see IASB [agenda papers](#)).
- 5 On 29 June 2023, the IASB issued the [RFI](#). The consultation period will end on 27 October 2023.

EFRAG's activities in preparation of its comment letter

- 6 Since April 2022 and until the issuance of the DCL, EFRAG conducted extensive outreach to different constituents to get their overall assessment of how IFRS has worked and to identify issues for the PIR. EFRAG also sent a questionnaire-based survey to European national standard setters to identify issues in the implementation of IFRS 15 that had arisen in their jurisdictions. In addition, EFRAG reviewed IFRS 15 issues raised before the IFRS Interpretation Committee (IFRS IC), ESMA enforcement issues, the FASB PIR on Accounting Standards Update Revenue from Contracts with Customers (Topic 606), and academic literature. See the [agenda paper](#) discussed at the 3 May 2023 EFRAG FRB meeting for details.
- 7 EFRAG has also supported an academic survey to users and preparers on the costs and benefits of implementing the Standard. The findings from the non-preparer respondents (i.e., 48 respondents) were incorporated into EFRAG's DCL. The findings from the preparer

respondents (i.e., 196 respondents) have only been considered for inclusion in EFRAG’s final comment letter as the survey was open until the beginning of September 2023.

- 8 Since the issuance of EFRAG’s DCL, the EFRAG Secretariat has undertaken targeted outreach activities with a primary focus on user views on disclosures- as we had only gotten limited feedback from them during the preparatory work. The EFRAG Secretariat has met two organisations of users and an individual user. The EFRAG Secretariat has also participated in an outreach activity organised by a national standard setter.
- 9 In addition, at the time of writing this agenda paper, four final-version comment letters have been received (see agenda paper- 01-02). Moreover, EFRAG has received four draft letters which have been considered in the summary of feedback.

Summary of EFRAG discussions

- 10 In Q2-Q4 2022, the EFRAG Secretariat provided updates on the findings from the preparatory work to EFRAG FR TEG, EFRAG FRB and the various EFRAG working groups. The discussions during these updates were largely confirmatory of the findings from the preparatory work.
- 11 On 16 March 2023, EFRAG FR TEG discussed the categorisation, prioritisation and preliminary recommendations for IASB action on the issues identified during the EFRAG preparatory work. The main comments/views expressed during the meeting can be found [here](#).
- 12 On 3 May 2023, the EFRAG FRB received an update on the overall messages and prioritisation of IFRS 15 application challenges agreed upon by EFRAG FR TEG. The main comments/views expressed during the meeting can be found [here](#).
- 13 On 17 July 2023, EFRAG FR TEG discussed and approved the EFRAG’s [draft comment letter](#). The consultation period ended on 11 October 2023.

Questions for EFRAG FR TEG

- 14 Does EFRAG FR TEG have any comments or questions on agenda paper 01-02 and agenda paper 01-03?
- 15 As noted in our summary feedback to Questions 3 and 11 of agenda paper 01-02, there was a detailed and in our view persuasive articulation by respondents that the diversity in practice in the treatment of sales-based taxes is pervasive and it stems from the lack of sufficient guidance in IFRS 15 rather than being largely attributable to differences in legislation across jurisdictions as asserted in the draft comment letter (i.e. diversity in practice is observable within the same jurisdiction). Hence, we are seeking the view of EFRAG FR TEG on whether sales-based taxes should be included in our response to Question 3.

Does EFRAG FR TEG agree to consider the issue related to the accounting of some sales-based taxes as a high-priority issue and move the proposed text in *Question 11 – Other matters* to *Question 3 – Determination of transaction price*?
- 16 Does EFRAG FR TEG approve the comment letter- agenda paper 01-03?

Next steps

- 17 The EFRAG Secretariat to send EFRAG’s comment letter to the IASB.

Agenda Papers

- 18 In addition to this cover note, agenda papers for this session are:

Post-implementation review IFRS 15 – Cover Note

- (a) Agenda paper 01-02 – Analysis of comment letter and outreach feedback
- (b) Agenda paper 01-03a – EFRAG’s CL track changes version with respect to EFRAG’s DCL
- (c) Agenda paper 01-03b – EFRAG’s comment letter (clean version)