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Comments on “Request for Information - Post-implementation Review IFRS 15 Revenue from Contracts with Customers”

Dear Madam, dear Sir,

On behalf of the Austrian Financial Reporting Advisory Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the Request for Information “Post-implementation Review IFRS 15 Revenue from Contracts with Customers”.

Principal authors of this comment letter were Max Eibensteiner, Klemens Eiter, Daniela Frei, Christian Höllerschmid (chair), Erich Kandler, Dominik Permanschlager and Gerhard Prachner. In order to ensure a balanced Austrian view on the consultation, the professional background of these authors is diverse.

Best regards,
Romuald Bertl
Chairman

Comments on "Request for Information - Post-implementation Review IFRS 15 Revenue from Contracts with Customers"

General Remarks

Question 1—Overall assessment of IFRS 15

(a) In your view, has IFRS 15 achieved its objective? Why or why not?

Please explain whether the core principle and the supporting five-step revenue recognition model provide a clear and suitable basis for revenue accounting decisions that result in useful information about an entity's revenue from contracts with customers.
If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core principle or the five-step revenue recognition model.

(b) ***Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:***
- ***(i) in developing future Standards; or***
- ***(ii) in assessing whether, and if so how, it could improve the understandability of IFRS 15 without changing its requirements or causing significant cost and disruption to entities already applying the Standard—for example, by providing education materials or flowcharts explaining the links between the requirements?***

(c) ***What are the ongoing costs and benefits of applying the requirements in IFRS 15 and how significant are they?***

If, in your view, the ongoing costs of applying IFRS 15 are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain why you hold this view.

AFRAC's response

Question 1

We observe that IFRS 15 is working well in practice. However, we see some possibilities for limited scope improvements as highlighted in our responses below. The five-step revenue recognition model and its accompanying application guidance are generally seen as robust and decision-useful requirements suitable for revenue recognition of customer contracts with varying complexity. Although we observed initial challenges (e.g., the estimation of transaction prices including estimated selling prices), these initial challenges were overcome after repeated application, and the accounting practice matured. We do not see any need to amend IFRS 15 in its core principle.

We generally consider IFRS 15 as well-structured and understandable, and we highly appreciate its numerous illustrative examples. Please find below our opinion regarding the need for further or additional guidance to reduce diversity in practice that still prevails in some areas of the application of IFRS 15.

The unanimous feedback that we gathered was that the first-time analysis and the initial implementation of IFRS 15 had been very costly and time-consuming for most entities, but, finally, led to very limited, if not insignificant changes as compared to the previous revenue recognition practice. Therefore, also cost-benefit considerations preclude material amendments to the current IFRS 15 revenue recognition requirements.

We would like to highlight that more thorough and in-depth field tests prior to the implementation of IFRS 15 could have avoided some first-time analysis and initial implementation costs, as more inputs concerning cost-benefit considerations would have been available to the standard-setter. Nevertheless, we note that IFRS 15 significantly improved the exchange of information on customer contracts between sales and accounting departments, enhanced contract management and documentation and led to a better understanding and management of business models. Against this backdrop, we observed that, to a certain extent, IFRS 15 also led to changes of customer contracts in order to achieve a specific accounting outcome – depending on the relative negotiating power of the parties of the customer contracts.

Question 2—Identifying performance obligations in a contract

(a) Does IFRS 15 provide a clear and sufficient basis to identify performance obligations in a contract? If not, why not?

Please describe fact patterns in which the requirements:

(i) are unclear or are applied inconsistently;
(ii) lead to outcomes that in your view do not reflect the underlying economic substance of the contract; or
(iii) lead to significant ongoing costs.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 2

We observed that, in some areas of application of IFRS 15, preparers and auditors struggled to clearly identify performance obligations in an arrangement, particularly concerning the determination whether the promise was distinct in the context of the customer contract.

Specifically, application challenges prevail when a non-refundable advance payment is charged to a customer (e.g., in the telecommunication, pharmaceutical or retail industries). In these settings, it is sometimes challenging to assess whether or not the payments relate to the transfer of a promised good and/or service and, if so, whether or not these promises represent separate performance obligations. A good example would be a non-refundable signing fee like upfront payments (e.g., for exclusive distribution rights or for granting the connection to a franchise network to a franchisee).

Furthermore, companies in the subcontractor and/or supplier industry (e.g., suppliers to OEMs in the automotive, rail or aviation business) face application challenges in identifying performance obligations for contracts where goods or tools to produce parts must be developed, or costly prototypes must be constructed, before produced goods are delivered to the customer. This is the case e.g., in long-term supply arrangements that require an entity to undertake upfront development, engineering and/or design processes to create new technology or adapt existing technology to customer needs. The application challenges arise from a field of (unresolved) tension between intangible asset recognition according to IAS 38 and the recognition of cost to fulfil a contract or of separate performance obligations according to IFRS 15. This application challenge is exacerbated by the fact that the outcome of these upfront development, engineering and/or design processes are sometimes entirely assigned to the customer, but the subsequent long-term supply contract expected to recover the upfront costs does not (yet) foresee a legally enforceable purchase obligation for a defined number of units produced that includes a payback component for those costs incurred. Adding further illustrative examples to the standard could be helpful in order to reduce diversity in practice on intangible asset recognition, performance obligation identification and capitalizing vs. expensing costs incurred within the fulfilment of a customer contract. Alternatively, this issue could be addressed in a future amendment of IAS 38 Intangible Assets.

Different shipping and handling arrangements may also lead to application challenges. This is especially the case, if a company uses two-point clauses (e.g., C-Incoterms) to determine whether the buyer or the seller is responsible for paying and managing the shipment, insurance, documentation, customs clearance, and other logistical activities. In a two-point clause, the transfer of the risk of loss or damage does not occur at the same place and time as the cost transfer from a seller to the buyer. Identifying a separate performance obligation for a buyer's shipping and handling in this case may be challenging and may be perceived as not fairly presenting the transaction, as shipping and handling is normally simply included in the ordinary activities. In our view, it may be reasonable to consider the shipping and handling cost in this case as fulfilment cost (to be expensed) irrespective of whether one-point clauses or two-point clauses are applied. We believe that the terms for shipping and handling

should not change revenue recognition, if shipping and handling per se is not the ordinary activity of the seller.

Question 3—Determining the transaction price

(a) Does IFRS 15 provide a clear and sufficient basis to determine the transaction price in a contract—in particular, in relation to accounting for consideration payable to a customer? If not, why not?

Please describe fact patterns in which the requirements on how to account for incentives paid by an agent to the end customer or for negative net consideration from a contract (see Spotlight 3) are unclear or are applied inconsistently.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 3

Basically, we are of the opinion that IFRS 15 provides a clear and sufficient basis to determine the transaction price in a contract and, thus, a robust basis for revenue recognition. However, we understand that preparers sometimes struggle with the allocation of the transaction price to multiple performance obligations (e.g., in the case of service-type warranties that are generally difficult to measure at fair value).

Further issues that, in our view, should be addressed by additional guidance in the standard refer to presentation issues (i.e., revenue reduction vs. expense recognition; recognition of negative revenues). When payments are made to third parties that are, strictly speaking, no customers (e.g., agents providing incentives to the buyer of goods or services that are sold by means of its agency services; payments of pharmaceutical companies to governmental or public bodies to support healthcare budgets), it is often unclear whether these payments are a reduction of revenue. Similar diversity in practice also exists in situations of "negative revenue" – e.g., an airline's obligation to compensate customers for delayed or cancelled flights. The question, whether the amount of such a compensation recognised as a reduction of revenue is capped with the recognised ticket price or not, was not yet addressed. Further or additional guidance on the presentation of compensation payments that exceed the ticket price would be useful. AFRAC, therefore, suggests that the standard-setter

considers clarifying whether or not and in which setting "negative" revenue should be presented as an expense.

As to the revenue constraint, AFRAC observed that this approach marked an important and major progress especially in the area of the accounting treatment of claims and variations (e.g., in the construction industry) concerning recognition and measurement – together with IFRS 15.IE42-43 clarifying the application of the regulations on contract modifications to unapproved changes in scope and price. From a principle-based viewpoint, questions may arise whether the high threshold (i.e., high probability) conflicts with the neutrality principle. However, we understand that, as stipulated in IFRS 15.BC207, users of financial statements generally expect that revenue is not reversed in future periods so that a prudent approach towards variable considerations is justified.

Question 4—Determining when to recognise revenue

(a) Does IFRS 15 provide a clear and sufficient basis to determine when to recognise revenue? If not, why not?

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the criteria for recognising revenue over time (see Spotlight 4).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 4

AFRAC did not identify any significant application challenges in determining when to recognise revenue (i.e., over time or at a point in time) after assessing the pattern of transfer of control of a good or service.

Question 5—Principal versus agent considerations

(a) Does IFRS 15 provide a clear and sufficient basis to determine whether an entity is a principal or an agent? If not, why not?

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the concept of control and related indicators (see Spotlight 5).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 5

AFRAC identified challenges that result from the application of the transfer of control principle and the related indicators in identifying whether an entity is a principal or an agent. Specifically, the difficulties in applying the transfer of control indicators in IFRS15.B37 led to considerable diversity in practice. AFRAG stakeholders have conveyed that these indicators do not often provide evidence of an entity's prior control of goods or services before their transfer. Especially the following three criteria raise concerns: (i) primary responsibility for fulfilment according to IFRS 15.B37 (a), (ii) inventory risk according to IFRS 15.B37 (b) and (iii) price discretion according to IFRS 15.B37 (c).

As regards criterion (i), there is no link between prior control as defined in IFRS 15.B35 and the question of whether the company or the supplier is primarily responsible towards the buyer. The fact that an entity is primarily responsible for fulfilling the contract (incl. providing customer support, resolving customer complaints, accepting responsibility for the quality or suitability of the product or service, etc.) does not necessarily provide evidence that it controls the good or service before it is transferred to the buyer. As regards criterion (ii), the standard refers to a risk "after transfer of control to the customer (for example, if the customer has a right of return)". The assumption of this inventory risk does not provide any evidence of control prior to the transfer of the good or service to the buyer. As regards criterion (iii), discretion in determining the selling price is rather an indicator of negotiating power than of control over the good or service before it is transferred to the buyer.

Against this backdrop, application challenges arise in settings where a company sells a licence of intellectual property and does not have physical possession of the good (e.g., an eBook publisher selling digital eBooks to end customers through an online retailer) and in situations where a company sells a service (e.g., a waste management company picks up rented containers from a customer and transports them to the disposal destination, but employs a subcontractor to perform the transportation service). Especially, the last example shows that there are application challenges of the control concept concerning services. In our view, it would make perfectly sense to include the assumption of credit risk again in the criteria of determining the role of a principal in a principal-agent relationship.

AFRAC, thus, considers addressing the application challenges in principal-agent relationships as a high-priority issue that should be addressed by the standard-setter. Furthermore, AFRAC supports the idea to elevate paragraph IFRS 15.BC385H to the application guidance. Consequently, the application guidance would state clearer that the above-mentioned criteria (i) do not override the assessment of control; (ii) should not be viewed in isolation; (iii) do not constitute a separate or additional evaluation, and (iv) should not be considered a checklist of criteria to be met, or factors to be considered, in all scenarios. Furthermore, as said above, we would be in favour of re-introducing the criterion of the credit risk assumption in the evaluation of principal-agent relationships. In essence, this would turn the spotlight more on the economic substance of principal-agent relationships again.

Question 6—Licensing

(a) Does IFRS 15 provide a clear and sufficient basis for accounting for contracts involving licences? If not, why not?

Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to matters described in Spotlight 6.

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 6

Although we recognise that there may be some application challenges with complex and multiple-element IP-licensing arrangements as well as with out-licensing arrangements, AFRAC believes that IFRS 15 provides a robust and sufficient basis for the accounting of contracts that involve licences. Notwithstanding this opinion, we believe that it is worthwhile to address more complex fact patterns involving licensing arrangements by providing further or additional guidance.

Question 7—Disclosure requirements

(a) Do the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements? Why or why not?

Please identify any disclosures that are particularly useful to users of financial statements and explain why. Please also identify any disclosures that do not provide useful information and explain why the information is not useful.

(b) Do any disclosure requirements in IFRS 15 give rise to significant ongoing costs?

Please explain why meeting the requirements is costly and whether the costs are likely to remain high over the long term.

(c) Have you observed significant variation in the quality of disclosed revenue information? If so, what in your view causes such variation and what steps, if any, could the IASB take to improve the quality of the information provided?

AFRAC's response

Question 7

IFRS 15 disclosures were intended for the benefit of the users of financial statements. In essence, we believe that the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements and do not give rise to significant ongoing costs. Besides, AFRAC did not observe a significant variation in the quality of disclosed revenue information.

We have three remarks to the disclosure regime of IFRS 15: Firstly, for some companies, the costs of preparing the reconciliation of contract assets and contract liabilities most likely exceed the benefits that this disclosure provides to the financial statements' users. Furthermore, this information is of limited interest to corporate managers and rarely enters internal reports for making business decisions. In our view, it would be worthwhile to consider limiting this disclosure requirement only to companies with business models that are predominantly based on long-term contracts leading to significant contract assets and/or contract liabilities, as in these cases these disclosures really provide decision-useful information. Secondly, we question the disclosure requirements on remaining performance obligations in IFRS 15.120ff. As these disclosures (i) offer a presentation option (see IFRS 15.120b) and (ii) include a practical expedient (see IFRS 15.121) on an individual revenue contract basis, which hamper reconcilability and comparability, we suggest reconsidering these disclosure requirements. Finally, we clearly disapprove of extending the existing disclosure requirements of IFRS 15 e.g., by adding order backlog information to supplement the information on remaining performance obligations.

Question 8—Transition requirements

(a) Did the transition requirements work as the IASB intended? Why or why not?

Please explain:

(i) whether entities applied the modified retrospective method or the practical expedients and why; and

(ii) whether the transition requirements in IFRS 15 achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.

AFRAC's response

Question 8

Overall, we believe that, by providing two allowed methods and practical expedients, the IFRS 15 transition requirements achieved an appropriate balance between minimising transition costs for preparers of financial statements while providing useful information to users of financial statements. However, we believe that it will be possible to significantly reduce costs for the first-time analysis and the initial implementation of new standards in the future by carrying out more in-depth field testing and more thorough cost-benefit analysis by the standard-setter beforehand.

Question 9—Applying IFRS 15 with other IFRS Accounting Standards

(a) Is it clear how to apply the requirements in IFRS 15 with the requirements in other IFRS Accounting Standards? If not, why not?

Please describe and provide supporting evidence about fact patterns in which it is unclear how to apply IFRS 15 with the requirements of other IFRS Accounting Standards, how pervasive the fact patterns are, what causes the ambiguity and how that ambiguity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. The IASB is particularly interested in your experience with the matters described in Spotlights 9.1–9.3.

(b) Do you have any suggestions for resolving the matters you have identified?

AFRAC's response

Question 9

Based on the feedback AFRAC received, we consider that the following application challenges arising from the interaction between IFRS 15 and other standards should be addressed by the standard-setter:

Interaction with IFRS 3

We observed an inconsistency in the recognition of contract assets and liabilities from customer contracts in the context of a business combination. In particular, the accounting treatment for assets and liabilities related to acquired customer contracts could differ from those related to customer contracts originated by the acquirer.

For example, if an expected consideration to be received after a business combination were above market price, the difference between the remaining performance obligation and the amount paid would generally be recognised as an intangible asset that is, most likely, amortised on a straight-line basis (and shown below the EBITDA line). However, if the expected consideration were below market price, a contract liability is recognised, which will be reversed as additional revenue in the future. Furthermore, fair value adjustments related to the acquiree's contract assets and liabilities can distort the presentation of a company's performance (i.e., the financial performance is presented differently depending on whether growth occurred organically or by means of acquisitions).

The difference between the fair values of contract assets and/or contract liabilities from the acquiree's acquisition costs is heavily dependent on the characteristics of the project and/or the customer relationship (e.g., scope, location, payment terms, default risk of the clients etc.). The acquiree's contractually agreed price (i.e., the transaction price) is, however, a consistent starting point (and, in many cases, also the endpoint) of the valuation process. Contract assets and liabilities reflect already existing (though pending) obligations at a defined transaction price, the determination of which is generally not surrounded by an intangible-like or provision-like degree of uncertainty and involves little managerial judgement. Further complexity is added as customer contracts resulting in contract assets or liabilities might be onerous as well. IAS 37 defines an onerous contract as an agreement in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under the related contract – i.e., in customer contracts, the agreed transaction price. The fair value of an onerous contract is necessarily different from the unavoidable future costs to fulfil the obligation from the customer contract. Consequently, fair value adjustments related to an acquiree's onerous customer contract can distort the presentation of a company's performance, as organic and inorganic growth impacts the presentation of the financial performance differently. Against this backdrop and to avoid diversity in practice as well as in order to revert to materiality considerations, contract assets and liabilities should be excluded from the scope of IFRS 3 – like income taxes, employee benefits and lease contracts. This would also lead to convergence with FASB's Accounting Standards Update (ASU) No. 2021-08 clarifying that an acquirer of a business shall recognise and measure the contract assets and contract liabilities of an acquiree in a business combination in accordance with the revenue-recognition standard.

Interaction with IFRS 9

Regarding price concessions and the impairment losses resulting thereof, we are of the opinion that the regulations set out in IFRS 15 regarding contract modifications are sufficiently clear. The same applies for the requirements in IFRS 9 dealing with the impairment of financial assets. If a customer contract has already led to a contract asset being properly measured at fair value, any agreed changes

of the consideration to be received from the customer referring to this already recognised asset need to be reflected as an impairment loss. Regarding the considerations for future performance obligations, which will have to be fulfilled, future revenues are to be adjusted (i.e., reduced) in accordance with the contract modification.

Regarding liabilities arising from IFRS 15, we believe that the application challenges resulting from the stipulations outlined in IFRS 15.B64-B76 (dealing with repurchase agreements) are not pervasive. In the case of a forward/call option the requirements are well defined for the company by either recognizing a lease (with only one trigger of the repurchasing price being lower than the selling price) or a financing arrangement (if the repurchasing price is equal or higher than the selling price). The case of a put-option is more exposed to managerial judgement as it requires the reporting entity to assess the customer's economic incentive to act in a certain way (either exercising or not exercising the option to re-sell the asset to the company). Moreover, IFRS 15.B74 requires the estimate of an expected future market value of the asset. Only a specific combination of both (market value and incentive) will trigger a sale according to the general provisions of IFRS 15. Although applying these provisions may be considered an application challenge, we are of the opinion that these measurements do not exceed the complexity level of other estimates to be made under the IFRS regulations. Furthermore, the illustrative example no. 62 appears to be sufficiently clear.

Interaction with IFRS 16

Similar to other standard-setters, we see application challenges arising from the interaction of IFRS 15 and IFRS 16. Firstly, there is a lack of specific or additional guidance within IFRS 16 on whether in a sale-and-leaseback transaction, the initial transfer of the underlying asset from the seller-lessee to the buyer-lessor is a sale according to IFRS 15. This gives rise to issues if the lessee-to-lessor asset transfer leg clearly does not meet the requirements of IFRS 15 (e.g., if the sale contract comprises a call option), and the transaction is accounted for as a financing transaction. However, there could be circumstances where some contractual conditions (e.g., if the lessee has a renewal option to extend the lease-term to be substantially equivalent to the remaining economic life of the underlying asset) could impact the economic substance of the leaseback transaction.

Assuming that the reporting company is the seller-lessee, exercising the call option depends on the economic incentive for this seller-lessee (see the above-mentioned comments to repurchase agreements). In case of a likely exercise, the whole transaction gives rise to additional financing. If the lessee has a renewal option to cover the entire useful life of the asset, the economic substance is in fact the same as if the buyer-lessor never achieved control of the asset and a sale, from an economic substance point-of-view, was never effected. Accordingly, in this particular case, a finance transaction should be accounted for. We are of the opinion that the regulations set out in IFRS 15 are sufficiently clear.

Further application challenges could be encountered in the real estate industry where assessments need to be made on whether a customer contract (or a part of it) falls into the scope of IFRS 15 or IFSR 16 (e.g., to distinguish operating income from a lease under IFRS 16 and from the arrangement of other services under IFRS 15). We agree with the initial feedback received by the IASB that

separating a service from a lease component can be challenging. In fact, it depends on the company's (i.e., the lessor's) managerial judgement which part of the contract will lead to lease income and which part will result in (other) revenue. In our experience, the way lessees deal with this issue often follows the line of reasoning of whether a specific physical asset is affected (triggering a lease), or whether only the benefits from the application of such an asset are affected (will lead to cost recognition for the services). Whether this approach might equally hold for the lessor's assessment and reduce diversity practice should be considered by the IASB.

Interaction with IFRS 10

AFRAC recognises that there are application challenges arising from the interaction between IFRS 15 and IFRS 10 in the case of sales of single assets (e.g., in the course of the ordinary activities of a company) through corporate wrappers. Applying different standards to similar transactions with only differing legal forms resulted in the inconsistent accounting treatment of transactions with equal commercial substance. This may affect the timing of recognition, measurement, presentation, and disclosure of these transactions.

We have not experienced any pervasive application challenges with selling single assets in corporate wrappers in Austria, especially in the real estate industry so far. Moreover, IFRS IC concluded that such transactions fall under the scope of IFRS 10 and, therefore, IFRS 15 is not applicable. However, the latest amendments to the business definition of IFRS 3, where the purchase of an entity owning only a single asset or a group of similar assets was defined as not being a business combination, give a new dimension to the topic. Transferring the buyer's view (see business definition of IFRS 3) to the seller's view would result in the seller accounting for the sale of an asset according to IFRS 15. We recommend the IASB to consider a clarification of the intersection between IFRS 10/IFRS 3 and IFRS 15. AFRAC acknowledges that a comprehensive solution for transactions involving corporate wrappers could affect multiple IFRS standards.

Interaction with IFRS 11

AFRAC recognises that, in some industries (e.g., pharmaceutical, software, telecommunication), there are application challenges in determining whether collaborative arrangements (or parts of them) fall under the scope exception of IFRS 15. IFRS 15.5 excludes arrangements according to IFRS 11. Furthermore, IFRS 15.6 excludes settings in which a counterparty contracted with a company to share the risks of an activity or process rather than to obtain the output of the company's ordinary activities. However, depending on the facts and circumstances, the arrangements in such a setting might also embody a customer relationship element and, thus, could still fall (partially) under the scope of IFRS 15 (e.g., if the counterparty meets the definition of a customer for some aspects of the arrangement). Furthermore, only collaborative agreements featuring joint control are addressed in IFRS 11 while other collaboration arrangements are not addressed in the standard. The lack of explicit guidance in analysing arrangements in order to determine whether and to what extent they are within the scope of IFRS 11 or IFRS 15 (or perhaps even outside the scope of both standards) raises major application challenges. This should definitely be addressed by the standard-setter.

We appreciate that in the March 2023 IASB agenda paper, the IASB staff noted questions that had arisen from stakeholders concerning the interaction between IFRS 15 and IFRS 11 in respect of (i) how to determine what is a collaborative arrangement and how to distinguish it from a customer relationship, (ii) how to recognise revenue when no joint control is established and (iii) when neither party is seen as a customer. Moreover, it was noted in the aforementioned IASB agenda paper that the question on accounting for collaborative arrangements was raised in the context of the PIR of IFRS 11. The matter, however, was not included in the 2021 Third Agenda Consultation and the IASB staff recommended its inclusion in a future agenda consultation. Furthermore, it is worth mentioning that, in US-GAAP, ASC 808 Collaborative Arrangements provides guidance on this.

Question 10—Convergence with Topic 606

(a) How important is retaining the current level of convergence between IFRS 15 and Topic 606 to you and why?

AFRAC's response

Question 10

AFRAC generally received positive feedback on the convergence between IFRS 15 and US-GAAP by stakeholders appreciating that it improved the comparability of entities across the globe. For us, the retention of the current level of convergence between IFRS 15 and Topic 606 is not particularly important.

Question 11—Other matters

(a) Are there any further matters that you think the IASB should examine as part of the post-implementation review of IFRS 15? If yes, what are those matters and why should they be examined?

Please explain why those matters should be considered in the context of this post-implementation review and the pervasiveness of any matter raised. Please provide examples and supporting evidence.

AFRAC's response

Question 11

In the responses given above, we have addressed all the matters that AFRAC considers of priority that were not included in the RFI.