

EXPOSURE DRAFT – EFFECTIVE DATE OF IFRS 15 (PROPOSED AMENDMENTS TO IFRS 15) INTERNATIONAL FINANCIAL REPORTING BULLETIN 2015/08



Summary

The International Accounting Standards Board (IASB) has issued ED/2015/2 *Effective Date of IFRS 15* (Proposed amendments to IFRS 15) (the ED) for public comment.

The ED proposes to defer the effective date of IFRS 15 *Revenue from Contracts with Customers* by one year to 1 January 2018. In addition, at its June 2015 meeting the IASB is planning to approve a further Exposure Draft of amendments to clarify certain aspects of IFRS 15.

The proposal to modify the effective date of IFRS 15 is open for comment until 3 July 2015.

Background

IFRS 15 was issued in May 2014 and is substantially converged with corresponding US GAAP guidance issued at the same time by the US standard setter, the Financial Accounting Standards Board (FASB). The publication of the final standard was accompanied by the formation of the IASB and FASB Joint Transition Resource Group for Revenue Recognition (TRG) which aims to inform the IASB and the FASB about potential implementation issues that could arise from the application of IFRS 15.

The FASB has already proposed a one year deferral of the effective date of the corresponding US GAAP guidance (Topic 606), with an option to apply the Standard early in accordance with the original effective date.

The IASB proposes to defer the mandatory first time adoption of IFRS 15 for the following reasons:

- The proposed amendments that are to be published in the future (see above) will affect entities that wish to apply the amendments and the Standard at the same time and may require additional time to implement.
- IFRS 15 was issued later than expected when the IASB set the effective date of the Standard, which reduced the time to implement the new Standard.
- Retaining an aligned effective date with corresponding Topic 606.

Based on the submissions to the TRG, a number of issues have been identified that may lead to diversity in applying IFRS 15 and require further clarification. Accordingly, the IASB plans to issue an additional Exposure Draft later in 2015 with targeted amendments to:

- Clarify the guidance on licenses
- Additional guidance for identifying performance obligations
- Possible guidance on principal versus agent considerations.

STATUS

Exposure Draft

EFFECTIVE DATE

Not applicable

ACCOUNTING IMPACT

Proposed deferral of the mandatory effective date of IFRS 15 to 1 January 2018.

Summary of the proposals

The proposed amendments would defer the effective date of IFRS 15 by one year to annual periods beginning on or after 1 January 2018. Earlier application is still permitted.

The transitional requirements remain unchanged with the option to apply the Standard either fully retrospectively or with a cumulative catch-up adjustment at the date of initial application, being the start of the annual reporting period in which the Standard is first applied.

What the proposals mean

The proposed changes to defer the effective date of IFRS 15 would provide an additional year for entities to prepare for the initial application of the new Standard. Entities are therefore able to increase the quality of initial application by setting up systems and processes further in advance.

In addition to that, the proposed changes are likely to retain alignment of the effective date of IFRS 15 and Topic 606 for public entities under US GAAP, which would reduce the cost of application for entities that report under IFRS and US GAAP (dual reporting).

However, the exposure draft issued by the FASB contains a question of whether, for those entities choosing to apply the new Standard on a retrospective basis, the effective date should be deferred by two years.

What should entities do in response to the ED?

Entities should consider whether the proposed extension would enable them to transition more effectively and efficiently to the new standard, with new systems and processes. Because an option to adopt the new requirements before the mandatory effective date would still be available, for those entities that have already started their conversion projects it may be less expensive to stay with the original timetable of adoption.

Comment period

The proposals are open for comment until 3 July 2015.



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO Member Firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BVBA, BDO International Limited and/or BDO Member Firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent Member Firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Zaventem.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the Member Firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© 2015 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdointernational.com

