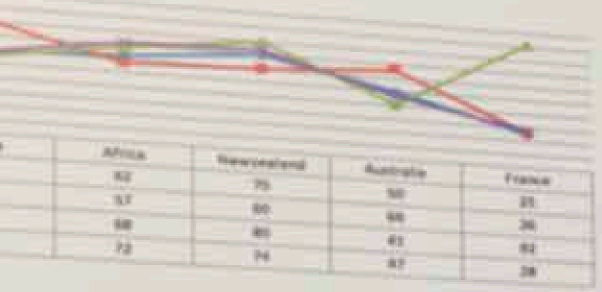

Applying IFRS

Presentation and disclosure requirements of IFRS 15

Updated November 2019

EY
Building a better working world

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What you need to know

- IFRS 15 provides a single source of revenue requirements for all entities in all industries.
- IFRS 15 applies to revenue from contracts with customers. It became effective in 2018 and replaced all of the legacy revenue standards and interpretations in IFRS (legacy IFRS).
- The standard requires detailed disclosures to aid users in understanding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
- Entities may have needed to adjust their processes, controls and systems to capture the necessary data to meet the presentation and disclosure requirements.

1. Introduction and disclosure objective

The largely converged revenue standards, IFRS 15 *Revenue from Contracts with Customers* and Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (together with IFRS 15, the standards), that were issued in 2014 by the International Accounting Standards Board (IASB or the Board) and the US Financial Accounting Standards Board (FASB) (collectively, the Boards) provide accounting requirements for all revenue arising from contracts with customers, unless the contracts are in the scope of other IFRSs or US GAAP requirements, such as those for leases. The standards, which superseded virtually all legacy revenue requirements in IFRS and US GAAP, also specify the accounting for costs an entity incurs to obtain and fulfil a contract to provide goods and services to customers and provide a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property, plant or equipment.

In response to criticism that legacy revenue recognition disclosures were inadequate, the Boards created a comprehensive and coherent set of disclosures. The disclosure requirements affect all entities, even those that had little change to the timing and amount of revenue recognised under the standards on transition. This aspect of the standards presented a significant challenge on transition that may continue to be challenging on an ongoing basis.

The objective of the disclosure requirements in the standards is to provide "sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers". To achieve that objective, entities are required to provide disclosures about their contracts with customers, the significant judgements, and changes in those judgements, used in applying the standards and assets arising from costs to obtain and fulfil its contracts.[1]

While an entity must provide sufficient information to meet the objective, the disclosures described in the standards are not intended to be a checklist of minimum requirements. That is, entities do not need to include disclosures that are not relevant or are not material to them. In addition, an entity does not need to disclose information in accordance with the revenue standards if it discloses that information in accordance with another standard.

Entities are required to consider the level of detail necessary to satisfy the disclosure objective and the degree of emphasis to place on each of the various requirements. The level of aggregation or disaggregation of disclosures requires judgement. Furthermore, entities are required to ensure that useful information is not obscured (by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics).

[1] IFRS 15.110.

How we see it

Entities should review their disclosures in each reporting period to determine whether they have met the standard's disclosure objective to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. For example, some entities may make large payments to customers that do not represent payment for a distinct good or service and, therefore, reduce the transaction price and affect the amount and timing of revenue recognised. Although there are no specific requirements in the standards to disclose balances related to consideration paid or payable to a customer, an entity may need to disclose qualitative and/or quantitative information about those arrangements to meet the objective of the disclosure requirements if the amounts are material.

This publication provides a summary of the presentation and disclosure requirements in the IASB's standard, IFRS 15, on an ongoing basis. It also illustrates possible formats entities could use to disclose information required by IFRS 15 using real-life and/or illustrative examples.

Extracts from financial statements presented in this publication are reproduced for illustrative purposes. They have not been subject to any review on their compliance with IFRS or any other requirements, such as local capital market rules. This publication documents practices that entities have developed and the extracts presented here are not intended to represent 'best practice'. We also remind readers that the extracts presented should be read in conjunction with the rest of the information provided in the financial statements in order to understand their intended purpose.

This publication supplements our *Applying IFRS*, *A closer look at IFRS 15, the revenue recognition standard*[2] (general publication) and should be read in conjunction with it.

While entities have adopted the standard, application issues may continue to arise. Accordingly, the views we express in this publication may evolve as additional issues are identified. The conclusions we describe in our illustrations are also subject to change as views evolve. Conclusions in seemingly similar situations may differ from those reached in the illustrations due to differences in the underlying facts and circumstances.

Please see ey.com/IFRS for our most recent revenue publications.

[2] The most up-to-date version of this publication is available at www.ey.com/IFRS.

2. What's changed from legacy IFRS?

IFRS 15 provides explicit presentation and disclosure requirements that are more detailed than under legacy IFRS and increase the volume of required disclosures that entities have to include in their interim and annual financial statements. Many of the requirements involve information that entities did not disclose under legacy IFRS.

In practice, the nature and extent of changes to an entity's financial statements depended on a number of factors, including, but not limited to, the nature of its revenue-generating activities and level of information it had previously disclosed. Nevertheless, the following table summarises, at a high level, the types of changes in disclosures when IFRS 15 was adopted. Please note that this is not an exhaustive list.

IFRS 15 requirements	Legacy disclosures	Changes
Disaggregated revenue (IFRS 15.114 – 115)	Revenue by segment and by significant category in accordance with IFRS 8 *Operating Segments*	▸ Further disaggregation within segments ▸ Disaggregation by multiple categories
Contract balances (IFRS 15.116 – 118)	Voluntary discussion of significant work in progress and deferred revenue in the notes or elsewhere (e.g., Management Discussion & Analysis (MD&A))	▸ Additional quantitative requirements for contract balances ▸ More prescriptive requirements for narrative discussion ▸ Applies to all contract balances
Performance obligations (IFRS 15.119 – 120)	Voluntary discussion of 'backlog' in the notes or elsewhere (e.g., MD&A)	▸ Disclosures for all unsatisfied performance obligations at the reporting date (when not applying the practical expedient) ▸ Only includes amounts included in the transaction price
Significant judgements (IFRS 15.123 – 126)	General requirements for disclosures of significant judgements in accordance with IAS 1.122	▸ Narrative and quantitative disclosures about judgements used when determining timing and measurement of revenue recognition

IFRS 15 requirements	Legacy disclosures	Changes
Assets recognised from the costs to obtain or fulfil a contract (IFRS 15.127 – 128)	No explicit requirements	▸ Narrative and quantitative disclosures about the balances and amortisation (including impairment losses) of contract costs assets
Accounting policy disclosures (IAS 1.117)	Requirement to disclose significant accounting policies	▸ No change to requirement, but entities had to reassess their accounting policy disclosures.

Not all of the presentation and disclosure requirements relevant to contracts with customers are contained within IFRS 15. For example, entities still need to comply with existing requirements in IAS 1 *Presentation of Financial Statements* and IAS 34 *Interim Financial Reporting*.

As part of adoption of IFRS 15, entities also needed to reassess their accounting policy disclosures in accordance with IAS 1.[3] Under legacy IFRS, entities provided brief and, sometimes, boilerplate disclosures of the policies in respect of revenue recognition. The brevity may have been due, in part, to the limited nature of the guidance provided in legacy revenue recognition requirements. Given the complexity of the requirements in IFRS 15, the policies that apply to revenues and costs within the scope of the standard are also more challenging to explain and require entities to provide more tailored and detailed disclosures.

How we see it

IFRS 15 significantly increased the volume of disclosures required in entities' financial statements, particularly annual financial statements.

Entities had to expend additional effort when initially preparing the required disclosures for their interim and annual financial statements. For example, some entities operating in multiple segments with many different product lines may have found it challenging to gather the data needed to provide the disclosures. We believe it is important for entities to have the appropriate systems, internal controls, policies and procedures in place to collect and disclose the required information on an ongoing basis. This will also enable entities to re-evaluate their disclosures on an ongoing basis as their circumstances change.

[3] IAS 1.117.

3. Presentation within the primary financial statements

3.1 Revenue from contracts with customers

Entities are required to present in the statement of comprehensive income, or disclose within the notes, the amount of revenue recognised from contracts with customers separately from other sources of revenue.[4]

IFRS 15 only applies to a subset of total revenue (i.e., revenue from contracts with customers).[5] IFRS 15 defines revenue as "Income arising in the course of an entity's ordinary activities", but the standard excludes some revenue contracts from its scope (e.g., leases).[6] According to the 2010 *Conceptual Framework for Financial Reporting*, revenue arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent".[7] IFRS 15 does not explicitly require an entity to use the term 'revenue from contracts with customers'. Therefore, entities might use a different terminology in their financial statements to describe revenue arising from transactions that are within the scope of IFRS 15. However, entities should ensure the terms used are not misleading and allow users to distinguish revenue from contracts with customers from other sources of revenue.

Refer to section 4.1 of this publication for discussion on the requirement to disclose disaggregated revenue.

Slater and Gordon Limited presented revenue from contracts with customers that are within the scope of IFRS 15 in its consolidated statement of profit or loss and other comprehensive income in the 2018 annual financial statements separately from other income.

Practical example 3.1a: Slater and Gordon Limited (2018) *Australia*

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 $'000	Restated[(1)] 2017 $'000
Revenue			
Fee revenue		162,166	194,024
Net movement in work in progress		(2,916)	(12,551)
Revenue from contracts with customers	3.1	**159,250**	**181,473**
Other income		1,026	1,541
Total revenue and other income		**160,276**	**183,014**

[4] IFRS 15.113(a).
[5] IFRS 15.BC28
[6] IFRS 15, Appendix A, and IFRS 15.5.
[7] 2010 *Conceptual Framework for Financial Reporting*, paragraph 4.29 (which applied when IFRS 15 was issued). See paragraph BC4.96 of the 2018 *Conceptual Framework for Financial Reporting;* when effective (for annual periods beginning of or after 1 January 2020), the 2018 *Conceptual Framework for Financial Reporting* will no longer contain a discussion about revenue and gains and losses. However, the definition of revenue in IFRS 15 will remain unchanged. The IASB does not expect the removal of that discussion to cause any changes in practice.

In its 2018 annual financial statements, The Village Building Co. Limited presented a combined revenue number on the face of the consolidated income statement which includes revenue recognised from contracts with customers in accordance with IFRS 15 and other revenue (e.g., rental income, dividends) in the same line item. It then presented customer contract revenues separately from other sources of revenue, in note 2.

Practical example 3.1b: The Village Building Co. Limited (2018) *Australia*

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018	2017
		$'000	$'000
Revenue	2	140,531	147,826
Cost of sales	3	(103,563)	(107,235)

…

NOTE 2. REVENUE

	2018	2017
	$'000	$'000
CUSTOMER CONTRACT REVENUES		
Land, house & land and units	133,216	142,733
Project management fees	-	19
	133,216	**142,752**
Trading income – retail sales (Big Banana)	6,104	3,532
OTHER REVENUE		
Dividends	28	21
Gain on Big Banana acquisition	-	623
Unrealised gain on investments	27	149
Rental income	167	298
Re-measurement of investment prior to business purchase	-	92
Other revenue	989	359
	7,315	**5,074**
Total Revenue	**140,531**	**147,826**

Ferrovial, S.A. has applied a different approach by disclosing the amounts relating to contracts with customers in a narrative within the notes.

Practical example 3.1c: Ferrovial, S.A. (2018) *Spain*

NOTES ON PROFIT/(LOSS) FOR CONTINUING OPERATIONS

2.1. Operating income

The detail of the Group's operating income at 31 December 2018 is as follows:

(Millions of euros)	2018	2017
Revenue	5,737	5,152
Other operating income	2	1
Total operating income	**5,738**	**5,154**

The Group's revenue at 31 December 2018 relating to contracts with customers amounted to EUR 5,534 million (see Note 4.4).

Revenue within the scope of IFRS 15 may not be the main source of revenue for some entities (e.g., banks and other financial entities). UBS Group AG separately presented a line item for "Fee and commission income", which is within the scope of IFRS 15 and disclosed its disaggregation in note 4. Refer to section 4.1 for further discussion of disclosure of disaggregated revenue.

Practical example 3.1d: UBS Group AG (2018) *Switzerland*

Audited |

Income statement

		For the year ended		
USD million	Note	31.12.18	31.12.17	31.12.16
Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income	3	10,100	10,422	10,379
Interest expense from financial instruments measured at amortized cost	3	(6,391)	(5,404)	(4,976)
Interest income from financial instruments measured at fair value through profit or loss	3	6,968	4,056	3,579
Interest expense from financial instruments measured at fair value through profit or loss	3	(4,653)	(2,418)	(2,495)
Net interest income	3	6,025	6,656	6,487
Other net income from fair value changes on financial instruments	3	5,984	5,065	5,023
Credit loss (expense) / recovery	23	(118)	(131)	(38)
Fee and commission income	4	19,598	19,362	18,374
Fee and commission expense	4	(1,703)	(1,840)	(1,781)
Net fee and commission income	4	17,895	17,522	16,593
Other income	5	427	511	663
Total operating income		30,213	29,622	28,729

Practical example 3.1d: UBS Group AG (2018) (cont'd) *Switzerland*

Note 4 Net fee and commission income[1]

	For the year ended		
USD million	**31.12.18**	31.12.17	31.12.16
Underwriting fees	**811**	1,003	739
of which: equity underwriting fees	***431***	*573*	*356*
of which: debt underwriting fees	***380***	*429*	*383*
M&A and corporate finance fees	**768**	698	742
Brokerage fees	**3,521**	3,820	3,802
Investment fund fees	**4,954**	4,322	4,265
Portfolio management and related services	**7,756**	7,666	7,069
Other	**1,786**	1,854	1,757
Total fee and commission income[2]	**19,598**	19,362	18,374
of which: recurring	***12,911***		
of which: transaction-based	***6,594***		
of which: performance-based	***93***		
Brokerage fees paid	**316**	673	769
Other	**1,387**	1,167	1,013
Total fee and commission expense	**1,703**	1,840	1,781
Net fee and commission income	**17,895**	17,522	16,593
of which: net brokerage fees	***3,205***	*3,147*	*3,033*

1 Upon adoption of IFRS 15, certain brokerage fees paid in an agency capacity have been reclassified from Fee and commission expense to Fee and commission income on a prospective basis from 1 January 2018, primarily relating to third-party execution costs for exchange-traded derivative transactions and fees payable to third-party research providers on behalf of clients. In addition to the IFRS 15 changes, certain revenues, primarily distribution fees and fund management fees, have been reclassified between reporting lines to better reflect the nature of the revenues, with prior-period information restated accordingly. This resulted in the following effects: For the year ended 31 December 2017, USD 316 million was reclassified from Underwriting fees to Brokerage fees and USD 1,040 million was reclassified from Portfolio management and related services to Investment fund fees. For the year ended 31 December 2016, USD 220 million was reclassified from Underwriting fees to Brokerage fees and USD 1,061 million was reclassified from Portfolio management and related services to Investment fund fees. Also, certain expenses that are incremental and incidental to revenues have been reclassified prospectively from General and administrative expenses to Fee and commission expense to improve the alignment of transaction-based costs with the associated revenue stream, primarily affecting clearing costs, client loyalty costs, fund and custody expenses. As the effect of this reclassification was not material, prior-period information was not restated. 2 Reflects third-party fee and commission income of USD 12,059 million for Global Wealth Management, USD 3,525 million for the Investment Bank, USD 2,579 million for Asset Management, USD 1,338 million for Personal & Corporate Banking and USD 97 million for Corporate Center.

Unless required, or permitted, by another standard, IAS 1 does not permit offsetting of income and expenses within profit or loss or the statement of comprehensive income.[8]

When applying the requirements for determining the transaction price in IFRS 15, revenue recognised by an entity may include offsets, for example, for any trade discounts given and volume rebates paid by the entity to its customer. In the ordinary course of business, an entity may undertake other transactions that do not generate revenue, but are incidental to the main revenue-generating activities. When this presentation reflects the substance of the transaction or other event, IAS 1 requires an entity to present "the results of such transactions […] by netting any income with related expenses arising on the same transaction".[9] An example given in IAS 1 is presenting gains and losses on the disposal of non-current assets by deducting from the amount of consideration on disposal, the carrying amount of the asset and related selling expenses.[10]

3.2 Contract balances

The standard requires an entity to present the following items separately in the statement of financial position:[11]

- *Contract asset*: An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer
- *Contract liability*: An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer
- *Receivable*: An entity's right to consideration that is unconditional (only the passage of time is required before payment of that consideration is due).

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8 IAS 1.32.
9 IAS 1.34.
10 IAS 1.34(a).
11 IFRS 15.105-107.

In its 2018 annual financial statements, Bombardier Inc. presented these amounts separately using the terminology from the standard for contract assets and liabilities.

Practical example 3.2a: Bombardier Inc. (2018) *Canada*

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at
(in millions of U.S. dollars)

	Notes	**December 31 2018**	December 31 2017 *restated* [(1)]	January 1 2017 *restated* [(1)]
Assets				
Cash and cash equivalents	16	**$ 3,187**	$ 2,988	$ 3,384
Trade and other receivables	17	**1,575**	1,174	1,220
Contract assets	18	**2,617**	2,460	1,631
Inventories	19	**4,402**	3,429	4,286
Other financial assets	21	**210**	415	336
Other assets	22	**357**	427	427
Assets held for sale	31	**—**	4,150	—
Current assets		**12,348**	15,043	11,284
…				
Liabilities				
Trade and other payables	26	**$ 4,634**	$ 3,964	$ 3,045
Provisions	27	**1,390**	1,630	1,542
Contract liabilities	18	**4,262**	3,820	3,840
Other financial liabilities	28	**607**	342	608
Other liabilities	29	**1,499**	1,723	1,634
Liabilities directly associated with assets held for sale	31	**—**	2,686	—

The standard allows an entity to use alternative descriptions in the statement of financial position. However, an entity must disclose sufficient information so that users of the financial statements can clearly distinguish between unconditional rights to receive consideration (receivables) and conditional rights to receive consideration (contract assets).[12] In practical example 3.2b, Ferrovial S.A. illustrated the use of such an approach, using alternative terminology, but explaining, in its accounting policy note, how those terms align with the terms used within the revenue standard. The entity also indicated in which line item it has included these balances within the statement of financial position (i.e., "Trade receivables for sales and services"). In note 4.2, Ferrovial, S.A. disaggregated the line item presented in the statement of financial position and disclosed contract assets (i.e., "amounts to be billed for work performed") separately from its receivables.

[12] IFRS 15.109.

Practical example 3.2b: Ferrovial, S.A. (2018)	Spain

Amounts to be billed for work performed/ amounts billed in advance for construction works

Unlike the method used to recognise revenues, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document referred to as a certificate of completion. Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In contracts in which the transfer of goods or services to the customer exceeds the amount billed or certified, the difference is recognised in an asset account entitled "Amounts to be billed for work performed" (since it is an asset under the contract), in the section "Trade receivables for sales and services", while in contracts in which the transfer of goods is lower than the amount billed or certified, the difference is recognised in a liability account entitled "Amounts billed in advance for construction work" (since it is a liability under the contract), in the section "Short-term trade and other payables".

4.2 SHORT-TERM TRADE AND OTHER RECEIVABLES

...

a) Trade receivables for sales and services

The detail of "Balances with customers" at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	IFRS 9	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Customers	*1,483*	*0*	*-11*	*21*	*-29*	*-795*	*669*
Impairment provisions for trade receivables	*-276*	*-1*	*1*	*0*	*4*	*45*	*-227*
Net trade receivables	*1,207*	-1	-10	21	-25	-750	442
Net amounts to be billed for work performed	713	0	-15	37	150	-612	273
Withholdings as security	112	0	0	-1	-8	-17	86
TRADE RECEIVABLES FOR SALES AND SERVICES	**2,032**	**-1**	**-25**	**57**	**117**	**-1,379**	**801**

Entities are required to disclose impairment losses from contracts with customers separately from other impairment losses, either in the statement of comprehensive income or in the notes.[13] Refer to section 10.1 of the general publication for further discussion.

3.2.1 Current versus non-current presentation

Unless an entity presents its statement of financial position on a liquidity basis, it needs to present assets or liabilities arising from contracts within the scope of IFRS 15 as current or non-current in the statement of financial position. IFRS 15 does not provide guidance on making this determination. Rather, entities need to consider the requirements in IAS 1.

The distinction between current and non-current items depends on the length of the entity's operating cycle. IAS 1 states that the operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. However, when the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.[14] IAS 1 does not provide guidance on how to determine whether an entity's operating cycle is 'clearly identifiable'. For some entities, the time involved in producing goods or providing services may vary significantly between contracts with one customer to another. In such cases, it may be difficult to determine what the normal operating cycle is. Therefore, management will need to consider all facts and circumstances and use judgement to determine whether it is appropriate to consider that the operating cycle is clearly identifiable, or whether to use the twelve-month default.

In its 2018 annual financial statements, Fédération Internationale de Football Association (FIFA) split contract liabilities between current and non-current in its consolidated balance sheet and used the terms from the standard:

Practical example 3.2.1: Fédération Internationale de Football Association (FIFA) (2018) *Switzerland*

CONSOLIDATED BALANCE SHEET

in TUSD	Note	31 Dec 2018	31 Dec 2017
...			
Liabilities and reserves			
Payables	22	116,745	130,081
Derivative financial liabilities	28	6,220	12,681
Contract liabilities	24	258,048	2,392,143
Accrued expenses	23	785,767	520,333
Current liabilities		**1,166,780**	**3,055,238**
Contract liabilities	24	80,165	89,309
Accrued expenses	23	102,221	70,638
Post-employment benefit obligation	29	78,996	74,333
Derivative financial liabilities	28	386	322
Provisions	25	215,392	197,000
Non-current liabilities		**477,160**	**431,602**
Total liabilities		**1,643,940**	**3,486,840**

[13] IFRS 15.107, 113(b).
[14] IAS 1.68, 70.

3.2.2 Other presentation considerations

Contract assets and liabilities should be determined at the contract level and not at the performance obligation level. As such, an entity would not separately recognise an asset or liability for each performance obligation within a contract, but would aggregate them into a single contract asset or liability.[15] Contract asset or contract liability positions are determined for each contract on a net basis. This is because the rights and obligations in a contract with a customer are interdependent – the right to receive consideration from a customer depends on the entity's performance and, similarly, the entity performs only as long as the customer continues to pay.[16] In practical example 4.2b, Airbus SE mentioned in its accounting policies for contract balances that "net contract assets and contract liabilities are determined for each contract separately".

If an entity is required by IFRS 15 to combine contracts with the same customer (or a related party of the customer), the contract assets or liabilities would be combined (i.e., presented net). When two or more contracts are required to be combined under the standard, the rights and obligations in the individual contracts are interdependent.[17] This may be operationally difficult for entities if their systems are designed to capture data at the performance obligation level in order to comply with the recognition and measurement aspects of the standard.

Since IFRS 15 does not provide requirements for offsetting, entities will need to apply the requirements of other standards (e.g., IAS 1, IAS 32 *Financial Instruments: Presentation*) to determine whether it is appropriate to offset contract assets and liabilities against other balance sheet items (e.g., accounts receivable).[18]

Refer to Questions 10-1, 10-2 and 10-3 in section 10.1 of the general publication for further discussion.

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[15] TRG Agenda paper no. 7, *Presentation of a contract as a contract asset or a contract liability*, dated 31 October 2014.

[16] IFRS 15.BC317.

[17] TRG Agenda paper no. 7, *Presentation of a contract as a contract asset or a contract liability*, dated 31 October 2014.

[18] TRG Agenda paper no. 7, *Presentation of a contract as a contract asset or a contract liability*, dated 31 October 2014.

3.3 Assets recognised from the costs to obtain or fulfil a contract

If an entity recognises incremental costs of obtaining the contract and/or costs to fulfil a contract as assets in accordance with the requirements in IFRS 15, the standard requires that such assets are presented separately from contract assets and contract liabilities in the statement of financial position or disclosed separately in the notes to the financial statements.[19]

The standard is silent on the classification of contract cost assets and the related amortisation. Therefore, entities will need to develop an appropriate accounting policy. In doing so, we believe that costs to obtain a contract and costs to fulfil a contract need to be considered separately for the purpose of presentation in financial statements.

Considering the nature of costs to obtain a contract and the lack of guidance in IFRS, we believe an entity may choose to present these costs as either:

- A separate class of asset (similar in nature to work in progress, or 'inventory') in the statement of financial position and its amortisation within cost of goods sold, changes in contract costs or similar

Or

- A separate class of intangible assets in the statement of financial position and its amortisation in the same line item as amortisation of intangible assets within the scope of IAS 38 *Intangible Assets*

In addition, the entity needs to consider the requirements in IAS 7 *Statement of Cash Flows*, in particular IAS 7.16(a), when determining the classification of cash flows arising from costs to obtain a contract, i.e., either as cash flows from operating activities or financing activities.

In contrast, the nature of costs to fulfil a contract is such that they directly affect the entity's performance under the contract. Therefore, costs to fulfil a contract should be presented as a separate class of asset in the statement of financial position and its amortisation within cost of goods sold, changes in contract costs or similar.

Whether costs to fulfil a contract meet the criteria for capitalisation in IFRS 15.95 or are expensed as incurred, we believe that presentation of such costs in the statement of profit and loss and other comprehensive income and the presentation of related cash flows in the statement of cash flows needs to be consistent.

Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in profit or loss, but the standard is silent on where to present such amounts within the primary financial statements. We believe it would be appropriate for the presentation of any impairment losses to be consistent with the presentation of the amortisation expense.

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[19] IFRS 15.116(a).

Capita plc presented capitalised costs to fulfil a contract as a separate class of asset in its consolidated balance sheet. The portion relating to contracts for which performance obligations are expected to be satisfied within 12 months from the end of the reporting period is classified as current. As disclosed in note 2, "Summary of significant accounting policies" (see practical example 4.5), Capita plc presented the amortisation of capitalised costs to fulfil, as well as any impairment losses, within cost of sales.

Practical example 3.3: Capita plc (2018) *United Kingdom*

Consolidated balance sheet

As at 31 December 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	13	**213.6**	219.3
Intangible assets	14,15	**1,587.7**	1,812.1
Contract fulfilment assets	17	**264.2**	252.5
Financial assets	18	**109.1**	132.3
Deferred taxation	10	**144.6**	159.3
Trade and other receivables	19	**26.2**	28.0
		2,345.4	2,603.5

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19 Trade and other receivables

Current	2018 £m	2017 £m
Trade receivables	**435.6**	379.5
Other receivables	**29.4**	26.9
Contract fulfilment assets	**11.1**	39.4
Accrued income	**182.9**	207.7
Prepayments	**112.7**	122.3
	771.7	775.8

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Current contract fulfilment assets are costs directly related to a contract or to a specifically identifiable anticipated contract which will be used in satisfying performance obligations in the next 12 months from the balance sheet date.

Refer to section 4.5 of this publication for disclosure requirements for such assets, and section 9 of the general publication for further discussion on contract costs.

3.4 Assets and liabilities arising from rights of return

An entity may recognise refund liabilities and an asset for the right to recover products on settling that liability. The standard requires an entity to present the refund liability separately from the corresponding asset (i.e., on a gross basis, rather than a net basis).[20] While the standard does not explicitly state this, we believe that the return asset would generally be presented separately from inventory.

Refer to section 5.4 of the general publication for further discussion.

Salvatore Ferragamo presented refund liabilities and right of return assets as separate line items in its consolidated statement of financial position. The related accounting policies were disclosed in note 2 of the consolidated financial statements.

Practical example 3.4: Salvatore Ferragamo S.p.A. (2018) *Italy*

Consolidated statement of financial position – assets

(In thousands of Euro)	Notes	31 December 2018	*of which with related parties*	31 December 2017	*of which with related parties*
CURRENT ASSETS					
Inventories	10	362,948		325,516	
Right of return assets	11	2,831		-	
Trade receivables	12	142,905	*143*	148,583	*116*
Tax receivables	13	21,851		27,654	
Other current assets	14	42,166	*10,389*	67,556	*21,576*
Other current financial assets	15	1,080		341	
Cash and cash equivalents	16	207,710		212,088	
TOTAL CURRENT ASSETS		**781,491**	***10,532***	**781,738**	***21,692***

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Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	Notes	31 December 2018	*of which with related parties*	31 December 2017	*of which with related parties*
CURRENT LIABILITIES					
Trade payables	23	210,293	*342*	203,613	*440*
Refund Liabilities	24	4,832		-	
Interest-bearing loans & borrowings	25	20,939		66,529	
Tax payables	26	19,507		19,772	
Other current liabilities	27	38,279	*1,084*	33,269	*1,527*
Other current financial liabilities	28	2,959		3,502	
TOTAL CURRENT LIABILITIES		**296,809**	***1,426***	**326,685**	***1,967***

2. Basis of presentation

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Accounting standards

General notes

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Right of return assets

A right of return asset represents the Group's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Group regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund Liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Group expects to be refunded to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

[20] IFRS 15.B25.

3.5 Significant financing components

When a significant financing component exists in a contract, there are two components: a revenue component (for the notional cash sales price); and a significant financing component (for the effect of the deferred or advance payment terms).[21] The amount allocated to the significant financing component is presented separately from revenue recognised from contracts with customers. The financing component is presented as interest expense (when the customer pays in advance) or interest income (when the customer pays in arrears).[22] The IASB noted in the Basis for Conclusions that an entity presents interest income as revenue only when it represents income from an entity's ordinary activities.[23]

In its 2018 annual financial statements, Bombardier Inc. presented the financing component arising from customers' advance payments separately from revenue and included it as part of financing expense.

Practical example 3.5a: Bombardier Inc. (2018) *Canada*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Revenue recognition

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The Corporation accounts for a significant financing component on orders where timing of cash receipts and revenue recognition differ substantially. Most of the Corporation's contracts do not have a significant financing component. However, there are certain orders in the Business Aircraft segment where advances were received well before expected delivery and therefore a financing component has been accounted for separately. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

10. FINANCING EXPENSE AND FINANCING INCOME

Financing expense and financing income were as follows, for fiscal years:

	2018	2017 [(1)]
Financing expense		
Accretion on net retirement benefit obligations	$ **65**	$ 78
Accretion on other financial liabilities	**58**	59
Net loss on certain financial instruments[(2)]	**53**	102
Loss on sale of long-term contract receivables[(3)]	**31**	—
Accretion on provisions	**27**	22
Accretion on advances[(4)]	**18**	21
Amortization of letter of credit facility costs	**16**	17
Tax litigation[(5)]	**—**	11
Loss on repurchase of long-term debt[(6)]	**—**	23
Other	**91**	103
	359	436
Interest on long-term debt, after effect of hedges	**353**	365
	$ **712** [(7)]	$ 801 [(7)]

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[(4)] Represents adjustments to transaction prices for certain orders with a significant financing component due to a significant delay between timing of cash receipt and revenue recognition.

Although there are two components within the transaction price when there is a significant financing component (i.e., the revenue component and the significant financing component), it is only in the case of deferred payment terms that there are two cash flow components. In that case, the revenue component cash flows should be classified as cash flows from operating activities, and the cash flows related to the significant financing component should be classified consistent with the entity's choice to present cash flows from interests received/paid in accordance with IAS 7.33 (i.e., as cash flows from operating or investing/financing activities). If the customer pays in advance, the sum of the cash amount and the accrued interest represent revenue, and thus there is only one cash flow component. Accordingly, the cash received should be classified as cash flows from operating activities.

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21 IFRS 15.BC244.
22 IFRS 15.65.
23 IFRS 15.BC247.

Impairment losses on receivables, with or without a significant financing component, are presented in line with the requirements of IAS 1 and disclosed in accordance with IFRS 7 *Financial Instruments: Disclosures*. However, as discussed in section 3.2, IFRS 15 makes it clear that such amounts are disclosed separately from impairment losses from other contracts.[24] Refer to section 5.5.2 of the general publication for further discussion.

Bombardier Inc. provided disclosure of impairment losses recognised on its contracts with customers in note 18.

Practical example 3.5b: Bombardier Inc. (2018) *Canada*

18. CONTRACT BALANCES

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Impairment losses recognized were as follows for fiscal years:

	2018	2017
Impairment losses recognized on:		
Receivables arising from:		
Production contracts	$ (22)	$ (28)
Service contracts	(1)	(1)
	$ (23)	$ (29)

How we see it

We believe entities may need to expend additional effort to track impairment losses on assets arising from contracts that are within the scope of IFRS 15 separately from impairment losses on assets arising from other contracts. Entities need to ensure that they have the appropriate systems, internal controls, policies and procedures in place to collect and separately present this information.

[24] IFRS 15.113(b).

4. Disclosures within the notes to the financial statements

4.1 Disaggregation of revenue

The standard includes the following disclosure requirements in relation to the disaggregation of revenue:

Disclosure requirements IFRS 15		
Quantitative	▸ Disaggregated revenue by categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors	IFRS 15.114
	▸ If the entity applies IFRS 8 *Operating Segments*, an entity must disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment	IFRS 15.115

While the standard does not specify precisely how revenue should be disaggregated, the application guidance indicates that the most appropriate categories for a particular entity will depend on its facts and circumstances.[25] When selecting a category to use to disaggregate revenue, entities should consider how revenue is disaggregated for other purposes, including:

- How it discloses revenue in other communications (e.g., press releases, other public filings)
- How information is regularly reviewed by the chief operating decision maker to evaluate the financial performance of operating segments (in accordance with IFRS 8)
- How other information is used by the entity, or users of the financial statements, to evaluate financial performance or make resource allocation decisions

In addition, entities need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful for their businesses.

[25] IFRS 15.B88.

Examples of categories might include, but are not limited, to the following[26] (also refer to section 10.5.1 of the general publication):

Category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: ▸ At a point in time ▸ Over time
Sales channels	Goods sold: ▸ Directly to consumers ▸ Through intermediaries

We believe that, when determining categories for disaggregation of revenue, entities need to analyse specific risk factors for each of their revenue streams to determine the appropriate level of revenue disaggregation that will be beneficial to users of the financial statements. If certain risk factors could lead to changes in the nature, amount, timing and uncertainty of revenue recognition and cash flows, those factors will need to be considered as part of the evaluation.

IFRS 15 provides the following example to illustrate how an entity might disclose its disaggregated revenue:

Extract from IFRS 15

Example 41 — Disaggregation of revenue—quantitative disclosure (IFRS 15.IE210-IE211)

An entity reports the following segments: consumer products, transportation and energy, in accordance with IFRS 8 *Operating Segments*. When the entity prepares its investor presentations, it disaggregates revenue into primary geographical markets, major product lines and timing of revenue recognition (ie goods transferred at a point in time or services transferred over time).

The entity determines that the categories used in the investor presentations can be used to meet the objective of the disaggregation disclosure requirement in paragraph 114 of IFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following table illustrates the disaggregation disclosure by primary geographical market, major product line and timing of revenue recognition, including a reconciliation of how the disaggregated revenue ties in with the consumer products, transportation and energy segments, in accordance with paragraph 115 of IFRS 15.

[26] IFRS 15.B89.

Extract from IFRS 15 (cont'd)

Segments	Consumer products	Transport	Energy	Total
	CU	CU	CU	CU
Primary geographical markets				
North America	990	2,250	5,250	8,490
Europe	300	750	1,000	2,050
Asia	700	260	-	960
	1,990	3,260	6,250	11,500
Major goods/service lines				
Office Supplies	600	-	-	600
Appliances	990	-	-	990
Clothing	400	-	-	400
Motorcycles	-	500	-	500
Automobiles	-	2,760	-	2,760
Solar Panels	-	-	1,000	1,000
Power Plant	-	-	5,250	5,250
	1,990	3,260	6,250	11,500
Timing of revenue recognition				
Goods transferred at a point in time	1,990	3,260	1,000	6,250
Services transferred over time	-	-	5,250	5,250
	1,990	3,260	6,250	11,500

Since entities are encouraged to tailor their disclosure of disaggregated revenue, they are unlikely to follow a single approach.

Consistent with the approach illustrated in the Extract from IFRS 15 above, some entities provided disaggregated revenue information within their segment reporting disclosure. As shown in practical example 4.1a, Capita plc disclosed both revenue by major product line and segment revenue by contract type in its segment note (note 6) within its 2018 annual financial statements. In the summary of significant accounting policies, it specifically stated that this approach is consistent with the objective of the disclosure requirement and explained the differences in the terminology used in previous financial statements.

The segment revenue disclosures provided in accordance with IFRS 8 might be based on non-GAAP information (i.e., the revenue that is reported to the chief operating decision maker may be calculated on a basis that is not in accordance with IFRS 15). In such a situation, an entity may need to disclose additional information to meet the objective in IFRS 15.114.[27]

[27] IFRS 15.BC340

Practical example 4.1a: Capita plc (2017) *United Kingdom*

2 Summary of significant accounting policies

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The Group disaggregates revenue from contracts with customers by contract type, as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. Categories are: 'long-term contractual – greater than two years'; and 'short-term contractual – less than two years'. Years based from service commencement date.

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6 Segmental information

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Year ended 31 December 2018	Notes	Software £m	People Solutions £m	Customer Management £m	Government Services £m	IT & Networks £m	Specialist Services £m	Group trading and central services £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations											
Long-term contractual		353.9	295.2	563.6	647.4	296.5	601.0	13.8	2,771.4	3.2	2,774.6
Short-term contractual		34.7	38.0	228.7	4.7	55.3	201.3	24.5	587.2	47.6	634.8
Transactional (point in time)		7.8	165.1	1.9	93.4	52.2	189.9	(1.3)	509.0	—	509.0
Total segment revenue		396.4	498.3	794.2	745.5	404.0	992.2	37.0	3,867.6	50.8	3,918.4
Trading revenue		447.4	649.4	904.3	758.5	636.8	1,087.0	81.2	4,564.6	—	4,564.6
Inter-segment revenue		(51.0)	(151.1)	(110.1)	(13.0)	(232.8)	(94.8)	(44.2)	(697.0)	—	(697.0)
Total adjusted segment revenue		396.4	498.3	794.2	745.5	404.0	992.2	37.0	3,867.6	—	3,867.6
Business exits – trading	4	—	—	—	—	—	50.8	—	—	50.8	50.8
Total segment revenue		396.4	498.3	794.2	745.5	404.0	1,043.0	37.0	—	—	3,918.4

SNCF Mobilités disclosed disaggregated revenue by main types of services provided, by type of customer, and by timing of transfer of services in the revenue note (note 3.2) in its 2018 annual financial statements. The disaggregated revenue table in practical example 4.1b included a column for SNCF Mobilités' reportable segments and the amount of total revenue was reconciled with the total revenue disclosed in the segment note. This is important because it helps users to understand the relationship between the disclosure of disaggregated revenue in the revenue note and the revenue information that is disclosed for each reportable segment in the segment note.

Practical example 4.1b: SNCF Mobilités (2018) *France*

3.2 REVENUE

SNCF Mobilités Group generates revenue from services provided at a point-in-time or continuously over a certain period to public or private individuals under the following main service lines:

In € millions	31/12/2018	31/12/2017*	Change	Segments
Revenue generated from Voyages' transportation activities	6,868	6,874	-7	Voyages SNCF
Revenue generated from freight transport activities	6,860	7,073	-212	SNCF Logistics
Other related transport activities	2,866	2,944	-78	Voyages SNCF, SNCF Logistics
Compensation collected from the Transport Organising Authorities in connection with regulated activities	12,967	12,947	20	SNCF Transilien & TER, Keolis, Intercités
Revenue generated from station management	516	493	23	SNCF Gares & Connexions
Real estate leasing revenue (excluding rental payments generated by stations)	161	169	-8	SNCF Logistics, Voyages SNCF, Corporate
Transport equipment leasing revenue	327	317	10	SNCF Logistics, SNCF Transilien & TER, Keolis
Upkeep and maintenance services	223	229	-6	All segments
Other revenue	892	785	108	All segments
Revenue by main provided services	**31,681**	**31,831**	**-150**	
Public sector customers (government authorities)	13,319	13,090	230	
Private individuals	6,895	7,063	-168	
Private sector companies	11,467	11,678	-211	
Revenue by customer type	**31,681**	**31,831**	**-150**	
Point-in-time or one-day transfer	8,324	8,601	-277	
Over-time transfer over a period of less than one year (logistics, freight transport and compensation from OA)	22,469	22,342	127	
Over-time transfer over a period of more than one year (real estate activities, certain station management activities, etc.).	889	888	1	
Revenue by timing of recognition	**31,681**	**31,831**	**-150**	

* The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.2.1).

Slater and Gordon Limited included segment disclosures in note 2, but also separately disclosed disaggregated revenue by major product line within its segment note and type of contract in the revenue note (note 3.1) in its 2017 annual financial statements:

Practical example 4.1c: Slater and Gordon Limited (2017) *Australia*

Note 2: Segment Reporting

	AUS		SGL UK		SGS		TOTAL	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue								
Fee and services revenue	**226,747**	265,629	**157,784**	229,958	**268,773**	437,201	**653,304**	932,788
Movement in WIP	**(15,474)**	(27,848)	**(16,570)**	(17,391)	**(19,801)**	3,921	**(51,845)**	(41,318)
Revenue from contracts with customers	**211,273**	237,781	**141,214**	212,567	**248,972**	441,122	**601,459**	891,470
Other income							**10,026**	16,715
Total revenue and other income							**611,485**	908,185

Note 3: Financial Performance

3.1. Revenue from Contracts with Customers

3.1.2. Disaggregation of Revenue from Contracts with Customers

The Group derives revenue from the transfer of goods and services over time and at a point in time, in the major product lines of Personal Injury Law ("PIL") and General Law ("GL") and the geographical regions of Australia and the UK:

	Australia		UK			
	PIL	GL	PIL	GL	SGS	Total
Year ended 30 June 2017	$'000	$'000	$'000	$'000	$'000	$'000
Type of contract:						
Fixed price	-	15,875	1,373	8,952	41,724	67,924
Time and Materials	-	22,608	6,351	36,507	80,266	145,732
No Win – No Fee	155,430	17,360	87,417	614	126,982	387,803
Revenue from contracts with customers	**155,430**	**55,843**	**95,141**	**46,073**	**248,972**	**601,459**
Year ended 30 June 2016						
Type of contract:						
Fixed price	-	22,448	1,862	10,066	72,098	106,474
Time and Materials	-	29,532	5,025	41,733	164,761	241,051
No Win – No Fee	173,721	12,080	151,417	2,464	204,263	543,945
Revenue from contracts with customers	**173,721**	**64,060**	**158,304**	**54,263**	**441,122**	**891,470**

In its 2018 financial statements, FIFA split its disclosure of disaggregated revenue between the primary financial statements and the notes. In the statement of comprehensive income, FIFA presented revenue on a disaggregated basis, by the type of service. In the notes, FIFA further disaggregated each type of revenue into different categories, depending on the nature of the revenue. For example, in note 1, FIFA disaggregated "Revenue from television broadcasting rights" by geographical region, while presenting "Revenue from marketing rights" by type of customer. Since FIFA does not need to comply with IFRS 8, the requirements in IFRS 15.115 do not apply.

Practical example 4.1d: Fédération Internationale de Football Association (FIFA) (2018)

Switzerland

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TUSD	Note	2018	2017
REVENUE			
Revenue from television broadcasting rights	1	2,543,968	228,645
Revenue from marketing rights	2	1,143,312	245,277
Revenue from licensing rights	3	184,573	160,211
Revenue from hospitality/accommodation rights and ticket sales	4	689,143	22,368
Other revenue	5	79,958	77,701
Total revenue		**4,640,954**	**734,202**

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1 REVENUE FROM TELEVISION BROADCASTING RIGHTS

in TUSD	2018	2017
Europe	897,748	6,395
Asia and North Africa	787,566	71,652
South and Central America	314,513	50,499
North America and the Caribbean	362,937	58,377
Rest of the world	85,075	13,863
Total revenue from television broadcasting rights by region	**2,447,839**	**200,786**
Other broadcasting revenue	92,352	13,799
Other FIFA event revenue	3,777	14,060
Total revenue from television broadcasting rights	**2,543,968**	**228,645**

2 REVENUE FROM MARKETING RIGHTS

in TUSD	2018	2017
FIFA Partners	695,054	185,411
FIFA World Cup Sponsors	301,620	41,030
FIFA Regional Supporters	143,488	7,382
FIFA National Supporters	3,150	11,454
Total revenue from marketing rights	**1,143,312**	**245,277**

3 REVENUE FROM LICENSING RIGHTS

in TUSD	2018	2017
Brand licensing rights	174,592	155,472
Other licensing rights	9,981	4,739
Total revenue from licensing rights	**184,573**	**160,211**

How we see it

In accordance with IFRS 15.B88, an entity needs to consider how information about its revenue has been presented for other purposes, including information disclosed outside the financial statements, information regularly reviewed by the chief operating decision maker and other similar information used by the entity or users of the financial statements to evaluate the entity's financial performance or to make resource allocation decisions.

As discussed above, to help determine the appropriate level of revenue disaggregation that is beneficial to users of the financial statements, entities should analyse specific risk factors for each revenue stream. Different risk factors for revenue streams may indicate when disaggregation is required.

4.2 Contract balances

The standard includes the following disclosure requirements for an entity's contract balances and changes in the balances (refer to section 10.5.1 of the general publication for further discussion):

Disclosure requirements IFRS 15		
Quantitative	▸ The opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed	IFRS 15.116(a)
	▸ Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	IFRS 15.116(b)
	▸ Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price)	IFRS 15.116(c)
Qualitative	▸ Explanation of how the timing of satisfaction of its performance obligations relates to the typical timing of payment and the effect that those factors have on the contract asset and contract liability balances	IFRS 15.117
Quantitative or qualitative	▸ Explanation of the significant changes in the contract asset and the contract liability balances during the reporting period, for example: ▸ Changes due to business combinations ▸ Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability (including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price) or a contract modification	IFRS 15.118

Disclosure requirements IFRS 15 (cont'd)		
Quantitative or qualitative	‣ Impairment of a contract asset ‣ A change in the time frame for a right to consideration to become unconditional (i.e., for a contract asset to be reclassified to a receivable) ‣ A change in the time frame for a performance obligation to be satisfied (i.e., for the recognition of revenue arising from a contract liability)	IFRS 15.118

How we see it

Disclosing contract assets and liabilities and the revenue recognised from changes in contract liabilities and performance obligations satisfied in previous periods was a change in practice for most entities on adoption of IFRS 15. IFRS 15.116(a) requires entities to separately disclose contract balances from contracts with customers. Therefore, it is necessary for entities that have material receivables from non-IFRS 15 contracts to separate these balances for disclosure purposes. For example, an entity may have accounts receivable related to leasing contracts that would need to be disclosed separately from accounts receivable related to contracts with customers.

Entities need to make sure they have appropriate systems, policies and procedures and internal controls in place to collect and disclose the required information. For example, consider a sales-based or usage-based royalty received by the entity in reporting periods after it delivers a right-to-use licence of intellectual property. In this example, the royalties relate to a previously satisfied performance obligation, but are revenue that the entity receives in subsequent periods. As such, they would be disclosed separately in accordance with IFRS 15.116(c).

The illustration below is an example of how an entity may fulfil these requirements by using a combination of tabular and narrative formats:

Illustration 4.2 — Contract asset and liability disclosures

Company A presents receivables from contracts with customers separately in the statement of financial position. To comply with the other disclosures requirements for contract assets and liabilities, Company A includes the following information in the notes to the financial statements:

	20X9	20X8	20X7
Contract asset	CU1,500	CU2,250	CU1,800
Contract liability	CU(200)	CU(850)	CU(500)

Revenue recognised in the period from:			
Amounts included in contract liability at the beginning of the period	CU650	CU200	CU100
Performance obligations satisfied in previous periods	CU200	CU125	CU200

We receive payments from customers based on a billing schedule, as established in our contracts. Contract asset relates to our conditional right to consideration for our completed performance under the contract. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract. In addition, contract asset decreased in 20X9 due to a contract asset impairment of CU400 relating to the early cancellation of a contract with a customer.

In its significant accounting policies disclosure, Deutsche Telekom Aktiengesellschaft disclosed how the timing of satisfaction of its performance obligation relates to the typical timing of payment and the effect those factors have on the contract asset and contract liability balances.

Practical example 4.2a: Deutsche Telekom Aktiengesellschaft (2018) *Germany*

ACCOUNTING POLICIES

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NET REVENUE, CONTRACT ASSETS AND LIABILITIES/CONTRACT COSTS

...

A contract asset must be recognized if Deutsche Telekom recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognized when the customer paid consideration or a receivable from the customer is due before Deutsche Telekom fulfilled a contractual performance obligation and thus recognized revenue. In a customer contract, contract liabilities must be set off against contract assets.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognized as revenue on fulfillment of the obligation to the customer. At Deutsche Telekom, this especially concerns the sale or lease of a mobile handset or other telecommunications equipment combined with the conclusion of a mobile or fixed-network telecommunications contract. The total transaction price of the bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations. As a result, the revenue to be recognized for products (often delivered in advance) such as mobile handsets that are sold at a subsidized price in combination with a long-term service contract is higher than the amount billed or collected. This leads to the recognition of what is known as a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the statement of financial position. The contract asset is reversed and reduced over the remaining minimum contract period, lowering revenue from the other performance obligations (in this case: mobile service revenues) compared with the amounts billed. In contrast to the amounts billed, this results in higher revenue from the sale of goods and merchandise and lower revenue from the provision of services.

Practical example 4.2a: Deutsche Telekom Aktiengesellschaft (2018) (cont'd) *Germany*

Customer activation fees and other advance one-time payments by the customer that do not constitute consideration for a separate performance obligation are classed as contract liabilities and are deferred and recognized as revenue over the minimum contract term or, in exceptional cases (e.g., in the case of contracts that can be terminated at any time) over the expected contract period. The same applies to fees for installation and set-up activities that do not have an independent value for the customer.

As distinct from promotional offers, options to purchase additional goods or services free of charge or at a discount are separate performance obligations (material rights) for which part of the revenue is deferred as a contract liability until the option is exercised or expires, providing the discount on future purchases is an implicit component of the consideration for the current contract and is also significant. The measure of significance is whether the decision by the (average) customer to enter into the current contract is likely to have been significantly influenced by their right to the future discount. Offers for volume discounts for the purchase of additional core products of an entity (e.g., a discount offered on an additional fixed-network contract for mobile customers) are classed by Deutsche Telekom as promotional offers to be excluded from consideration.

Long-term customer receivables (e.g., arising from sales of handsets in installments), contract assets (e.g., arising from the subsidized sale of a handset in connection with the conclusion of a long-term customer contract) or contract liabilities (e.g., arising from a prepayment by the customer) are recognized at present value if the financing component is significant in relation to the total contract value (i.e., including those performance obligations that do not contain a financing component). The discount rate also reflects the customer credit risk. Deutsche Telekom makes use of the option not to recognize a significant financing component if the period between when a good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

Payments to customers including credits or subsequent discounts are recognized as a reduction in revenue unless the payment constitutes consideration for a distinct good or service from the customer, for which the fair value can be reasonably estimated.

Before providing its disclosure of significant changes in contract balances, Airbus SE provided the accounting policies for its contract balances in practical example 4.2b below. It then disclosed, in a table, the significant changes in the contract asset and the contract liability balances during the reporting period. The opening and closing balances are included in the primary financial statements.

Practical example 4.2b: Airbus SE (2018) *Netherlands*

20. Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities

Contract assets represent the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time (*e.g.* revenue recognised from the application of the PoC method before the Company has a right to invoice).

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which the Company has received consideration, or for which an amount of consideration is due from the customer (*e.g.* advance payments received).

Net contract assets and contract liabilities are determined for each contract separately. For serial contracts, contract liabilities are presented in current contract liabilities, if revenues are expected within the next twelve months or material expenses for the manufacturing process have already occurred. For long-term production contracts (*e.g.* governmental contracts such as A400M, Tiger, NH90), contract liabilities are classified as current when the relating inventories or receivables are expected to be recognised within the normal operating cycle of the long-term contract.

Trade receivables arise when the Company provides goods or services directly to a customer with no intention of trading the receivable. Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at their transaction prices and are subsequently measured at amortised cost less any allowances for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised, impaired or amortised.

Impairment and allowances of trade receivables and contract assets are measured at an amount equal to the life-time expected loss as described in "— Note 4: Change in Accounting Policies and Disclosures".

Contract Assets, Contract Liabilities and Trade Receivables

Significant changes in contract assets and contract liabilities during the period are as follows:

	2018	
(In € million)	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at 1 January	-	(23,464)
Increase due to cash received, excluding amounts recognised as revenue	-	23,472
Transfers from contract assets recognised at the beginning of the period	(2,740)	-
Increase as a result of changes in the measure of progress	3,074	-

As of 31 December 2018, trade receivables amounting to €583 million (2017: €964 million) will mature after more than one year.

ProSiebenSat.1 Media SE explained the nature of its contract assets and contract liabilities in practical example 4.2c. In note 5, it disclosed the opening and closing balances of contract assets and contract liabilities in a table. Below the table, it explained the significant changes in the contract asset and contract liability balances during the reporting period using a narrative format. In the same note, ProSiebenSat.1 Media SE disclosed the revenue recognised that was included in the contract liability balance at the beginning of the period.

Practical example 4.2c: ProSiebenSat.1 Media SE (2018) *Germany*

As permitted by the transition guidance of IFRS 15, previous-year figures have not been restated.

145 / **CONTRACT ASSETS AND LIABILITIES** in EUR m

	12/31/2018	01/01/2018
Contract Assets	28	19
Contract Liabilities	189	203

Contract assets primarily relate to the Group's claims for consideration resulting from commissioned productions that have been completed but are yet to be invoiced as of the reporting date. Contract assets are reclassified trade receivables upon invoicing.

In financial year 2018, contract assets increased by EUR 0 million as a result of business combinations. Impairments for expected losses were insignificant.

Contract liabilities primarily relate to advance payments received in connection with the sale of event vouchers and commissioned productions and to deferred income from online dating services and the sale of program rights as well as from media services not yet rendered.

In financial year 2018, contract liabilities increased by EUR 18 million as a result of business combinations. On the other hand, disposals of contract liabilities in the context of deconsolidations amounted to EUR 9 million. Of the contrac liabilities existing as of January 1, 2018, EUR 196 million were recognised as revenues in financial year 2018.

In financial year 2018, no material revenues were generated from performance obligations fulfilled (or partially fulfilled) in prior periods.

As permitted under IFRS 15, no disclosures are made with regard to the remaining performance obligations at December 31, 2018 that have an original expected duration of one year or less. There are no material performance obligations with an original expected duration extending beyond the period of more than one year after December 31, 2018.

As shown in the following practical example 4.2d, ASML Holding N.V. included a roll-forward of contract assets and contract liabilities to disclose significant changes in the balances during the reporting period. Although such a roll-forward is not required under IFRS 15, it may be an effective way to provide the disclosures required by IFRS 15.118. The requirement of the standard to disclose the "revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period" was incorporated in the roll-forward. In addition, ASML Holding N.V. also provided a narrative explanation of the significant changes in the net contract balances during the reporting period.

Practical example 4.2d: ASML Holding N.V. (2018) *Netherlands*

31. Revenue from contracts with customers

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Contract assets and liabilities

The following table provides information about the current and non-current positions of receivables, contracts assets, and contract liabilities from contracts with our customers.

Year ended December 31 (in millions)	2017[1] EUR	2018 EUR
Accounts receivable	1,850.4	**1,655.6**
Finance receivables	218.5	**886.2**
Contract Assets	270.4	**95.9**
Contract liabilities	(2,152.0)	**(2,953.2)**
Total	187.3	**(315.5)**

1. As of January 1, 2018, ASML has adopted the new Revenue Recognition Standard (IFRS 15) and Lease Standard (IFRS 16). The comparative numbers have been restated to reflect the changes in the new Revenue Recognition Standard (IFRS 15), see Note 2 Adoption of new and revised International Financial Reporting Standards.

The contract assets primarily relate to our rights to a consideration for goods or services delivered but not invoiced at the reporting date. The contract assets are transferred to the receivables when invoiced. The contract liabilities primarily relate to down payments received for systems to be delivered, as well as deferred revenue from system shipments, based on the allocation of the consideration to the related performance obligations in the contract. This deferred consideration mainly consists of extended and enhanced warranties, installation and free goods or services provided as part of a volume purchase agreement.

The majority of our customer contracts contain both asset and liability positions. At the end of each reporting period, these positions are netted on a contract basis and presented as either an asset or a liability in the Consolidated Balance Sheets. Consequently, a contract balance can change between periods from a net contract asset balance to a net contract liability balance in the balance sheet.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

Year ended December 31 (in millions)	2017[1] EUR		2018 EUR	
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Balance at beginning of the year	148.3	1,833.8	**270.4**	**2,152.0**
Transferred to receivables from contract assets from the beginning of the period	(91.6)	–	**(456.2)**	**–**
Revenues recognized during the year, to be invoiced	456.7	–	**192.3**	**–**
Revenue recognition that was included in the contract liability balance at the beginning of the period	–	(1,197.9)	**–**	**(1,306.3)**
Changes as a result of cumulative catch-up adjustments arising form changes in estimates	–	–	**–**	**(64.4)**
Remaining performance obligations for which considerations have been received	–	1,759.1	**–**	**2,082.5**
Transfer between contract assets and liabilities	(243.0)	(243.0)	**89.4**	**89.4**
Total	270.4	2,152.0	**95.9**	**2,953.2**

1. As of January 1, 2018, ASML has adopted the new Revenue Recognition Standard (IFRS 15) and Lease Standard (IFRS 16). The comparative numbers have been restated to reflect the changes in the new Revenue Recognition Standard (IFRS 15), see Note 2 Adoption of new and revised International Financial Reporting Standards.

4.3 Performance obligations

4.3.1 Information about performance obligations

IFRS 15 requires an entity to disclose the following qualitative information about its performance obligations (refer to section 10.4.1 of the general publication for further discussion):

Disclosure requirements IFRS 15		
Qualitative	▸ Information about performance obligations in contracts with customer, including a description of the following:	
	▸ When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service) including when performance obligations are satisfied in a bill-and-hold arrangement	IFRS 15.119(a)
	▸ Significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained)	IFRS 15.119(b)
	▸ The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)	IFRS 15.119(c)
	▸ Obligations for returns, refunds and other similar obligations	IFRS 15.119(d)
	▸ Types of warranties and related obligations	IFRS 15.119(e)

Aluminum Corporation of China Limited provided summarised qualitative information about its performance obligations in note 4 of its 2018 annual financial statements. In the same note, it provided quantitative information about its remaining performance obligations. Refer to section 4.3.2 for further discussion of transaction price allocated to remaining performance obligations.

Practical example 4.3.1a: Aluminum Corporation of China Limited (2018) *China*

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

...

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Revenue from sales of products (including sales of and other materials)

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due with in 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of the relevant services.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

Within one year	**1,579,322**
More than one year	**132,844**
	1,712,166

The remaining performance obligations expected to be recognised in more than one year relate to rendering of services that are to be satisfied within 1–10 years. All the other remaining performance obligations are satisfied in one year or less at the end of each year.

Spotify Technology S.A. highlighted in its revenue note that the disclosures of its performance obligations are included in its significant accounting policy disclosures. In its summary of significant accounting policies, Spotify Technology S.A. disclosed information about its performance obligations for subscription and advertising services. It described when it typically satisfies its performance obligations and the significant payment terms.

Practical example 4.3.1b: Spotify Technology S.A. (2018) *Sweden*

4. Revenue recognition

Revenue from contracts with customers

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(ii) Performance obligations

The Group discloses its policies for how it identifies, satisfies, and recognizes its performance obligations associated with its contracts with customers in Note 2.

…

2. Summary of significant accounting policies

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(e) Revenue recognition

Premium revenue

The Group generates subscription revenue from the sale of the Premium Service in which customers can listen on-demand and offline. Premium Services are sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. The Group satisfies its performance obligation, and revenue from these services is recognized, on a straight-line basis over the subscription period. Typically, Premium Services are paid for monthly in advance.

Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement and may include minimum guarantees for the number of subscriptions that will be purchased from the Group. Under these arrangements, a premium partner may bundle the Premium Service with its existing product offerings or offer the Premium Service as an add-on. Payment is remitted to the Group through the premium partner. When a minimum guarantee is within an agreement and the partner is not expected to meet the commitment, management has concluded the revenue is constrained to the revenue amounts for the actual subscriptions sold in a given period. The Group therefore only recognizes the associated revenue when it is highly probable that this will not result in a significant reversal of revenue when the uncertainty is resolved. The Group assesses the facts and circumstances, including whether the partner is acting as a principal or agent, of all partner revenue arrangements and then recognizes revenues either gross or net. Premium partner services, whether recognized gross or net, have one material performance obligation, that being the delivery of the Premium Service.

Additionally, the Group bundles the Premium Service with third-party services and products. Revenue is allocated to each performance obligation based on a standalone selling price for bundled arrangements with multiple performance obligations.

Ad-Supported revenue

The Group's advertising revenue is primarily generated through display, audio, and video advertising delivered through advertising impressions. The Group enters into arrangements with advertising agencies that purchase advertising on its platform on behalf of the agencies' clients. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an Insertion Order ("IO") that specifies the terms of the arrangement such as the type of ad product, pricing, insertion dates, and number of impressions in a stated period. Revenue is recognized over time based on the number of impressions delivered. The Group also may offer cash rebates to advertising agencies based on the volume of advertising inventory purchased. These rebates are estimated based on expected performance and historical data and result in a reduction of revenue recognized.

Additionally, the Group generates revenue through arrangements with certain suppliers to distribute advertising inventory on their ad exchange platforms for purchase on a cost-per-thousand basis. Revenue is recognized over time when impressions are delivered on the platform.

In the summary of significant accounting policies, UBS Group disclosed its performance obligations within the scope of IFRS 15. It divided those performance obligations between those that are 'satisfied over time' and those that are 'satisfied at a point in time'.

Practical example 4.3.1c: UBS Group AG (2018) *Switzerland*

Note 1 Summary of significant accounting policies

4) Fee and commission income and expenses

Policy applicable from 1 January 2018[1]

UBS earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as asset or portfolio management, custody services and certain advisory services; and fees earned from point-in-time services such as underwriting fees and brokerage fees (e.g., securities and derivative execution and clearing).

→ **Refer to Note 4 for more information, including the disaggregation of revenues**

Performance obligations satisfied over time

Fees earned from services that are provided over a certain period of time are recognized on a pro rata basis over the service period, provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the control of UBS (see measurement below).

Costs to fulfill services over time are recorded in the income statement immediately, because such services are considered to be a series of services that are substantially the same from day to day and have the same pattern of transfer. The costs to fulfill neither generate nor enhance the resources of UBS that will be used to satisfy future performance obligations and cannot be distinguished between those that relate to satisfied and unsatisfied performance obligations. Therefore, these costs do not qualify to be recognized as an asset. Where costs incurred relate to contracts that include variable consideration that is constrained by factors beyond UBS's control (e.g., successful mergers and acquisitions (M&A) activity) or where UBS has a history of not recovering such costs on similar transactions), such costs are expensed immediately as incurred.

Practical example 4.3.1c: UBS Group AG (2018) (cont'd) *Switzerland*

Performance obligations satisfied at a point in time

Fees earned from providing transaction-type services are recognized when the service has been completed, provided such fees are not subject to refund or another contingency beyond the control of UBS.

Incremental costs to fulfill services provided at a point in time are typically incurred and recorded at the same time as the performance obligation is satisfied and revenue is earned, and are therefore not recognized as an asset, e.g., brokerage. Where recovery of costs to fulfill relates to an uncompleted point-in-time service for which the satisfaction of the performance obligation in the contract is dependent upon factors beyond the control of UBS, such as underwriting a successful securities issuance, or where UBS has a history of not recovering such costs through reimbursement on similar transactions, such costs are expensed immediately as incurred.

As part of its disclosure of information about its performance obligations, as presented in practical example 4.3.1d below, Koninklijke Philips N.V. provided information about the nature of its goods and services (e.g., consumer type-products, brand and technology licences), the timing of satisfaction of their performance obligations and the significant payment terms. It also provided information about the existence of sales returns and assurance-type warranties.

In its 2018 annual financial statements, ASML Holding N.V. provided a table that includes information about its performance obligations as shown in practical example 4.3.1e below. The first column provided details of the various performance obligations. The second column provided information about the nature and satisfaction of these performance obligations and details of payment terms.

Practical example 4.3.1d: Koninklijke Philips N.V. (2018) — *Netherlands*

Notes to the Consolidated financial statements of the Philips Group

1 Significant accounting policies

Policies that are more critical in nature

Revenue recognition

Revenue from the sale of goods in the normal course of business is recognized at a point in time when the performance obligation is satisfied and it is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of the consideration to which the company expects to be entitled in exchange for transferring the promised goods to the customer. The consideration expected by the company may include fixed and/or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. The company adjusts the consideration for the time value of money for the contracts where no explicit interest rate is mentioned if the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds six months. Revenue for the sale of goods is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. For consumer-type products in the segment of Personal Health, control is transferred when the product is shipped and delivered to the customer and title and risk have passed to the customer (depending on the delivery conditions) and acceptance of the product has been obtained. Examples of delivery conditions are 'Free on Board point of delivery' and 'Costs, Insurance Paid point of delivery', where the point of delivery may be the shipping warehouse or any other point of destination as agreed in the contract with the customer and where control is transferred to the customer.

Revenues from transactions relating to distinct goods or services are accounted for separately based on their relative stand-alone selling prices. The stand-alone selling price is defined as the price that would be charged for the goods or service in a separate transaction under similar conditions to similar customers (adjusted market assessment approach or expected costs plus margin approach), which within the company is mainly the Country Target Price (CTP). The transaction price determined (taking into account variable considerations) is allocated to performance obligations based on relative stand-alone selling prices. These transactions mainly occur in the segments Diagnosis & Treatment and Connected Care & Health Informatics and include arrangements that require subsequent installation and training activities in order to make distinct goods operable for the customer. As such, the related installation and training activities are part of equipment sales rather than separate performance obligations. Revenue is recognized when the performance obligation is satisfied, i.e. when the installation has been completed and the equipment is ready to be used by the customer in the way contractually agreed.

Revenues are recorded net of sales taxes. A variable consideration is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the

Practical example 4.3.1d: Koninklijke Philips N.V. (2018) (cont'd) *Netherlands*

uncertainty associated with the variable consideration is subsequently resolved. Such assessment is performed on each reporting date to check whether it is constrained. For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available revenue recognition is postponed until the return period has lapsed. Return policies are typically based on customary return arrangements in local markets.

A provision is recognized for assurance-type product warranty at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by the company with respect to the products sold. For certain products, the customer has the option to purchase the warranty separately, which is considered a separate performance obligation on top of the assurance-type product warranty. For such warranties which provide distinct service, revenue recognition occurs on a straight-line basis over the extended warranty contract period.

In the case of loss under a sales agreement, the loss is recognized immediately.

Expenses incurred for shipping and handling of internal movements of goods are recorded as cost of sales. Shipping and handling related to sales to third parties are recorded as selling expenses. When shipping and handling are part of a project and billed to the customer, then the related expenses are recorded as cost of sales. Shipping and handling billed to customers are distinct and separate performance obligations and recognized as revenues. Expenses incurred for sales commissions that are considered incremental to the contracts are recognized immediately in the Consolidated statements of income as selling expenses as a practical expedient under IFRS 15.

Revenue from services is recognized over a period of time as the company transfers control of the services to the customer which is demonstrated by the customer simultaneously receiving and consuming the benefits provided by the company. The amount of revenues is measured by reference to the progress made towards complete satisfaction of the performance obligation, which in general is evenly over time. Service revenue related to repair and maintenance activities for goods sold is recognized ratably over the service period or as services are rendered.

Royalty income from brand license arrangements is recognized based on a right to access the license, which in practice means over the contract period based on a fixed amount or reliable estimate of sales made by a licensee.

Royalty income from intellectual property rights such as technology licenses or patents is recognized based on a right to use the license, which in practice means at a point in time based on the contractual terms and substance of the relevant agreement with a licensee. However, revenue related to intellectual property contracts with variable consideration where a constraint in the estimation is identified, is recognized over the contract period and is based on actual or reliably estimated sales made by a licensee.

Practical example 4.3.1e: ASML Holding N.V. (2018) *Netherlands*

Notes to the Consolidated Financial Statements

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3. Summary of significant accounting policies

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Revenue From Contracts With Customers

Goods or services	Nature, timing of satisfying the performance obligations, and significant payment terms
New systems (established technologies)	New systems sales include i-line, KrF, ArF, ArFi and EUV related systems, along with the related factory options ordered with the base system, as well as metrology and inspection systems. Prior to shipment, the majority of our systems undergo a Factory Acceptance Test (FAT) in our cleanroom facilities, effectively replicating the operating conditions that will be present on the customer's site, in order to verify whether the system meets its standard specifications and any additional technical and performance criteria agreed with the customer. A system is shipped only after all contractual specifications are met or discrepancies from agreed upon specifications are waived and customer sign-off is received for delivery. Each system's performance is re-tested through a Site Acceptance Test (SAT) after installation at the customer site. We have never failed to successfully complete installation of a system at a customer's premises; therefore, acceptance at FAT is considered to be proven for established technologies with a history of successful customer acceptances at SAT (equal or better than FAT). Transfer of control of a system undergoing FAT, and recognition of revenue related to this system, will occur upon delivery of the system, depending on the Incoterms. Transfer of control of a system not undergoing a FAT, and recognition of revenue related to this system, will occur upon customer acceptance of the system at SAT.
Used systems	We have no significant repurchase commitments in our general sales terms and conditions, however from time to time we repurchase systems that we have manufactured and sold and, following refurbishment, will resell to other customers. This repurchase decision is mainly driven by market demand expressed by other customers and less frequently by explicit or implicit contractual arrangements relating to the initial sale. We consider reasonable offers from any vendor, including customers, to repurchase used systems that we can refurbish, resell, and install as part of our normal business operations. Transfer of control of the systems, and related revenue recognition, will occur either upon delivery of the system to the carrier or upon arrival of the system to the customer's loading dock, depending on the Incoterms and if a FAT was performed prior to shipment. If no FAT was performed, then transfer of control will be upon customer acceptance at SAT. If a FAT was performed, then transfer of control will be upon customer acceptance at FAT, refer to "New systems (established technologies)".

Practical example 4.3.1e: ASML Holding N.V. (2018) (cont'd) *Netherlands*

Goods or services	Nature, timing of satisfying the performance obligations, and significant payment terms
Field upgrades and options (system enhancements)	Field upgrades and options mainly relate to goods and services that are delivered for systems already installed in the customer factories. Certain upgrades require significant installation efforts, enhancing an asset the customer controls, therefore resulting in transfer of control over the period of installation, measured using the cost incurred method which is estimated using labor hours, as this best depicts the satisfaction of our obligation in transferring control. The options and other upgrades that do not require significant installation effort transfer control upon delivery, depending on the Incoterms. As long as we are not able to make a reliable estimate of the total efforts needed to complete the upgrade, we only recognize revenue to cover costs incurred. Margin will be realized at the earlier of us being able to make a reliable estimate or completion of the upgrade.
New product introduction	New product introductions are typically newly developed options to be used within our systems. Transfer of control and revenue recognition for new product introductions occurs upon customer acceptance (generally at SAT). Once there is an established history of successful installation and customer acceptance, revenue will be recognized consistent with other systems and goods after transfer of control.
Installation	Installation is provided within the selling price of a system. Installation is considered to be distinct as it does not significantly modify the system being purchased and the customer or a third party could be capable of performing the installation themselves if desired. Transfer of control takes place over the period of installation from delivery through SAT, measured on a straight-line basis, as our performance is satisfied evenly over this period of time. As long as we are not able to make a reliable estimate of the total efforts needed to complete the installation, we only recognize revenue to cover costs incurred. Margin will be realized at the earlier of us being able to make a reliable estimate or installation completion.
Warranties	We provide standard warranty coverage on our systems for 12 months, providing labor and non-consumable parts necessary to repair our systems during these warranty periods. These standard warranties cannot be purchased and do not provide a service in addition to the general assurance the system will perform as promised. As a result, no revenue is allocated to these standard warranties. Both the extended and enhanced (optic) warranties on our systems are accounted for as a separate performance obligation, with transfer of control taking place over the warranty period, measured on a straight-line basis, as this is a stand-ready obligation.
Time-based licenses and related service	Time-based licenses relate to software licenses and the related service which are sold for a period of time. The licenses and the related service are not considered to be individually distinct and the transfer of control takes place over the license term, measured on a straight-line basis, as our performance is satisfied evenly over this period of time. Payments are made in installments throughout the license term.

Practical example 4.3.1e: ASML Holding N.V. (2018) (cont'd) *Netherlands*

Goods or services	Nature, timing of satisfying the performance obligations, and significant payment terms
Application projects	Application projects are node transition and consulting projects which at times may be provided as free service within a volume purchase agreement. Measuring satisfaction of this performance obligation is performed through an input method based on the labor hours expended relative to the estimated total labor hours as this best depicts the transfer of control of these kind of services. As long as we are not able to make a reliable estimate of the total efforts needed to complete these kind of projects, we only recognize revenue to cover costs incurred. Margin will be realized at the earlier of us being able to make a reliable estimate or project completion.
Service contracts	Service contracts are entered into with our customers to support our systems used in their ongoing operations during the systems lifecycle, typically in the form of full-service agreements, limited manpower agreements, other labor agreements, parts availability or parts usage agreements. These services are typically for a specified period of time. Control transfers over this period of time, measured on a straight-line basis, as these are stand-ready obligations, with an exception for the labor hour pool service contracts for which we recognize revenue in line with invoicing, using the practical expedient in IFRS 15.B16. Invoicing is typically performed monthly or quarterly throughout the service period, typically payable within 15-45 days.
Billable parts and labor	Billable labor represents maintenance services to our systems installed in the customer's factories while in operation, through purchase orders from our customer. Control over these services is transferred to the customer upon receipt of customer sign-off. Billable parts represent spare parts including optical components relating to our systems installed in the customer's factories while in operation, through purchase orders from our customer. Billable parts can be: • Sold as direct spare parts, for which control transfers upon the relevant Incoterms; or • Sold as part of maintenance services, for which control transfer upon receipt of customer sign-off.
Field projects (relocations)	Field projects represent mainly relocation services. Measuring satisfaction of this performance obligation is performed through an input method based on the labor hours expended relative to the estimated total labor hours as this best depicts the transfer of control of our service.
OnPulse Maintenance	OnPulse maintenance services are provided over a specified period of time on our light source systems. Payment is determined by the amount of pulses counted from each light source system, which is variable. Invoicing is monthly based on the pulses counted. Revenue is recognized in line with invoicing using the practical expedient in IFRS 15.B16.

4.3.2 Transaction price allocated to remaining performance obligations

IFRS 15 also requires an entity to provide information about unsatisfied or partially satisfied performance obligations, as follows (refer to section 10.5.1 of the general publication for further discussion):

Disclosure requirements IFRS 15		
Quantitative	▸ The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period	IFRS 15.120(a)
Quantitative or qualitative	▸ An explanation of when the entity expects to recognise this amount as revenue, using either: ▸ Quantitative information (i.e., using time bands that would be most appropriate for the duration of the remaining performance obligations) Or ▸ Qualitative information	IFRS 15.120(b)
Practical expedient	An entity needs not to disclose information about the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, when either of the following conditions is met: ▸ The original expected duration of the underlying contract is one year or less ▸ The entity recognises revenue from the satisfaction of the performance obligation in accordance with IFRS 15.B16. That paragraph permits, as a practical expedient, that if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the entity may recognise revenue in the amount to which the entity has a right to invoice	IFRS 15.121

Disclosure requirements IFRS 15 (cont'd)		
Qualitative	▸ An entity must explain qualitatively whether it is applying the practical expedient in IFRS 15.121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with IFRS 15.120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained	IFRS 15.122

The standard provides the following examples of these required disclosures:

Extract from IFRS 15

Example 42 — Disclosure of the transaction price allocated to the remaining performance obligations (IFRS 15.IE212-IE219)

On 30 June 20X7, an entity enters into three contracts (Contracts A, B and C) with separate customers to provide services. Each contract has a two-year non-cancellable term. The entity considers the requirements in paragraphs 120–122 of IFRS 15 in determining the information in each contract to be included in the disclosure of the transaction price allocated to the remaining performance obligations at 31 December 20X7.

Contract A

Cleaning services are to be provided over the next two years typically at least once per month. For services provided, the customer pays an hourly rate of CU25.

Because the entity bills a fixed amount for each hour of service provided, the entity has a right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date in accordance with paragraph B16 of IFRS 15. Consequently, no disclosure is necessary if the entity elects to apply the practical expedient in paragraph 121(b) of IFRS 15.

Contract B

Cleaning services and lawn maintenance services are to be provided as and when needed with a maximum of four visits per month over the next two years. The customer pays a fixed price of CU400 per month for both services. The entity measures its progress towards complete satisfaction of the performance obligation using a time-based measure.

The entity discloses the amount of the transaction price that has not yet been recognised as revenue in a table with quantitative time bands that illustrates when the entity expects to recognise the amount as revenue. The information for Contract B included in the overall disclosure is, as follows:

	20X8	20X9	Total
	CU	CU	CU
Revenue expected to be recognised on this contract as of 31 December 20X7	4,800[(a)]	2,400[(b)]	7,200

(a) CU4,800 = CU400 × 12 months.

(b) CU2,400 = CU400 × 6 months.

Extract from IFRS 15 (cont'd)

Contract C

Cleaning services are to be provided as and when needed over the next two years. The customer pays fixed consideration of CU100 per month plus a one-time variable consideration payment ranging from CU0–CU1,000 corresponding to a one-time regulatory review and certification of the customer's facility (ie a performance bonus). The entity estimates that it will be entitled to CU750 of the variable consideration. On the basis of the entity's assessment of the factors in paragraph 57 of IFRS 15, the entity includes its estimate of CU750 of variable consideration in the transaction price because it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The entity measures its progress towards complete satisfaction of the performance obligation using a time-based measure.

The entity discloses the amount of the transaction price that has not yet been recognised as revenue in a table with quantitative time bands that illustrates when the entity expects to recognise the amount as revenue. The entity also includes a qualitative discussion about any significant variable consideration that is not included in the disclosure. The information for Contract C included in the overall disclosure is as follows:

	20X8	20X9	Total
	CU	CU	CU
Revenue expected to be recognised on this contract as of 31 December 20X7	1,575[(a)]	788[(b)]	2,363

(a) Transaction price = CU3,150 (CU100 × 24 months + CU750 variable consideration) recognised evenly over 24 months at CU1,575 per year.

(b) CU1,575 ÷ 2 = CU788 (ie for 6 months of the year).

In addition, in accordance with paragraph 122 of IFRS 15, the entity discloses qualitatively that part of the performance bonus has been excluded from the disclosure because it was not included in the transaction price. That part of the performance bonus was excluded from the transaction price in accordance with the requirements for constraining estimates of variable consideration.

The standard also provides an example of how an entity would make the disclosure required by IFRS 15.120(b) using qualitative information (instead of quantitatively, using time bands), as follows:

Extract from IFRS 15

Example 43 — Disclosure of the transaction price allocated to the remaining performance obligations—qualitative disclosure (IFRS 15.IE220-IE221)

On 1 January 20X2, an entity enters into a contract with a customer to construct a commercial building for fixed consideration of CU10 million. The construction of the building is a single performance obligation that the entity satisfies over time. As of 31 December 20X2, the entity has recognised CU3.2 million of revenue. The entity estimates that construction will be completed in 20X3, but it is possible that the project will be completed in the first half of 20X4.

At 31 December 20X2, the entity discloses the amount of the transaction price that has not yet been recognised as revenue in its disclosure of the transaction price allocated to the remaining performance obligations. The entity also discloses an explanation of when the entity expects to recognise that amount as revenue. The explanation can be disclosed either on a quantitative basis using time bands that are most appropriate for the duration of the remaining performance obligation or by providing a qualitative explanation. Because the entity is uncertain about the timing of revenue recognition, the entity discloses this information qualitatively as follows:

> 'As of 31 December 20X2, the aggregate amount of the transaction price allocated to the remaining performance obligation is CU6.8 million and the entity will recognise this revenue as the building is completed, which is expected to occur over the next 12–18 months.'

Bombardier Inc. used time bands to disclose information about remaining performance obligations in its 2018 annual financial statements. In the example below, it also explicitly disclosed that constrained variable consideration is excluded from the amounts disclosed. This is a helpful reminder for users of financial statements and it indicates amounts recognised in future periods may be higher than those included in the table.

Practical example 4.3.2a: Bombardier Inc. (2018) *Canada*

20. BACKLOG

The following table presents the aggregate amount of the revenues expected to be realized in the future from partially or fully unsatisfied performance obligations as at December 31, 2018 as we perform under contracts at delivery or recognized over time. The amounts disclosed below represent the value of firm orders only. Such orders may be subject to future modifications that might impact the amount and/or timing of revenue recognition. The amounts disclosed below do not include constrained variable consideration, unexercised options or letters of intent.

Revenues expected to be recognized in:

(In billions of $)		December 31, 2018
Less than 24 months	$	26.8
Thereafter		26.3
Total	$	53.1

Capita plc separately disclosed the transaction price allocated to remaining performance obligations, with a period of more than two years and those with a period of less than two years, within the segment note in its 2018 annual financial statements. It then further disaggregated the contracts with remaining performing obligations with a period more than two years into additional time bands. In this context, Capita plc disaggregated its revenue by contract type (i.e., contracts with an initial contract period of less than two years and those with more than two years).

Practical example 4.3.2b: Capita plc (2018) *United Kingdom*

6 Segmental information continued

Order book

The tables below show the order book for each division, categorised into long-term contractual (contracts with length greater than two years) and short-term contractual (contracts with length less than two years). The length of the contract is calculated from the start of the service commencement date. The figures represent the aggregate amount of currently contracted transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied. Revenue expected to be recognised upon satisfaction of these performance obligations is as follows:

Order book 31 December 2018	Software £m	People Solutions £m	Customer Management £m	Government Services £m	IT & Networks £m	Specialist Services £m	Group trading and central functions £m	Total £m
Long-term contractual	559.6	715.3	2,011.8	2,187.5	380.4	1,239.1	—	7,093.7
Short-term contractual	—	—	—	—	—	2.3	—	2.3
Total	559.6	715.3	2,011.8	2,187.5	380.4	1,241.4	—	7,096.0

Order book 31 December 2017	Software £m	People Solutions £m	Customer Management £m	Government Services £m	IT & Networks £m	Specialist Services £m	Group trading and central functions £m	Total £m
Long-term contractual	543.4	786.5	1,843.6	2,660.6	508.3	1,833.7	3.8	8,179.9
Short-term contractual	—	—	—	—	—	11.1	—	11.1
Total	543.4	786.5	1,843.6	2,660.6	508.3	1,844.8	3.8	8,191.0

The table below shows the time bands of the expected timing of revenue to be recognised on long-term contractual at 31 December 2018:

Time bands of long-term contractual in order book	Software £m	People Solutions £m	Customer Management £m	Government Services £m	IT & Networks £m	Specialist Services £m	Group trading and central functions £m	Total £m
< 1 year	331.3	222.9	602.8	425.3	169.3	336.0	—	2,087.6
1–5 years	196.7	451.3	1,400.1	1,432.7	167.7	683.0	—	4,331.5
> 5 years	31.6	41.1	8.9	329.5	43.4	220.1	—	674.6
Total	559.6	715.3	2,011.8	2,187.5	380.4	1,239.1	—	7,093.7

The order book represents the consideration to which the Group will be entitled to receive from the customers when the Group satisfies the remaining performance obligations in the contracts. However, the total revenue that will be earned by the Group will also include non-contracted volumetric revenue, new wins, scope changes and anticipated contract extensions. These elements have been excluded from the figures in the tables above as they are not contracted. In addition, revenue from contract extensions is also excluded in the order book unless they are pre-priced extensions whereby the Group has a legal binding obligation to deliver the performance obligations during the extension period. The total revenue related to pre-priced extensions that has been included in the tables above amounted to £508.0m (2017: £502.0m). The amounts presented do not include orders for which neither party has performed and each party has the unilateral right to terminate a wholly unperformed contract without compensating the other party.

Of the £7.1bn (2017: £8.2bn) revenue to be earned on long-term contractual, £4.2bn (2017: £4.9bn) relates to material contracts to the Group. This amount excludes revenue that will be derived from frameworks (transactional (point in time) contracts), non-contracted volumetric revenue, non-contracted scope changes and future unforeseen volume changes from these material contracts, which together are expected to contribute an additional £2.2bn (2017: £1.8bn) of revenue to the Group over the life of these contracts.

In contrast to the previous extract, SAP SE used a non-tabular approach when disclosing information about remaining performance obligations. The following practical example is from note 1 of its 2018 annual financial statements and disclosed information about its remaining performance obligations to provide "software support or cloud subscriptions and support".

Practical example 4.3.2c: SAP SE (2018) *Germany*

(A.1) Revenue

…

Remaining Performance Obligations

Amounts of a customer contract's transaction price that are allocated to the remaining performance obligations represent contracted revenue that has not yet been recognized. They include amounts recognized as contract liabilities and amounts that are contracted but not yet due.

The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as at December 31, 2018, is €31.3 billion. This amount mostly comprises obligations to provide software support or cloud subscriptions and support, as the respective contracts typically have durations of one or multiple years.

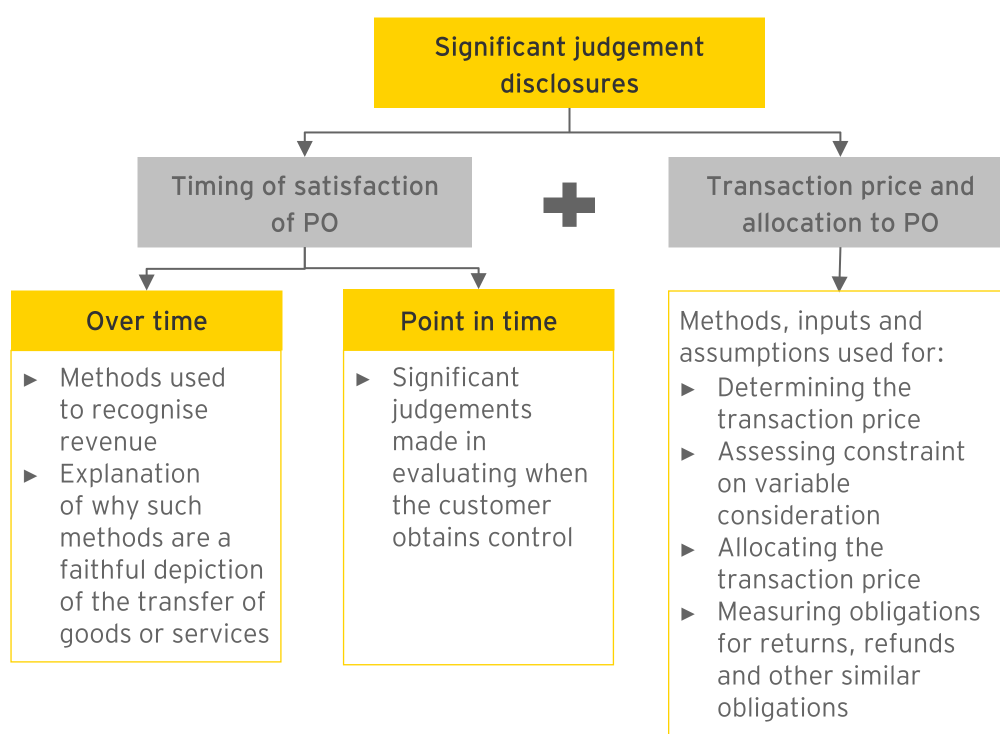
The majority of this amount is expected to be recognized as revenue over the next 12 months following the respective balance sheet date. This estimation is judgmental, as it needs to consider estimates of possible future contract modifications. The amount of transaction price allocated to the remaining performance obligations, and changes in this amount over time, are impacted by, among others:

- Currency fluctuations
- The contract period of our cloud and support contracts remaining at the balance sheet date and thus by the timing of contract renewals

4.4 Significant judgements

The standard specifically requires disclosure of significant accounting estimates and judgements made in determining the transaction price, allocating the transaction price to performance obligations and determining when performance obligations are satisfied.[28] These requirements are in addition to the general requirements for significant judgements and accounting estimates in IAS 1.[29]

The following chart provides an overview of the disclosure requirements in IFRS 15 about significant judgements:



The requirements are explained in more detail in sections 4.4.1 and 4.4.2, below. Also refer to section 10.5.2 in the general publication for further discussion.

[28] IFRS 15.123.
[29] See IAS 1.122-133.

4.4.1 Determining the timing of satisfaction of performance obligations

IFRS 15 requires entities to provide disclosures about the significant judgements made in determining the timing of satisfaction of performance obligations. The disclosure requirements for performance obligations that are satisfied over time differ from those satisfied at a point in time, but the objective is similar: to disclose the judgements made in determining the timing of revenue recognition. Entities must disclose the following information:

Disclosure requirements IFRS 15		
Qualitative	For performance obligation satisfied *over time*:	
	▸ The methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied)	IFRS 15.124(a)
	▸ An explanation of why the methods used provide a faithful depiction of the transfer of goods or services	IFRS 15.124(b)
	For performance obligations satisfied at a *point in time*, significant judgements made in evaluating when a customer obtains control of promised goods or services	IFRS 15.125

In practical example 4.3e (in section 4.3 above), ASML Holding N.V. described the methods used to recognise its revenue over time and explained the relationship between the methods and the different types of services it provides. Koninklijke Philips N.V. recognised revenue at a point in time in relation its consumer type-products sales. Practical example 4.3.1d (in section 4.3.1 above) provided a description of when control transfers to the customer for these sales.

In practical example 4.4.1 below, SAP SE provided disclosure of the significant judgement involved in determining the satisfaction of its performance obligations. It explained how it determines whether its software offerings provide customers with a right to use or a right to access its intellectual property. It also described the judgement involved in identifying the appropriate method to measure the progress of its performance obligations satisfied over time.

Practical example 4.4.1: SAP SE (2018) *Germany*

(A.1) Revenue

...

Accounting Policies, Judgments, and Estimates

...

Recognition of Revenue

Cloud subscription and support revenue is recognized over time as the services are performed. Where our performance obligation is the grant of a right to continuously access and use a cloud offering for a certain term, revenue is recognized based on time elapsed and thus ratably over this term.

Software revenue is recognized at a point in time or over time depending on whether we deliver standard software or customer-specific software:

- Licenses for our standard on-premise software products are typically delivered by providing the customer with access to download the software. The license period starts when such access is granted. We recognize revenue for these on-premise licenses at the point in time when the customer has access to and thus control over the software. In judging whether our on-premise software offerings grant customers a right to use, rather than a right to access, our intellectual property, we have considered the usefulness of our software without subsequent updates to it.
- Typically, our customer-specific on-premise-software development agreements:
  - Are for software developed for specific needs of individual customers and therefore it does not have any alternative use for us
  - Provide us with an enforceable right to payment for performance completed to date

  For such development agreements, we recognize revenue over time as the software development progresses. Judgment is required in identifying an appropriate method to measure the progress toward complete satisfaction of such performance obligations. We typically measure progress of our development agreements based on the direct costs incurred to date in developing the software as a percentage of the total reasonably estimated direct costs to fully complete the development work (percentage-of-completion method). This method of measuring progress faithfully depicts the transfer of the development services to the customer, as substantially all of these costs are cost of the staff or third parties performing the development work. In estimating the total cost to fully complete the development work, we consider our history with similar projects.

Practical example 4.4.1: SAP SE (2018) (cont'd) *Germany*

Support revenue is typically recognized based on time elapsed and thus ratably over the term of the support arrangement. Under our standardized support services, our performance obligation is to stand ready to provide technical product support and unspecified updates, upgrades, and enhancements on a when-and-if-available basis. Our customers simultaneously receive and consume the benefits of these support services as we perform.

Service revenue is typically recognized over time. Where we stand ready to provide the service (such as access to learning content), we recognize revenue based on time elapsed and thus ratably over the service period. Consumption-based services (such as separately identifiable consulting services and premium support services, messaging services, and classroom training services) are recognized over time as the services are utilized, typically following the percentage-of-completion method or ratably. When using the percentage-of-completion method, we typically measure the progress toward complete satisfaction of the performance obligation in the same way and with the same reasoning and judgment as we do for customer-specific on-premise software development agreements. We apply judgment in determining whether a service qualifies as a stand-ready service or as a consumption-based service.

Revenue for combined performance obligations is recognized over the longest period of all promises in the combined performance obligation.

Judgment is also required to determine whether revenue is to be recognized at a point in time or over time. For performance obligations satisfied over time, we need to measure progress using the method that best reflects SAP's performance. When using cost incurred as a measure of progress for recognizing revenue over time, we apply judgment in estimating the total cost to satisfy the performance obligation.

All of the judgments and estimates mentioned above can significantly impact the timing and amount of revenue to be recognized.

4.4.2 Determining the transaction price and the amounts allocated to performance obligations

Given the importance placed on revenue by financial statement users, the standard requires entities to disclose qualitative information about the methods, inputs and assumptions used in their annual financial statements to determine the transaction price and allocate it, as follows:

Disclosure requirements IFRS 15		
Qualitative	Information about methods, inputs and assumptions used for the following:	
	▸ Determining the transaction price, which includes, but is not limited to:	IFRS 15.126(a)
	▸ Estimating variable consideration	
	▸ Considering the effects of time value of money	
	▸ Measuring fair value of non-cash consideration	
	▸ Assessing whether an estimate of variable consideration is constrained	IFRS 15.126(b)
	▸ Allocating the transaction price, including:	IFRS 15.126(c)
	▸ Estimating stand-alone selling prices of promised goods or services	
	▸ Allocating discounts to a specific part of the contract (if applicable)	
	▸ Allocating variable consideration to a specific part of the contract (if applicable)	
	▸ Measuring obligations for returns, refunds and other similar obligations	IFRS 15.126(d)

How we see it

Disclosing information about the methods, inputs and assumptions they use to determine and allocate the transaction price was a change in practice for some entities. Entities with diverse contracts need to make sure they have the processes and procedures in place to capture all of the different methods, inputs and assumptions used in determining the transaction price and allocating it to performance obligations.

Since fee arrangements often include contingencies (e.g., No Win-No-Fee arrangements), Slater and Gordon Limited estimated variable consideration when determining the transaction price as presented in practical example 4.4.2. Therefore, it disclosed information about the method (i.e., most likely amount approach), inputs and assumptions (i.e., management's assessment and the probability of success of each case) in its 2018 annual financial statements. Furthermore, Slater and Gordon Limited disclosed information about the assessment of whether a significant financing component exists. The entity concluded that contracts generally comprise only one performance obligation. As such, Slater and Gordon Limited did not disclose information about the allocation of the transaction price.

Practical example 4.4.2: Slater and Gordon Limited (2018) *Australia*

Notes to the Financial Statements

For the Year Ended 30 June 2018

3.1.1 Accounting Policies (continued)

Provision of Legal Services – Litigation and Emerging Services

The Group also earns revenue from provision of general legal services, incorporating project litigation. Revenue for general legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from general legal services include fixed fee arrangements, unconditional fee for service arrangements ("time and materials"), and variable or contingent fee arrangements (including No Win – No Fee arrangements for services including project litigation, and some consumer and commercial litigation).

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone based approach, which was explained above.

In fee for service contracts, revenue is recognised up to the amount of fees that the Group is entitled to invoice for services performed to date based on contracted rates.

The Group estimates fees for variable or conditional service fee arrangements using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved (generally when a matter is concluded).

Certain project litigation matters are undertaken on a partially funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

As in the case of personal injury claims, estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group has determined that no significant financing component exists in respect of the general law services revenue streams. This has been determined on fee for service and fixed fee arrangements as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. For No Win - No Fee arrangements this has been determined because a significant amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group.

A receivable in relation to these services is recognised when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In practical example 4.3.1d (in section 4.3.1 above), Koninklijke Philips N.V. explains the need to estimate variable consideration in relation to returns.

4.5 Assets recognised from the costs to obtain or fulfil a contract

IFRS 15 requires entities to disclose information about the assets recognised to help users understand the types of costs recognised as assets, and how those assets are subsequently amortised or impaired. Refer to section 10.5.3 of the general publication for further discussion. The disclosure requirements are, as follows:

Disclosure requirements IFRS 15		
Qualitative	▸ Description of the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer	IFRS 15.127(a)
	▸ The method it uses to determine the amortisation for each reporting period	IFRS 15.127(b)
Quantitative	▸ The closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer, by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs)	IFRS 15.128(a)
	▸ The amount of amortisation recognised in the reporting period	IFRS 15.128(b)
	▸ The amount of any impairment losses recognised in the reporting period	IFRS 15.128(b)

In the following practical example, Capita plc disclosed its accounting policy on assets recognised from costs to fulfil and costs to obtain a contract in note 2 on "Summary of significant accounting policies" in its 2018 annual financial statements. This is followed by a description of how it determined the amortisation period and assessed the assets for impairment. In note 17, Capita plc provided quantitative disclosures of "contract fulfilment assets", separately disclosing the closing balance, the amount that was utilised (i.e., amortisation expense) and the amount of impairment losses for each reporting period.

Practical example 4.5: Capita plc (2018) *United Kingdom*

2 Summary of significant accounting policies continued

Contract fulfilment assets

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those other standards preclude capitalisation of a particular cost, then an asset is not recognised under IFRS 15.

If other standards are not applicable to contract fulfilment costs, the Group applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group regularly incurs costs to deliver its outsourcing services in a more efficient way (often referred to as 'transformation' costs). These costs may include process mapping and design, system development, project management, hardware (generally in scope of the Group's accounting policy for property, plant and equipment), software licence costs (generally in scope of the Group's accounting policy for intangible assets), recruitment costs and training.

The Group has determined that, where the relevant specific criteria are met, the costs for (i) process mapping and design; (ii) system development; and (iii) project management are likely to qualify to be capitalised as contract fulfilment assets.

The incremental costs of obtaining a contract with a customer are recognised as a contract fulfilment asset if the Group expects to recover them. The Group incurs costs such as bid costs, legal fees to draft a contract and sales commissions when it enters into a new contract.

Judgement is applied by the Group when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable. For example, the Group considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

The Group has determined that the following costs may be capitalised as contract fulfilment assets: (i) legal fees to draft a contract (once the Group has been selected as a preferred supplier for a bid); and (ii) sales commissions that are directly related to winning a specific contract.

Costs incurred prior to selection as preferred supplier are not capitalised but are expensed as incurred.

Utilisation, derecognition and impairment of contract fulfilment assets and capitalised costs to obtain a contract

The Group utilises contract fulfilment assets to cost of sales over the expected contract period using a systematic basis that mirrors the pattern in which the Group transfers control of the service to the customer. The utilisation charge is included within cost of sales. Judgement is applied to determine this period, for example whether this expected period would be the contract term or a longer period such as the estimated life of the customer relationship for a particular contract if, say, renewals are expected.

A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

Management is required to determine the recoverability of contract related assets within property, plant and equipment, intangible assets as well as contract fulfilment assets, accrued income and trade receivables. At each reporting date, the Group determines whether or not the contract fulfilment assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Practical example 4.5: Capita plc (2018) (cont'd) *United Kingdom*

17 Contract fulfilment assets

	Total £m
At 1 January 2017	240.6
Additions	101.2
Impairment	(14.1)
Derecognition	(9.9)
Utilised during the year	(65.3)
At 31 December 2017	252.5
Additions	**113.8**
Transfers from current contract fulfilment assets	**25.4**
Impairment	**(22.2)**
Derecognition	**(17.4)**
Utilised during the year	**(87.9)**
At 31 December 2018	**264.2**

Impairment

In preparing these consolidated financial statements, management undertook a review to identify indicators of impairment of contract fulfilment assets. Management determined whether or not the contract fulfilment assets and capitalised costs to obtain a contract were impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

In line with the Group's accounting policy, as set out in note 2, if a contract exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration or service credits.

Following this review, contract fulfilment asset provisions for impairment of £22.2m (2017: £14.1m) were identified relating to assets capitalised in the year and recognised within adjusted cost of sales.

Derecognition

A contract fulfilment asset is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal. In 2018, £17.4m (2017: £9.9m) of contract fulfilment assets were derecognised as the related contracts, Prudential and Marsh, were terminated in the year and the Group had no further use for the assets. Of the assets derecognised in the prior year, £5.5m was included as an adjustment to operating profit and related to the write-off of the carrying value of a platform developed by the Group's life and pension business. The Group's transformation plan identified that there was no longer a market for this platform.

4.6 Practical expedients

The standard allows entities to use several practical expedients and requires them to disclose their use of the following two practical expedients (refer to section 10.5.4 of the general publication for further discussion):

Disclosure requirements IFRS 15		
Qualitative	▸ The fact that an entity elects to use one of the practical expedients about: ▸ The existence of a significant financing component (IFRS 15.63) ▸ Incremental costs of obtaining a contract (IFRS 15.94)	IFRS 15.129

In addition, entities are required to disclose the use of the disclosure practical expedient in IFRS 15.121 (which permits an entity not to disclose information about remaining performance obligations if one of the conditions in the paragraph are met, see section 4.3.2 above). IFRS 15 provides other practical expedients. While not explicitly required, entities need to consider whether to disclose that they used them.

In practical example 4.2a (in section 4.2 above), Deutsche Telekom Aktiengesellschaft disclosed that it elected to use the practical expedient "not to recognise a significant financing component if the period between when a good or service is transferred to the customer and when the customer pays for that good or service will be one year or less". Koninklijke Philips N.V. disclosed its application of IFRS 15.94 relating to incremental costs of obtaining a contract in practical example 4.3.1d (in section 4.3.1 above).

In practical example 4.2c (in section 4.2 above), ProSiebenSat.1 Media SE disclosed that it elected to use the practical expedient in IFRS 15.121(a) in relation to the remaining performance obligation disclosure requirement. ASML Holding N.V. disclosed that it uses the 'right to invoice' practical expedient in IFRS 15.B16 for its performance obligations relating to "Service contracts" and "OnPulse maintenance" in practical example 4.3.1e (in section 4.3.1e above).

5. Disclosures in interim financial statements

IAS 34 *Interim Financial Reporting* requires disclosure of disaggregated revenue information, consistent with the requirement included in IFRS 15 for annual financial statements.[30] See section 4.1 for further discussion on this disclosure requirement.

Although none of the other annual IFRS 15 disclosure requirements apply to condensed interim financial statements, entities will need to comply with the general requirements in IAS 34. For example, IAS 34.15 requires an entity to include in its interim financial report, sufficient information to explain events and transactions that are significant to an understanding of the changes in the entity's financial position and performance since the end of the last annual reporting period. Information disclosed in relation to those events and transactions must update the relevant information presented in the most recent annual financial report. IAS 34.15B includes a non-exhaustive list of events and transactions for which disclosure would be required if they are significant, and which includes recognition of impairment losses on assets arising from contracts with customers, or reversals of such impairment losses.

[30] IAS 34.16A(l).

Appendix A: Extract from EY's IFRS Disclosure Checklist

Reference	Requirement	Disclosure made: Yes	No	N/A
	## IFRS 15 *Revenue from Contracts with Customers*			
	IFRS 15 *Revenue from Contracts with Customers* applies with limited exceptions, to all contracts with customers.			
	First-time adopters applying IFRS 15			
IFRS 1.D34 *IFRS 15.C6*	If an entity applies the transition provisions in IFRS 15.C5, does it make the disclosures required by IFRS 15.C6.	☐	☐	☐
IFRS 1.D34-35	In IFRS 15.C5, the date of initial application should be interpreted as the beginning of the first IFRS reporting period.			
	Presentation			
IFRS 15.105	Does the entity present any unconditional rights to consideration separately from contract assets as a receivable	☐	☐	☐
IFRS 15.108	A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. For example, an entity would recognise a receivable if it has a present right to payment even though that amount may be subject to refund in the future. An entity must account for a receivable in accordance with IFRS 9.			
IFRS 15.108	Upon initial recognition of a receivable from a contract with a customer, does the entity present any difference between the measurement of the receivable in accordance with IFRS 9, as applicable, and the corresponding amount of revenue as an expense (for example, as an impairment loss)	☐	☐	☐
IFRS 15.107	If the entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, does the entity present the contract as a contract asset, excluding any amounts presented as a receivable	☐	☐	☐
IFRS 15.107	A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. An entity must assess a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset shall be measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9 (see also IFRS15.113(b)).			
IFRS 15.106	If a customer pays consideration, or the entity has a right to an amount of consideration that is unconditional (i.e., a receivable), before the entity transfers a good or service to the customer, does the entity present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier)	☐	☐	☐
IFRS 15.106	A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.			
IFRS 15.109	If the entity uses an alternative description for a contract asset, does the entity provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets	☐	☐	☐
IFRS 15.109	IFRS 15 uses the terms 'contract asset' and 'contract liability' but does not prohibit an entity from using alternative descriptions in the statement of financial position for those items.			
	The existence of a significant financing component in the contract			
IFRS 15.65	Does the entity present the effects of financing (interest revenue or interest expense) separately from revenue from contracts with customers in the statement of comprehensive income	☐	☐	☐
IFRS 15.65	Interest revenue or interest expense is recognised only to the extent that a contract asset (or receivable) or a contract liability is recognised in accounting for a contract with a customer.			

Disclosure made
Yes No N/A

Sale with a right of return

IFRS 15.B25

Does the entity present the asset for an entity's right to recover products from a customer on settling a refund liability separately from the refund liability ☐ ☐ ☐

IFRS 15.B25

> An asset recognised for an entity's right to recover products from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the product (for example, inventory) less any expected costs to recover those products (including potential decreases in the value to the entity of returned products). At the end of each reporting period, an entity must update the measurement of the asset arising from changes in expectations about products to be returned.

Disclosures

IFRS 15.110

> The objective of the disclosure requirements in IFRS 15 is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15.111

> An entity must consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity must aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

IFRS 15.112

> An entity need not disclose information in accordance with IFRS 15 if it has provided the information in accordance with another standard.

IFRS 15.110

To achieve the disclosure objective stated in IFRS 15.110, does the entity disclose qualitative and quantitative information about all of the following:

a. Its contracts with customers (see IFRS 15.113-122) ☐ ☐ ☐

b. The significant judgements, and changes in the judgements, made in applying IFRS 15 to those contracts (see IFRS 15.123-126) ☐ ☐ ☐

c. Any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with IFRS 15.91 or IFRS 15.95 (see IFRS15.127-128) ☐ ☐ ☐

Contracts with customers

IFRS 15.113

Does the entity disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other standards:

a. Revenue recognised from contracts with customers, which the entity must disclose separately from its other sources of revenue ☐ ☐ ☐

b. Any impairment losses recognised (in accordance with IFRS 9, as applicable) on any receivables or contract assets arising from the entity's contracts with customers, which the entity must disclose separately from impairment losses from other contracts ☐ ☐ ☐

Disaggregation of revenue

IFRS 15.114

Does the entity disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors ☐ ☐ ☐

IFRS 15.B87

> IFRS 15.114 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Consequently, the extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances that pertain to the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in IFRS 15.114 for disaggregating revenue. Other entities may meet the objective by using only one type of category to disaggregate revenue.

IFRS 15.B88

> When selecting the type of category (or categories) to use to disaggregate revenue, an entity must consider how information about the entity's revenue has been presented for other purposes, including all of the following:
>
> a. Disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations)
>
> b. Information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments
>
> c. Other information that is similar to the types of information identified in IFRS 15.B88(a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions

IFRS 15.B89

> Examples of categories that might be appropriate include, but are not limited to, all of the following:
>
> - Type of good or service (for example, major product lines)
> - Geographical region (for example, country or region)
> - Market or type of customer (for example, government and non-government customers)
> - Type of contract (for example, fixed-price and time-and-materials contracts)

		Disclosure made Yes	No	N/A
	► Contract duration (for example, short-term and long-term contracts) ► Timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time) ► Sales channels (for example, goods sold directly to consumers and goods sold through intermediaries)			
IFRS 15.115	If the entity applies IFRS 8 *Operating Segments,* does the entity disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with IFRS 15.114) and revenue information that is disclosed for each reportable segment	☐	☐	☐
	Contract balances			
IFRS 15.116	Does the entity disclose all of the following:			
	a. The opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed	☐	☐	☐
	b. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	☐	☐	☐
	c. Revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price)	☐	☐	☐
IFRS 15.117 *IFRS 15.119*	Does the entity explain how the timing of satisfaction of its performance obligations (see IFRS 15.119(a)) relates to the typical timing of payment (see IFRS 15.119(b)) and the effect that those factors have on the contract asset and contract liability balances; the explanation provided may use qualitative information	☐	☐	☐
IFRS 15.118	Does the entity provide an explanation (with both qualitative and quantitative information) of the significant changes in the contract asset and the contract liability balances during the reporting period	☐	☐	☐
IFRS 15.118	Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following: a. Changes due to business combinations b. Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification c. Impairment of a contract asset d. A change in the time frame for a right to consideration to become unconditional (i.e., for a contract asset to be reclassified to a receivable) e. A change in the time frame for a performance obligation to be satisfied (i.e., for the recognition of revenue arising from a contract liability)			
	Performance obligations			
IFRS 15.119	Does the entity disclose information about its performance obligations in contracts with customers, including a description of all of the following:			
	a. When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement	☐	☐	☐
	b. The significant payment terms	☐	☐	☐
IFRS 15.119	For example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with IFRS 15.56-58.			
	c. The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)	☐	☐	☐
	d. Obligations for returns, refunds and other similar obligations	☐	☐	☐
	e. Types of warranties and related obligations	☐	☐	☐
	Transaction price allocated to the remaining performance obligations			
IFRS 15.120	Does the entity disclose all of the following information about its remaining performance obligations:			
	a. The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period	☐	☐	☐
	b. An explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with IFRS 15.120(a), which the entity discloses in either of the following ways:	☐	☐	☐
	► On a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations	☐	☐	☐

Reference	Requirement	Yes	No	N/A
	Disclosure made			
	► By using qualitative information	☐	☐	☐
IFRS 15.121	As a practical expedient, an entity need not disclose the information in IFRS 15.120 for a performance obligation if either of the following conditions is met: a. The performance obligation is part of a contract that has an original expected duration of one year or less.			
IFRS 15.B16	b. The entity recognises revenue from the satisfaction of the performance obligation in accordance with IFRS 15.B16. That is, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), as a practical expedient, the entity may recognise revenue in the amount to which the entity has a right to invoice.			
IFRS 15.122	Does the entity explain qualitatively whether it is applying the practical expedient in IFRS 15.121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with IFRS 15.120	☐	☐	☐
	Significant judgements in the application of IFRS 15			
IFRS 15.123	Does the entity disclose the judgements, and changes in the judgements, made in applying IFRS 15 that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, does the entity explain the judgements, and changes in the judgements, used in determining both of the following:			
	a. The timing of satisfaction of performance obligations (see IFRS 15.124-125)	☐	☐	☐
	b. The transaction price and the amounts allocated to performance obligations (see IFRS 15.126)	☐	☐	☐
	Determining the timing of satisfaction of performance obligations			
IFRS 15.124	For performance obligations that the entity satisfies over time, does the entity disclose both of the following:			
	a. The methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied)	☐	☐	☐
	b. An explanation of why the methods used provide a faithful depiction of the transfer of goods or services	☐	☐	☐
IFRS 15.125	For performance obligations satisfied at a point in time, does the entity disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services	☐	☐	☐
	Determining the transaction price and the amounts allocated to performance obligations			
IFRS 15.126	Does the entity disclose information about the methods, inputs and assumptions used for all of the following:			
	a. Determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration	☐	☐	☐
	b. Assessing whether an estimate of variable consideration is constrained	☐	☐	☐
	c. Allocating the transaction price, including:	☐	☐	☐
	► Estimating stand-alone selling prices of promised goods or services	☐	☐	☐
	► Allocating discounts to a specific part of the contract (if applicable)	☐	☐	☐
	► Allocating variable consideration to a specific part of the contract (if applicable)	☐	☐	☐
	d. Measuring obligations for returns, refunds and other similar obligations	☐	☐	☐
	Assets recognised from the costs to obtain or fulfil a contract with a customer			
IFRS 15.127	Does the entity describe both of the following:			
	a. The judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer	☐	☐	☐
	b. The method it uses to determine the amortisation for each reporting period	☐	☐	☐
IFRS 15.128	Does the entity disclose all of the following:			
	a. The closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with IFRS 15.91 or IFRS 15.95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs)	☐	☐	☐
	b. The amount of amortisation recognised in the reporting period	☐	☐	☐
	c. The amount of any impairment losses recognised in the reporting period	☐	☐	☐

		Disclosure made		
		Yes	No	N/A
	Practical expedients			
IFRS 15.129	If the entity elects to use the practical expedient in IFRS15.63 regarding the existence of a significant financing component, does the entity disclose that fact	☐	☐	☐
IFRS 15.63	As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.			
IFRS 15.129	If the entity elects to use the practical expedient in IFRS15.94 regarding the incremental costs of obtaining a contract, does the entity disclose that fact	☐	☐	☐
IFRS 15.94	As a practical expedient, an entity may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.			
	Statement of profit or loss and other comprehensive income			
IAS 1.32	Unless required or permitted by another IFRS, does the entity present separately, and not offset, income and expenses	☐	☐	☐
IAS 1.34	Examples of items that are or may be offset in the statement of comprehensive income include the following: a. Gains and losses on the disposal of non-current assets, including investments and operating assets, are reported by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses b. Expenditure related to a provision that is recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) may be netted against the related reimbursement.			
IAS 1.35	c. Gains and losses arising from a group of similar transactions are reported on a net basis, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material.			
	Condensed interim reporting			
	Explanatory notes			
IAS 34.16A	Does the entity disclose the following information in the notes to its interim financial statements or elsewhere in the interim financial report (the information is normally reported on a financial year-to-date basis):	☐	☐	☐
	The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.			
	…			
	l. The disaggregation of revenue from contracts with customers required by IFRS 15.114-115	☐	☐	☐

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