

Surveying IFRS

Survey of 2018 revenue disclosures

IFRS 15 *Revenue from Contracts
with Customers*

December 2019



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What you need to know

- ▶ IFRS 15 provides a single source of revenue recognition 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.
- ▶ Although the transition to the standard did not always result in significant changes in the amount of revenue recognised, the introduction of the standard has changed the way in which entities analyse and present revenue from transactions with customers.
- ▶ IFRS 15 requires entities to provide disclosures to aid users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.
- ▶ The disclosure requirements in IFRS 15 can be challenging and entities may need to further refine and/or tailor the disclosures provided in their first set of annual financial statements after adopting the standard.
- ▶ This publication provides an overview of key findings from a survey of revenue disclosures in 2018 financial statements. In seeking to improve disclosure practices, comparing and contrasting disclosures made by other entities (especially peers) can be helpful.

1. Executive summary

IFRS 15 *Revenue from Contracts with Customers* provides accounting requirements for all revenue arising from contracts with customers, unless the contracts are in the scope of other International Financial Reporting Standards (IFRS), such as leases. It became effective in 2018 when it replaced all legacy revenue standards and interpretations in IFRS (legacy IFRS). Although transition to the standard did not always result in significant changes in the amount of revenue recognised, it has changed the way that entities analyse and present revenue from transactions with customers.

IFRS 15 also requires entities to disclose sufficient information for users of the financial statements to understand the nature, amount, timing and uncertainty of revenue, and cash flows, from contracts with customers.¹ To achieve this objective, entities are required to provide various disclosures about their contracts with customers, significant judgements in applying the standards and contract costs assets.² However, the disclosures described in the standard are not intended to be a checklist of minimum requirements. For example, entities do not need to disclose information that is not relevant or material to their circumstances.

Entities are also required to consider the level of detail necessary to satisfy the disclosure objective and the degree of emphasis to place on each of the disclosure requirements in IFRS 15. Importantly, entities are required to ensure that useful information is not obscured by other information or by the aggregation of items that have substantially different characteristics).³

The disclosure requirements affect all entities, even those that saw little change to the timing and amount of revenue recognised on transition. They presented a significant challenge on transition and may continue to be challenging for many entities on an ongoing basis. Indeed, the European Securities and Markets Authority (ESMA) noted that the disclosures provided in the first set of financial statements under IFRS 15 “should be further improved”, particularly when “revenue recognition is subject to significant assumptions and judgements”.⁴ Similarly, the United Kingdom (UK) regulator of IFRS financial statements, the Financial Reporting Council (FRC), reported that “there was room for improvements by all companies - even those where examples of good disclosures are highlighted” within a thematic review published in October 2019.⁵

This publication provides an overview of key findings from a survey of revenue disclosures in 2018 financial statements. Although we make a number of observations about IFRS 15 and its application in this publication, the survey was conducted to learn more about emerging presentation and disclosure practices, as well as the transition effect of IFRS 15 on entities. However, summarising the way in which the entities concerned dealt with particular disclosure requirements requires a degree of interpretation and it is possible that others reviewing the same financial statements would form a different view in some cases.

Key findings from our survey included the following:

- ▶ The majority of the entities in our sample reported no, or very little, effect on equity at the date of transition to IFRS 15
- ▶ Entities in our sample reported a variety of key areas of impact on transition to IFRS 15, including identification of performance obligations (including principal versus agent considerations), changes to the timing of revenue recognition and changes to presentation within the balance sheet

¹ IFRS 15.110.

² IFRS 15.110.

³ IFRS 15.111.

⁴ ESMA public statement, *European common enforcement priorities for 2019 annual financial reports* (ESMA32-63-791), 22 October 2019, available at www.esma.europa.eu.

⁵ FRC (Financial Reporting Council) IFRS 15 Thematic Review: *Review of Disclosures in the First Year of Application*, October 2019, available at www.frc.org.uk.

- ▶ The number of words used to describe the accounting policies for revenue varied significantly between entities, even within sectors
- ▶ 33% of the entities surveyed identified revenue-related significant judgements and 47% identified revenue-related significant estimates
- ▶ About half of the entities we surveyed disaggregated revenue using more than two dimensions
- ▶ Entities surveyed used a variety of formats to disclose required information, including tables, roll-forwards and narrative.

Our survey sample is discussed in section 2. The overall findings are discussed by topic in section 3. A summary per sector is presented in Appendix A.

Refer to our *Applying IFRS Presentation and disclosure requirements of IFRS 15* for a summary of the presentation and disclosure requirements of IFRS 15 and illustrative examples. The most up-to-date version of this publication is available at www.ey.com/IFRS.

How we see it

The disclosure requirements in IFRS 15 can be challenging and entities may need to further refine and/or tailor the disclosures provided in their first set of annual financial statements after adopting the standard. In seeking to improve disclosure practices, comparing and contrasting disclosures made by other entities (especially peers) can be helpful.

2. The survey sample

Our survey encompassed desktop reviews of 87 annual financial statements from publicly listed entities reporting under IFRS, primarily for the year ended 31 December 2018.

For the purpose of reviewing sector-specific aspects of the application of IFRS 15 the entities were selected by EY sector representatives for eight sectors. As a result, the sample is not statistically representative, but are intended to be qualitatively representative.

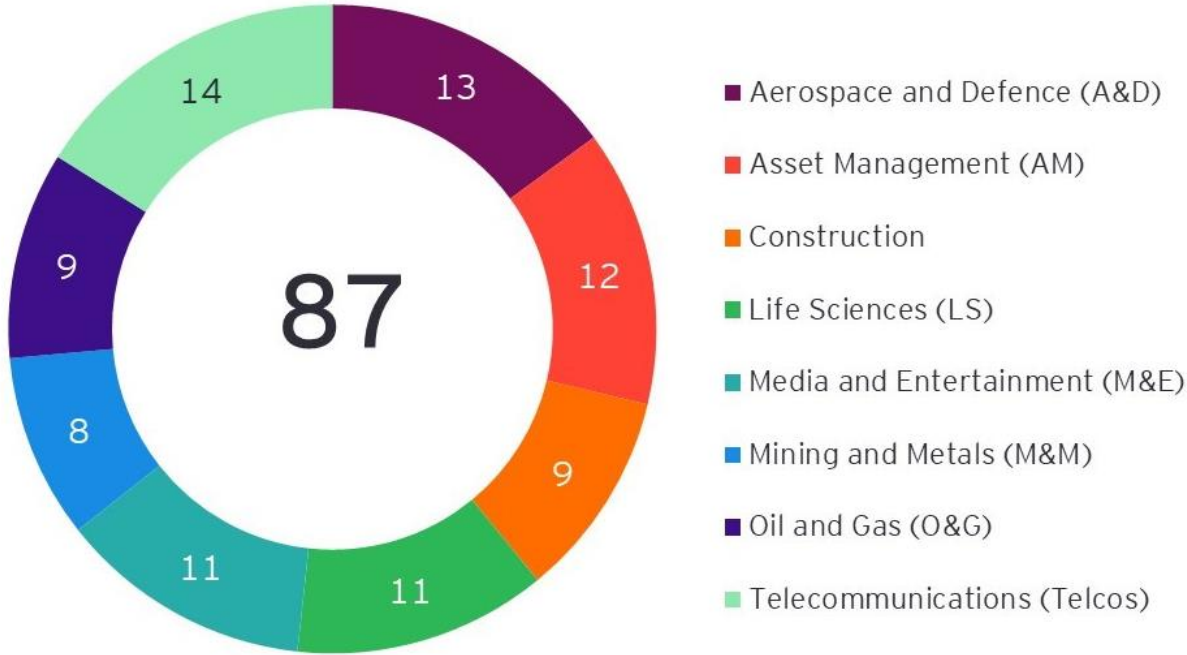


Figure 1: Number of entities surveyed per sector

Entities from the Asset Management, Oil and Gas and Telecommunications sectors were not included in all of the areas covered in our survey. This is mainly because some topics were not deemed equally relevant for these sectors.

Most of the entities in our sample were from Europe for two reasons:

- ▶ Timing: data was collected in the second and third quarters of the 2019 calendar year, limiting the sample to entities that had published the 2018 financial statements at that time.
- ▶ Application of IFRS: the survey only includes entities applying IFRS. We did not include entities that apply US GAAP.

A complete list of the entities included in our sample is provided in Appendix B.



Figure 2: Geographical composition of entities included in the survey

3. Analysis by topic

In this part, we discuss themes that have emerged from our survey by topic area:

- 3.1 Impact of IFRS 15 on transition
- 3.2 Revenue accounting policies
- 3.3 Disclosure of significant judgements and estimates
- 3.4 Disaggregation of revenue
- 3.5 Other revenue disclosures
- 3.6 Contract balances
- 3.7 Contract cost assets
- 3.8 Return assets and refund liabilities

3.1 Impact of IFRS 15 on transition

33% of the entities we surveyed reported a negative effect on equity at the date of transition, 28% had a positive effect and 39% reported no effect on equity.⁶ However, a clear majority (82%) of the entities surveyed reported either no effect or an effect on equity of five percent or less on transition to IFRS 15.

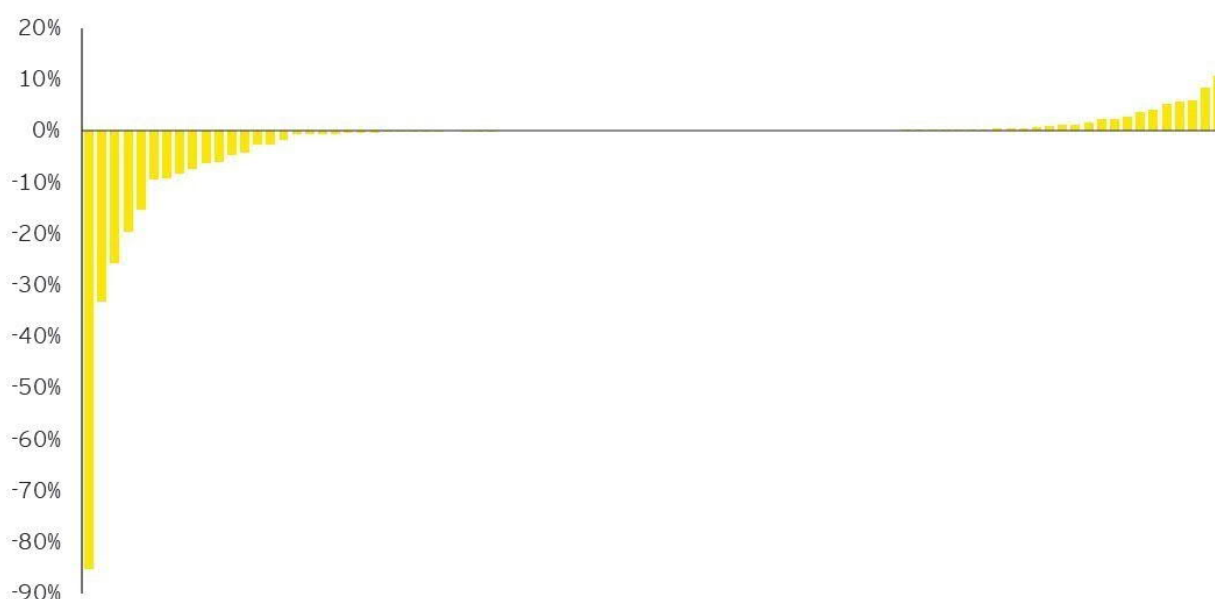


Figure 3: Effect of transition to IFRS 15 on equity at the date of transition (87 entities)

16 of the 87 entities we surveyed (18%) reported an effect on equity greater than 5% and six entities (7%) reported an effect on equity exceeding 10%.

Some of the positive effects on transition that we observed were associated with accounting for cost to obtain and fulfil customer contracts, rather than accounting for the revenue from those contracts.

Entities that reported larger negative effects were generally from the Aerospace and Defence or Construction sectors. Entities with larger positive effects on equity were generally from the Telecommunications sector.

⁶ For the vast majority of the sample, the date of transition to IFRS 15 was 1 January 2018.



Figure 4: Effect of transition to IFRS 15 on equity at the date of transition by sector (87 entities)

Even though the effect on equity on transition was often small, most entities nevertheless disclosed key areas of impact on transition. This is consistent with our expectation that IFRS 15 has changed the way that entities analyse and account for revenue from transactions with customers.

Overall, we noted a variety of transition effects, even within the various sector samples. The variety in key impact areas can arise from a number of different sources such as differences in the types of revenue transactions or variations in accounting practices prior to adopting IFRS 15. However, some sector trends are noted in Appendix A of this publication.

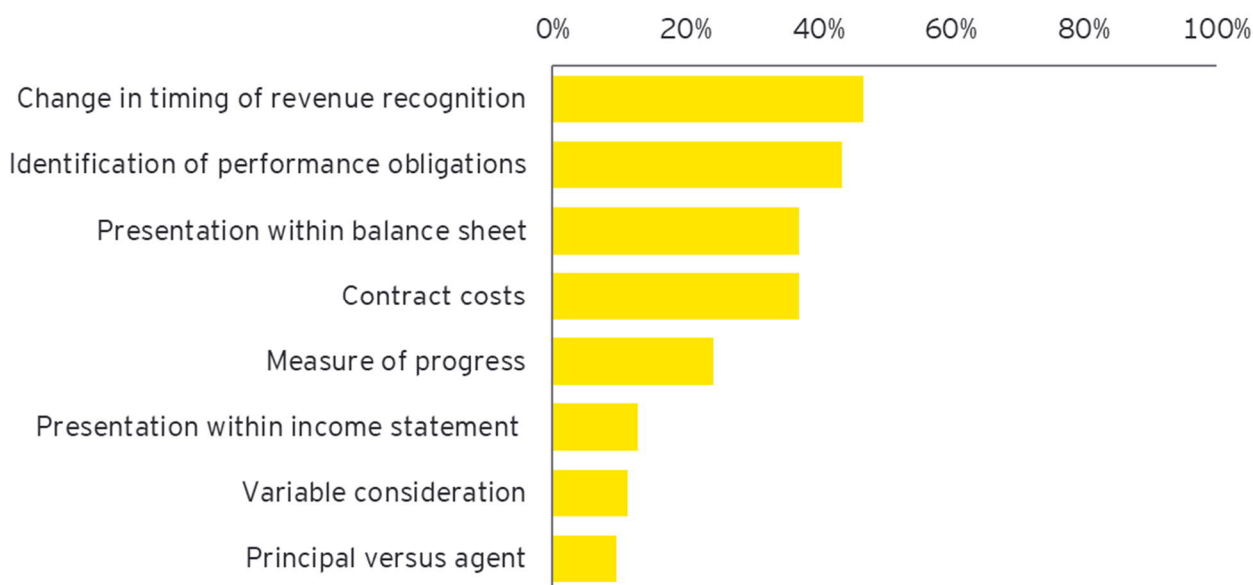


Figure 5: Percentage of entities that identified top key impact areas on transition (78 entities)

3.2 Revenue accounting policies

As part of the adoption of IFRS 15, entities needed to reassess their accounting policy disclosures in accordance with IAS 1 *Presentation of Financial Statements*.⁷ 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.

In our survey, we analysed the significant accounting policies for revenue from contracts with customers for 75 entities. We counted the number of words used in this note as a proxy for the level of detail entities used to explain their accounting policies.

Not surprisingly, the length of accounting policies for revenue from contracts with customers varied greatly, from around 200 words to more than 3,200 words. On average, for the total sample, 890 words were used to describe the revenue accounting policies. The average for entities in the Construction and Telecommunications sectors was higher. However, we observed large variations in the length of the accounting policy sections in all of the sectors in our sample.

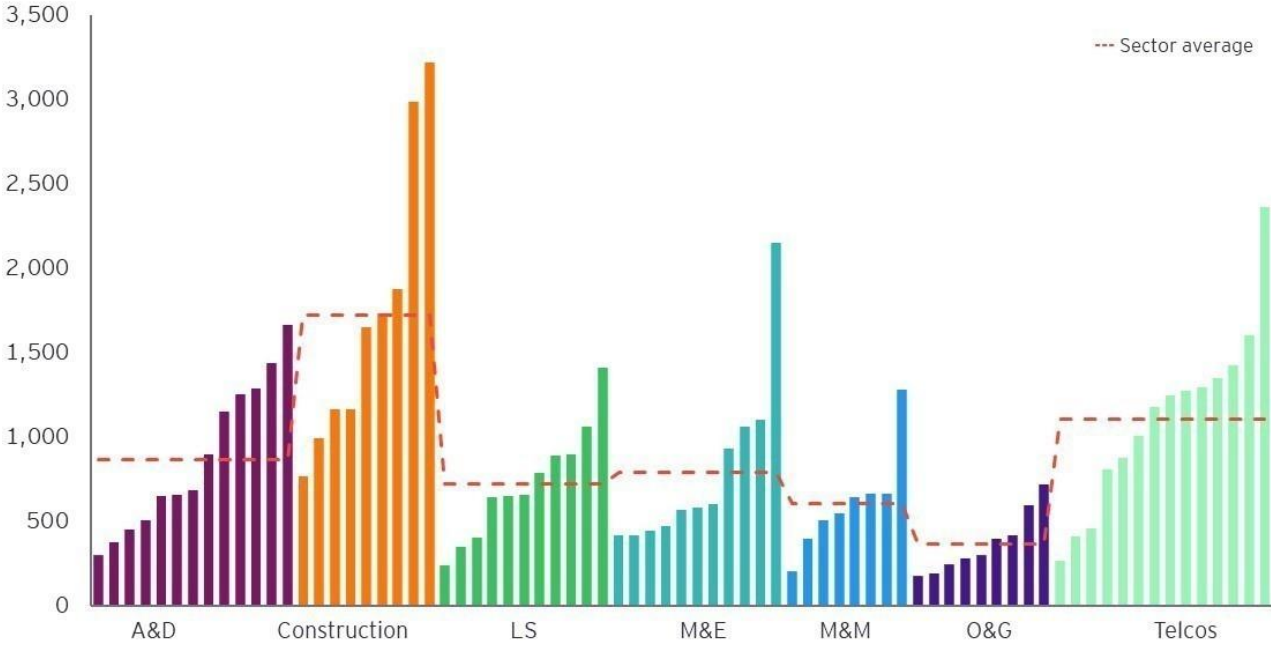


Figure 6: Number of words used to describe revenue accounting policies (75 entities)

73% (55 of 75) of the entities in our survey structured their policies by significant revenue streams. All of the entities included some of the qualitative disclosures listed in IFRS 15 in their accounting policies, including: identifying performance obligations; methods for estimating transaction price; and judgements relating to the timing of revenue recognition.

⁷ IAS 1.117.

How we see it

The length of an entity's accounting policy is not necessarily an indicator of quality or completeness. A short accounting policy section can contain all relevant information for an entity, particularly if there are few and uncomplicated revenue streams.

Some regulators have noted that entities may need to improve the description of their accounting policies relating to revenue from contracts with customers, noting concerns about generic descriptions of the five-step model in IFRS 15 and continued use of terminology from legacy IFRS. Enforcers may expect entities to provide detailed disclosures of the nature of performance obligations and when these are satisfied.

3.3 Disclosure of significant judgements and estimates

In order to apply IFRS 15, entities often need to make many judgements and estimates. Therefore, in our survey, we considered the extent to which entities identified revenue-related issues in the sections of their financial statements that describe significant judgements and estimates, as required by IAS 1.⁸ 73 entities were included in this part of the survey. While the disclosure of significant judgements made in applying the IFRS 15 may be provided in a variety of ways, our survey focused only on judgements and estimates specifically identified as significant. Such disclosures might otherwise have been provided in a separate note or with accounting policies.

34% (25 of 73) of the entities surveyed identified at least one revenue-related significant judgement. 47% (34 of 73 entities) of the entities in this sample identified at least one revenue-related significant estimate. As can be seen in figures 7 and 8 below, revenue-related significant judgements and estimates were more common in certain sectors.

While we did not identify any patterns in the judgements identified as significant by the entities in the various sector samples, we noted that the measure of progress for performance obligations satisfied over time was identified as a significant estimate by 32% (23 of 73 entities) of the entities surveyed.

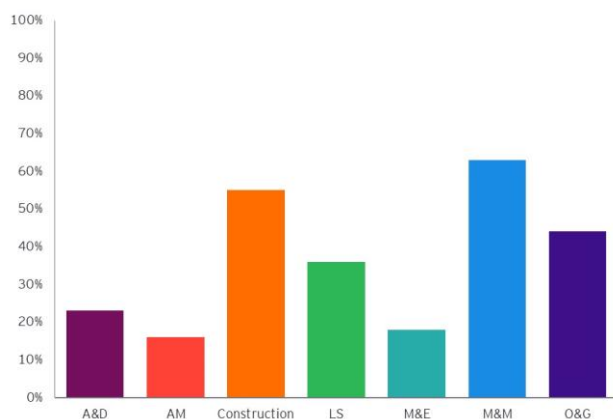


Figure 7: Significant revenue-related judgements per sector

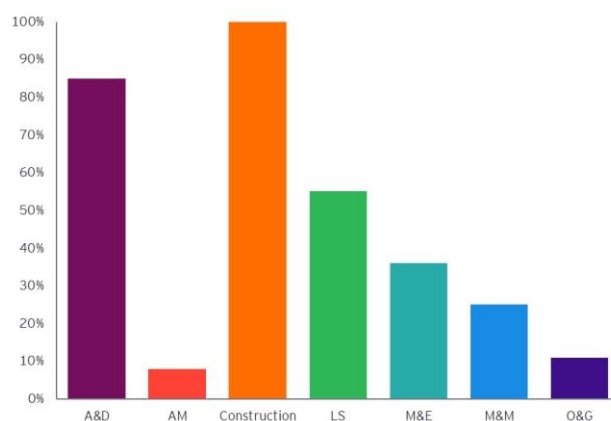


Figure 8: Significant revenue-related estimates per sector

⁸ IAS 1.122-133.

How we see it

IFRS 15 requires disclosure of judgements made in applying the standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, this refers to the judgements made in determining the transaction price, allocating the transaction price to performance obligations and determining when performance obligations are satisfied.⁹ These requirements are in addition to the general requirements for significant judgements and accounting estimates in IAS 1.¹⁰ As these requirements may require a change in practice, it may be challenging for entities to provide these disclosures.

Some regulators have indicated their expectation that such disclosures should be entity-specific and that the judgements and estimates should be clearly explained; it is not sufficient to identify them. For example, in its common enforcement priorities for the 2019 financial statements, ESMA highlighted that it expects issuers to provide “adequate information on the significant judgements and estimates made”.¹¹ Moreover, the UK FRC commented that “few companies explained why the method used to recognise revenue over time provided a faithful depiction of the transfer of goods or services” in line with the requirement set out in IFRS 15.124(b).¹² In the same publication, the UK FRC also indicated that it expects that, where estimation uncertainty is involved, quantitative disclosures, such as sensitivities or ranges of potential outcomes, are provided.

3.4 Disaggregation of revenue

In contrast to legacy IFRS requirements, IFRS 15 does not specify how an entity should disaggregate revenue, only that entities should do so in order to allow users to understand how revenue and cash flow from contracts with customers are affected by economic factors.

When selecting a category to use to disaggregate revenue, an entity 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 *Segment Reporting*)
- ▶ How other information is used by the entity, or users of the financial statements, to evaluate financial performance or make resource allocation decisions

⁹ IFRS 15.123.

¹⁰ IAS 1.122-133.

¹¹ ESMA public statement, *European common enforcement priorities for 2019 annual financial reports* (ESMA32-63-791), 22 October 2019, available at www.esma.europa.eu.

¹² FRC (Financial Reporting Council) IFRS 15 Thematic Review: *Review of Disclosures in the First Year of Application*, October 2019, available at www.frc.org.uk.

In addition, entities need to make this determination based on entity-specific and/or sector-specific factors that would be most meaningful for their businesses. According to IFRS 15, examples of categories an entity might use include, but are not limited, to the following:¹³

Category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market/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: <ul style="list-style-type: none"> ▶ At a point in time ▶ Over time
Sales channels	Goods sold: <ul style="list-style-type: none"> ▶ Directly to consumers ▶ Through intermediaries

In this part of the survey, we looked at the number of dimensions entities used to disaggregate revenue and which dimensions were used. We use dimensions to denote the number of different types of disaggregation, in contrast to the number of categories used within each dimension. For example, disaggregation across geographical regions (one dimension) may be provided using various categories (regions), so as to provide different levels of granularity.



Figure 9: Percentage of entities that used three or more dimensions to disaggregate revenue

All 87 entities disclosed disaggregated revenue information. Approximately one third of those entities disaggregated revenue using two dimensions. Generally, the two dimensions used were operating segments and geographical regions. That is, many of the entities did not provide additional disaggregated revenue information beyond what is required by IFRS 8. However, more than half of the entities in our sample disaggregated revenue using three or more dimensions. The entity with the greatest number of dimensions in our sample disaggregated revenue using six dimensions.

We noted some sector differences with regard to the disclosure of disaggregated revenue. For example, of the entities in the Asset Management and Mining and Metals sectors in our sample, a majority (60%) disaggregated using two dimensions. Of the entities in the Construction and Telecommunications sectors in our sample, it was common to use three dimensions to disaggregate revenue (44% and 50% of the samples, respectively). For the Aerospace and Defence and the Life Sciences entities in our sample, most used four dimensions to disaggregate revenue (54% and 36%, respectively).

The most common dimensions used to disaggregate revenue were by 'type of good or service' and by 'geographical region'. Additional dimensions suggested in IFRS 15 (in the table above) were not as frequently observed. Out of the 87 entities in our sample, approximately one third disaggregated revenue by 'market/type of customer'. Nearly 30% disaggregated by 'timing of transfer of goods or services'. However, approximately 70% of the Aerospace and Defence entities that we surveyed provided disaggregated revenue information using these two dimensions. This indicates that the use of these two dimensions was less common in other sectors.

¹³ IFRS 15.B89.

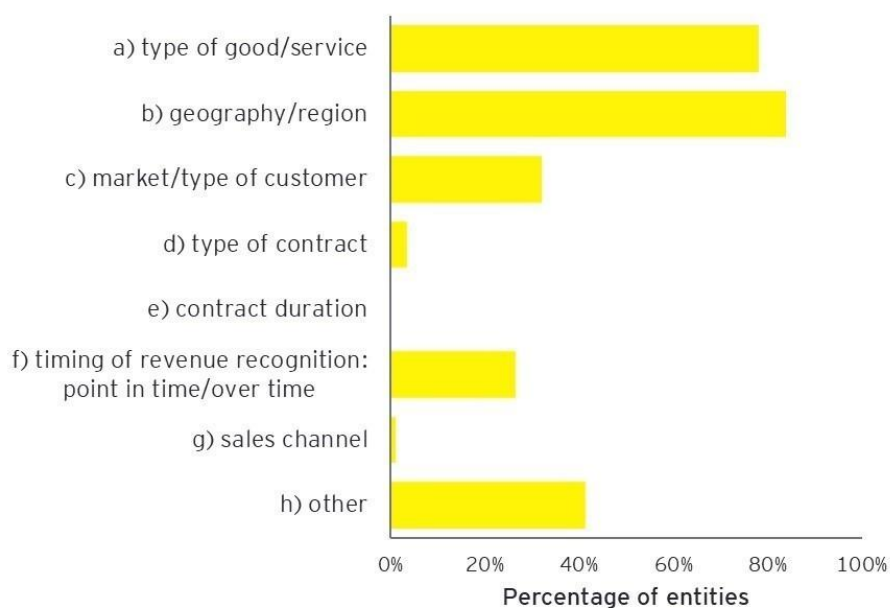


Figure 10: Dimensions used to disaggregate revenue (87 entities)

As noted above, most entities disclosed disaggregated revenue by operating segment. Sometimes, the operating segments were based on the ‘type of good/service’ or ‘geographical region’. In these cases, it was categorised as such for the purpose of identifying dimensions used. If the basis for the identified operating segments was less clear, we categorised it as ‘other’. For entities surveyed from the Mining and Metals sector, disaggregation by mine was categorised as ‘other’. For entities surveyed from the Life Sciences sector, disaggregation by payment terms (e.g., sales-based royalties, upfront fees, milestones) were coded as ‘other’.

How we see it

Segment data is one way of providing disaggregated revenue information. For annual reports, IFRS 8 also requires disclosure of revenue from external customers attributed to the entity’s country of domicile and each material foreign country.¹⁴ While such disclosures may be relevant for assessing how revenue and related cash flows are affected by economic factors, some entities may need to disaggregate revenue across more dimensions to meet the disclosure objective in IFRS 15. We also note that the UK FRC suggests that, if the accounting policies indicate that revenue is recognised both at a point in time and over time, the sufficiency of disclosures may be questionable if revenue is not disaggregated based on the timing of recognition.¹⁵ In our survey, we did not assess the appropriateness of the number and type of dimensions used. Our findings are consistent with expectations that some entities need to use more dimensions than others in order to reflect how revenue and related cash flows are affected by economic factors. However, it is important to remember that disaggregation across more dimensions is only more useful if the dimensions used are relevant for assessing the impact of economic factors and additional dimensions provide incremental information.

¹⁴ IFRS 8.33.

¹⁵ FRC (Financial Reporting Council) IFRS 15 Thematic Review: *Review of Disclosures in the First Year of Application*, October 2019, available at www.frc.org.uk.

3.5 Other revenue disclosures

In addition to disclosing revenue from contracts with customers separately and disclosing disaggregated revenue, as discussed in the previous section,¹⁶ IFRS 15 requires three revenue-related disclosures:

1. Revenue recognised in the reporting period included in the opening balance of contract liabilities¹⁷
2. Revenue recognised in the reporting period from performance obligations satisfied in previous periods¹⁸
3. The transaction price allocated to remaining or unsatisfied performance obligations, i.e., revenue that will be recognised in the future relating to existing customer contracts¹⁹

In this part of the survey, we considered the frequency of these revenue disclosures in the financial statements of 64 entities.

3.5.1 Revenue recognised that was included in the opening balance of contract liabilities

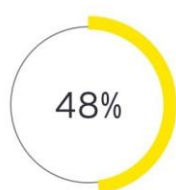


Figure 11: Percentage of entities that disclosed revenue recognised in the current period that was included in the opening balance of contract liabilities

Almost half of the entities in the sample (31 out of 64 entities) disclosed revenue recognised in the current year that was included in the opening balance of contract liabilities. This occurs, for example, when payment had already been received, or was receivable, at the beginning of the year, while performance only took place during the year. The proportion was higher for entities surveyed in the Aerospace and Defence sector (77%) and lower for entities in the Asset Management sector (8%).

This information was often disclosed together with other information about contract liabilities, rather than with disclosures regarding revenue recognised during the period. Most (58%) of the 31 entities that disclosed revenue recognised in the current period that was included in opening balances of contract liabilities provided this information in a tabular format. A further 23% (seven out of 31 entities) provided the information in a roll-forward table.

3.5.2 Revenue recognised in the current period relating to performance obligations satisfied in previous periods

Disclosure of revenue recognised in the current period relating to performance obligations satisfied in previous periods was less common. Only 22% of the entities in our sample (14 out of 64 entities) disclosed this information. However, consistent with our expectation that such information would be more relevant for entities with long-duration customer contracts, 44% of the entities surveyed in the Construction sector and 38% of the entities in the Aerospace and Defence sector disclosed this information. This disclosure may also be relevant if the transaction price is variable and constrained at the end of the previous financial year(s).

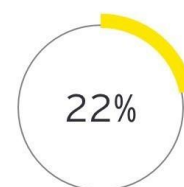


Figure 12: Percentage of entities that disclosed revenue recognised in the current period relating to performance obligations satisfied in previous periods

¹⁶ IFRS 15.113(a).

¹⁷ IFRS 15.116(b).

¹⁸ IFRS 15.116(c).

¹⁹ IFRS 15.120.

3.5.3 Transaction price allocated to unsatisfied performance obligations



Figure 13: Percentage of entities that disclosed the transaction price allocated to unsatisfied performance obligations

Half of the entities in the sample (32 out of 64 entities) disclosed the transaction price allocated to unsatisfied performance obligations. Again, we observed some sector differences. Consistent with our expectation that this would be relevant for entities with long-duration customer contracts, all of the entities we surveyed in the Construction sector and 85% of the entities in the Aerospace and Defence sector disclosed this information.

When the transaction price allocated to unsatisfied performance obligations was disclosed, entities often used two or three time-bands to explain when this revenue was expected to be recognised. A variety of time-bands was used (i.e., the length of time covered by each band varied). It was often unclear whether the amounts disclosed had been affected by the constraint on variable consideration.

3.6 Contract balances

IFRS 15 requires entities to disclose the opening and closing balance of contract assets and liabilities, if not separately presented.²⁰ A contract asset is a conditional right to consideration in exchange for goods or services that the entity has transferred to a customer. If the right to consideration is unconditional (i.e., only the passage of time is required before payment of that consideration is due), it is a receivable. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

While there is no requirement to use the terms 'contract asset' and 'contract liability', the standard requires entities to provide sufficient information to allow users to identify such contract balances. If more than one category of contract assets or liabilities are presented, it may be useful for users of the financial statements to understand the differences, for example, by explaining to which revenue streams they relate.

In this part of the survey, we focused on the financial statements of 64 entities, considering their disclosures relating to contract assets and contract liabilities. The existence of such balances depends on a number of factors, including the timing of payments from customers and satisfaction of performance obligations relative to the entity's financial year end. Therefore, we first identified those entities that included such balances in their financial statements.



Figure 14: Percentage of entities that presented or disclosed contract assets separately

55% of the entities surveyed (35 out of 64 entities) separately presented or disclosed contract assets. 51% (18 out of those 35 entities) presented contract assets as a separate line in the statement of financial position.

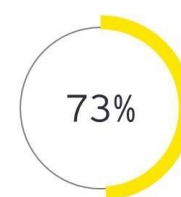


Figure 15: Percentage of entities that presented or disclosed contract liabilities separately

73% of entities surveyed (47 out of 64 entities) separately presented or disclosed contract liabilities. Of these, a small majority (57%, 27 out of 47 entities) presented the contract liabilities as a separate line item in the statement of financial position.

When disclosed in the notes to the financial statements, this information was provided in a variety of different notes.

As noted above, IFRS 15 does not require entities to use the labels 'contract asset' and 'contract liability'. Approximately half of the entities that disclosed such balances used the labels 'contract asset' and 'contract

²⁰ IFRS 15.116(a).

liability'. The most common alternative for 'contract asset' was 'accrued revenue'. Alternatives for 'contract liability' included 'customer advances' and 'invoiced revenue not worked up'.

IFRS 15 requires entities to disclose an explanation of significant changes in contract balances during the reporting period.²¹ We observed that 43% of the entities (15 of 35 entities) that presented or disclosed contract assets, and 51% of the entities (24 of 47 entities) that presented or disclosed contract liabilities disclosed this information.

3.7 Contract cost assets

If an entity capitalises incremental costs of obtaining the contract and/or costs to fulfil a contract, IFRS 15 requires that such assets are disclosed in the notes to the financial statements by main category of asset.²² The standard is silent on the classification of contract cost assets. Therefore, entities need to develop an appropriate accounting policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

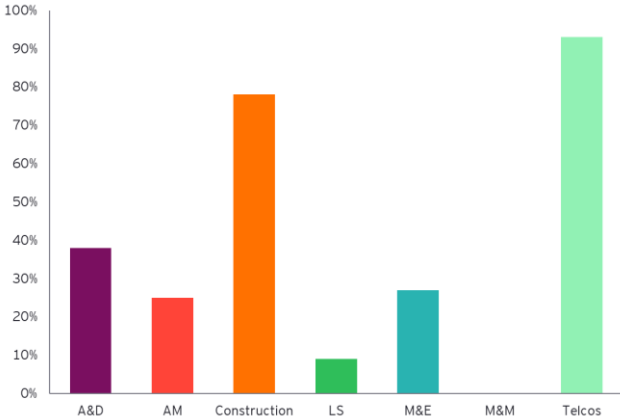


Figure 16: Percentage of entities that disclosed information about contract cost assets per sector

In this part of the survey, we focused on the financial statements of 78 entities. We considered whether the entities presented or disclosed information about contract costs assets.

As is shown in figure 16, apart from those entities surveyed in the Telecommunications and Construction sectors, disclosures related to contract

cost assets were not very common.

In some instances, we observed entities explaining in the accounting policy sections that no contract assets were recognised for cost to obtain a contract, with reference to the practical expedient in IFRS 15, which permits an entity to recognise incremental costs of obtaining a contract as an expense when incurred if the amortisation period for any asset the entity would otherwise have had to recognise would have been one year or less.²³

How we see it

Entities that recognise contract costs assets should consider if it is appropriate to explain policies for presenting, amortising and impairment testing contract cost assets. Some regulators may also expect entities to clearly explain when capitalisation occurs in practice and the nature of capitalised costs.

In drafting their accounting policies, entities that do not disclose any contract cost assets may need to consider if it is relevant to explain the reason for this to the primary users of their financial statements. Entities that apply the practical expedient are required to disclose this fact.

²¹ IFRS 15.118.
²² IFRS 15.128(a).
²³ IFRS 15.94.

3.8 Return assets and refund liabilities

If customers have the right to return goods, entities are required to recognise a refund liability and an asset for the right to recover goods on settling that liability. IFRS 15 also requires entities to present the refund liability separately from the corresponding asset (i.e., on a gross basis, rather than a net basis).²⁴ Refund liabilities to customers may also arise as a consequence of rebates and other types of retrospective discounts. In this part of the survey, we looked at the financial statements of 64 entities.

Generally, disclosures of return assets were not common in the financial statements of entities included in the survey. 6% (four out of 64 entities) provided disclosures of return assets. In two instances, entities explained that return assets were not recognised on the grounds that such amounts were immaterial.

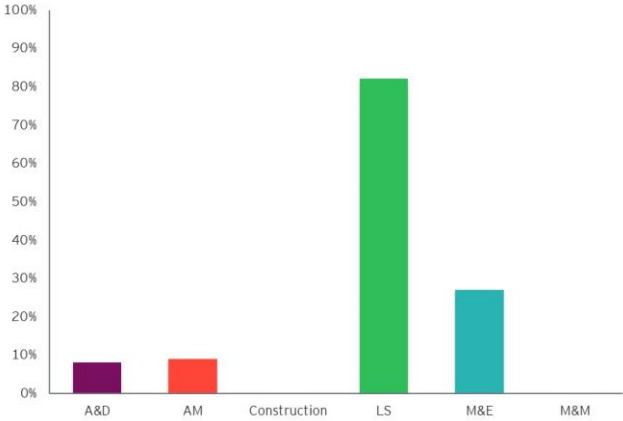


Figure 17: Percentage of entities that disclosed refund liabilities

Disclosures of refund liabilities were provided by 82% of the entities surveyed in the Life Science sector. In addition, we noted that 27% (three out of 11 entities) of the Media and Entertainment entities we surveyed disclosed refund liabilities.

We observed that the level of granularity of the information disclosed in relation to refund liabilities varied, with some entities providing more insight into the relevant items than others. For example, while one entity stated that, to the extent refund liabilities existed, they were recognised within 'other payables', another entity disclosed changes in different types of refund obligations in a separate note to the financial statements. Some entities also provided an explanation within their accounting policy note regarding the presentation of refund liabilities within the financial statements.

²⁴ IFRS 15.B25.

Appendix A: Analysis by sector

In this part, we summarise the findings by the sectors included in our survey:

- i. Asset Management
- ii. Aerospace and Defence
- iii. Construction
- iv. Life Sciences
- v. Media and Entertainment
- vi. Mining and Metals
- vii. Oil and Gas
- viii. Telecommunications

Refer to figure 1, in section 2, for an overview of the total sample by sector. Refer to Appendix B for a list of the entities included in each sector sample.

i. Asset Management

The Asset Management sample included standalone asset management groups as well as other financial services groups. For the latter groups, the primary focus of this survey was on their Asset Management business.

Effect on transition to IFRS 15

Overall, the 12 entities we surveyed in this sector had no, or a minimal, effect on equity at the date of transition to IFRS 15. Common areas of impact for entities surveyed in this sector included identification of performance obligations (including principal versus agent considerations), variable consideration and costs to obtain a contract.

Significant revenue-related judgements and estimates

Three out of the 12 entities (25%) we surveyed referred to one or more significant judgement or estimate related to accounting for revenue from contracts with customers. Areas of significant judgement or estimation included identifying performance obligations and estimating variable consideration (including application of the constraint).

Disaggregated revenue

All of the entities surveyed in this sector disclosed disaggregated revenue information. Two out of the 12 entities (17%) disaggregated revenue using three or more dimensions. The most common dimensions used to disaggregate revenue were ‘type of good or service’ and ‘geographical region’.



Figure 18: Percentage of entities that used three or more dimensions to disaggregate revenue (12 entities)

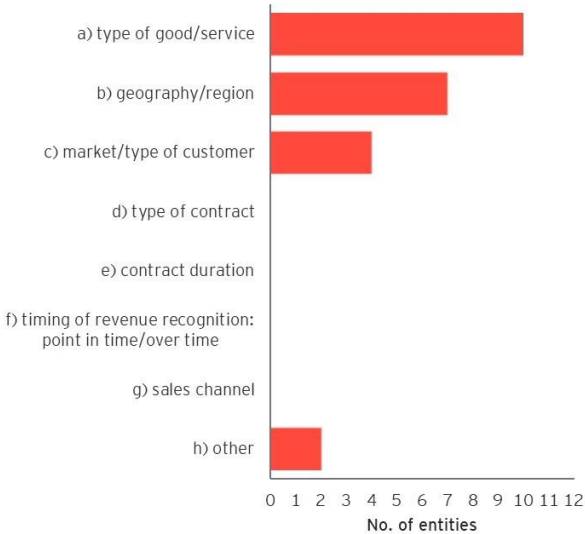


Figure 19: Dimensions used to disaggregate revenue

Other disclosures

Only one of the entities we surveyed in this sector (8%) disclosed contract liabilities. Seven out of the 12 entities surveyed (58%) separately presented or disclosed contract assets as a line item on the face of the financial statements or in the notes to the financial statements.

ii. Aerospace and Defence

Effect on transition to IFRS 15

Seven of the 13 entities (54%) in the Aerospace and Defence sample reported negative effects greater than 5% on equity at the date of transition to IFRS 15. Common areas of impact for entities surveyed in this sector included identification of performance obligations, measuring progress for performance obligations satisfied over time and changes in timing of revenue recognition.

Significant revenue-related judgements and estimates

85% of the entities in our sample for this sector (11 out of 13 entities) identified estimates related to measures of progress over time as significant. Other estimates mentioned included variable consideration and consideration paid to customers.

Disaggregated revenue

85% of the entities surveyed (11 out of 13 entities) disaggregated revenue by three or more dimensions. The most common dimensions used to disaggregate revenue were 'type of good or service' and by 'geographical region'. However, almost 70% of entities surveyed (nine out of 13 entities) disaggregated revenue by 'timing of revenue recognition' or by 'market/type of customer'.

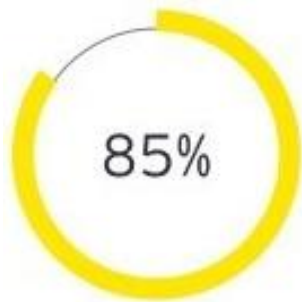


Figure 20: Percentage of entities that used three or more dimensions to disaggregate revenue (13 entities)

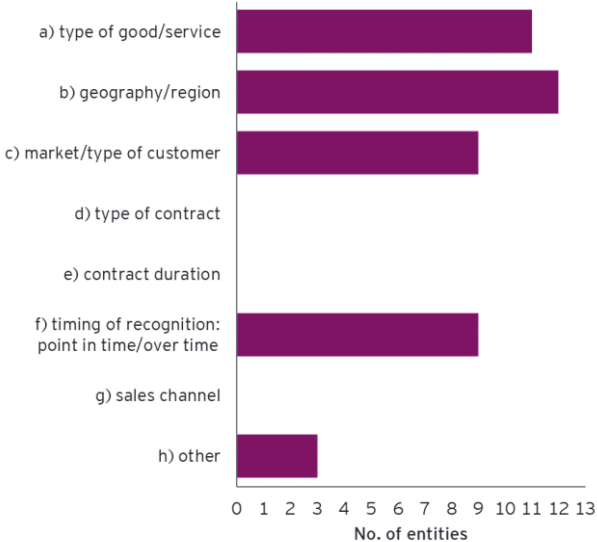


Figure 21: Dimensions used to disaggregate revenue

Other disclosures

85% of the entities surveyed (11 out of 13 entities) disclosed the transaction price allocated to unsatisfied performance obligations. A majority of the entities surveyed used the terms 'contract asset' and 'contract liabilities' (69% and 77%, respectively, or nine and ten out of 13 entities, respectively).

iii. Construction

Effect on transition to IFRS 15

Three of the nine entities surveyed (33%) reported a negative effect on equity exceeding 5% at the date of transition to IFRS 15. A fourth company reported a negative effect of 4.3% on equity on transition. Common areas of impact included accounting for variable consideration, measuring progress for performance obligations satisfied over time, accounting for contract costs and changes to presentation within the balance sheet.

Significant revenue-related judgements and estimates

All of the entities surveyed identified the measure of progress as a significant estimate. Other significant estimates included estimating variable consideration (including application of the constraint). 56% of the entities surveyed (five out of nine entities) identified significant judgements. Significant judgements related to revenue from contracts with customers included accounting for contract modifications, identifying performance obligations, the timing of revenue recognition and accounting for contract costs.

Disaggregated revenue

67% of the entities surveyed (six out of nine entities) disaggregated revenue across three or more dimensions. The most common dimensions used to disaggregate revenue were 'geographical region' and 'type of good or service'.



Figure 22: Percentage of entities that used three or more dimensions to disaggregate revenue (nine entities)

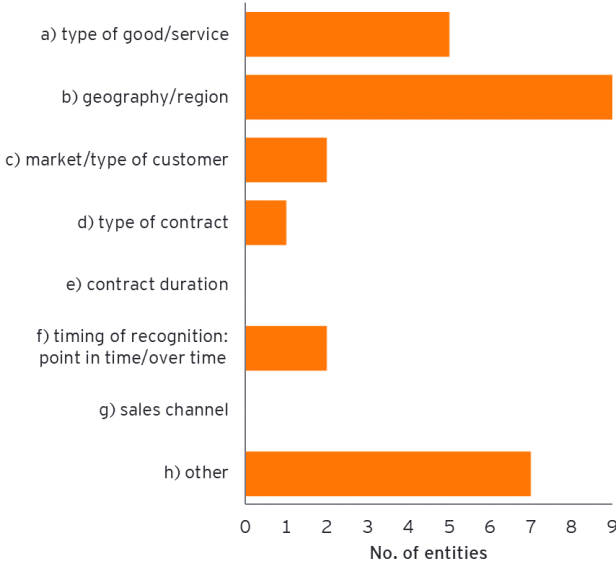


Figure 23: Dimensions used to disaggregate revenue

Other disclosures

44% of the entities surveyed (four out of nine entities) disclosed revenue recognised in the current period relating to performance obligations satisfied in previous periods and 56% disclosed revenue recognised in the current period that was included in the opening balance of contract liabilities. All of the entities surveyed disclosed the transaction price allocated to unsatisfied performance obligations.

All entities surveyed also presented or disclosed contract assets and contract liabilities; 56% presented contract assets, and 67% presented contract liabilities, as a separate line item in their financial statements. Where the amounts were not presented as line items, disclosures were made in the notes.

iv. Life Sciences

Effect on transition to IFRS 15

Ten out of 11 entities surveyed in this sector reported an effect on equity at the date of transition to IFRS 15 less than 5%. Areas of impact identified included changes in the timing of revenue recognition, often related to the accounting for licences of intellectual property.

Significant revenue-related judgements and estimates

Significant judgements were identified by 36% of the entities surveyed (four out of 11 entities) and included identification of performance obligations, determining the transaction price, including accounting for variable consideration (including application of the constraint) and measuring progress for performance obligations satisfied over time. Six of the entities (55%) referred to significant estimates, including estimating variable consideration (e.g., rebates and discounts).

Disaggregated revenue

91% of the entities surveyed (10 out of 11 entities) disaggregated revenue using three or more dimensions. In addition to disaggregating revenue by 'type of good or service' and 'geographical region', entities disaggregated revenue by other dimensions, including 'payment terms' (e.g., royalties, upfront payments, milestones). 55% of the entities surveyed (six out of 11 entities) also disaggregated revenue by 'market/type of customer'.

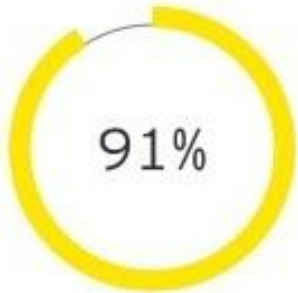


Figure 24: Percentage of entities that used three or more dimensions to disaggregate revenue (11 entities)

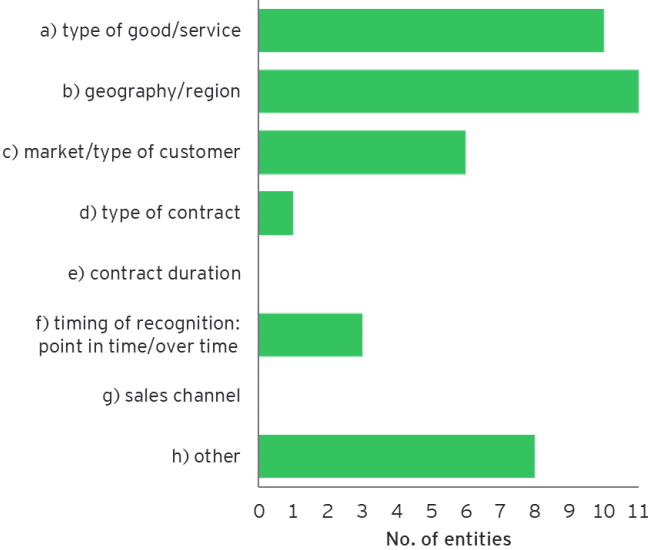


Figure 25: Dimensions used to disaggregate revenue

Other disclosures

55% of the entities surveyed (six out 11 entities) disclosed revenue recognised in the reporting period that was included in the opening balance of contract liabilities. 27% of the entities (three out 11 entities) disclosed revenue recognised in the reporting period related to performance obligations satisfied in previous periods. Four entities (36%) disclosed the amount of transaction price allocated to unsatisfied performance obligations. All four explained when revenue was expected to be recognised using time-bands. Two of these entities also distinguished between amounts recognised as contract liabilities and amounts not yet recognised. Nine entities (82%) presented or disclosed refund liabilities. As noted in section 3.8, the level of granularity of information included within these disclosures varied.

v. Media and Entertainment

Effect on transition to IFRS 15

55% of the entities surveyed in this sector (six out of 11 entities) reported no effect on equity at the date of transition. The remaining 45% (five out of 11 entities) reported a negative effect on equity on transition to IFRS 15 of less than 5%.

45% of entities surveyed disclosed changes to presentation within the balance sheet as a key area of impact on transition to IFRS 15, including reclassification from trade receivables to contract assets, for example, and from accounts payable or other creditors to contract liabilities. Other key areas of impact on transition included principal versus agent considerations and changes to timing of revenue recognition.

Significant revenue-related judgements and estimates

Two of the 11 entities surveyed (18%) disclosed a significant judgement related to revenue from contracts with customers. Four entities (36%) identified at least one significant estimate related to revenue. Common areas of significant judgement or estimation included estimating variable consideration (including application of the constraint), significant financing components and measuring progress for performance obligations satisfied over time.

Disaggregated revenue

One of the 11 entities surveyed disaggregated revenue using one dimension ('geographical region') only. This entity did not provide segment information. Two entities (18%) disaggregated revenue using two dimensions. The remaining eight entities (73%) disaggregated revenue by three or four dimensions. The most common dimensions used to disaggregate revenue were 'type of good or service' and 'geographical region'. However, six entities (55%) disaggregated revenue by 'market/ type of customer' and four (36%) disaggregated by 'timing of revenue recognition'.



Figure 26: Percentage of entities that used three or more dimensions to disaggregate revenue (11 entities)

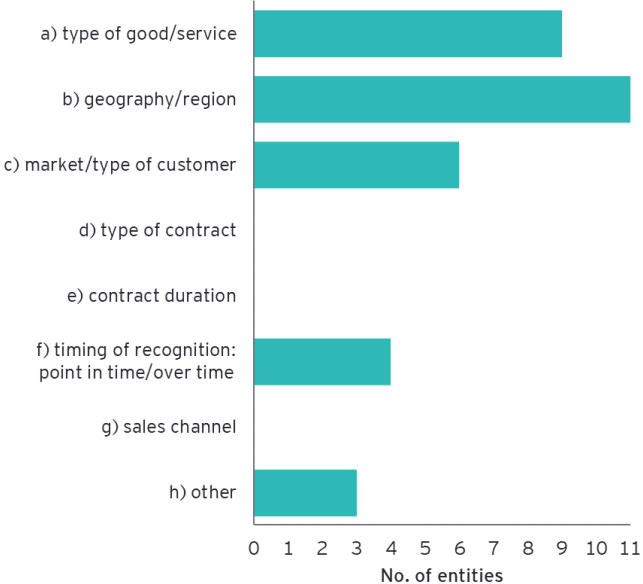


Figure 27: Dimensions used to disaggregate revenue

Other disclosures

Five of the 11 surveyed entities (45%) disclosed revenue recognised in the reporting period that was included in the opening balance of contract liability. Two entities (18%) disclosed revenue recognised in the reporting period that related to performance obligations satisfied in previous periods. One entity (9%) disclosed the amount of transaction price allocated to unsatisfied performance obligations. A further four (36%) disclosed the use of the practical expedient not to provide this disclosure for contracts with an original expected duration of 12 months or less.

45% of the entities (five out of 11) presented or disclosed contract assets. 91% (10 out of 11) presented or disclosed contract liabilities. Four entities (36%) referred to revenue net of returns, one of these entities disclosed related return assets and three disclosed related refund liabilities.

vi. Mining and Metals

Effect on transition to IFRS 15

Five out of eight entities surveyed in this sector (63%) reported no effect on equity at the date of transition to IFRS 15. Two out of the eight entities surveyed (25%) reported a small negative effect (not exceeding 5%) on equity and one entity reported a small positive effect on equity (not exceeding 5%) on transition. Five out of the eight entities (63%) disclosed the identification of performance obligations and measure of progress as key areas of impact on transition.

Significant revenue-related judgements and estimates

63% of the entities surveyed (five out of eight entities) identified one or more significant judgements related to revenue from contracts with customers. Judgements identified included determining and allocating the transaction price and identification of performance obligations.

Two of the eight entities surveyed (25%) identified one or more significant estimates related to revenue, including determining the transaction price for streaming transactions.

Disaggregated revenue

Two out of the eight entities surveyed (25%) disaggregated revenue using three or more dimensions. The most common dimensions used to disaggregate revenue were 'geographical region' and 'type of good or service'. Only one of the entities surveyed disaggregated revenue using a single dimension based on the 'timing of revenue recognition' (at a point in time or over time).



Figure 28: Percentage of entities that used three or more dimensions to disaggregate revenue (eight entities)

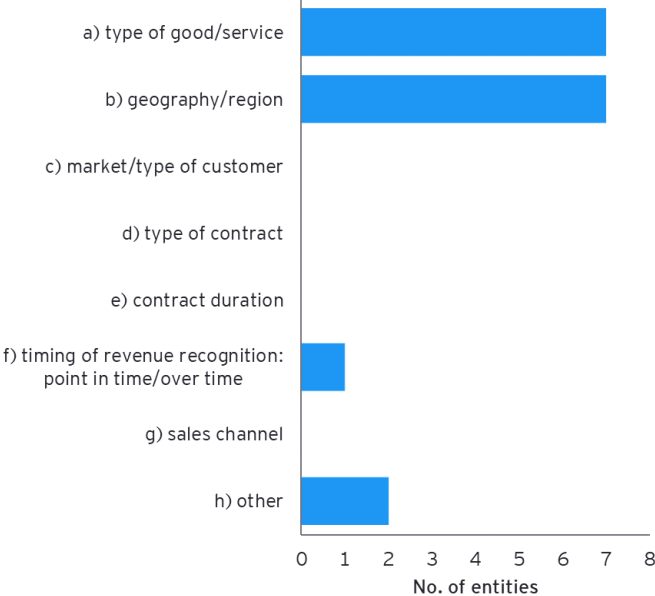


Figure 29: Dimensions used to disaggregate revenue

Other disclosures

Six out of the eight entities surveyed (75%) presented or disclosed contract liabilities separately. One entity used the term 'contract liability' and five used alternative labels. 13% (one out of eight entities) disclosed contract assets in the notes. None of the entities surveyed disclosed contract cost assets, right to return assets or refund liabilities.

vii. Oil and Gas

Effect on transition to IFRS 15

Eight out of the nine entities surveyed in this sector (89%) reported no effect on equity at the date of transition to IFRS 15. One of the entities (11%) reported a small negative effect (not exceeding 5%) on equity. Five entities (55%) disclosed key areas of impact on transition, which included changes to presentation within the income statement, principal versus agent considerations and accounting for variable consideration (including application of the constraint).

Significant revenue-related judgements and estimates

Four of the nine entities surveyed (44%) identified one significant judgement related to revenue. For three of these four entities, that significant judgement related to principal versus agent considerations. One of the nine entities (11%) identified one significant estimate related to revenue, related to estimated volumes of electricity and gas sold.

Disaggregated revenue

11% of the entities (one out of nine entities) in this sector disaggregated revenue using three or more dimensions. The most common dimensions used to disaggregate revenue were 'geographical region' and 'type of good or service'. One entity disaggregated revenue across 'sales channels'.

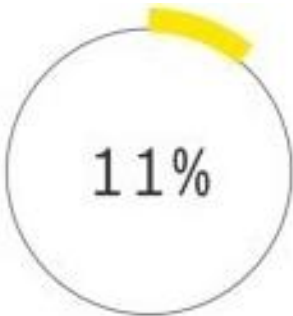


Figure 30: Percentage of entities that used three or more dimensions to disaggregate revenue (nine entities)

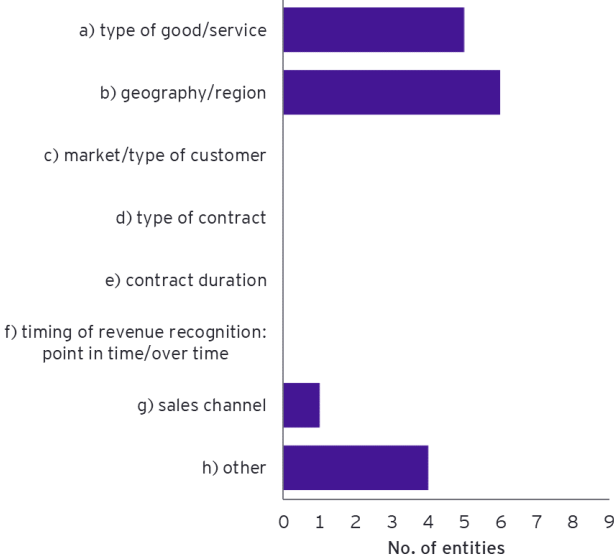


Figure 31: Dimensions used to disaggregate revenue

Other disclosures

None of the entities in the sample disclosed information about the following: revenue recognised in the current period that was included in the opening balance of contract liabilities; revenue recognised in the current period relating to performance obligations satisfied in previous period; or the transaction price allocated to unsatisfied performance obligations.

viii. Telecommunications

Effect on transition to IFRS 15

All entities surveyed reported an effect on equity at the date of transition to IFRS 15. One entity (7%) reported a small negative effect (not exceeding 5%) on equity. The remaining 13 entities had positive impacts on equity between 0.6% and 11%. All entities identified contract costs as a key area of impact on transition. 12 of the 14 entities (86%) were impacted by the identification of performance obligations.

Significant revenue-related judgements and estimates

21% of the entities surveyed (three out of 14 entities) identified one or more significant judgements related to revenue from contracts with customers. Judgements identified included determining the transaction price and accounting for variable consideration (including application of constraint).

Nine of the 14 entities surveyed (64%) identified one or more significant estimates related to revenue, including identification of performance obligations, principal versus agent considerations, variable consideration and determining the transaction price.

Disaggregated revenue

Eight out of the 14 entities surveyed (57%) disaggregated revenue using three or more dimensions. The most common dimensions used to disaggregate revenue were 'type of good or service' and 'geographical region'.

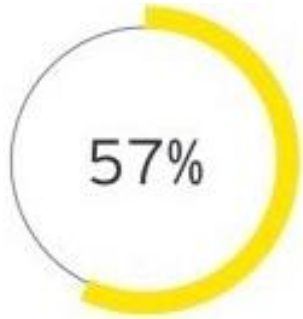


Figure 33: Percentage of entities that used three or more dimensions to disaggregate revenue (14 entities)

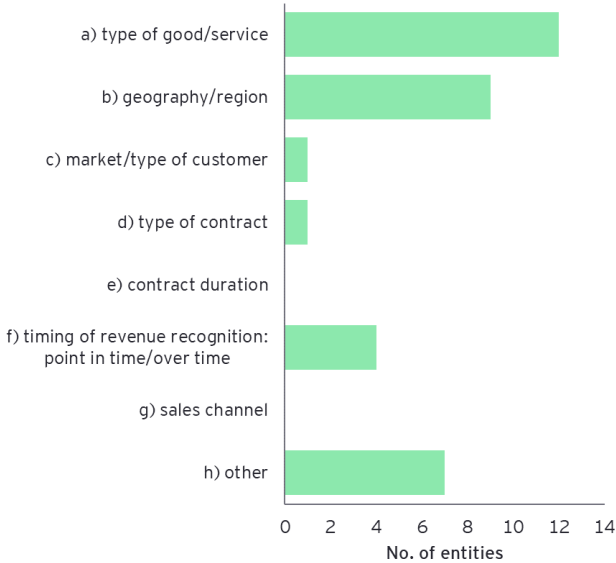


Figure 32: Dimensions used to disaggregate revenue

Other disclosures

93% of the entities surveyed (13 out of 14 entities) presented or disclosed information about contract cost assets. Five of these 13 entities (38%) presented contract cost assets as a separate line item, while the remaining eight entities disclosed information about contract assets in the notes.

Appendix B: Surveyed entities per sector

	Sector	Entity	Location of headquarters
1	Aerospace and Defence	Bombardier Inc.	Canada
2	Aerospace and Defence	Dassault Aviation S.A.	France
3	Aerospace and Defence	Safran S.A.	France
4	Aerospace and Defence	MTU Aero Engines AG	Germany
5	Aerospace and Defence	Avio S.p.A	Italy
6	Aerospace and Defence	Leonardo S.p.A	Italy
7	Aerospace and Defence	Airbus SE	Netherlands
8	Aerospace and Defence	Kongsberg Gruppen ASA	Norway
9	Aerospace and Defence	SAAB AB	Sweden
10	Aerospace and Defence	BAE Systems plc	United Kingdom
11	Aerospace and Defence	Cobham plc	United Kingdom
12	Aerospace and Defence	Meggitt plc	United Kingdom
13	Aerospace and Defence	Rolls-Royce Holdings plc	United Kingdom
14	Asset Management	Rothschild & Co	France
15	Asset Management	Value Partners Group Ltd.	Hong Kong
16	Asset Management	Partners Group Holding AG	Switzerland
17	Asset Management	Jupiter Fund Management plc	United Kingdom
18	Asset Management	Man Group plc	United Kingdom
19	Asset Management	Rathbone Brothers plc	United Kingdom
20	Asset Management	Schroders plc	United Kingdom
23	Asset Management	HSBC Holdings plc ²⁵	United Kingdom
22	Asset Management	ING Groep N.V. ²⁶	Netherlands
21	Asset Management	Macquarie Group Ltd. ²⁷	Australia
24	Asset Management	Axa S.A. ²⁸	France
25	Asset Management	Legal & General Group plc ²⁹	United Kingdom
26	Construction	Strabag SE	Austria
27	Construction	Bouygues S.A.	France
28	Construction	Vinci S.A.	France
29	Construction	Royal BAM Group N.V. (BAM)	Netherlands
30	Construction	Actividades de Construcción y Servicios S.A. (ACS)	Spain
31	Construction	Ferrovial S.A.	Spain
32	Construction	NCC AB	Sweden
33	Construction	Skanska AB	Sweden
34	Construction	Balfour Beatty plc	United Kingdom
35	Life Sciences	Galapagos N.V.	Belgium
36	Life Sciences	UCB S.A.	Belgium
37	Life Sciences	Novo Nordisk A/S	Denmark
38	Life Sciences	Sanofi S.A.	France
39	Life Sciences	Bayer AG	Germany
40	Life Sciences	Takeda Pharmaceutical Co Ltd.	Japan

²⁵ HSBC Holdings plc is an other financial services group (Banking) that includes Asset Management.

²⁶ ING Groep N.V. is an other financial services group (Banking) that includes Asset Management.

²⁷ Macquarie Group Ltd. is an other financial services group (Banking) that includes Asset Management.

²⁸ Axa S.A. is an other financial services group (Insurance) that includes Asset Management.

²⁹ Legal & General Group plc is an other financial services group (Insurance) that includes Asset Management.

	Sector	Entity	Location of headquarters
41	Life Sciences	Koninklijke Philips N.V.	Netherlands
42	Life Sciences	Novartis AG	Switzerland
43	Life Sciences	F. Hoffmann-La Roche Ltd.	Switzerland
44	Life Sciences	AstraZeneca plc	United Kingdom
45	Life Sciences	GlaxoSmithKline plc (GSK)	United Kingdom
46	Media and Entertainment	Lagardère SCA	France
47	Media and Entertainment	Publicis Groupe S.A.	France
48	Media and Entertainment	Vivendi SA	France
49	Media and Entertainment	ProSiebenSat.1 Media SE	Germany
50	Media and Entertainment	Scout24 AG	Germany
51	Media and Entertainment	RTL Group SA	Luxembourg
52	Media and Entertainment	Spotify AB	Sweden
53	Media and Entertainment	Cineworld Group plc	United Kingdom
54	Media and Entertainment	Informa plc	United Kingdom
55	Media and Entertainment	WPP plc	United Kingdom
56	Media and Entertainment	Pearson plc	United Kingdom
57	Mining and Metals	Vale S.A.	Brazil
58	Mining and Metals	Barrick Gold Corporation	Canada
59	Mining and Metals	Lundin Mining Corporation	Canada
60	Mining and Metals	Boliden AB	Sweden
61	Mining and Metals	Glencore plc	Switzerland
62	Mining and Metals	Anglo American plc	United Kingdom
63	Mining and Metals	Antofagasta plc	United Kingdom
64	Mining and Metals	Rio Tinto plc	United Kingdom
65	Oil and Gas	Total S.A.	France
66	Oil and Gas	MOL plc	Hungary
67	Oil and Gas	Eni S.p.A.	Italy
68	Oil and Gas	Royal Dutch Shell plc	Netherlands
69	Oil and Gas	Equinor ASA	Norway
70	Oil and Gas	BP plc	United Kingdom
71	Oil and Gas	Ophir Energy plc	United Kingdom
72	Oil and Gas	Premier Oil plc	United Kingdom
73	Oil and Gas	Tullow oil plc	United Kingdom
74	Telecommunications	Telstra Corporation Ltd.	Australia
75	Telecommunications	BCE Inc.	Canada
76	Telecommunications	China Mobile Ltd.	China
77	Telecommunications	China Telecom Corp. Ltd.	China
78	Telecommunications	China Unicom Ltd.	China
79	Telecommunications	Orange S.A.	France
80	Telecommunications	Deutsche Telekom AG	Germany
81	Telecommunications	KDDI K.K.	Japan
82	Telecommunications	América Móvil, S.A.B. de C.V	Mexico
83	Telecommunications	Telenor ASA	Norway
84	Telecommunications	Saudi Telecom Company	Saudi Arabia
85	Telecommunications	Telefónica, S.A.	Spain
86	Telecommunications	BT Group plc	United Kingdom
87	Telecommunications	Vodafone Group plc	United Kingdom

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EYG no. 005921-19Gbl

EY-000113165.indd (UK) 12/19.

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