Staff paper

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Topic	**Overview of the IASB's discussions**
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Purpose

1. This paper provides:

   (a) a reminder of the IASB's framework for responding to application matters identified in a post-implementation review (PIR); and

   (b) an overview of application matters identified by the IASB in its PIR of IFRS 15 *Revenue from Contracts with Customers*, including:

      (i) the summary of the feedback received in response to the IASB's Request for Information *Post-implementation Review of IFRS 15 Revenue from Contracts with Customers* (the RFI); and

(ii) the IASB's tentative decisions—made based on its framework—on whether to take further action on these application matters.

2. The details on the feedback on application matters received by the FASB in its PIR of ASC Topic 606, Revenue from Contracts with Customers is included in the November 2024 Roundtable Discussion Materials.

Structure of the paper

Framework for responding to application matters identified in a PIR

3. The description of the IASB post-implementation reviews sets out a framework for deciding whether and when to take further action in response to specific application matters. Specifically:

(a) first, the IASB assesses whether the findings from the PIR provide evidence that:

(i) there are fundamental questions about the clarity and suitability of the new requirements;

(ii) the benefits to users of financial statements of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application); or

(iii) the costs of applying the new requirements and auditing and enforcing their application are significantly greater than expected.

(b) then, if the findings provide evidence that any of the characteristics described in (a) are present, the IASB determines the prioritisation of the matter based on the extent to which evidence indicates:

(i) the matter has substantial consequences;

(ii) the matter is pervasive;

(iii) the matter can be addressed by the IASB or the IFRS Interpretations Committee; and

(iv) the benefits of an action are expected to outweigh the costs. To determine this, the IASB considers the extent of disruption and operational costs from change and importance of the matter to users.

4. Depending on the above assessment:

(a) high priority matters would be addressed as soon as possible. This category is expected to be used rarely, for those matters:

(i) that relate to the core objective or principles of a new requirement that lead the IASB to conclude in the PIR that the new requirement is not working as intended; or

(ii) for which most of the prioritisation characteristics are present to a large extent, the benefits of any action are expected to exceed the costs and solutions are needed urgently.

(b) medium priority matters would be added to the IASB's research pipeline or the IFRS Interpretations Committee's pipeline. The IASB will try to make pipeline projects active before the next agenda consultation.

(c) low priority matters would be considered in the next agenda consultation and explored if the IASB decides to take action in its deliberations on the feedback on that agenda consultation.

(d) no action matters will not be explored by the IASB unless:

  (i) stakeholders identify the matters as a priority in their feedback on a future agenda consultation; and

  (ii) the IASB decides, in its deliberations on the agenda consultation feedback, to take action.

Overview of application matters identified in the PIR of IFRS 15

Identifying performance obligations in a contract

5. Many respondents (mostly standard-setters, accounting bodies and accounting firms) said that IFRS 15 provides a clear and sufficient basis to identify performance obligations for most contracts.

6. However, many respondents (mostly standard-setters, accounting bodies and accounting firms) said that application in practice is challenging for some transactions, especially for those with more complex underlying arrangements and offerings. A few respondents identified ‘identifying performance obligations’ as a major application matter, mostly related to licensing arrangements.

7. The most commonly raised application matter related to the applying the notion of ‘distinct’, in particular, in bundled arrangements including a software licence and goods or services such as updates, modification, customisation, maintenance or cloud-based services including software as a service arrangements (SaaS). Specifically, a few respondents said it is difficult to apply to complex contracts the guidance on ‘significant service of integrating the goods or services with other goods or services’

or 'the goods or services are highly interdependent or highly interrelated' in paragraph 29 of IFRS 15.

8. Respondents suggested that the IASB:

(a) provide additional illustrative examples and/or application guidance for identified challenging fact patterns; and

(b) incorporate the discussion on 'separable risks' and 'transformative relationship' in paragraphs BC105 and BC116K of the Basis for Conclusions on IFRS 15 into the Standard itself.

9. In addition, a few respondents:

(a) said that distinguishing promises to transfer goods or services from activities that do not transfer a good or service to the customer can be complex, for example, in arrangements that include non-refundable upfront fees, pre-production activities or marketing incentives.

(b) asked the IASB to consider the amendments made by the FASB to Topic 606 related to shipping activity and immaterial promised goods or services.[1]

10. Some users of financial statements said they have no significant issues with information disclosed about the identification of performance obligations. A few users said such information helps them understand the entity's business and drivers of revenue. Some users said that the quality of disclosure varies and sometimes the disclosed information is not clear, for example, about contracts that include a licence and other services. The users emphasised the importance of information about judgements made by entities in identifying performance obligations.

[1] The FASB amended Topic 606 to include the accounting policy election to account for shipping and handling activities that occur after the customer obtains control of a good as a fulfilment activity and to include the practical expedient for immaterial items as part of FASB ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.

IASB tentative decision:
No action. The IASB will discuss at a later date whether to add some explanations from paragraphs BC105 and BC116K of the Basis for Conclusions (see paragraph 8(b)) to the Standard itself.
For more information see:
February 2024 Agenda Paper 6A *Identifying performance obligations in a contract*

Determining the transaction price

11. Many respondents (mostly standard-setters and accounting bodies) said that generally IFRS 15 provides a clear and sufficient basis to determine the transaction price in a contract, but they identified some specific application matters. The IASB received most comments on consideration payable to a customer as the RFI specifically asked for feedback on this matter.

Consideration payable to a customer

12. Many respondents (mostly standard-setters, accounting bodies and accounting firms) reported challenges in accounting for consideration payable to a customer, with some respondents identifying them as major application matters. Most commonly respondents asked for application guidance on:

    (a) accounting for consideration paid by an agent to an end customer (often in the form of marketing incentives) that is not made in exchange for a distinct good or service. Most of the examples given related to discounts, bonuses, loyalty points and/or cashbacks offered by digital platform entities such as food ordering and ride hail platforms, online distributors of retail and consumer goods and fintech companies.

(b) accounting for consideration payable to a customer that exceeds the amounts of consideration expected to be received from the customer ('negative' revenue), including:

    (i) whether and in what circumstances an entity should reclassify 'negative' revenue and present it in the 'expenses' categories; and

    (ii) what the unit of account should be for assessing whether there is 'negative revenue'.

13. In outreach meetings, some users of financial statements noted that there is diversity in practice in how entities present consideration payable to a customer. They said disclosed information is often insufficient for users to compare margins across entities. A few users said it would be helpful if entities disclosed gross revenue, amounts of incentives deducted from revenue or recognised as expenses and judgements behind the accounting policy choices because this information helps users forecast future cash flows.

Variable consideration

14. Some respondents (mainly standard-setters) asked for additional application guidance and/or illustrative examples related to applying the requirements on accounting for variable consideration.

15. The main reported challenges related to:

(a) estimating the amount of variable consideration in some circumstances—for example, when no historical information is available, the amount is highly uncertain, there is a need to track success over a long period and/or when an entity has many transactions with discounts, refunds or other forms of variable consideration. A few respondents said that the high degree of judgement required to make estimates in such circumstances leads to diversity in practice.

(b) applying the requirements for constraining estimates of variable consideration. Specifically, respondents reported diversity in applying the 'highly probable that a significant reversal … will not occur' threshold. A few respondents questioned whether the constraint is working as intended because in some cases entities:

   (i) make extremely conservative judgements and on initial recognition constrain the amount of variable consideration to zero; and/or

   (ii) do not regularly reassess variable consideration and only update the transaction price when the uncertainty is resolved or when an invoice is issued rather than when it is highly probable that a significant reversal will not occur.

Sales-based or usage-based royalties

16. A few respondents commented on the scope of the royalty exception in paragraph B63 of IFRS 15.[2] Specifically:

(a) one accounting firm suggested amending IFRS 15 requirements on variable consideration to align them with the royalty exception requirements for licences of intellectual property (IP) in paragraph B63 of IFRS 15; and

(b) one standard-setter suggested extending the royalty exception to sales of IP, identifying the topic as a major application matter.

Sales-based taxes

17. Some respondents (mostly accounting firms and standard-setters) said that IFRS 15 provides insufficient guidance on accounting for sales-based taxes. They expressed a

[2] Paragraph B63 of IFRS 15 applies to licences of intellectual property for which the consideration is based on sales or usage and requires an entity not to recognise any revenue for the uncertain amounts until the uncertainty is resolved (ie when the subsequent sales or usage occurs).

view that the principal versus agent guidance is not suitable for determining whether an entity should include the tax in or exclude it from the transaction price.[3]

18. A few respondents reported diversity in practice between entities in the same industry within the same market, for example, in relation to excise taxes on alcoholic beverages, fuel and tobacco. A few respondents said that the impact on the financial statements is significant.

19. In outreach meetings, one user said that there is diversity in accounting for excise taxes in the tobacco industry. The user did not raise significant concerns about this diversity because, in their experience, typically the amount of excise taxes is disclosed, enabling users to prepare their valuation models.

20. Some of those commenting on this matter suggested the IASB provide more guidance and/or illustrative examples to help entities determine whether sales-based taxes are collected on behalf of third parties. A few respondents suggested the IASB consider the FASB's amendment to Topic 606 which allows an entity to make an accounting policy election to exclude certain taxes from the transaction price.[4]

Non-cash consideration

21. A few respondents (mainly standard-setters) suggested there is a lack of clarity on accounting for non-cash consideration, including when non-cash consideration is payable to a customer. The main reported matters were:

    (a) determining the date for measuring the non-cash consideration—with some entities measuring the non-cash consideration at contract inception, some when the consideration is received and others when the related performance obligation is satisfied;

[3] In 2014, Transition Resource Group (TRG) discussed that an entity would apply the principal versus agent guidance by analogy when it is unclear whether the amounts are collected on behalf of third parties.

[4] See FASB ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.

(b) accounting for changes in the fair value of non-cash consideration after initial recognition; and

(c) accounting for non-cash consideration payable to a customer, including consideration in the form of share-based payments.

22. Most of the respondents who commented on the topic suggested the IASB consider the FASB's amendments to Topic 606 which:

(a) require non-cash consideration to be measured at contract inception;

(b) clarify accounting for the changes in the fair value of non-cash consideration after contract inception;[5] and

(c) require equity instruments granted by an entity in conjunction with selling goods or services to be measured and classified by applying the guidance in ASC Topic 718, Compensation—Stock Compensation. [6]

Significant financing component

23. A few respondents reported challenges with applying the requirements on accounting for a significant financing component. The most common concerns related to the requirement in paragraph 64 of IFRS 15 not to update the discount rate once it is determined at the inception of the contract. Specifically:

(a) a few respondents from one jurisdiction suggested the discount rate should be regularly adjusted for inflation, otherwise, in their view, the information in the financial statements does not reflect the economic substance of long-term contracts with consideration indexed to inflation. Such contracts are common in the energy concession industry.

[5] See FASB ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.

[6] See FASB ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606).

(b) a few other respondents said it is unclear whether the discount rate should be updated when a contract is modified, or circumstances change after the inception of the contract. They suggested the IASB add application guidance or illustrative examples.

IASB tentative decisions:
(a) To consider in its next agenda consultation (classify as low priority) the matters related to the consideration payable to a customer.
(b) No action on other matters.
For more information see:
• March 2024 Agenda Paper 6A *Determining the transaction price*
• April 2024 Agenda Paper 6F *Determining the transaction price—consideration payable to a customer and significant financing component*

Determining when to recognise revenue

24. Many respondents said that generally IFRS 15 provides a clear and sufficient basis for determining when to recognise revenue. Some respondents (mostly standard-setters and accounting firms) said they have identified no significant matters related to this topic to raise in this PIR. However, many respondents reported challenges in determining when to recognise revenue.

25. Most of the challenges related to:

(a) applying the concept of control and the criteria for recognising revenue over time in paragraph 35 of IFRS 15; and

(b) measuring progress for performance obligations satisfied over time.

26. Users of financial statements did not provide much feedback on the information provided by entities on the timing of revenue recognition. One user group said that, in

their view, IFRS 15 clearly defines when to recognise revenue based on the transfer of control and that entities generally report revenue adequately following the implementation of the Standard. A few users said that information provided by some entities is too generic and they need more detailed information about judgements made by entities in determining when to recognise revenue. A few users said they observed some diversity in the timing of revenue recognition, for example, by software companies.

Applying the concept of control and the criteria for recognising revenue over time

27. Some respondents said applying the requirements for recognising revenue over time in paragraph 35(c) of IFRS 15 is challenging:

(a) most challenges related to assessing whether the right to payment is enforceable. Specifically:

(i) a few respondents said the assessment can be complex and costly because it requires consideration of laws and legal precedence as well as historical business practice.

(ii) a few standard-setters and a regulator expressed a view that application of this criterion can lead to outcomes not reflecting the economic substance of transactions, for example, in multi-unit real estate development in Brazil. These respondents said that users of financial statements analyse performance of real estate development entities in Brazil based on revenue recognised over the construction period rather than on revenue recognised at a point in time based on IFRS 15.

(iii) a few standard-setters and a regulator asked the IASB to clarify specific issues, for example, how to consider a customer's right to terminate the contract when assessing whether the right to payment is enforceable and whether an entity should reassess its continued right to payment if laws or legal practice change.

(b) a few respondents (mainly standard-setters) reported challenges related to making judgements on whether an asset has an alternative use—for example, for complex assets developed to a customer's specification or in determining the unit of account for the 'alternative use' assessment if components, such as automotive parts, are sold under purchase orders related to a master supply agreement. A few respondents said there is diversity in accounting for such master supply agreements in practice—with some manufacturers recognising revenue at a point in time on shipment of the parts to a customer and others recognising revenue over the term of the supply agreement or purchase order.

28. Some respondents gave examples of specific fact patterns, for which they find determining when to recognise revenue challenging. Most commonly they referred to complex arrangements in technology, software, gaming and construction industries.

29. The respondents asked for additional guidance, illustrative examples and/or educational materials for their industries or types of contracts.

Measuring progress for performance obligations satisfied over time

30. A few respondents (mostly standard-setters) said that in some cases entities struggle with selecting the appropriate method for measuring progress—especially in the construction and software industries—and this might lead to entities applying different methods for similar transactions. The respondents suggested adding guidance and/or illustrative examples to clarify how to apply judgement when selecting which method to use for measuring progress.

IASB tentative decision:
No action
For more information see:
March 2024 Agenda Paper 6B *Determining when to recognise revenue*

Principal versus agent considerations

31. Challenges with determining whether an entity is a principal or an agent in a multi-party arrangement was one of the most common topics raised in comment letters and outreach meetings throughout the project. Some respondents representing various stakeholder types, including many standard-setters and both regulators, identified 'principal versus agent considerations' as a major application matter.

32. Many respondents (mostly standard-setters, accounting bodies and accounting firms) said that the requirements are generally clear and sufficient and agreed with the main principles for the principal versus agent assessment. Some of those respondents said they would prefer not to have significant changes made to the requirements to avoid unintended consequences and disruption of established accounting policies.

33. However, many respondents reported challenges applying judgement when analysing complex fact patterns. The main challenges reported by respondents related to:

    (a) applying the concept of control and related indicators; and

    (b) applying other aspects of principal versus agent guidance.

Applying the concept of control and related indicators

34. Many respondents (mostly standard-setters, accounting firms and accounting bodies) said that entities—especially in service industries—sometimes struggle to apply the concept of control and the related indicators.

35. Some respondents said that the large degree of judgement involved in analysing such arrangements could result in diversity in practice or said they observed inconsistent outcomes in applying the requirements. This was particularly the case for online e-commerce platforms, internet advertising services, consumer goods and retail, fintech and technology-based industries.

36. Most common application matters related to applying the concept of control and related indicators included:

    (a) the lack of clarity about the relationship between the concept of control and the indicators in paragraph B37. Specifically, some respondents raised concerns about:

        (i) some entities overlooking the concept of control and going straight to the indicators—using them as a checklist;

        (ii) some entities struggling to apply indicators when they point to different conclusions; and

        (iii) a lack of clarity on how some of the indicators provide evidence of control of a good or a service before it is transferred to a customer.

    (b) difficulties in assessing control over services and intangible assets. Many respondents provided examples of challenging fact patterns. The examples mostly related to complex, highly structured arrangements in emerging, often digital, business models—with some arrangements involving multiple service providers.

37. Respondents' suggestions for resolving the matters included:

    (a) moving to the Standard itself some of the guidance in paragraphs BC385G–BC385L of the Basis for Conclusions on IFRS 15 that explains the primacy of the concept of control and its relationship with the indicators;

    (b) expanding the list of indicators of control to include indicators which might be more suitable for services; and

    (c) providing application guidance and/or up-to-date illustrative examples on applying the indicators and assessing whether an entity acts as a principal or an agent in identified challenging fact patterns, especially those related to platform companies and provision of services and intangible assets.

Applying other aspects of principal versus agent guidance

38. Other application challenges, raised by a few respondents each, related to:

    (a) identifying a customer of a supplier that sells its goods or services through an intermediary. The most common suggestion for resolving the matter was for the IASB to provide application guidance based on the statement in paragraph BC385E of the Basis for Conclusions on IFRS 15.[7]

    (b) identifying performance obligations—for example, when an entity combines various components to provide something to the end customer or when an entity partners with, or subcontracts to, others to provide digital services such as internet advertising or payment processing.

39. In addition, a few users and accounting firms suggested improving the usefulness of information on principal versus agent determinations by requiring entities to disclose:

    (a) revenue recognised on a gross basis and revenue recognised on a net basis if an entity acts as a principal and as an agent in different transactions;

    (b) factors an entity considered when concluding whether it is a principal or an agent in an arrangement; and

    (c) for principals—revenue that would have been presented if the entity concluded it was an agent; for agents—revenue that would have been presented if the entity concluded it was a principal.

IASB tentative decisions:
(a) To consider in its next agenda consultation (classify as low priority) the matter related to assessing control over services and intangible assets.
(b) No action on other matters.

[7] Paragraph BC385E of the Basis for Conclusions of IFRS 15 states: 'An entity that itself manufactures a good or performs a service is always a principal if the entity transfers control of that good or service directly to its customer, without the involvement of another party. If the entity transfers a good or provides a service to an intermediary that is a principal in providing that good or service to an end customer (whether individually or as part of a distinct bundle of goods or services), the entity's customer is the intermediary.'

The IASB will discuss at a later date whether to add some explanations from paragraphs BC385H and BC385E of the Basis for Conclusions (paragraphs 37(a) and 38(a)) to the Standard itself.
For more information see:
February 2024 Agenda Paper 6B *Principal versus agent considerations*

Licensing

40. Many respondents commented on challenges applying judgement when analysing complex licensing arrangements. Most of the challenges related to identifying performance obligations in licensing arrangements and are covered in paragraphs 5–10.

41. Less frequently reported challenges related to:

    (a) determining the timing of revenue recognition for licence renewals. A few respondents said the lack of specific guidance creates diversity in practice, for example, for renewals of right to use software licences that are often agreed before the end of the current contract period. Some respondents suggested the IASB consider the FASB's amendment to Topic 606, which requires an entity to recognise revenue from a licence renewal no earlier than the beginning of the renewal period.[8]

    (b) determining the nature of a licence (the 'right to access' versus the 'right to use'), in particular in accounting for complex contracts in software, media, entertainment and pharmaceutical industries. A few respondents (mostly standard-setters) suggested the IASB add further guidance, illustrative examples and/or educational materials on how to determine the nature of a

[8] See paragraph 606-10-55-58C(b) of FASB ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.

licence, for example, for software licences or cloud-based software solutions sold with continuous updates.

(c) determining whether to apply the specific IFRS 15 guidance on licensing or the general requirements of IFRS 15, in particular, for SaaS arrangements or for differentiating a licence from an in-substance sale of IP in the pharmaceutical industry. A few respondents suggested that the IASB provide a definition of a licence and additional guidance and/or illustrative examples on determining when to apply the IFRS 15 application guidance for licensing.

(d) accounting for sales-based or usage-based royalties. A few respondents suggested the IASB broaden the scope of the royalty exception (see paragraph 16). A few respondents suggested the IASB add application guidance on how to determine whether a licence of IP is the predominant item to which the royalty relates.

IASB tentative decision:
No action
For more information see:
February 2024 Agenda Paper 6C *Licensing*

Disclosure requirements

42. Most respondents (mostly standard-setters and accounting bodies) said that overall, the more comprehensive disclosure requirements compared to the previous revenue standard resulted in entities providing sufficient and useful information to users of financial statements. Users expressed support for the current package of disclosures and said that IFRS 15 improved the quality of disclosed information.

43. Users commonly identified disaggregation of revenue, changes in contract assets and contract liabilities, transaction price allocated to the remaining performance

obligations and significant judgements as the most useful information provided by entities.

44. Some respondents expressed concerns about the balance of costs and benefits of information provided in relation to transaction price allocated to the remaining performance obligations and changes in contract assets and contract liabilities.

45. Some respondents said that they observed variations in the quality of disclosed information. Users of financial statements said there is diversity in the degree of detail and quality of information provided by entities, especially in disaggregation of revenue.

46. Only a few respondents said that a lack of specificity in the disclosure requirements caused the variation. Some other respondents said the variation is caused by other factors, for example, entities applying the disclosure requirements as a checklist and not considering the disclosure objective. A regulator suggested that the IASB consider providing more prescriptive disclosure requirements—for example, requiring the specific categories in disaggregating revenue, subject to materiality considerations.

IASB tentative decision:
No action
For more information see:
March 2024 Agenda Paper 6C *Disclosure requirements*

Transition requirements

47. Many respondents (mostly standard-setters and accounting bodies) said that while the transition to IFRS 15 was challenging, the modified retrospective method and the practical expedients were helpful and appreciated, and the transition requirements achieved an appropriate balance between reducing costs for preparers and providing useful information to users of financial statements.

48. Most users said that transition to IFRS 15 went relatively smoothly and that entities' disclosures—such as how each financial statement line item is affected by the application of IFRS 15 when the modified retrospective method was used—helped them understand the effects of implementing the Standard. A few users said that a fully retrospective method is always preferable because it provides the best information for assessing trends and that disclosures provided were not always detailed enough.

IASB tentative decision:
The IASB was not asked to make any decisions. However, the IASB noted the suggestions provided by a few respondents for improving transition requirements in future standard-setting projects.
For more information see:
January 2024 Agenda Paper 6A *Feedback summary—IFRS 15 requirements*

Other matters

49. In addition to questions on specific topics, the RFI provided stakeholders with an opportunity to comment on other matters relevant to the PIR of IFRS 15. Based on the feedback the staff identified one main application matter—allocating the transaction price to performance obligations.

50. A few respondents said applying IFRS 15 requirements on allocating the transaction price is challenging, in particular when determining a stand-alone selling price (SSP) for goods or services with no observable prices, such as highly customised ('bespoke') software, software updates or some complex bundled products of telecommunication companies.

51. The respondents suggested the IASB add application guidance and illustrative examples to assist entities with estimating SSP for such fact patterns. A preparer from

automotive industry suggested the IASB extend the use of the residual method of allocating the transaction price (see paragraph 79(c) of IFRS 15) to reduce costs.

IASB tentative decision:
No action
For more information see:
May 2024 Agenda Paper 6A *Other matters*

Interaction with other IFRS Accounting Standards

52. In the RFI the IASB asked stakeholders to provide information about challenges in applying IFRS 15 with other Standards, in particular with IFRS 3 *Business Combinations*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*. Respondents also commented on the application of IFRS 15 with:

    (a) IFRS 10 *Consolidated Financial Statements*;

    (b) IFRS 11 *Joint Arrangements*; and

    (c) IFRIC 12 *Service Concession Arrangements*.

IFRS 3

53. Some respondents to the RFI and some users in outreach meetings reported challenges related to the difference in the measurement principles in IFRS 3 and in IFRS 15. Specifically:

    (a) some respondents (mostly standard-setters and preparers) and a few users raised concerns about fair value measurement of contract assets and contract liabilities on acquisition;

    (b) some respondents (mostly standard-setters) said different measurement requirements in IFRS 15 and IFRS 3 are difficult to apply in practice; and

(c) a few users said that challenges related to fair value adjustments on acquisition relate not only to contract assets and contract liabilities, but also to other assets and liabilities, for example, inventory.

54. Stakeholders expressed mixed views on resolving the matters:

(a) some stakeholders, including a user, suggested the IASB consider the changes the FASB made to its ASC Topic 805, Business Combinations, which require an entity to apply Topic 606 to measure contract assets and contract liabilities acquired in a business combination.

(b) a few respondents asked for additional guidance.

(c) other stakeholders suggested retaining the fair value measurement principle on acquisition for all assets and liabilities. A few stakeholders, including users, said that fair value is the most appropriate basis for accounting for a business combination, and they see no difference between contract assets and contract liabilities and other assets or liabilities acquired in a business combination.

IFRS 9

55. The main reported application matters were:

(a) accounting for cases when an entity, for various reasons, accepts lower consideration from a customer (price reductions). Some respondents (mostly-standard-setters and accounting firms) asked for application guidance and/or illustrative examples to help entities determine whether:

(i) to apply IFRS 15 and account for a price reduction as a price concession which reduces revenue; or

(ii) apply IFRS 9 and account for the reduction as expected credit losses.

(b) accounting for some of the liabilities arising from IFRS 15, for example, liabilities relating to points under loyalty programmes or gift cards which a customer can exchange for the entity's goods or services or a third party's goods or services at the customer's discretion.[9]

IFRS 10

56. The IASB decided against including in the RFI a question about accounting for transactions in which an entity—as part of its ordinary activities—sells an asset by selling an equity interest in a single-asset entity that is a subsidiary (a so called 'corporate wrapper'). Given its previous work on this cross-cutting matter, the IASB decided to assess the demand for resolving the matter in the next agenda consultation.[10]

57. Some respondents (mostly regulators, standard-setters and accounting firms) asked the IASB to clarify whether an entity should account for a sale of a corporate wrapper applying IFRS 10 or IFRS 15, with many of them highlighting the matter as a high priority.

58. Many of those commenting on the matter reported diversity in practice, in particular in the real estate, pharmaceutical and utilities sectors, although a few said common practice has generally developed, especially in jurisdictions where such transactions are common.

59. Most of those commenting on the interaction with IFRS 10 suggested that accounting for corporate wrappers should reflect the substance of the transaction, which in their view would mean accounting for them applying IFRS 15. A few respondents noted that such treatment would lead to closer alignment with US GAAP under which the sale of a corporate wrapper to a customer would generally be in the scope of Topic 606. A few respondents acknowledged that a comprehensive solution for

[9] The analysis covered the feedback received in the PIR of IFRS 15 and in the PIR of IFRS 9–Impairment.

[10] The IASB previously considered the accounting for corporate wrapper transactions:

(a) in 2019 and 2020, while discussing a question submitted to the IFRS Interpretations Committee;

(b) during the post-implementation review of IFRS 10, IFRS 11 and IFRS 12 *Disclosure of Interests in Other Entities*; and

(c) in the Third Agenda Consultation.

corporate wrappers could affect multiple IFRS Accounting Standards—for example, IFRS 16, IAS 40 *Investment Property* and IAS 12 *Income Taxes*.

IFRS 11

60. A few respondents (mostly standard-setters and accounting firms) reported challenges related to the interaction between IFRS 15 and IFRS 11, including:

(a) how to determine whether a collaborative arrangement is in the scope of IFRS 15, IFRS 11 and/or another Standard;

(b) how to account for arrangements that contain both a supplier-customer and joint control components; and

(c) how to account for arrangements when no joint control is established and when neither party is seen as a customer.

61. The respondents asked for more guidance (for example, educational materials, illustrative examples and flowcharts) on these questions.

62. Some of those commenting on the topic said that the challenges related to accounting for collaborative arrangements are common, in particular in the pharmaceutical, biotechnology, oil and gas, healthcare, media, telecommunications and real estate industries. An accounting firm suggested collaborative arrangements are becoming more common—for example, to enter new markets—and that there is diversity in understanding how to analyse such transactions. In addition, a few respondents noted that the FASB provided guidance on collaborative arrangements in FASB ASC Topic 808, Collaborative arrangements.

IFRS 16

63. Many respondents (mostly standard-setters and accounting firms) commented on the interaction between IFRS 15 and IFRS 16. Respondents asked for additional guidance and/or illustrative examples on:

(a) accounting for a contract that contains lease and non-lease components. A few respondents said that it is unclear:

(i) whether to use the duration of the contract applying IFRS 15 or the lease term applying IFRS 16; and

(ii) whether to measure variable consideration based on the requirements of IFRS 15 or those of IFRS 16.

(b) assessing whether the transfer of an asset in a sale and leaseback transaction is a sale in accordance with IFRS 15.

IFRIC 12

64. A few respondents (mostly standard-setters and accounting firms) provided comments on the application of IFRS 15 with IFRIC 12. A few respondents identified the topic among the major application matters. Most of the respondents' questions related to accounting for contractual obligations to maintain or restore service concession infrastructure, although a few respondents suggested the IASB conduct a comprehensive review of IFRIC 12 and make amendments to the Interpretation to align it with IFRS 9, IFRS 15 and IFRS 17 *Insurance Contracts*.

IASB tentative decisions:
(a) To consider in its next agenda consultation (classify as low priority) the matters related to IFRIC 12.
(b) To gather further evidence in the forthcoming PIR of IFRS 16 on the matters related to assessing whether the transfer of an asset is a sale in a sale and leaseback transaction.
(c) To confirm that the IASB will consider the priority of the matters related to applying IFRS 15 with IFRS 10 and IFRS 11 in the next agenda consultation.
(d) No action on other matters.

For more information see:
April 2024 Agenda Paper 6A *Applying IFRS 15 with IFRS 9*
April 2024 Agenda Paper 6B *Applying IFRS 15 with IFRS 3*
April 2024 Agenda Paper 6C *Applying IFRS 15 with IFRS 10 and IFRS 11*
April 2024 Agenda Paper 6D *Applying IFRS 15 with IFRS 16*
April 2024 Agenda Paper 6E *Applying IFRS 15 with other IFRS Accounting Standards*