



The Chairman

International Accounting Standards Board

Columbus Building

7 Westferry Circus

Canary Wharf

London E14 4HD

United Kingdom

25<sup>th</sup> October 2023

Dear Mr. Andreas Barckow

***Comments on Post-Implementation Review IFRS 15 Revenue from Contracts with Customers***

Institute of Chartered Accountants of the Maldives is pleased to provide comments on the Post-Implementation Review IFRS 15 Revenue from Contracts with Customers. The views of the CA members in relation to the specific questions in the Post-Implementation Review are provided in the **Appendix**.

We will be happy to discuss or provide further clarification on the matters set out in this letter.

Yours sincerely,

  
Hussain Niyazy

President

Institute of Chartered Accountants of the Maldives

Ghaazee Building, Ameer Ahmed Magu, Male', Republic of  
Maldives

+960 334 8234 | [info@camaldives.org](mailto:info@camaldives.org) | [www.camaldives.org](http://www.camaldives.org)

## APPENDIX

### Question 1: Overall assessment of IFRS 15

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

Please explain whether the core principle and the supporting five-step revenue recognition model provide a clear and suitable basis for revenue accounting decisions that result in useful information about an entity's revenue from contracts with customers.

If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core principle or the five-step revenue recognition model.

**(b) Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:**

- (i) in developing future Standards; or
- (ii) in assessing whether, and if so how, it could improve the understandability of IFRS 15 without changing its requirements or causing significant cost and disruption to entities already applying the Standard—for example, by providing education materials or flowcharts explaining the links between the requirements?

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

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

These questions aim to help the IASB understand respondents' overall views and experiences relating to IFRS 15. Sections 2–9 seek more detailed information on specific requirements

**Comments:**

- a) We agree that IFRS 15 has achieved its objectives to enable an entity to apply the principles in the standard in reporting about the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with a customer. This is because most of the stakeholders find the core principle and the five-step revenue recognition model as helpful—in particular, as a robust basis for analysing complex transactions.
- b) We don't have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider.
- c) The on-going costs mainly arise from the assessment of new contracts and modification to the terms of contracts. The benefits include better knowledge of contracts, improved internal controls and enhanced cooperation between accounting and business functions within entities. Overall, the benefits of IFRS 15 outweigh the costs of implementing and applying the Standard.

**Question 2: Identifying performance obligations in a contract**

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

Please describe fact patterns in which the requirements:

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

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

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

**Comments:**

a) At the inception of the contract the entity should assess the goods or services that have been promised to the customer and identify as performance obligation. It further refers to either a bundle of goods or services or a series of distinct goods or services that are substantially the same and that have the same fact pattern of transfer to the customer.

b) These concepts are clearly defined in the existing accounting standard. Therefore, there is no further comment.

**Question 3: Determining the transaction price**

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

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

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

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

**Comments:**

(a) In case any payment made to end customers on account of the seller acting as principal should be deducted from the consideration received to determine the transaction price. If any incentive paid to end customers by an agent on his account that should not be deducted from the consideration received by the seller principal. On the hand of the agent, commission to be received from the seller principal is agent's revenue. An agent's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party (IFRS 15 B36). Therefore, it is clear that incentive paid by the agent will get adjusted against his commission income if it is not on account of seller principal. If the range of prices that the agent can charge is broad, then the agent will be treated as principal. Treatment of negative consideration is not clearly illustrated in the standard, whether to determine the revenue on a portfolio basis or individually and how to treat.

(b) It will be good to explicitly address these scenarios in the Standard or in Appendix to avoid inconsistent interpretation.

**Question 4: Determining when to recognise revenue**

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

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

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

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

**Comments:**

Revenue is recognized by an entity at the time the customer gains control of the goods or services. The standard also provides guidelines on how to recognize revenue on services obtained over time. It provides a clear and sufficient basis for determining when to recognize revenue and no specific application challenges of revenue recognition have been identified.

### Question 5: Principal versus agent considerations

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

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

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

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

#### Comments:

The indicators in paragraph B37 of the standard give clear guidance to determine whether an entity is a principal or an agent. Therefore, there are no further comments.

### Question 6: Licensing

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

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

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

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

**Comments:**

- (a) This continues to be an area of significant judgement and challenges, especially in identifying the performance obligations and allocation of price in complex licensing arrangements. For example, a sale of software with lifetime updates or bundled with redeemable free or discounted licenses.
- (b) We suggest IASB provide more application guidance by adding some illustrative examples.

**Question 7: Disclosure requirements**

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

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

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

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

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

**Comments:**

- a) Yes. The disclosure requirements in IFRS 15 result in provision of useful information to the users of financial statements. Because, unlike before, IFRS9 coupled with IFRS 15 requires disclosing impairment of receivables that reflect truer and fairer value for receivables; better basis and disclosure for recognizing revenue – satisfying performance obligation – and remaining performance obligation along with price allocated to such obligations. And more importantly, disclosure of professional judgement applied in deciding when performance obligation is discharged, transaction price and allocation of transaction price to performance obligation. We believe all these new information disclosures will enhance the objectivity of financial reporting.
- b) There might not be significant rise in ongoing costs to many entities. However, such costs as system improvements to maintain information about various contracts have to be incurred. Also, those entities that run customer loyalty programmes and schemes involving discounts and concessions on future purchases might incur more expenditure to attune the existing systems to serve the new revenue recognition, measurement, and disclosure requirements.
- c) Unlike before, information about future performance obligation and allocated price, also about professional judgment in deciding when and how performance obligations are discharged and how the price allocation is done are great enhancements about disclosure on revenue accounting. We see it as a great improvement to the provision of information on revenue in the financial statements.

**Question 8: Transition requirements**

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

Please explain:

- (i) whether entities applied the modified retrospective method or the practical expedients and why; and
- (ii) whether the transition requirements in IFRS 15 achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.



**Comments:**

- i) The entities preferred modified retrospective method because going back to the date of original transaction is time consuming and laborious depending upon how many years the original transaction go back. Modified approach was a very practical solution during the year of the initial implementation.
- ii) Agree, the transitional provision was very useful for the first time implementation and additional disclosure required in both the alternatives were providing the relevant information to the users of the financial statements.

**Question 9: Applying IFRS 15 with other IFRS Accounting Standards**

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

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

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

**Comments:**

How the IFRS15 interact with other standards are clear in theory. However, in practice, applying the interactions; when and how to use IFRS 15 requirements and other IFRS Accounting standards requirement for a specific circumstances and transactions need more practical guidance.

**Question 10: Convergence with Topic 606**

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

**Comments:**

It is very important to retain the current level of convergence between IFRS 15 and Topic 606 of FASB because resource pulling, implementation bottlenecks faced by the users of Topic 606 of FASB can positively contribute to enrich the IFRS 15.

**Question 11: Other matters**

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

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

**Comments:** No further matters.