IFRS Foundation
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London E14 4HD
United Kingdom

22 September 2023

Dear Sir/Madam

RE: Request for information – Post-implementation review IFRS 15 Revenue from Contracts with Customers

We are responding to the International Accounting Standards Board's (IASB's) request for information (RFI) for the post-implementation review (PIR) of IFRS 15 - Revenue from Contracts with Customers on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the RFI. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

In determining matters to be raised in our formal response we have continued to keep in mind the objective of the PIR to identify those matters which are most material and pervasive and that indicate significant issues with IFRS 15 operating as intended. Whilst there are some areas of judgement in the application of IFRS 15 that can be challenging in practice, overall we believe that the standard has worked well and as intended.

There is one area however in which we believe that the guidance IFRS 15 is insufficient and as such meets the criteria to be raised as part of the PIR. This is in respect of accounting for sales-based taxes. Please refer to our views on this area in Appendix A Question 3.

We do not believe that either the principal versus agent guidance or the licensing guidance would benefit from significant further time and effort by the IASB. However, these are inherently challenging and judgemental areas to apply in practice. Therefore we have some simple suggestions which we feel would be useful for the IASB to consider. Please refer to our views on these areas in Appendix A Questions 5 and 6.

We continue to regard convergence with US GAAP as a critical factor, and would not generally support any updates to the IFRS 15 which would serve to create divergence.

Please find our detailed responses to all of the "Questions for respondents" included in the RFI in Appendix A to this letter. We would be pleased to discuss our comments or to answer any questions that the IASB® members or staff might have.

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Please do not hesitate to contact Henry Daubeney (henry.daubeney@pwc.com), Gary Berchowitz (gary.x.berchowitz@pwc.com) or Katja van der Kuij (katja.van.der.kuij@pwc.com) regarding our response.

Yours faithfully

PricewaterhouseCoopers

Henry Daubeney
Global Chief Accountant and Head of Reporting

Appendix A

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.

(a) Overall we think the core principle and the five-step 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. We do not have any fundamental questions about the clarity and suitability of the core principle or the five-step model.

(b(i)) In our view, increased IASB led training is helpful in development of future Standards and we acknowledge that such training has increased since the introduction of IFRS 15. We would also continue to assert that simplicity of language used when writing future Standards is fundamental to support understandability and accessibility.

(b(ii)) Not at this stage.

c) In our experience, whilst transition to IFRS 15 was a time consuming and costly exercise for reporters and auditors, now that the Standard is embedded the ongoing costs are at an acceptable level. The costs and complexity to prepare and audit revenue arrangements increases when revenue arrangements are themselves complex - this makes sense to us.

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?

Considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any matters to raise in respect of this question.

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?

(a) In our view the guidance in IFRS 15 for accounting for sales-based taxes is insufficient. We believe that the impact of this is pervasive (particularly in certain industries such as tobacco and alcoholic beverages), creates diversity in practice, and the impact is material.

Paragraph 47 of IFRS 15 specifies that amounts collected on behalf of third parties, such as some sales taxes, are excluded from the determination of the transaction price. Entities are therefore required to identify and assess sales taxes to determine whether to include or exclude those taxes from the transaction price. However, IFRS 15 does not provide any further guidance or principles in making that determination. The only guidance in IFRS 15 that deals with obtaining consideration on behalf of another party is the principal versus agent guidance. However, the principal versus agent guidance is not suitable for this assessment as it focuses on whether the reporting entity takes control of the underlying good or service before transferring the good or service to the customer. In the case of sales-based taxes, the transaction with the tax authority is a non-reciprocal transaction. That is, the tax authority never has control of the underlying good or service, and as such an assessment of whether the reporting entity takes control from the tax authority cannot be performed. Therefore we think that the Standard is not operating as intended in this regard.

When sales-based taxes are material, we note that in many cases entities are using alternative performance measures to present revenue in an effort to supplement the deficiencies in IFRS 15. We also note these entities do not typically provide a clear basis for how the underlying assessment has been performed or the judgements inherent regarding which taxes have been included or excluded from revenue. We believe that this could be driven by a lack of clear and consistent guidance in these areas. We note the following presentation as examples:

- Diageo plc and Heineken N.V. present a gross revenue / sales line item on the face of the income statement, followed by a line item to deduct excise duties, and then a line item for net revenues / sales.
- British American Tobacco plc and AB InBev SA/NV present one line item for revenue on the face of the income statement, with a footnote that states that the revenue presented in the income statement is net of excise duties (stating the amount of excise duties that have been deducted).
- Imperial Brands plc presents a gross revenue line time on the face of the income statement which includes 'duty'. The level of duty is then quantified on the face of the income statement within the boxed presentation which shows the equal amount contained within cost of sales.

(b)We note that under US GAAP, *ASC 606 Revenue Recognition* provides a policy choice whereby reporting entities can elect to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue-producing transaction and collected from customers. We note that as per Paragraph BC188D of the Basis for Conclusions of IFRS15 introducing a similar policy choice to IFRS 15 was considered by the IASB and rejected.

We think that some guidance is needed to support the application of paragraph 47 of IFRS 15 paragraph. Possible solutions that the IASB might consider include:

Option 1 - include application guidance in IFRS 15 for sales-based taxes

- If the tax is a tax on production / importation it should be concluded that it is not part of the revenue arrangement because the tax is not triggered as a result of a contract with a customer. Therefore the tax should not be deducted from any revenue recognised.
- If the tax is incurred as a consequence of the sales transaction with the customer, the amount collected from the customer in relation to this should be deducted from the transaction price. In this instance there would therefore be no separate tax expense recorded.

Option 2 - Introduce a policy choice with clear disclosure thereof

- Align with the policy choice provided under US GAAP; and
- Require clear disclosure, and if the entity has chosen to record the amount gross, include a requirement to disclose the amount of sales-based taxes included in revenue.

Other than this item , considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any matters to raise in respect of this question.

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?

Considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any matters to raise in respect of this question.

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?

(a) We regard principal versus agent as one of the most challenging areas of IFRS 15 to apply in practice with issues being most prevalent in industries such as the provision of services, telecommunications, software and digital platform based businesses. The assessment of control is challenging for intangibles, and it can be difficult to conclude using the indicators in paragraph B37 of IFRS 15 to make the assessment, in particular with inventory risk being less relevant in intangible and service based industries.

This is an inherently judgemental area and ultimately many of the challenges we see in practice are merely a function of the inherent judgement required as opposed to a fundamental flaw with the guidance in IFRS 15. However, we do have certain specific proposals which we believe could be helpful in this area as outlined in section (b) below.

(b) Our specific proposal to assist in the assessment of control for intangible and service based industries would be to broaden the number of indicators in IFRS 15, in particular including some of the indicators from old US GAAP (EITF 99-19) within IFRS 15. Certain of these indicators were less relevant under legacy US GAAP because the previous principle focused on risks and rewards as opposed to control. However, with the model under ASC 606 and IFRS 15 that focuses on control, we think that reintroduction of some of these indicators would support the assessment for intangibles or service based industries. The specific indicators we would propose may be helpful along with examples of where we commonly see these being used in practice would be:

- the company changes the product or performs part of the service

  Example: In some cases an entity may bundle multiple distinct goods and services together to offer a combined package. For example, a travel agent is an agent for individual flights, hotels, hotel transfers and insurance products. The travel agent bundles all these items together to offer a combined holiday package to the customer. We acknowledge that paragraph B35A(c) of IFRS 15 states that an entity is principal when it obtains control of goods or services that it then combines with other goods or services. However this paragraph then goes on to talk about a 'significant service of integrating the goods'. In the travel agent example it is hard to see that there is any significant integration / transformation process. However, we still see in practice that in this example the bundling of goods is often a consideration when determining whether the travel agent is an agent or principal where the assessment based on the existing indicators in paragraph B37 of IFRS 15 has not been sufficient to be able to conclude. As such in our view the inclusion of a specific indicator in relation to this would be helpful. Alternatively, this concept could be incorporated into the existing indicator of "primary responsibility" in paragraph B37(a) of IFRS 15.

- the company has discretion in supplier selection

  Example 1: In the logistics industry the reporting entity might have no transportation equipment themselves and doesn't purchase the transportation services in advance. Therefore paragraph B35A(b) of IFRS 15 does not apply. However, it is often the case that the reporting entity can choose the supplier they will use to transport the customer's goods. Where the assessment based on the existing indicators in paragraph B37 of IFRS 15 has not been sufficient to be able to conclude, supplier selection is a helpful indicator in trying to determine if the logistics company controls the underlying service before it is transferred to the customer.

  Example 2: In the facilities maintenance industry a reporting entity will be engaged to provide maintenance services for a property (for example, a shopping mall, or a university, or a commercial unit). In this instance the reporting entity rarely undertakes all underlying services themselves. Instead, they subcontract many of the underlying activities. The reporting entity will often have the discretion to choose which subcontractors to use. Where the assessment based on the existing indicators in paragraph B37 of IFRS 15 has not been sufficient to be able to conclude, supplier selection is a helpful indicator to consider. Similar to the above point, we think supplier selection might be included as a separate indicator, or incorporated into the existing indicator of "primary responsibility" in paragraph B37(a) of IFRS 15.

Any changes to incorporate the additional indicators would not need to represent a change to the core principles of IFRS 15. In fact, many of them are embedded in the existing indicators. However, we believe that splitting them out makes these concepts easier to understand and increase the focus on areas which are relevant in making the assessment of control in intangibles or service based industries.

One further practical solution to mitigate the risk to comparability due to the inherent judgement in this area that we would propose to be considered is an enhancement to disclosure requirements. Sometimes two entities with similar fact patterns might still get to a different conclusion because there is inherent judgement present. In order to enhance comparability in such situations, if this was deemed to be a critical judgement and there is diversity in practice in the principal versus agent judgement for similar types of arrangements, the disclosure could require that;

- If the entity has concluded that they are principal, then they should disclose what the revenue would have been if they had concluded they were an agent.
- If the entity has concluded that they are an agent, then they should disclose what the revenue would have been if they had concluded that they were principal.

We think the existing disclosure requirements of paragraph 119c of IFRS 15 and paragraph 122 of IAS 1 do not require such a disclosure to be made.

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?

(a) Licensing guidance is another one of the most significant areas we see as being challenging to apply in practice, with issues being most prevalent in the pharmaceuticals and software industries. However, we do not believe that issues in this area meet the threshold of being fundamental flaws in the core principles of IFRS 15 such that it is not operating as intended. Overall whilst reporters have found the licensing guidance challenging to implement and apply, the accounting is now embedded and for this reason we would not support any significant changes in the licensing guidance.

However, there is one specific issue around licence renewals which we believe could be remedied relatively simply as part of the IFRS 15 PIR. The issue is whether to recognise revenue for licence renewals when the renewal is agreed, or defer until the new licence period begins. We do see that this causes material diversity in practice. For example, in the software industry where contract renewals for right to use licences which have revenue recognised at a point in time are often agreed in advance of the expiry of the current contract period.

We have seen entities accounting for the revenue from the licence renewal at either the point in time at which the licence renewal is agreed, or the point in time when the extension period commences. Whilst there may be rationale presented for the difference in approach, such as whether the entity has deemed the renewal to represent a new licence or a change in attributes of the existing licence held by the customer, in practice this is highly judgemental and does lead to material divergence in the timing of revenue recognition.

(b) Paragraph B61 of IFRS 15 states that revenue cannot be recognised for a licence that provides a right to use the entity's intellectual property before the beginning of the period during which the customer is able to use and benefit from the licence. However, there is no specific guidance on licence renewals.

ASC 606 has implementation guidance that specifically requires revenue to be deferred until the renewal period begins. ASC 606-10-55-58C states that *'an entity would not recognize revenue before the beginning of the license period even if the entity provides (or otherwise makes available) a copy of the intellectual property before the start of the licence period or the customer has a copy of the intellectual property from another transaction. For example, an entity would recognize revenue from a licence renewal no earlier than the beginning of the renewal period'*. Case B of ASC 606-10-55-392A then includes an illustrative example demonstrating how this should be applied.

Although paragraph B61 of IFRS 15 uses similar wording, it does not specifically cover renewals. We propose that minor amendments to this paragraph to address this would be helpful to reduce diversity in practice, and would serve to further promote convergence with US GAAP.

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?

Please refer to our response to question 5 for one specific suggestion we would like to raise in connection with the disclosure requirements for principal versus agent.

Other than this, considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any matters to raise in respect of this question.

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.

Overall our experience was that transition requirements worked as intended.

We saw that a significant proportion of entities did elect to use the modified retrospective method on transition, particularly where the effects of IFRS 15 were less significant. Overall the practical transition reliefs offered were effective in reducing cost and burden, without compromising the usefulness of the information presented on transition.

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?

(a)We have outlined below our response in turn for those matters as described in Spotlights 9.1-9.3.

(b) In all cases below, we have commented for completeness of our responses; however we do not have any specific suggestions for resolution of these matters that fall within the scope of the IFRS 15 PIR.

IFRS 3 Business Combinations

Spotlight 9.1 discusses the difference between the measurement principles in IFRS 3 (based on fair value) and those in IFRS 15 (based on the transaction price) and how this might create difficulties for entities when measuring contract assets and contract liabilities acquired as part of a business combination. We support the existing interaction for the following reasons:

1. The guidance is clear. In practice, we think it is clear that IFRS 3 requires contract assets and liabilities acquired in a business combination to be measured at fair value at the acquisition date.
2. We agree conceptually that contract assets and liabilities acquired in a business combination should be measured at fair value at the acquisition date. We see no difference between contract assets/liabilities and any other asset/liability acquired in a business combination.

IFRS 9 Financial Instruments

Spotlight 9.2 explicitly asks about the following two items which we have responded to in turn below.

- Differentiating between a price concession and impairment losses

  We acknowledge that issues can arise in differentiating between a price concession to be accounted for under IFRS 15 and impairment losses to be accounted for under IFRS 9. However, we do not see in practice that there is pervasive material diversity as a result of this. IFRS 15 paragraph BC194 explains that entities should use their judgement in the determination of whether acceptance of a lower amount of consideration than the price stated in the contract is a price concession or whether the entity has chosen to accept the risk of default by the customer of the contractually agreed-upon consideration (ie customer credit risk). In many cases, it is clear with little analysis that the commercial rationale for lowering the transaction price is either credit related or service/product related. Therefore whilst this is a judgemental area, we do not believe that the guidance is fundamentally flawed.

- Liabilities arising from IFRS 15 - specifically whether certain liabilities arising from IFRS 15 should be treated as financial liabilities. We acknowledge that there is a lack of guidance in this area and that we do see some diversity in practice as a result. However, we would not regard this as a material issue and as such we have no further comments to raise in response to this question.

In addition to those items explicitly mentioned in Spotlight 9.2, we have one further area to comment on. This is regarding assessment of the transaction price. There is inconsistency between the requirements of paragraph 5.1.3 of IFRS 9 and the guidance in illustrative example 40 of IFRS 15 in relation to the measurement of a trade receivable. Paragraph 5.1.3 of IFRS 9 states that trade receivables should be measured at the transaction price (as defined under IFRS 15), assuming that the receivables do not contain a significant financing component. This implies that, where there is variable consideration, such as a rebate, the receivable would be recognised net of this rebate. However, the illustrative example in IFRS 15 recognises the receivable gross alongside a contract liability. We noted this in our response letter to the IFRS 9 Classification and Measurement PIR. We have highlighted this again for consistency, although we do not think this is an issue that is significant enough to warrant an amendment to IFRS 15 based on the IFRS 15 PIR objective.

<u>IFRS 16 Leases</u>

Spotlight 9.3 discusses challenges where a contract contains a lease component and a non-lease component.

We do see challenges in practice in this area. Firstly, guidance for determining the contract / lease term differs between IFRS 15 and IFRS 16, which may result in situations where the IFRS 15 and IFRS 16 components of a contract are assessed to have different terms. This can become judgemental when allocating the transaction price between the service and lease components. However, in practice we do not see material issues or divergence arising as a result of this, and we do not have any specific recommendations of a potential solution at this stage.

In addition to the specific issue asked about in Spotlight 9.3 above, we see further issues in practice in relation to the interaction between IFRS 15 and IFRS 16 related to sale and leaseback transactions;

- Assessing whether control has passed in a sale and leaseback transaction with renewal options

  When an entity enters into a sale and leaseback, there might be renewal options in the leaseback. IFRS 16 requires an entity to consider IFRS 15 to determine if a sale has occurred. However, neither IFRS 15 nor IFRS 16 include any guidance on whether or how lease renewal options in the lease should be considered when determining if control of the asset is transferred. This can be particularly problematic when renewal options are present covering all, or substantially all, of the life of the asset. We believe that this issue would be most appropriately addressed within IFRS 16.

- Assessing the unit of account in a sale and leaseback transaction

  There is no guidance to determine how to assess the unit of account in a sale and leaseback transaction against the control criteria in paragraph 38 of IFRS 15. For example, a building might be sold to a third party and some, but not all, floors within that building leased back. It is unclear whether the unit of account to assess against the paragraph 38 IFRS 15 control criteria is the whole building or the individual floors. This can lead to diversity in practice. We believe that this issue would be most appropriately addressed within IFRS 16.

Considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any further matters to raise in respect of this question.

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?

In our view it is critical to retain at least the current level of convergence. For any non-financial services entity revenue is arguably the most important metric within the financial statements and as such convergence is critical to comparability. We would not support any significant changes to the Standard which would create divergence with US GAAP.

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.

We believe there would be value in bringing some of the additional interpretations / clarifications contained in other materials into IFRS 15. We often refer to additional resources including TRG memos, IFRIC® Agenda Decisions and the Basis for Conclusions when trying to support clients in the application of IFRS 15. In our view this would facilitate consistent application of certain more judgemental aspects of the Standard, especially where those applying the standard may not be familiar with the various debates during the Standard’s formative phase.

Some examples of where such updates to IFRS 15 would, in our view, be helpful are:

Identification of performance obligations
Paragraph BC116K of IFRS 15 discusses the concepts of ‘separable risks’ and a ‘transformative relationship’ when identifying performance obligations. This was also discussed in the March 2018 IFRIC Agenda Decision on revenue recognition in a real estate contract that includes the transfer of land. We believe that reference to assessment of whether there is a transformative relationship within paragraph 29 of IFRS 15 would be helpful to further clarify the requirements of IFRS 15.

Consideration payable to customers
Paragraph 70 of IFRS 15 currently includes a narrow definition of which parties an entity should consider when assessing if payments to customers are present. The TRG July 2015 meeting supported that entities should also consider entities in the distribution chain, and when acting as an agent the entity might identify multiple customers

to which this guidance might be applied. Refer to Topic 1 in minutes paper reference 44. Enhancing IFRS 15 to include such guidance would ensure that entities are approaching this in a consistent manner, considering all relevant parties.

Application of the series guidance - variable consideration

Application of the series guidance was discussed in the TRG meetings in March and July 2015. Refer to Topic 5 in minutes paper reference 44. There were clear conclusions on three questions relating to the application of the series guidance and allocation of variable consideration. Paragraph 84b of IFRS 15 states that variable consideration might be applied to one or more but not all of the distinct goods or services in a series, however neither para 84 nor 85 provides particularly clear guidance on how to assess this practically. We believe that IFRS 15 could be enhanced by inclusion of some guidance based on these conclusions.

We acknowledge that this might form part of a broader project to consider more generally how the IASB organises and facilitates effective use of materials that sit outside of the standard.

An alternative approach to incorporating such items into the Standard directly could be one whereby if a user of the IASB website clicks "Annotation" when reviewing IFRS 15 on the website, then the related TRG papers are likewise included as references. This would have the benefit of meaning that everything is cross referenced, all TRG papers / discussions are readily available and not forgotten, and there is less judgement and cost in doing this exercise

Other than this, considering the overall objective of the PIR to identify fundamental flaws in the Standard operating as intended, we do not have any matters to raise in respect of this question.