October 26, 2023

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD United Kingdom

Attention: Andreas Barckow, IASB Chair

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

Dear Mr. Barckow,

We write in response to the International Accounting Standards Board's (IASB) request for feedback to the IFRS15 PIR within the context of c*ontinuously improving accounting standards and standard setting processes*.

About the International CFO Alliance

CFO Alliance is a collaborative network of CFO Associations with the objectives to:

- Foster closer co-operation between participating organizations within the CFO Alliance;
- Maintain International CFO Work Groups on 1) Climate and Sustainability Reporting 2) Automation and Digital Transformation and 3) International Tax;
- Collect and represent the views of CFO Associations, on issues impacting the CFO community, to international standard setting organizations and authoritative policy making bodies, such as the G20, the Financial Stability Board, the World Bank, World Economic Forum, IFAC, and the IFRS Foundation;
- Host an annual CFO Alliance leadership meeting, and CFO Alliance Summit to set an annual work plan and receive feedback on previous year developments;
- Share best practice in CFO association management;
- Share local news and events from participating CFO Associations.

Our mission is to develop a collaborative network of CFO Associations that can serve as a collective voice on matters of mutual interest and concern, and in this way contribute to the efficiency of financial markets around the world.

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Our work serves the public interest by fostering a culture of co-operation, sharing of ideas, and contribution to solving global issues affecting the CFO profession.

An alliance formed in December 2021 of CFO organizations from Europe, Africa, and Latin America to collaborate on areas of mutual interest, such as Digital Transformation, International Taxation and on ESG related matters.

The associations represented by the International CFO Alliance include:

- Association Marocaine des Consolideurs Financiers – **AMCF** (Morocco),
- Associazione Nazionale Direttori Amministrativi e Finanziari – **ANDAF** (Italy),
- Asociación Española de Financieros de Empresa – **ASSET** (Spain),
- Club des Financiers du Nord Maroc - **CFN** (Morocco),
- Association Tunisienne des Contrôleurs de Gestion et des Responsables Financiers – **COGEREF** (Tunisia),
- Association des Directeurs Financiers et de Contrôle de Gestion – **DFCG** (France),
- Association of Chief Financial Officers Germany – **GEFIU** now CFO Forum Deutschland e.V. (Germany),
- Instituto Mexicano de Ejecutivos de Finanzas – **IMEF** (Mexico),
- Portuguese Association of Financial Executives – **PAFE** (Portugal),
- Chartered Institute for Business Accountants – **SAIBA** (South Africa),
- Hellenic Association of Chief Financial Officers – **SEODI** (Greece), and
- several groups from UEMOA West Africa.

Our main comments, incorporating outreach with our membership, for your consideration on the impact of IFRS15 are set out below and detailed comments to the questions in the Request for Feedback document, where relevant, are set out in Appendix A.

Main comments:

We believe that IFRS15 has generally achieved its objectives of improving the principles that entities apply when reporting information on the nature, amount, timing and uncertainty of revenue and cash flows from a customer contract.

We have the following summary comments:

1. The 5-step revenue model effectively depicts the fundamental principles of IFRS 15, and in particular when an entity will recognise revenue to reflect the transfer of promised goods or services to customers for an amount of consideration which the entity expects to be entitled to in exchange for those goods or services.
2. We noted a few opportunities for areas of improvements, which could be achieved through illustrative guidance or limited scope improvements including:

a. **Principal versus agent** relating to the transfer of intangible items, such as the resale of digital content services or software-as-a-service OR in the judgments necessary when assessing sales or value-added taxes which billed to a customer.
b. **Consideration given to a customer** which occurs prior to the start of revenue recognition, and the subsequent balance sheet classification where deferral is permissible.
c. **Sales and lease-back transactions (SLB)**, where the interaction with IFRS16 and par. 100 do not describe a SLB transaction from a manufacturing entity's point of view.
d. **Service Concessions,** where the post-sale obligation description and treatment in IFRIC12 appears to conflict with the definition and subsequent accounting treatment of warranty assurance vs warranty services in pars. B31-B32.

3. We also strongly support the importance of IFRS15 and ASC606 remaining converged in the application of its principles.

We hope that you find these comments helpful in assessing the efficacy and efficiency of IFRS15 implementations, and its ensuing impact to primary users. If you wish to discuss them in more detail, please contact the undersigned at siege@dfcg.fr. We would also be happy to meet with the ISSB staff to further discuss our comments should you require it.

Sincerely yours,

International CFO Alliance (ICFOA)

David Wray, ACA
Chair, ESG & Technical Accounting Group

Emmanuel Millard
President

Appendix A

Question 1—Overall assessment of IFRS 15
1. **(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. 2. **(b) Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:** 1. **(i) in developing future Standards; or** 2. **(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?** 3. **(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.

We believe that the standard's core principles and its five-step revenue recognition model provide a useful and consistent basis for revenue accounting judgments, estimates and decisions resulting in better information for management and the entity's primary users. Each of the five steps clarifies the order and sequence of decisions required to ensure the correct accounting treatment results, such as the importance of first establishing the customer within a multi-party transaction which in turn simplifies the identification of the customer's promised goods or services.

We acknowledge strongly that the implementation of IFRS15 was significantly easier for preparers because of the Transition Working Group meetings, discussions, and outputs. We support the continued use of TRGs for any new standard, or significant changes to existing standards to aid preparers, and by extension users, during implementation.

The implementation cost question is a relative one. One relative to the maturity of the entity's capabilities and processes within the revenue accounting function. The implementation costs that most companies incurred were broadly in line with its expectations.

Question 2—Identifying performance obligations in a contract
1. **(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: 1. (i) are unclear or are applied inconsistently; 2. (ii) lead to outcomes that in your view do not reflect the underlying economic substance of the contract; or 3. (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. 2. **(b) Do you have any suggestions for resolving the matters you have identified?**

IFRS15 pars. 26-29 provide a sufficient basis for identifying performance obligations within a customer contract. The guidance defining significant implementation, modifications, interrelated and interdependent are sufficiently clear in explaining the principle and intent around when a preparer should combine deliverables into a single performance obligation versus account for them as distinct obligations. Similarly, they provide a sufficient basis from which to distinguish input activities versus performance obligations, a key consideration in construction, design, build and manage scenarios.

Question 3—Determining the transaction price
1. **(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.

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

The principles applicable under step 3, Determining the Transaction Price, are sufficiently clear to ensure consistency in application within similar entities and cross-industry.

While the concept of negative revenue may be widely understood, IFRS15 does not clarify the conditions under which negative revenue would be most useful for users. This lack of clarity can easily result in inconsistency amongst industries or preparers where some "reclassify" negative revenue as an expense. To illustrate, if a customer contract had a transaction price of 200 CU and throughout the delivery period the supplier breached service performance level commitments which aggregated into a penalty payable of 210 CU – the result is negative contract consideration of 10 CU. Some entities reflect this in the income statement as negative 10 CU in revenue, and others reclassify it to reflect zero revenue and 10 CU in expenses. The P&L is unaffected, rather it is a classification diversity issue.

Additional guidance could quickly resolve this divergence in practice.

Within step 3, there is one aspect where divergence appears to be occurring in practice. That is, when an entity grants consideration to its customer at contract inception, and prior to the commencement of revenue recognition. It is the balance sheet classification of the consideration given (when deferral is permissible) that creates the source of inconsistency in practice.

To illustrate – cash consideration of 1M CU is given to a customer as a sales incentive at the inception of a 5-year service contract. The consideration given to the customer will be amortized over the 5-year service period, assume in a straight-line for simplicity, however, has been given in its entirety to the customer on day one. The questions that arise surround the balance sheet account for the 1M CU at inception.

Some stakeholders suggest that the consideration given to a customer constitutes a contract asset (pending amortisation against revenue as supplier performance occurs), whereas others suggest that it should be recognised as a contract liability (also pending amortizing against revenue). This distinction is problematic for two reasons:

- A contract asset is a monetary asset making it subject to FX revaluation, and by extension the impact on revenue which is subject to the same aggregated FX impact (and volatility), once recognised in the income statement. FX movement is specifically excluded from the revenue line under IFRS15.
- Consideration granted at contract inception is effectively locked on day one which is earlier than the revenue recognition pattern under the contract which aligns with the requirements of IAS21 where foreign currencies are captured. A contract liability is a non-monetary liability excluding it from any balance FX revaluation.

A narrow scope amendment could resolve this application inconsistency.

Question 4—Determining when to recognise revenue
1. **(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. 2. **(b) Do you have any suggestions for resolving the matters you have identified?**

We believe the guidance in step 5 is sufficiently clear to ensure consistent application of the transfer of control criteria across entities when fact patterns are similar. Indicative criteria for a point in time recognition judgment are helpful when assessing transfer of control. Although no single indicator is hierarchically more relevant than another, in practice some indicators are deemed more relevant. This might include acceptance, title, and the extent of the transfer of risks and rewards from the entity's customer point of view. The guidance in par. 35 (a-c) is sufficiently clear in our view, although we note in practice that par. 35 (a) and (b) are far more prevalent in practice than par. 35c.

Question 5—Principal versus agent considerations
1. **(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. 2. **(b) Do you have any suggestions for resolving the matters you have identified?**

We believe the guidance in B34-38 is sufficiently clear for tangible (physical) goods, however, we believe that the guidance is much less clear when it pertains to intangible goods or services such as the resale of third-party streaming services, SaaS services or some licences. Making these judgments can be quite challenging if the reselling entity does not host or curate the content. Illustrative examples which depict emerging or complex digital services could be helpful in addressing this gap.

An example to illustrate this concept could be:

Entity G (content developer and owner) sells its online gaming service to Entity R (the reseller) who in turn sells the gaming service to the end-user customer. Entity G hosts the content on its servers, and curates all content. Content changes are not permitted by Entity R within its resale agreement, unless permitted by the country's laws. Entity R develops a user access portal (i.e.: a customer user interface) which allows the End-User to seamlessly access the online gaming service of Entity G (the End-User is required to accept Entity G's terms & conditions of use, otherwise it cannot play the games). Entity R does not host the gaming service content itself.

Considerations that arise from these common fact patterns may include assessing control from the perspective of the End-User single portal log-in to all services sold or resold by Entity R (i.e.: a customer convenience) – the question is one of controlling the right to access the gaming service. Additional considerations might include the benefits derived from End-User usage (i.e.: data insights) – some argue data insights provide a proxy for value when it influences recommendations, others argue it is not relevant in the determination of control for the (gaming) service. In other words, the lack of clarity of relevant indicators for intangible items may lead to inconsistency in practice.

Clarification on some of the permitted intangible indicators as considerations under the principal versus agent control criteria would be helpful and would further reinforce how to apply the principles as intended when business products and solutions evolve to become more user-friendly (and therefore less distinct) for customers.

Additionally, the application of principal versus agent can be equally challenging when assessing the nature of the entity's role in sales or VAT taxes. The final question often comes down to one of credit risk – one of the indicators pre-IFRS15 but one that equally was diminished in importance under IFRS15 where the Board concluded in deliberations that both principals and agents face credit risk exposure.

This practice gap could be resolved by illustrating how/when credit risk exposure is a relevant indicator to consider in principal versus agent assessments, and in fact may be the only indicator as is often the case in sales-type or VAT taxes billed to a customer and remitted to a designated government body.

Question 6—Licensing
1. **(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. 2. **(b) Do you have any suggestions for resolving the matters you have identified?**

We believe that the guidance for licencing, including the criteria to distinguish between a SaaS versus licence + hosting performance obligation(s) is sufficient. We also believe that the November 2021 IFRIC decision on the submission for **Principal versus Agent: Software Reseller (IFRS 15)** offers helpful supplemental guidance on this topic.

Question 7—Disclosure requirements
1. **(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. 2. **(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. 3. **(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?**

We have no specific comments in this area; however, we believe the IFRS15 disclosure requirements are clear and proportionate which also typically align with management's high-level view of business performance and analysis.

Question 8—Transition requirements
(a) Did the transition requirements work as the IASB intended? Why or why not? Please explain: 1. (i) whether entities applied the modified retrospective method or the practical expedients and why; and 2. (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.

We have no specific comments on this area; however, we strongly supported the transition options and practical expedients offered to preparers upon adoption of IFRS15.

Question 9—Applying IFRS 15 with other IFRS Accounting Standards
1. **(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. 2. **(b) Do you have any suggestions for resolving the matters you have identified?**

We acknowledge some of the interconnectivity challenges between IFRS9 and IFRS15 raised by stakeholders, particularly as it relates to pricing concessions versus impairment, however we believe that the intended principles applicable within IFRS15 are sufficiently clear for consistent application.

We do note an opportunity for improvement in the application of sales and lease back which is covered by *IFRS15 Revenue from Contracts with Customers* and *IFRS16 Leasing.* Specifically, within par. 100, when an asset transfer constitutes a sale IFRS16 stipulates under par. 100(a) that "*the seller-lessee shall only recognise the amount of any gain or loss that relates to the rights transferred to the buyer-lessor*" which easily covers the sale of fixed assets where gains/losses are recognised, however it fails to consider circumstances where the seller is a manufacturer leaving the accounting application of "gain or loss" open to interpretation in terms of the accounting applicable. We would suggest an illustrative example for manufacturers would resolve this interpretative gap, and possible inconsistency in application, which could be achieved through a narrow amendment or an illustrative example within IFRS16.

One additional area for review is the treatment of the obligation to operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons, or hospitals under IFRIC12. Such obligations under IFRIC12 are accounted for in accordance with IAS37 Provisions, Contingent Liabilities and Contingent Assets, whereas IFRS15 par. B32 indicates that an entity providing more than assurance (which actively maintaining and operating distinctly suggest), then it a warranty service to which revenue is allocated and recognised accordingly. IFRIC12 needs to be revisited to address this inconsistency in accounting treatment.

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?

We believe that it is essential that IFRS15 and ASC606 remain converged with each other for a couple of important reasons:

- Many preparers are multinational companies with local entities reporting under IFRS15 or ASC606, depending on their location and Group reporting either at an IFRS or ASC level. Retaining convergence allows a company to apply group policies in all jurisdictions for revenue accounting with minimal local GAAP adjustments.
- Capital and private market actors seeking to compare preparers' reported revenue will be able to do so more effectively and efficiently because of the IFRS15 and ASC606 convergence.

We encourage both Boards to continue to invest in retaining the level of convergence currently enjoyed in revenue accounting.

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.

No additional comments to note.