

## IFRS Developments

# IASB decides to defer the new revenue standard by one year

### What you need to know

- The IASB has decided to defer the effective date of the new revenue standard by one year.
- Early adoption is permitted for all IFRS preparers, including first-time adopters of IFRS.
- The FASB has also decided to defer the effective date of its new revenue standard by one year.

### Highlights

The International Accounting Standards Board (IASB or Board) has decided to defer by one year the effective date of its new revenue standard, IFRS 15 *Revenue from Contracts with Customers*. As a result, IFRS 15 will be effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The US Financial Accounting Standards Board (FASB), which developed its new revenue standard<sup>1</sup> jointly with the IASB, has also agreed to a one-year deferral, which keeps the new standards' effective dates converged between IFRS and US GAAP.

### Background

In making its decision to defer the effective date, the IASB considered feedback from stakeholders, the impact of amendments it expects to propose, and the FASB's decision to defer its effective date by one year.

When issued, IFRS 15 was effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The IASB received a number of comment letters from stakeholders, the majority of whom expressed support for the deferral of the effective date.

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<sup>1</sup> Accounting Standards Update 2014-09, *Revenue from Contract with Customers* (largely codified in Accounting Standards Codification (ASC) 606).

On 9 July 2015, the FASB agreed to defer the effective date of its revenue standard by one year. As a result, its standard will be effective for public entities with annual reporting periods beginning after 15 December 2017 (2018 for calendar-year public entities) and interim periods therein. Non-public entities applying US GAAP will be required to adopt the FASB's standard for annual reporting periods beginning after 15 December 2018, and interim periods within annual reporting periods beginning after 15 December 2019.

#### How we see it

The one-year deferral will help entities that need extra time to implement the standard appropriately. However, it is important for entities to continue making progress with implementation plans to ensure an orderly transition to the new standard.

Monitoring developments will also be important for entities. The IASB's anticipated exposure draft will propose amendments to the standard that are intended to clarify its requirements (see *Next steps* section below).

Entities should also consider how they will communicate the changes with investors and other stakeholders, including their plan for disclosures about the effects of IFRS 15 required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Entities' disclosures should evolve in each reporting period as more information becomes available.

#### Next steps

The IASB plans to issue an amendment to IFRS 15 to finalise the change in effective date soon.

The IASB is expected to issue an exposure draft later in July 2015 that proposes clarifications to IFRS 15 on topics such as accounting for licences of intellectual property, identifying performance obligations, transition and principal versus agent considerations.

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