



IFRS 15 Revenue from Contracts with Customers

Practical checklist

<p>1</p> <p>Scope: Does IFRS 15 apply?</p>	<ul style="list-style-type: none"><input type="checkbox"/> Is the contract with a customer to provide goods or services in exchange for consideration?<input checked="" type="checkbox"/> IFRS 15 applies to: Sale of goods or services, construction, software, and licensing contracts, subscriptions, franchises, and bundled offerings<input checked="" type="checkbox"/> IFRS 15 does not apply to: Leases (IFRS 16), insurance contracts (IFRS 17), financial instruments (IFRS 9), non-monetary exchanges in the same line of business<ul style="list-style-type: none">➔ If a contract includes multiple elements, apply relevant standards to each part (e.g. IFRS 9 for financing, IFRS 15 for service).
<p>2</p> <p>Step 1: Identify the Contract with a Customer</p>	<ul style="list-style-type: none"><input type="checkbox"/> Is there an agreement with enforceable rights and obligations (written, oral, or implied)?<input type="checkbox"/> Have both parties approved the contract?<input type="checkbox"/> SPPI test (solely payments of principal and interest)?<input type="checkbox"/> Are each party's rights and payment terms identifiable?<input type="checkbox"/> Does the contract have commercial substance?<input type="checkbox"/> Is it probable that consideration will be collected? Also check:<input type="checkbox"/> Are you combining contracts that were negotiated as a package or have interdependent pricing?<input type="checkbox"/> If a contract fails the criteria, are any payments received accounted for appropriately (e.g. as liability)?
<p>3</p> <p>Step 2: Identify the Performance Obligations</p>	<ul style="list-style-type: none"><input type="checkbox"/> Have all promised goods and services (explicit or implicit) been identified?<input type="checkbox"/> Are the goods/services distinct?<input type="checkbox"/> If not distinct, are they bundled into a combined performance obligation? Common performance obligations: sale of goods, provision of services, software licenses, installation services, warranties (assess if assurance-type or service-type), customer options for additional goods or services (e.g. loyalty points)

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**Step 3:
Determine
the Transaction
Price**

- Have you estimated variable consideration using:
 - Expected value method?
 - Most likely amount method?
- Have you applied the constraint on variable consideration (i.e. highly probable revenue will not reverse)?
- Is there a significant financing component? (Consider timing and interest rate)
- Is there non-cash consideration (e.g. goods or services)?
- Are there consideration payable to customers (e.g. coupons, credits)?
- Have you considered the effect of exchange rate changes?

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**Step 4:
Allocate
the Transaction
Price**

- Have you determined stand-alone selling prices of each performance obligation?
- Have you allocated discounts proportionally unless an exception applies?
- Have you allocated variable consideration only when both criteria for allocation are met?

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**Step 5:
Recognize
Revenue When
(or As)
Performance
Obligation is
Satisfied**

- Is the obligation satisfied at a point in time or over time?
- If over time, do you meet any of the following criteria:
 - Customer receives and consumes benefit simultaneously
 - Entity creates/enhances an asset controlled by the customer
 - No alternative use + enforceable right to payment
- Have you selected an appropriate method for measuring progress (output or input method)?
- Have you considered any right of return?
- Is revenue adjusted for customer credit risk (if applicable)?

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Contract Modifications (Changes in Scope or Price)

- Is the modification a separate contract?
 - Additional goods/services are distinct?
 - Price reflects stand-alone selling price?
- If not separate, have you accounted for the modification as:
 - Termination of old + new contract?
 - Cumulative catch-up adjustment?
 - Prospective adjustment?

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Contract Costs

- Incremental costs of obtaining a contract:**
 - Have you capitalized costs that would not have been incurred if the contract wasn't obtained (e.g. sales commissions)?
 - Are those costs amortized on a systematic basis over the contract period?
- Costs to fulfil a contract:**
 - Are they directly related to the contract?
 - Do they generate or enhance resources to fulfil future performance obligations?
 - Are they recoverable?
- Also check:**
 - Are amortization and impairment reviews of capitalized costs conducted regularly?

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Presentation

- Are contract assets and contract liabilities presented separately?
- Are receivables (unconditional rights to consideration) presented separately from contract assets?
- Are capitalized contract costs presented as an asset distinct from inventories or receivables?

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<h3>10</h3> <p>Disclosures</p>	<ul style="list-style-type: none"><input type="checkbox"/> Do your notes provide disaggregated revenue information (e.g. by geography, product, timing)?<input type="checkbox"/> Are opening and closing balances of contract assets/liabilities disclosed?<input type="checkbox"/> Are performance obligations and timing of revenue recognition explained?<input type="checkbox"/> Are significant judgments and estimates disclosed (e.g. constraint on variable consideration)?<input type="checkbox"/> Are details of capitalized contract costs disclosed?<input type="checkbox"/> Are practical expedients applied (e.g. for significant financing components or short-term contracts) disclosed?
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<h3>11</h3> <p>Common Pitfalls to Watch Out For</p>	<ul style="list-style-type: none"><input type="checkbox"/> Wrong classification of contract modifications<input type="checkbox"/> Recognizing revenue too early when control has not transferred<input type="checkbox"/> Underestimating the complexity of identifying distinct performance obligations<input type="checkbox"/> Ignoring the constraint on variable consideration<input type="checkbox"/> Forgetting to assess principal vs agent (especially in intermediary arrangements)<input type="checkbox"/> Not capitalizing eligible contract costs (or amortizing them incorrectly)<input type="checkbox"/> Incomplete or generic disclosures
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