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Mr H. Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC 4M 6Xh  
UNITED KINGDOM

[commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Dear Mr Hoogervorst

### **ED/2015/6 "Clarifications to IFRS 15"**

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 is pleased to provide comment on this ED.

#### **Q1 Identifying performance obligations**

*IFRS 15 requires an entity to assess the goods or services promised in a contract to identify the performance obligations in that contract. An entity is required to identify performance obligations on the basis of promised goods or services that are distinct.*

*To clarify the application of the concept of 'distinct', the IASB is proposing to amend the Illustrative Example accompanying IFRS 15. In order to achieve the same objective of clarifying when promised goods or services are distinct, the FASB has proposed to clarify the requirements of the new revenue Standard and add illustrations regarding the identification of performance obligations. The FASB's proposals include amendments relating to promised goods or services that are immaterial in the context of a contract, and an accounting policy election relating to shipping and handling activities that the IASB is not proposing to address. The reasons for the IASB's decisions are explained in paras BC7-BC25.*

*Do you agree with the proposed amendments to the Illustrative Examples accompanying IFRS 15 relating to identifying performance obligations? Why or why not? If not, what alternative clarification, if any, would you propose and why?*

**The G100 agrees with the proposed amendments. While doing so, we consider that some discussion of the impact of materiality in determining performance obligations and distinct goods or services would be helpful. Although consistency between the IASB and FASB is highly desirable we also agree with the IASB's reasons for not addressing the FASB's proposals on providing an accounting policy election in respect of handling and shipping costs.**

#### **Q2 Principal versus agent considerations**

*When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent. To do so, an entity assesses whether it controls the specified goods or services before they are transferred to the customer.*

*To clarify the application of the control principle, the IASB is proposing to amend paras B34-B38 of IFRS 15, amend Examples 45-48 accompanying IFRS 15 and add Examples 46A and 48A.*

*The FASB has reached the same decisions as the IASB regarding the application of the control principle when assessing whether an entity is a principal or an agent, and is expected to propose amendments to Topic 606 that are the same as (or similar to) those included in this ED in this respect. The reasons for the Board's decisions are explained in paras BC26-BC56.*

*Do you agree with the proposed amendments to IFRS 15 regarding principal versus agent considerations? In particular, do you agree that the proposed amendments to each of the indicators in paras B37 are helpful and do not raise new implementation questions? Why or why not? If not, what alternative clarification, if any, would you propose and why?*

**The G100 agrees with the proposed amendments. We consider that providing additional guidance to clarify the application of the control principle in respect of distinguishing principal and agent will reduce the potential for inconsistent application and any resultant diversity in practice. The amendments to the indicators in B37 are expected to assist preparers in applying the requirements and determining whether it controls the goods or service.**

### **Q3 Licensing**

*When an entity grants a licence to a customer that is distinct from other promised goods or services, IFRS 15 requires the entity to determine whether the licence transfers to a customer either at a point in time (providing the right to use the entity's intellectual property) or over time (providing the right to access the entity's intellectual property). That determination largely depends on whether the contract requires, or the customer reasonably expects, the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. IFRS 15 also includes requirements relating to sales-based or usage-based royalties promised in exchange for a licence (the royalties constraint).*

*To clarify when an entity's activities significantly affect the intellectual property to which the customer has rights, the IASB is proposing to add para B59A and delete paras B57 of IFRS 15, and amend Examples 54 and 56-61 accompanying IFRS 15. The IASB is also proposing to add paragraphs B63A and B63B to clarify the application of the royalties constraint. The reasons for the IASB's decisions are explained in paras BC57-BC86.*

*The FASB has proposed more extensive amendments to the licensing guidance and the accompanying Illustrations, including proposing an alternative approach for determining the nature of an entity's promise in granting a licence.*

*Do you agree with the proposed amendments to IFRS 15 regarding licensing? Why or why not? If not, what alternative clarification, if any, would you propose and why?*

**The G100 supports the proposed amendments and the clarification provided in the illustrative examples and agrees with the IASB's reasons for not adopting the FASB's approach to providing clarification.**

### **Q4 Practical expedients on transition**

*The IASB is proposing the following two additional practical expedients on transition to IFRS 15:*

- a. to permit an entity to use hindsight in (i) identifying the satisfied and unsatisfied performance obligations in a contract that has been modified before the beginning of the earliest period presented; and (ii) determining the transaction price.
- b. To permit an entity electing to use the full retrospective method not to apply IFRS 15 retrospectively to completed contracts (as defined in para C2) at the beginning of the earliest period presented.

*The reasons for the IASB's decisions are explained in paras BC109-BC115. The FASB is also expected to propose a practical expedient on transition for modified contracts. Do you agree with the proposed amendments to the transition requirements of IFRS 15? Why or why not? If not, what alternative, if any, would you propose and why?*

**The G100 considers that the proposed practical expedients on the transition go some way towards reducing the costs associated with implementing the standard in respect of contracts that have been modified. The G100 agrees with the IASB's proposed approach to dealing with completed contracts which will reduce transition costs.**

#### **Q5 Other topics**

*The FASB is expected to propose amendments to the new revenue Standard with respect to collectability, measuring non-cash consideration and the presentation of sales taxes. The IASB decided not to propose amendments to IFRS 15 with respect to those topics. The reasons for the IASB's decisions are explained in paras BC87-BC108.*

*Do you agree that amendments to IFRS 15 are not required on those topics? Why or why not? If not, what amendment would you propose and why? If you would propose to amend IFRS 15, please provide information to explain why the requirements of IFRS 15 are not clear.*

**The G100 considers that the IASB should not, at this stage, propose amendments on these items. However, we suggest that the IASB be prepared to address further implementation issues as they arise in conjunction with the FASB to achieve as high a level of convergence as practicable.**

Sincerely  
**Group of 100 Inc**



**Neville Mitchell**  
President

