Financial services sector focus: New revenue recognition model

A synopsis of IFRS 15

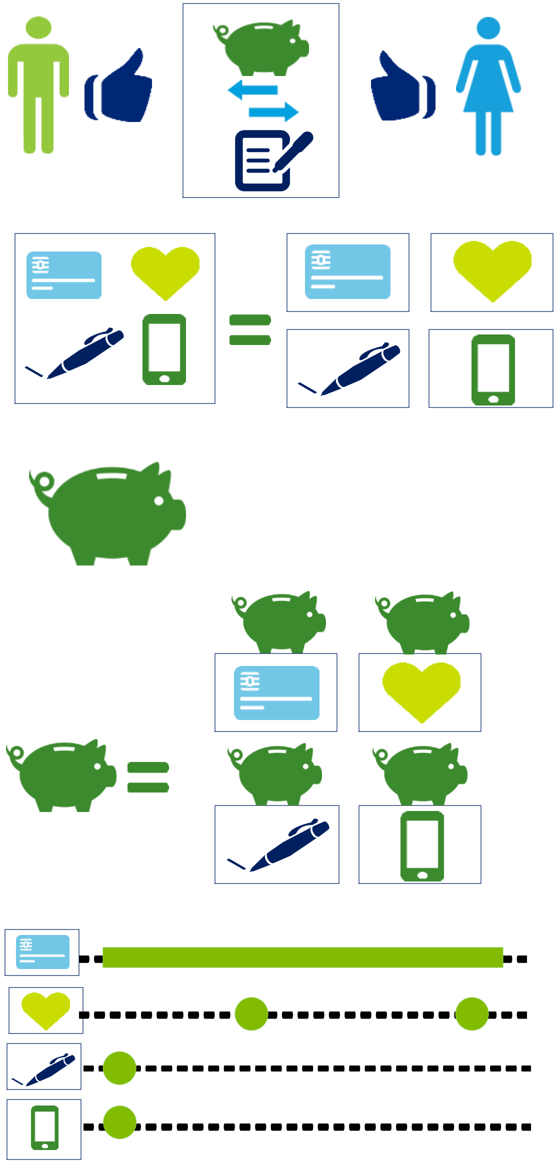
Step 1:
Identify the contract with the customer

Step 2:
Identify performance obligations

Step 3:
Determine the transaction price (including discounts)

Step 4:
Allocate the transaction price based on the fair value of the performance obligations

Step 5:
Recognise revenue as performance obligation transferred



Potential impacts for the financial services sector

- Variable consideration limited to significant revenue reversal thresholds (commissions linked to investment returns)
- Suppliers changing their T&Cs to alter their revenue recognition profile
- Significant increase in disclosure requirements
- Impact of any change in accounting on KPIs, tax, covenants, employee incentives etc.
- Systems to cater for tracking of separate performance obligations → Distinguish billing systems from accounting systems

IFRS 15 *Revenue from Contracts with Customers*
Effective date: 1 January 2017