



## **AASB 15 Revenue from Contracts with Customers**

What this means for business – Katelyn Bonato, Deloitte



**01 UNDERSTAND WHAT THIS MEANS FOR YOUR BUSINESS**

**02 DO NOT UNDERESTIMATE THE MAGNITUDE OF THIS TRANSITION  
TO BUSINESS AS A WHOLE**

**03 KEY DECISIONS TO BE MADE**

A silhouette of a man in a suit is shown in profile, looking out of a large window. The window provides a view of a city skyline at sunset, with a prominent skyscraper in the foreground. The scene is bathed in the warm, golden light of the setting sun, creating a dramatic and contemplative atmosphere. The man's reflection is visible on the glass.

**WHY?**



ELIMINATE INCONSISTENCIES  
AND WEAKNESSES

WHY?



ELIMINATE INCONSISTENCIES  
AND WEAKNESSES

MORE PRESCRIPTIVE  
GUIDANCE

WHY?

ELIMINATE INCONSISTENCIES  
AND WEAKNESSES

MORE PRESCRIPTIVE  
GUIDANCE

WHY?

IMPROVE  
COMPARABILITY



ELIMINATE INCONSISTENCIES  
AND WEAKNESSES

MORE PRESCRIPTIVE  
GUIDANCE

WHY?

IMPROVE  
DISCLOSURES

IMPROVE  
COMPARABILITY

99

*Recognise revenue to depict the **transfer of promised goods or services to customers** in an amount that reflects the **consideration** to which the entity **expects to be entitled** in exchange for those goods or services*

99



A person is captured in mid-air, jumping over a deep canyon. The scene is set during sunset or sunrise, with a warm, golden-orange glow across the sky and the rugged, rocky landscape. The person's silhouette is dark against the bright sky. The canyon walls are dark and textured, with some snow or light-colored rock patches. The overall mood is one of adventure and achievement.

# THE FIVE STEP APPROACH

# IDENTIFY THE CONTRACT WITH THE CUSTOMER

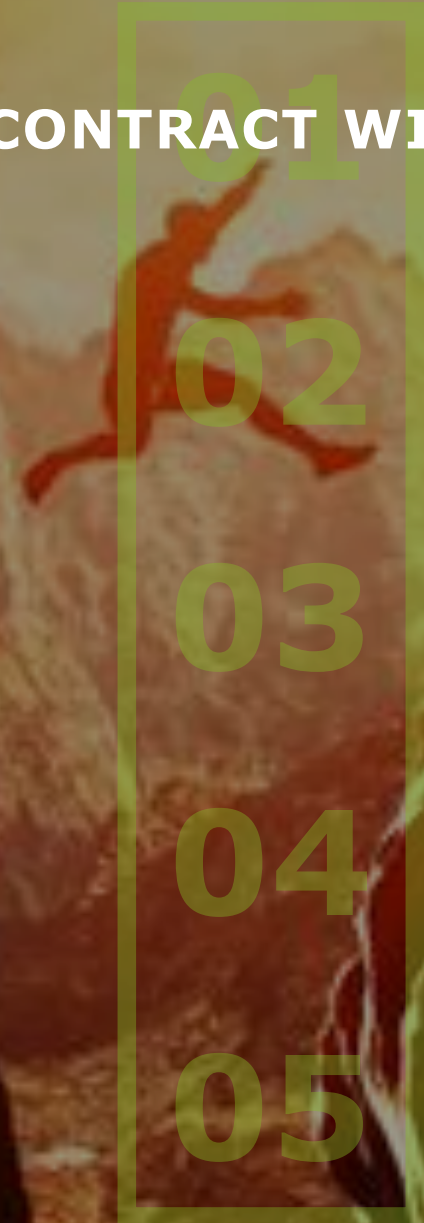
01

02

03

04

05





**IDENTIFY THE CONTRACT WITH THE CUSTOMER**

**IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS IN THE CONTRACT**

01

02

03

04

05



**IDENTIFY THE CONTRACT WITH THE CUSTOMER**

**IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS IN THE CONTRACT**

**DETERMINE THE TRANSACTION PRICE**

01

02

03

04

05

A person in a red jacket is rappelling down a dark, craggy cliff face. The background shows a vast mountain range under a hazy, orange-tinted sky, suggesting a sunset or sunrise. The overall scene is dramatic and adventurous.

**IDENTIFY THE CONTRACT WITH THE CUSTOMER**

**IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS IN THE CONTRACT**

**DETERMINE THE TRANSACTION PRICE**

**ALLOCATE THE TRANSACTION PRICE TO SEPARATE PERFORMANCE OBLIGATIONS**

01

02

03

04

05



A person is rappelling down a steep, rocky cliff face. The background shows a mountain range under a hazy, orange-tinted sky, suggesting a sunset or sunrise. The overall scene is dramatic and adventurous.

**IDENTIFY THE CONTRACT WITH THE CUSTOMER**

**IDENTIFY SEPARATE PERFORMANCE OBLIGATIONS IN THE CONTRACT**

**DETERMINE THE TRANSACTION PRICE**

**ALLOCATE THE TRANSACTION PRICE TO SEPARATE PERFORMANCE OBLIGATIONS**

**RECOGNISE REVENUE WHEN EACH PERFORMANCE OBLIGATION IS SATISFIED**





# CONTRACT COSTS



# DISCLOSURES

# Significant judgements

Significant judgments applied

Transaction price

Allocation methods and assumptions



# Contracts with customers

Disaggregation of revenue  
Contract balances (including reconciliation)  
Information about performance obligations  
Remaining performance obligations  
Practical expedients

# Others

Policy decisions

Cost to obtain a contract

Costs to fulfil a contract



**TRANSITION APPROACH – CONSIDER THE OPTIONS**





**1**

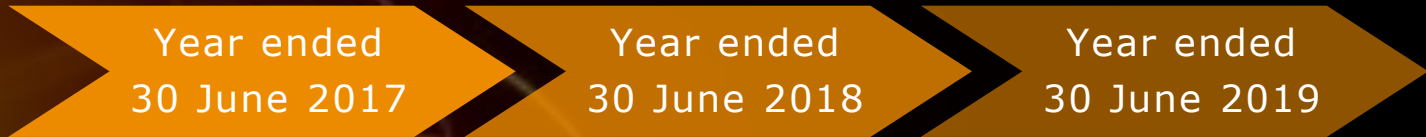
Retrospective  
Approach  
(with/without  
practical  
expedients)

**2**

Modified  
Approach

A long, straight road stretches into the distance at night. The sky is dark with many stars visible. Light trails from vehicles are visible on the road. The road is flanked by a guardrail on the left and a sandy area on the right. In the background, there are dark mountains.

# DUAL RECORDS




Retrospective Approach



Modified Approach



 = Cut-off analysis required to be performed on open contracts





# **PRACTICAL ISSUES**



**SUBSCRIPTION REVENUE  
CONSIDERATIONS**

BREAK DOWN AND ANALYSE

Monitor

UNBUNDLE

Low Volume Of Contracts

'STAND-READY'

**SUBSCRIPTION REVENUE  
CONSIDERATIONS**

ALLOCATE  
TRANSACTION PRICE

STAND ALONE **SELLING** PRICE

SERIES OF DISTINCT  
PERFORMANCE OBLIGATIONS

Provision Of Service Or License





# REVIEW OF PRODUCTS & CONTRACTS

Product pricing more transparent  
Assess: Accounting for contracts in scope  
Update: Terms and Conditions  
Impact: Long term contract negotiation



# EMPLOYEES

Remuneration Schemes  
(KPI / Bonus Structures)  
Training  
Project Management



# **SYSTEM CHANGES**

Update: IT Systems, Business Models, Company Practices,  
Accounting Policies, Internal Process and Controls



# MANAGING STAKEHOLDERS

- Shareholders (expectation / outlook)
  - Financiers (loan covenants)
  - Regulators (disclosures)



# **OUR IMPLEMENTATION APPROACH**

## OUR SUGGESTED APPROACH INCLUDES FIVE PHASES AIMED AT SUCCESSFUL IMPLEMENTATION

### 01 IMPACT ASSESSMENT

- Understand revenue streams and product lines most likely impacted
- Understand which step of AASB 15 model could have material impact

### 02 DETAILED GAP ANALYSIS

- Perform detailed contract reviews
- Assessment of current process and data gaps
- Preliminary analysis of transition method and portfolio approach

### 03 DEFINE SOLUTIONS

- Define new accounting policies
- Finalise approach to address data and system gaps
- Define training and communication approach

### 04 DESIGN AND DEVELOP

- Design, develop and test system and process solution
- Test and migrate pilot data
- Design controls and determine operational KPIs

### 05 IMPLEMENT AND DELIVER

- Delivery of implementation plan
- Plan and execute final cut-over and go-live process
- Monitor ongoing compliance and performance





# 01 IMPACT ASSESSMENT

- Understand revenue streams and product lines most likely impacted
- Understand which step of AASB 15 model could have material impact





# 02 DETAILED GAP ANALYSIS

- Perform detailed contract reviews
  - Assessment of current process and data gaps
- Preliminary analysis of transition method and portfolio approach



# 03 DEFINE SOLUTIONS

- Define new accounting policies
- Finalise approach to address data and system gaps
  - Define training and communication approach





# 04 DESIGN AND DEVELOP

- Design, develop and test system and process solution
  - Test and migrate pilot data
- Design controls and determine operational KPIs



# 05 IMPLEMENT AND DELIVER

- Delivery of implementation plan
- Plan and execute final cut-over and go-live process
- Monitor ongoing compliance and performance



## OUR SUGGESTED APPROACH INCLUDES FIVE PHASES AIMED AT SUCCESSFUL IMPLEMENTATION

### 01 IMPACT ASSESSMENT

- Understand revenue streams and product lines most likely impacted
- Understand which step of AASB 15 model could have material impact

### 02 DETAILED GAP ANALYSIS

- Perform detailed contract reviews
- Assessment of current process and data gaps
- Preliminary analysis of transition method and portfolio approach

### 03 DEFINE SOLUTIONS

- Define new accounting policies
- Finalise approach to address data and system gaps
- Define training and communication approach

### 04 DESIGN AND DEVELOP

- Design, develop and test system and process solution
- Test and migrate pilot data
- Design controls and determine operational KPIs

### 05 IMPLEMENT AND DELIVER

- Delivery of implementation plan
- Plan and execute final cut-over and go-live process
- Monitor ongoing compliance and performance



**ANTICIPATE THE COMMON ROAD BLOCKS**



**01 UNDERSTAND WHAT THIS MEANS FOR YOUR BUSINESS**

**02 DO NOT UNDERESTIMATE THE MAGNITUDE OF THIS TRANSITION  
TO BUSINESS AS A WHOLE**

**03 KEY DECISIONS TO BE MADE**



# Deloitte.



KATELYN BONATO – [kbonato@deloitte.com.au](mailto:kbonato@deloitte.com.au)

For copy of these slides: <https://www2.deloitte.com/au> and search AASB 15