



## Accounting for revenue under MFRS 15



# Background

MFRS 15 *Revenue from Contracts With Customers* brings revenue accounting principles centrally into one standard and replaced several preceding standards and interpretations, such as MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and IC Int. 15 *Agreements for the Construction of Real Estate* that impacted the amount and/or timing of revenue recognition.

MFRS 15 provides a comprehensive framework for companies across industries to consistently and accurately depict their revenue, ensuring transparency and comparability in financial statements. By emphasizing a more principle-based approach, MFRS 15 aims to enhance financial reporting by guiding entities in recognising revenue that reflects the transfer of goods or services to customers, fostering a clearer understanding of an organisation's financial performance and obligations.





**As a key executive, why should you be concerned about MFRS 15?**

Getting your organisation to comply accounting requirements enables directors to fulfil their duties and ensure quality financial reporting.

The application of MFRS 15 can pose several challenges and concerns for businesses such as the ability to grasp the complexity and nuances of MFRS 15's principles-based approach, the availability of necessary data is collected, organised and analysed appropriately to meet the requirements of the Standard, evaluating various complex and individually unique contracts and understanding the potential impact on financial statements, disclosures and the key performance indicators.

While MFRS 15 is a very comprehensive standard, there are numerous areas that are subject to judgement and interpretation. You will need professionals with good understanding of its requirements and the interpretation issues, in order to help you identify the other significant implications on your business that go beyond just compliance.



Understanding the standard



Data collection and analysis



Contract assessment



Systems and processes



Financial reporting

**What are the expected key accounting requirements?**

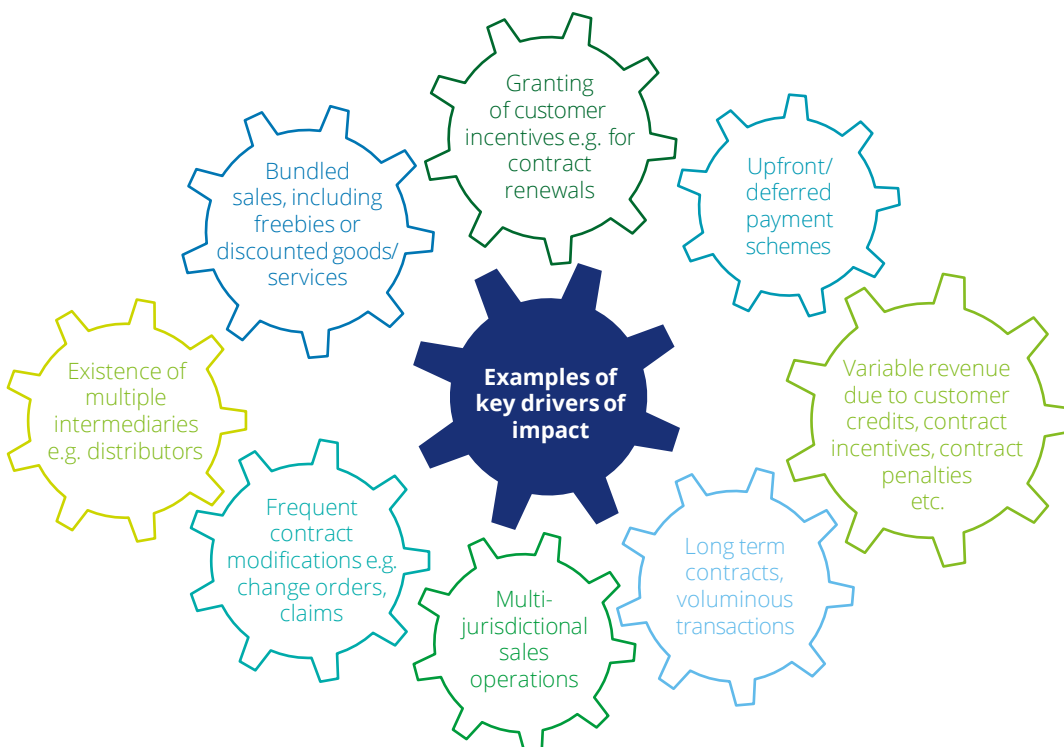
MFRS 15 introduces a single comprehensive model (a five-step approach) for revenue accounting across different industries, and includes more prescriptive guidance to achieve consistency.

This approach to revenue recognition is to be applied on an individual contract basis. For companies with numerous transactions, each contract will have to be first assessed on whether it falls into the scope of the standard. As a practical expedient, the portfolio approach may be applied when certain criteria are met.

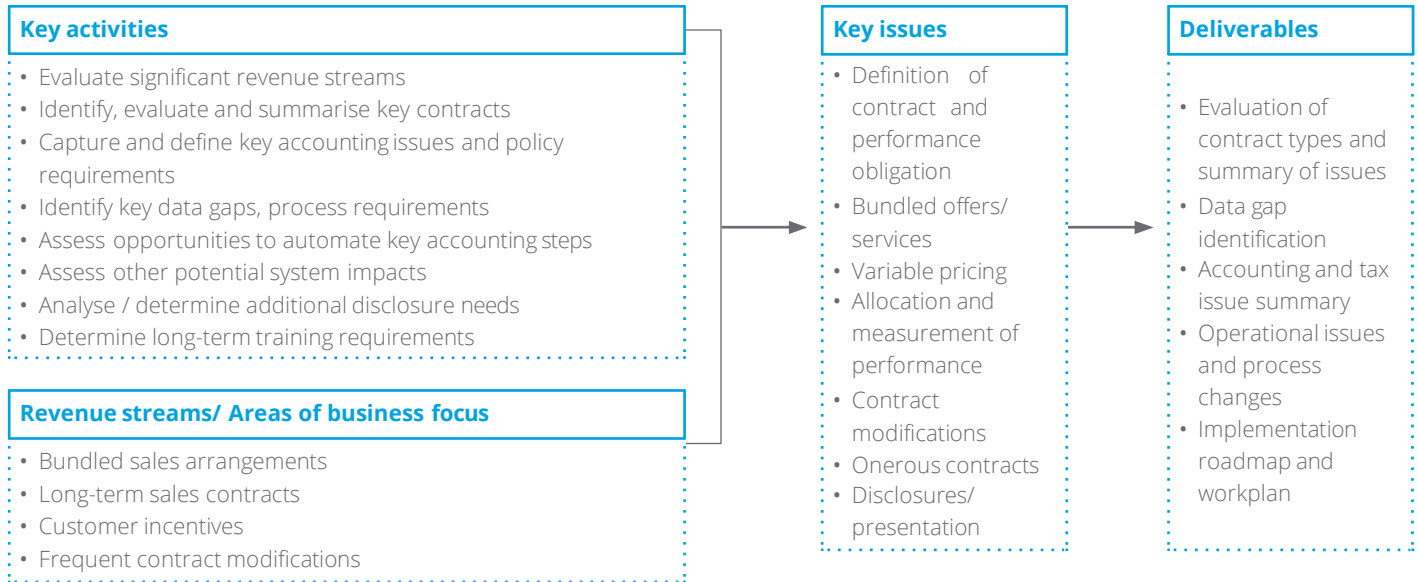


The extent of impact depends on the nature of your arrangements with your customers. We have highlighted some key drivers in revenue arrangements that could increase the extent of the accounting impact below.

Each of the key drivers below entails specific accounting requirements in MFRS 15, which can be very complex and subject to judgement and interpretation.



Summary of a possible approach that organisations could consider in addressing the requirements of MFRS 15







**How Deloitte can help**

Globally and within Southeast Asia, Deloitte is at the forefront in successfully executing MFRS 15 implementation and application projects. With our integrated “As One” network of professionals in Malaysia and Southeast Asia, Deloitte has all the capabilities to provide your organisation with an “End-to- End” solution for MFRS readiness and compliance.

Our MFRS-advisory team comprises of cross functional professionals from accounting advisory, systems consulting, accounting analytics and corporate tax advisory practices. We have also taken the lead in facilitating industry based forums to discuss and resolve issues on MFRS 15 implementation.

Our proven approach is scalable and we can tailor the solution components to align with your requirements and budget.

Our team offers assistance with the following on MFRS 15 readiness/compliance:

-  Performing gap assessment on accounting, systems, and processes
-  Using Deloitte Analytics to perform simulations of proforma revenue numbers
-  Performing design and implementation of systems and processes
-  Drawing up accounting policy documentation
-  Providing technical subject matter expertise and support on:
  - Training
  - Project and business change management
  - Technical research and documentation
  - Corporate tax advisory

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