IASB issues an exposure draft proposing a one-year deferral of its new revenue standard

What you need to know
- The IASB has issued an exposure draft that proposes a one-year deferral of the effective date of the new revenue recognition standard; early adoption would be permitted.
- The FASB has proposed a one-year deferral of the effective date of its new revenue recognition standard.
- Comments on the IASB’s exposure draft are due by 3 July 2015.

Highlights
The International Accounting Standards Board (IASB or Board) has issued an exposure draft (ED) that proposes a one-year deferral of the effective date of its new revenue recognition standard, IFRS 15 Revenue from Contracts with Customers.

The ED proposes that IFRS 15 would be effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The US Financial Accounting Standards Board (FASB), which developed its new revenue standard jointly with the IASB (together with the FASB, the Boards), has also issued an exposure draft proposing a one-year deferral, which would keep the new standards’ effective dates converged under IFRS and US GAAP.

Background
In making its decision, the IASB considered feedback from stakeholders, the impact of amendments it expects to propose, and the FASB’s proposal to defer the effective date.

IFRS 15 is currently effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The IASB received a number of comment letters from stakeholders regarding the effective date, mainly from entities in the telecommunications, automotive and technology industries. This feedback indicated that additional time was needed to implement IFRS 15 because of the impact on systems and processes and to reduce the risk of errors.

The IASB is seeking comments on its proposal to defer the effective date of IFRS 15 by one year.

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1 Accounting Standards Update 2014-09, Revenue from Contract with Customers (largely codified in Accounting Standards Codification (ASC) 606)
On 29 April 2015, the FASB issued an exposure draft that proposes a one-year deferral, such that public entities would be required to adopt its new revenue standard for annual reporting periods beginning after 15 December 2017 and interim periods therein. Non-public entities would be required to adopt its new revenue standard for annual reporting periods beginning after 15 December 2018 and interim periods within annual reporting periods beginning after 15 December 2019. Early adoption would be permitted, but only for periods beginning after 15 December 2016 and interim periods therein.

**How we see it**

It is important for entities to continue making progress with implementation plans so as to make an orderly transition to the new standard. Stakeholders with concerns about the proposed one-year deferral should submit comments to the IASB.

A one-year deferral would help entities that need extra time to implement the standard appropriately. Furthermore, it would give preparers additional time to consider the requirements of IFRS 15 along with any amendments that result from a further ED (see below under Next Steps) that is expected to be issued by the IASB in June 2015.

While such a deferral could result in a lack of comparability between the financial statements of entities that early adopt and those that do not, many believe that, on balance, a one-year delay is appropriate to promote an effective implementation.

**Next steps**

Comments on the ED are due by 3 July 2015.

A separate ED is expected in June 2015 that incorporates decisions made on topics discussed in the February and March 2015 joint Board meetings (such as accounting for licences of intellectual property and identifying performance obligations) and any additional amendments that the IASB determines are necessary.