



Food, drink and consumer goods

IFRS 15 Revenue – Are you good to go?

June 2017

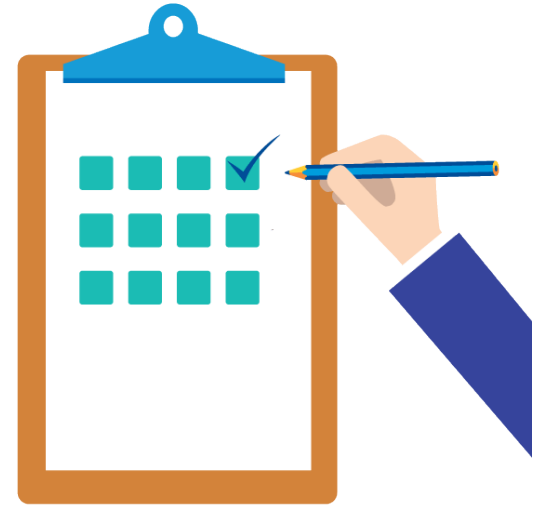
kpmg.com/ifrs



Are you good to go?

IFRS 15 will change the way many food, drink and consumer goods companies account for their contracts.

To help you drive your implementation project to the finish line, we've pulled together a list of key considerations that many companies in your sector need to focus on.

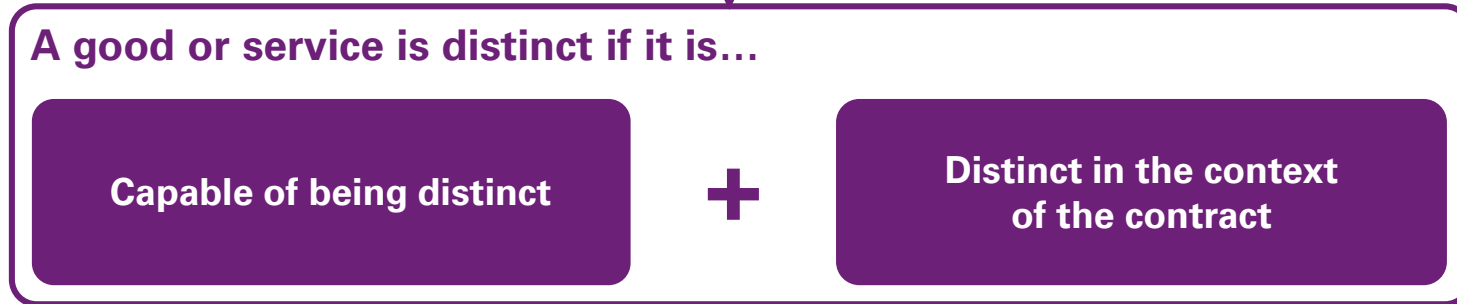


**For each of the following,
documenting your analysis
and the conclusions drawn
will be essential**



Performance obligations

Do several goods and services promised in the contract meet the new **'distinct' test** to be accounted for separately?



Think about...

Warranties | Customer incentives | Licences | Shipping and handling | Training

Warranties

Do your arrangements include warranties that need to be accounted for as separate **performance obligations**?



Warranties that meet neither criteria are accounted for as a provision

Variable consideration

If the contract price contains variable consideration, have you decided on the **estimation method** and applied the **constraint**?



Think about...

Rights of return | Discounts | Price concessions | Rebates

Sales with a right of return

Does your accounting policy for sales with a right of return meet the requirements of IFRS 15?

When an entity makes a sale with a right of return it recognises...

Revenue net of expected returns

Liability for expected returns

Asset for carrying amount of expected returns less recovery costs

Expected returns are estimated using the variable consideration guidance

Payments to customers

Have you determined whether payments to customers should be netted against revenue?

A payment to a customer that is not for a distinct good or service is netted against revenue...

At the later of when you...

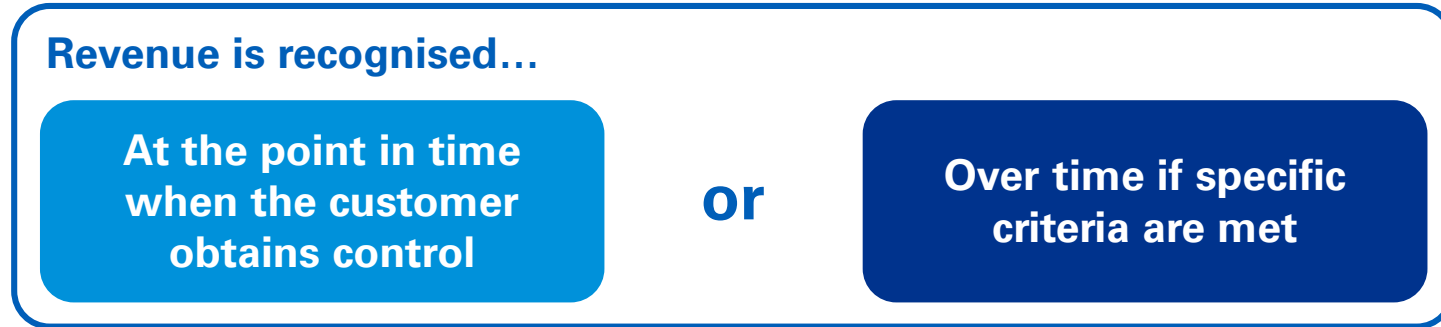
- recognise revenue for related goods or services, or**
- pay, or promise, the amount**

Think about...

Credits | Payments to distributors | Payments to retailers | Slotting fees

Timing of revenue recognition

Will there be any changes to the **timing of your revenue recognition?**



Think about...

Contract manufacturing | Distribution arrangements | Franchises

Measure of progress

Do you use the units of production or units of delivery methods to recognise revenue?

? Only permissible if...

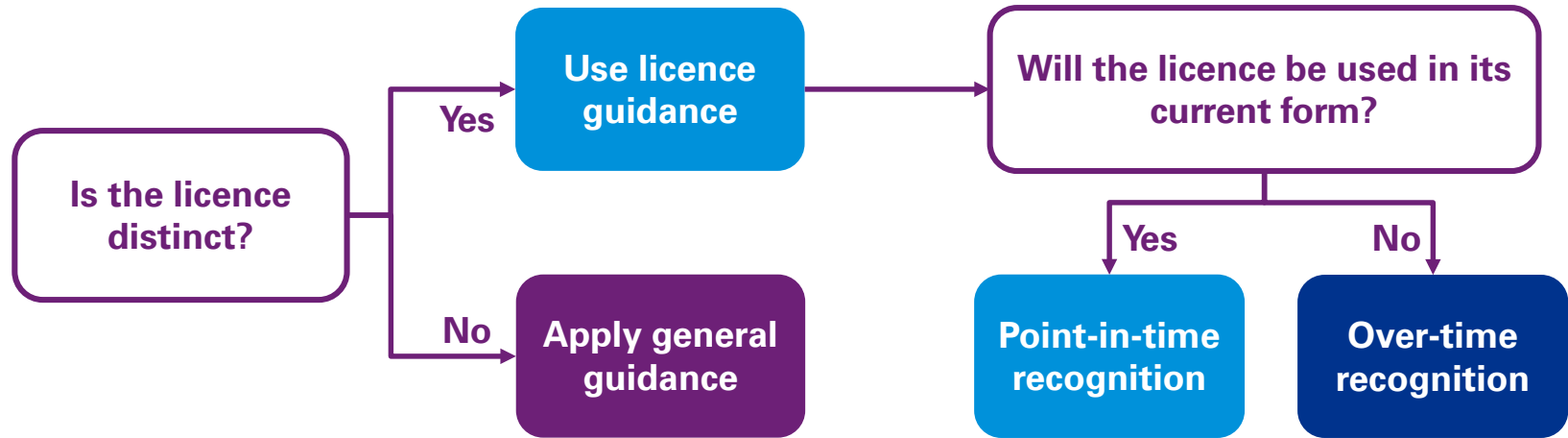
They do not give rise to material amounts of WIP controlled by the customer



Alternative measures include cost-to-cost method and surveys

Licences of intellectual property

How and when will you recognise licence revenue?

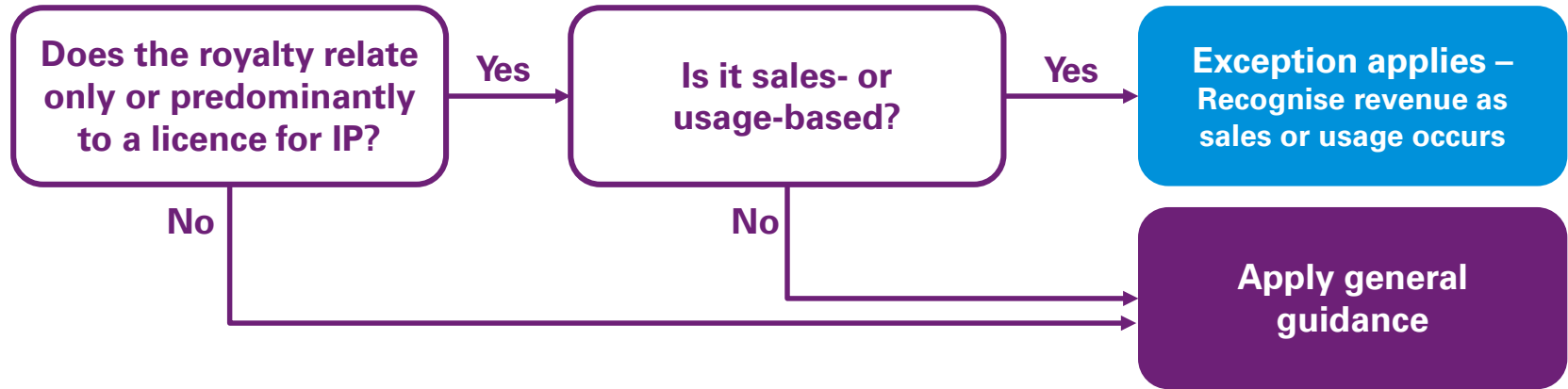


Think about...

Brands | Franchise arrangements

Royalty arrangements for licences

Do your royalty arrangements qualify for the **royalty exception**?



Think about...

Payments by franchisees | Royalties with a guaranteed minimum | Tiered royalties

Transition adjustments

Have you **identified all** of the areas where **differences** exist between **IFRS 15** and your **existing accounting**?



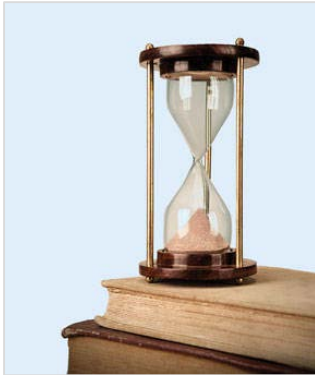
Use the helpful guidance in our *Transition Options* and *Issues In-Depth* publications



IFRS 15 is more detailed than the existing revenue requirements, so you may find unexpected changes in your accounting

Disclosure requirements

Have you identified the additional information and processes needed to meet the disclosure requirements?



Read our *Guide to annual financial statements – IFRS 15 supplement*



Under IFRS 15, you'll need to provide more detailed information about contract terms, as well as how and when you recognise revenue

Checklist of actions

Have you...?	<input checked="" type="checkbox"/>	Have you...?	<input checked="" type="checkbox"/>
Determined whether your contracts include more than one performance obligation ?	<input type="checkbox"/>	Assessed whether the timing of your revenue recognition will change?	<input type="checkbox"/>
Determined whether you need to account for warranties as separate performance obligations?	<input type="checkbox"/>	Selected your measure of progress for contracts recognised over time?	<input type="checkbox"/>
Revised your estimates of variable consideration elements – e.g. rights of return, rebates and discounts?	<input type="checkbox"/>	Determined how to account for your licensing arrangements ?	<input type="checkbox"/>
Assessed whether your accounting policy for sales with a right of return meets the requirements of IFRS 15?	<input type="checkbox"/>	Assessed whether your royalty arrangements qualify for the royalty exception?	<input type="checkbox"/>
Determined whether payments to customers should be netted against revenue?	<input type="checkbox"/>	Identified and quantified your transition adjustments ?	<input type="checkbox"/>
		Identified the additional information needed to meet the disclosure requirements ?	<input type="checkbox"/>

How did you do?

**How many of our 11 questions
have you answered 'yes'?**

All 11 – You're good to go!

5-10 – You're on your way

0-4 – You really need to engage



Don't forget the broader business impacts



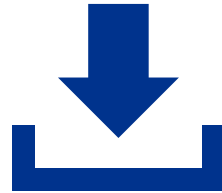
Have you...

- updated your management reporting, including KPIs?
- developed a transition plan for parallel runs, including reconciliations?
- thought about the tax implications?
- calculated the impact on bonus schemes?
- compared your approach with peers?

Find out more



**Talk to your
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**Use our
Transition
toolkit**



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