



Airlines

IFRS 15 Revenue – Are you good to go?

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Are you good to go?

IFRS 15 will change the way many airlines account for their air tickets, cargo airway bills, loyalty points and change fees.

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



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



Ticket breakage

How will ticket breakage impact the timing of your revenue recognition?



You can recognise revenue if...

It is highly probable that breakage will not result in a significant revenue reversal

For many airlines, this will be on the flight date but not before



Ensure your systems are capable of supplying reliable data for estimates

You need to...

Treat tickets consistently based on their sale terms – e.g. refundable, changeable

Air travel and loyalty points

How will you estimate the **stand-alone selling price** for air travel?

The main change from IFRIC 13 *Customer Loyalty Programmes* relates to the **estimation method**



The residual method may no longer be available for air tickets sold with loyalty points

The **allocation of revenue** between air travel and loyalty points will probably change based on our understanding of common industry practice

Arrangements with non-airline partners

How will your accounting change?

Consider...

- **Number and nature of performance obligations**
 - There will probably be more than one
- **Allocation of transaction price**
- **Timing of revenue recognition**
- **Method for measuring obligations satisfied over time**



**Valuation of
components can be
complex**

Think about...

Sale of loyalty points | Co-branding | Access to airline customer lists | Advertising

Loyalty programmes

How will you account for tier status benefits and estimated point redemptions?

You need to consider...

Whether material benefits provided to members need to be accounted for separately

and

Whether you need to change your accounting policy for changes in estimated redemptions of loyalty points

Ancillary services and change fees

Does your accounting policy meet the requirements of IFRS 15?



You'll need to...

Recognise revenue together with the original ticket – i.e. on the date of travel – unless it is a separate performance obligation



You can no longer...

Recognise revenue when you receive the change fees

If credit card fees are incremental costs of obtaining the contract, then they are deferred and recognised on the flight date

Interline cargo, airport charges and taxes

Have you reassessed whether you are **acting as a principal or an agent under IFRS 15?**

Role in transaction	Accounting treatment
Principal	Present revenue gross
Agent	Present revenue net



Presentation of revenue for interline cargo transportation is likely to change

Travel vouchers

How will you account for them?

What are the vouchers for?	Method	Accounting treatment
Mandatory penalty for non-performance – e.g. delayed/cancelled flights	Variable consideration	Deduct from revenue
Discretionary additional goods or services – e.g. free tickets/meals	Customer option	Defer revenue until goods or services are redeemed



Generally, travel vouchers will not be recognised as expenses

Holiday packages

Do your accounting policies for **holiday packages** meet the requirements of IFRS 15?

For example...



Flight



Hotel



Restaurant
or other
admission
tickets

Think about...

Number of performance obligations | Timing of revenue recognition | Principal vs agent

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 the appropriate timing of revenue recognition for ticket breakage ?	<input type="checkbox"/>	Determined the appropriate timing of revenue recognition for ancillary services and change fees ?	<input type="checkbox"/>
Worked out how you will allocate revenue between air travel and loyalty points – ensuring that your accounting policy for estimating stand-alone selling prices complies with IFRS 15?	<input type="checkbox"/>	Assessed whether you act as a principal or an agent – particularly for interline cargo, airport charges and taxes ?	<input type="checkbox"/>
Determined how you will account for your arrangements with non-airline partners ?	<input type="checkbox"/>	Assessed how you will account for travel vouchers issued?	<input type="checkbox"/>
Chosen your accounting policies for loyalty programme tier status benefits and estimated point redemptions?	<input type="checkbox"/>	Checked that your accounting policy for holiday packages meets IFRS 15's requirements?	<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 10 questions
have you answered 'yes'?**

All 10 – You're good to go!

5-9 – 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?

More information about airline accounting

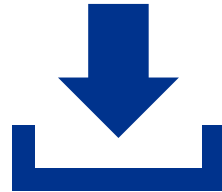
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Next steps



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