



Banking

IFRS 15 Revenue – Are you good to go?

July 2017

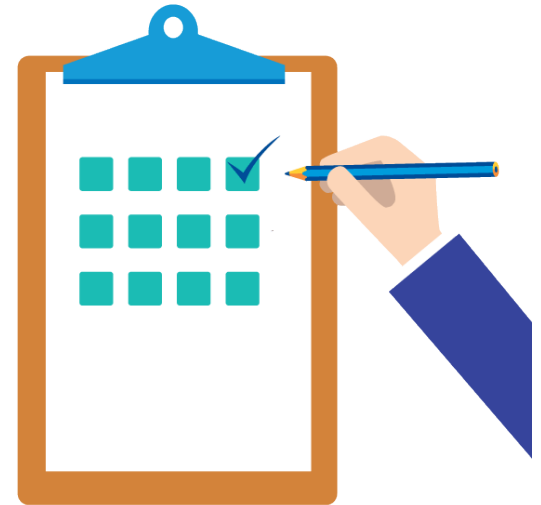
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Are you good to go?

IFRS 15 may change the way some banks 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 banks need to focus on.



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



Contracts in the scope of multiple standards

Have you applied the allocation guidance to contracts that contain more than a financial instrument?



Total contract amount

-



IFRS 9 amount

=



IFRS 15 amount, which may be nil

Think about...

Credit cards | Deposit and loan accounts | Insurance | Wealth management

Performance obligations

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

A good or service is distinct if it is...

Capable of being distinct



Distinct in the context of the contract

Think about...

Credit card loyalty programmes | Deal advisory arrangements | Personal banking services

Variable consideration

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



Think about...

Management fees | Performance fees | Success fees | Transaction-based fees

Timing of revenue recognition

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

Revenue is recognised...

**At the point in time when
the customer obtains
control**

or

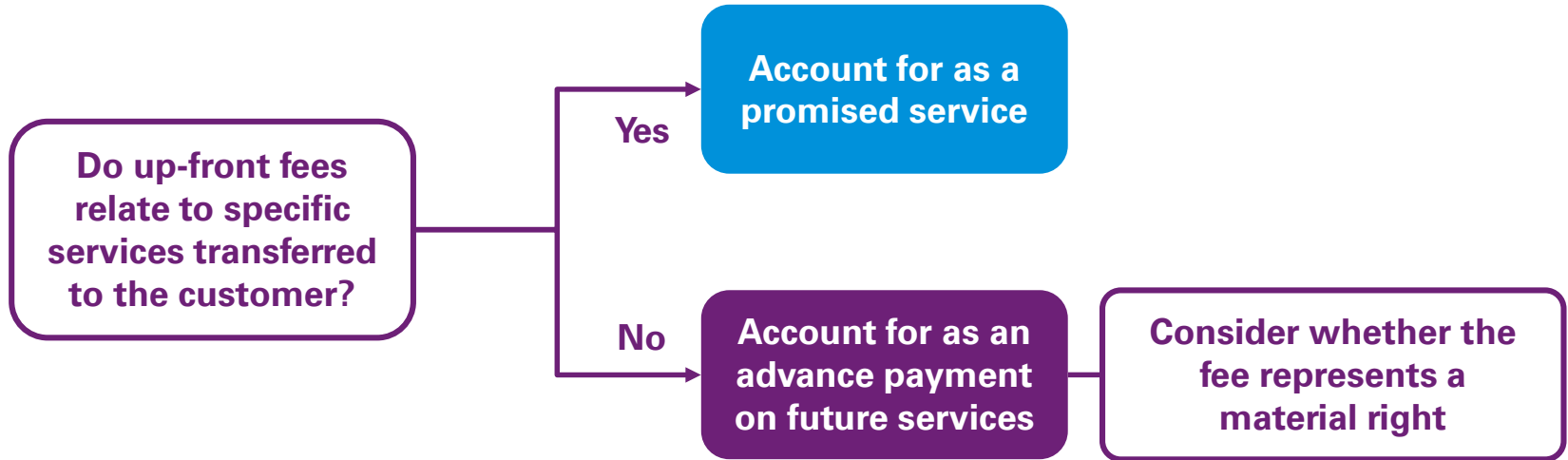
**Over time if specific criteria
are met**

Think about...

Deal advisory services | Investment management services | Guarantee contracts

Up-front fees

How will you account for up-front fees?



Think about...

Annual account fees | Initial set-up fees | Sign-on fees

Costs of obtaining contracts

Will you **capitalise** your costs related to obtaining contracts?

Only if...

Incurred as a result of
obtaining the contract

+

Recovery is expected

e.g. commissions



Practical expedient – Expense costs as incurred if
amortisation period < 1 year

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...?



Determined whether your agreements are in the **scope of multiple standards**?

Determined whether your contracts include **more than one performance obligation**?

Revised your estimates of **variable consideration** elements?

Assessed whether the **timing of your revenue recognition** will change?

Have you...?



Determined whether **up-front fees** transfer specific services to the customer?

Checked that your accounting policy for **costs to obtain a contract** meets IFRS 15's requirements?

Identified and quantified your **transition adjustments**?

Identified the additional information needed to meet the **disclosure requirements**?

How did you do?

How many of our eight questions have you answered 'yes'?

All 8 – You're good to go!

4-7 – You're on your way

0-3 – You really need to engage



Don't forget the broader business impacts



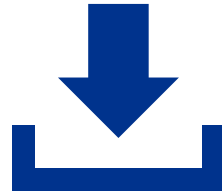
Have you...

- 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
usual KPMG
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**Use our
Transition
toolkit**



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