Explanatory Statement

Accounting Standard AASB 2014-5  
*Amendments to Australian Accounting Standards arising from AASB 15*

**December 2014**



# EXPLANATORY STATEMENT

## Reasons for Issuing AASB 2014-5

The International Accounting Standards Board (IASB) has issued IFRS 15 *Revenue from Contracts with Customers*, which includes an Appendix D that sets out amendments to other IFRSs that are a consequence of the issuance of IFRS 15. Appendix D of IFRS 15 has been incorporated into AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*. The AASB needs to issue AASB 2014-5 (together with AASB 15 *Revenue from Contracts with Customers*) to enable Australian reporting entities to continue to be compliant with International Financial Reporting Standards in relation to accounting for revenue from contracts with customers.

## Main Features of AASB 2014-5

### Main Requirements

AASB 2014-5 makes amendments to Australian Accounting Standards and Interpretations, which arise from the issuance of AASB 15 in December 2014.

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

AASB 15 also includes a cohesive set of disclosure requirements that provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

### Application Date

AASB 2014-5 applies to annual reporting periods beginning on or after 1 January 2017. If AASB 15 is early applied, AASB 2014-5 shall also be applied for that earlier period.

## Consultation Prior to Issuing this Standard

In the process of developing AASB 2014-5, the AASB:

(a) issued for public comment Invitation to Comment 18 *Request for Comment on IASB Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers* and conducted roundtable discussions on the proposals in Melbourne and Sydney;

(b) issued for public comment Exposure Draft 198 *Revenue from Contracts with Customers*, which incorporated IASB ED/2010/6 *Revenue from Contracts with Customers* (published by the IASB in June 2010); and

(c) issued for public comment Exposure Draft 222 *Revenue from Contracts with Customers*, which incorporated the IASB’s revised ED/2011/6 *Revenue from Contracts with Customers* (published by the IASB in November 2011).

The AASB received 30 comment letters on the invitation to comment and exposure drafts. These letters were received from a wide range of stakeholders, including representative bodies. More than 40 stakeholders also attended the two roundtable discussions conducted by the AASB in connection with the revenue proposals. In addition to those formal consultative processes, a range of stakeholders, including corporate entities, accounting firms, and professional accounting bodies were consulted throughout the project.

Many Australian stakeholders provided specific feedback on parts of the model where they thought that the principles should be refined or clarified and other parts of the model that they thought were practically difficult to apply. Furthermore, some of those stakeholders also identified parts of the model where they disagreed with the effect of its application. Even though Australian stakeholders did not necessarily agree with each individual proposal in the draft revenue standard, most Australian stakeholders (and most of their peers internationally) indicated support for the revenue project generally and the overall objective of a single revenue model that can be applied across industries and transactions. In particular, no Australian stakeholders indicated that they would prefer that Australia lose its status as an ‘IFRS compliant jurisdiction’ rather than adopt IFRS 15 in Australia. In other words, no stakeholders raised alternative options for making improvements to revenue recognition requirements that would result in the abandonment of ongoing IFRS adoption in Australia. Consequently, based on that feedback, the AASB’s focus was to encourage and influence the IASB in improving specific proposals in the draft standard to address the concerns raised during consultations.

The AASB issued Tier 2 Supplement Exposure Drafts to ED 198 and ED 222 to identify the proposed disclosure requirements in those exposure drafts that the AASB proposed would not need to be applied by Tier 2 entities. A total of ten submissions were received by the AASB in respect of those proposed Reduced Disclosure Requirements. The feedback received was generally supportive of the proposed Reduce Disclosure Requirements, although some respondents also indicated that the AASB should consider the Reduced Disclosure Requirements for Tier 2 entities once the disclosure requirements in the forthcoming revenue standard have been finalised.

Consequently, following the issuance of IFRS 15 by the IASB, the AASB issued adverse-comment Exposure Draft ED 251 *Revenue from Contracts with Customers – Tier 2 proposals* in August 2014. ED 251 proposed further disclosure relief for Tier 2 entities as a result of the IASB finalising the disclosure requirements in IFRS 15 *Revenue from Contracts with Customers*. No adverse comments were received by the AASB in respect of the proposals in ED 251 and no concerns were raised by other entities consulted on the Reduced Disclosure Requirements.

**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the   
*Human Rights (Parliamentary Scrutiny) Act 2011*

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**Overview of the Accounting Standard**

AASB 2014-5 makes amendments to Australian Accounting Standards and Interpretations, which arise from the issuance of AASB 15 in December 2014.

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

AASB 15 also includes a cohesive set of disclosure requirements that provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

**Human Rights Implications**

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

**Conclusion**

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.