ACCOUNTING AND CORPORATE
REGULATORY AUTHORITY

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(By online submission)

Dear Andreas

RESPONSE TO REQUEST FOR INFORMATION: POST-IMPLEMENTATION REVIEW OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Singapore Accounting Standards Committee (ASC), under the Accounting and Corporate Regulatory Authority (ACRA), performs the function of making or formulation of accounting standards in Singapore, a function previously carried out by the Singapore Accounting Standards Council. We welcome the opportunity to comment on the Request for Information on Post-Implementation Review of IFRS 15 *Revenue from Contracts with Customers* (the RFI) issued by the International Accounting Standards Board (the IASB or the Board) in June 2023.

We support the conduct of a post-implementation review (PIR) of each new IFRS Standard or major amendment to an IFRS Standard. We believe it is a critical step in the goal of improving financial reporting.

Based on feedback received from our stakeholders, the requirements in IFRS 15 generally work as intended and there is general support for the new framework on recognition, measurement and disclosure of revenue from contracts with customers introduced by IFRS 15. The new requirements generally represent an improvement to the limited revenue recognition requirements of the previous IFRS Accounting Standards replaced by IFRS 15 and address the issues of accounting for multiple-element arrangements and allocating consideration to those elements. Nonetheless, our stakeholders have identified a number of areas that require attention as elaborated in this letter.

The below comments on the specific questions in the RFI are formulated based on feedback received from our stakeholders and do not purport to represent the views of the ASC.

Question 1—Overall assessment of IFRS 15

(a) In your view, has IFRS 15 achieved its objective? Why or why not?

Please explain whether the core principle and the supporting five-step revenue recognition model provide a clear and suitable basis for revenue accounting decisions that result in useful information about an entity's revenue from contracts with customers.

If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core principle or the five-step revenue recognition model.

(b) Do you have any feedback on the understandability and accessibility of IFRS 15 that the IASB could consider:

(i) in developing future Standards; or

(ii) in assessing whether, and if so how, it could improve the understandability of IFRS 15 without changing its requirements or causing significant cost and disruption to entities already applying the Standard—for example, by providing education materials or flowcharts explaining the links between the requirements?

(c) What are the ongoing costs and benefits of applying the requirements in IFRS 15 and how significant are they?

If, in your view, the ongoing costs of applying IFRS 15 are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain why you hold this view.

These questions aim to help the IASB understand respondents' overall views and experiences relating to IFRS 15. Sections 2–9 seek more detailed information on specific requirements.

Save for the comments under Questions 2–11, our stakeholders considered that IFRS 15 is generally working as intended in practice, and has achieved its objective. The five-step revenue recognition model and its accompanying application guidance are generally seen as a principles-based approach with requirements appropriate for most contracts with customers that can be applied to a wide range of transactions and industries; thereby, reducing the inconsistencies arising from the replaced IFRS

Accounting Standards which often resulted in different accounting for economically similar transactions.

In addition, our stakeholders considered that while there were initial challenges in applying the requirements in IFRS 15, and the related costs were high in particular industries, accounting practice has developed overtime and many aspects of IFRS 15 are now integrated into those entities' accounting systems and processes.

Overall, our stakeholders considered that the benefits of applying the requirements in IFRS 15 are expected to outweigh the ongoing costs. Nonetheless, our stakeholders have observed that IFRS 15 is a complex Standard that requires significant judgement and can be difficult for entities to apply. As a result, diversity in practice and/or application challenges have been observed for certain transactions (refer to Questions 2–11). To resolve the issues identified, our stakeholders suggested that the IASB could consider the use of flow charts, more application guidance and/or illustrative examples in certain areas of the requirements in IFRS 15 to promote consistent application across all entities.

Question 2—Identifying performance obligations in a contract
(a) Does IFRS 15 provide a clear and sufficient basis to identify performance obligations in a contract? If not, why not? Please describe fact patterns in which the requirements: (i) are unclear or are applied inconsistently; (ii) lead to outcomes that in your view do not reflect the underlying economic substance of the contract; or (iii) lead to significant ongoing costs. If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. **(b) Do you have any suggestions for resolving the matters you have identified?**

Our stakeholders considered that IFRS 15 generally provides a clear and sufficient basis that can assist entities in their identification of performance obligations. However, the assessment process can be complex and involves significant judgment, and our stakeholders continue to observe diversity in practice and/or application challenges in the following areas:

(a) Distinguishing promises from activities that do not transfer a good or service: Our stakeholders noted that entities with economically similar transactions may reach different conclusions on what should be identified as the specified good or service to the customer when a contract has several components that are combined, for example, arrangements that include marketing incentives or offers, prototypes, designs or tools.

(b) Determining whether a promised good or service is distinct: Application challenges have been observed for licensing arrangements (refer to Question 6 for elaboration) and contracts where an e-commerce enabler—a company that provides customers with end-to-end solutions to operate their e-commerce business—transfers, in a single contract, to its customers a slew of services that may include supply chain management and fulfilment, customer service management and digital marketing.

Our stakeholders suggested that the IASB could consider providing more or updated guidance or illustrative examples that focused on fact patterns in these areas that could be helpful to assist entities in making their assessment, including incorporating additional guidance from the IFRS Interpretations Committee (IFRIC)'s January 2019 Agenda Decision on the assessment of promised goods or services.

Question 3—Determining the transaction price
(a) Does IFRS 15 provide a clear and sufficient basis to determine the transaction price in a contract—in particular, in relation to accounting for consideration payable to a customer? If not, why not? Please describe fact patterns in which the requirements on how to account for incentives paid by an agent to the end customer or for negative net consideration from a contract (see Spotlight 3) are unclear or are applied inconsistently. If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. **(b) Do you have any suggestions for resolving the matters you have identified?**

Overall, our stakeholders believe that IFRS 15 provides helpful guidance for entities to determine the transaction price. However, there are particular aspects of the transaction price that can be more challenging to assess, and areas which our stakeholders observed are as follows:

<u>Consideration payable to a customer</u>

With respect to the issues highlighted in Spotlight 3 of the RFI, our stakeholders shared similar feedback to those received by the IASB. Diversity in practice has been observed in how entities accounted for marketing incentives to the end customer, whether as reductions of revenue or marketing expenses, and for negative net consideration, how to account for the ‘negative’ revenue or should it be reclassified as an expense.

There are also application challenges observed for contracts with customers, for example, in the fintech industry, where share-based payments are issued as sales incentives to customers (share-based sales incentives) on top of the consideration receivable from customers in exchange for goods or services provided. While the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2018-07 and 2019-08 that contained specific provisions to address such transactions, there is no explicit guidance in IFRS Accounting Standards to address share-based sales incentives.

Barter transactions are observed to be more common in recent years. While paragraph 5(d) of IFRS 15 scopes out non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers, other types of barter transactions are not explicitly addressed by IFRS 15. Significant judgement would often be required to determine the transaction price and other areas such as nature of promises and involvement of collaborations. Determining whether the entity will obtain control of the promised goods or services transferred or any non–cash consideration, and the fair value of any non–cash consideration, which is required in order to recognise revenue in the barter transaction, can be challenging.

<u>Variable consideration</u>

IFRS 15 constraints the amount of revenue that can be recognised from variable consideration to the amount that is highly probable of not being reversed. Our stakeholders feedbacked that they observed diversity in practice and/or application challenges in assessing the criteria “highly probable of not being reversed”, particularly where the variable consideration is subject to uncertainties arising from factors that are not within the control of the entity and/or its customer. Examples include:

(a) Trailing commissions in the asset management sector where fees are calculated as a percentage of the value of investments in a fund.

(b) Long-term contracts with variable payments, for example, based on throughput, resulting in estimation uncertainty that extends over several years. Such contracts are common in the (i) midstream sector of the oil and gas industry which covers transportation, storage and trading of crude oil, natural gas and refined products, and (ii) SaaS (Software as a Service, a cloud-based delivery model) contracts.

<u>Significant financing component</u>

IFRS 15 states that if there is a significant financing component included in the consideration, that would need to be adjusted for implicit financing. Our stakeholders provided feedback that they faced the following application challenges:

(a) Long-term contracts where non-cash consideration is received upfront from the customer: It is not clear in such circumstances, whether a significant financing component exists, how to determine the significant financing component, and at which point to base the measurement of the non-cash consideration. BC254B to BC254E of the Basis for Conclusions of IFRS 15 discussed the IASB's rationale not to prescribe the measurement date for non-cash consideration for revenue transactions. Accordingly, it is open to interpretation that the measurement date could be either (i) at contract inception, (ii) when the non-cash consideration is received, or (iii) at the earlier of when the non-cash consideration is received and when the related performance obligation is satisfied. In contrast, US GAAP prescribes the measurement date to be (i).

    If a significant financing component is deemed to exist in such contracts, it is not clear whether the discount rate for the significant financing component should follow paragraph 64 of IFRS 15, i.e. the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception, or should be based on a rate that reflects the features of the non-cash consideration.

(b) Change in timing of delivery of goods or services: Often observed in long-term contracts when there is a change in timing of delivery, IFRS 15 is unclear in situations in which expectations change after contract inception, for example, if the change was at the discretion of the customer or due to circumstances that were not foreseen at contract inception. Under such circumstances, it is unclear whether the discount rate for the significant financing component should be revised, or remain constant with revision to the allocated consideration between interest and transaction price.

Even though our stakeholders considered that the basis to determine the transaction price in a contract in IFRS 15 is generally an improvement from the previous IFRS Accounting Standards, the diversity in practice arising from the lack of explicit guidance on the fact patterns in the above observations prompted our stakeholders to suggest that the IASB could consider providing more application guidance and/or illustrative examples, or undertake narrow scope amendment projects to address the above observations.

Question 4—Determining when to recognise revenue
(a) Does IFRS 15 provide a clear and sufficient basis to determine when to recognise revenue? If not, why not? Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the criteria for recognising revenue over time (see Spotlight 4).

If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements.

(b) Do you have any suggestions for resolving the matters you have identified?

Our stakeholders considered that IFRS 15 generally provides a clear and sufficient basis to determine when to recognise revenue, and that the IFRIC's agenda decisions on assessing whether performance obligations are satisfied over time are informative for assessment at the contract inception date.

However, determining whether control is transferred over time or at a point in time is inherently judgemental, and our stakeholders have identified the following aspects of revenue recognition where there are application challenges and/or diversity in practice:

(a) Application challenges have been observed in selecting a single measure of progress that appropriately depicts progress towards complete satisfaction of a performance obligation. This is particularly when an entity uses an input method based on costs incurred and the costs (such as land costs) are either disproportionate to the satisfaction of performance obligations, or subject to volatility caused by external factors (such as foreign exchange rates or commodity prices).

(b) There is diversity in practice noted in revenue recognition over time or point in time in the hospitality industry, specifically on revenue from providing accommodation. Some entities took the view that such revenue should be recognised over time as it meets the criterion in paragraph 35(a) of IFRS 15, where the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Conversely, other entities recognised such revenue at a point in time based on room occupancy.

(c) Assessing the point in time at which control of shipped goods transfers to the customer requires significant judgement and can lead to diverse outcomes in practice. Additionally, the interrelationship with identifying performance obligations—shipping transactions may include elements which may be deemed to be provision of additional services—requires additional judgement to identify the separate distinct services for each identified performance obligations. This issue can be further compounded when there are more than two parties involved in the transaction and the entity needs to determine whether it is the principal or agent in relation to shipping the goods.

(d) The assessment of when control transfers to a customer when there is a right to repurchase remains challenging despite the application guidance being available.

This is particularly so for fungible items such as crypto assets and commodities, which are priced at fair value, and conditional repurchase agreements. Significant judgement is required in determining whether a customer has obtained control in the initial transaction as the obligation or right to purchase an asset needs to exist at contract inception. Any subsequent decision to repurchase the asset does not affect the customer's ability to control the asset upon initial transfer.

(e) There is diversity in practice observed for the recognition of revenue from long-term contracts with customers that involve fixed consideration but with variable quantity of goods to be transferred. For example, a carbon offset project with a project life of 20 years that consists of a fixed consideration with varying number of carbon credits generated annually. It is unclear in the Standard whether revenue should be recognised on a straight-line basis over the contract term (using Illustrative Example 18 of IFRS 15), or in a manner consistent to customer loyalty programmes (Illustrative example 52 of IFRS 15) whereby revenue recognised to date is based on the proportion of actual number of goods transferred to date over the total expected number of goods that will be transferred as at that date.

To address these matters, our stakeholders suggested that the IASB could consider adding application guidance and/or illustrative examples with fact patterns similar to the observations above.

Question 5—Principal versus agent considerations
(a) Does IFRS 15 provide a clear and sufficient basis to determine whether an entity is a principal or an agent? If not, why not? Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to the concept of control and related indicators (see Spotlight 5). If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. **(b) Do you have any suggestions for resolving the matters you have identified?**

Most of our stakeholders raised concerns on the principal versus agent considerations, especially in business models such as e-commerce. Despite IFRS 15 providing a basis for principal versus agent considerations and the IFRIC's May 2022 agenda decision on whether a reseller of software licences is a principal or agent, our stakeholders shared that determining whether an entity is a principal or an agent remains challenging. The assessment is made more challenging by the deliverables of transactions shifting away from physical goods to intangibles and services globally as illustrated in (a) below.

Diversity in practice is observed mainly because different conclusions are reached depending on the weightage given to the indicators in paragraph B37 of IFRS 15, namely, (i) primary responsibility for fulfilment, (ii) inventory risk, and (iii) discretion in establishing the price. Our stakeholders shared the following examples where diversity in practice is observed:

(a) In fintech and technology-based industries, where for each transaction, entities may use multiple technological platforms as intermediaries for the provision of services or distribution of virtual goods. Due to the volume of the various parties involved and the lack of contractual relationships among those parties, entities struggle to accurately classify whether they and their intermediaries are principals or agents in the transactions using the indicators in paragraph B37 of IFRS 15 since inventory risk, one of the indicators, is less relevant, and different conclusions can be arrived at depending on what additional indicators not listed in paragraph B37 are considered, and which indicator is prioritised to assess who has control.

(b) Back-to-back contracts are increasingly common due to the growth of the e-commerce industry, where a selling entity can either obtain momentary possession of a good before passing it to the end customer, or instruct the supplier to ship the good directly to the end customer (i.e. does not have possession of the good at all). Although paragraph B35 of IFRS 15 states that an entity does not necessarily control a specified good if the entity obtains only momentary legal title (flash title), there is a lack of explicit guidance in this area. Consequently, entities may arrive at different conclusions for economically similar back-to-back transactions due to different weightage being assigned to the indicators in paragraph B37 of IFRS 15 when assessing whether control is transferred.

(c) In the healthcare industry, where there are multiple parties providing goods or services that are involved in a transaction, typically all (or substantially all) the economic risk could be borne by one entity. It is unclear whether that entity is the principal in the transaction while all other parties involved are agents based on the economic risk factor.

(d) For transactions where the local subsidiary of an overseas parent company acts as the local distribution arm of its group, there is diversity in practice observed for whether the local subsidiary, being the contracting party, should be deemed as the principal by some entities that assessed the transaction from a legal viewpoint, while others could apply the indicators in paragraph B37 of IFRS 15 and concluded that the local subsidiary was an agent of its overseas parent company and/or overseas sister companies.

Our stakeholders suggested that the IASB could consider providing more application guidance on the principal versus agent assessment. This could be achieved by providing flow charts that demonstrate the thought process in considering the different indicators to reach a consistent conclusion on whether the entity is a principal or agent, or having more illustrative examples on how to apply the indicators in paragraph B37 of IFRS 15 to deal with those mixed or ambiguous outcomes.

Question 6—Licensing
(a) Does IFRS 15 provide a clear and sufficient basis for accounting for contracts involving licences? If not, why not? Please describe fact patterns in which the requirements are unclear or are applied inconsistently—in particular, in relation to matters described in Spotlight 6. If diversity in application exists, please explain and provide supporting evidence about how pervasive the diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. **(b) Do you have any suggestions for resolving the matters you have identified?**

Our stakeholders generally considered that IFRS 15 provides a clear and sufficient basis for the accounting of contracts involving licences. However, as licensing of intellectual property often relates to business models with complex scenarios requiring significant judgement, diversity in practice and/or application challenges have been observed by our stakeholders in the following areas:

(a) In arrangements that involve licences of core intellectual property such as a game, base software or a formula, where the licensor will further develop aspects of the intellectual property such as game characters, functionality, branding or adaptations that will not simply update or add on to the core intellectual property, assessment of whether there is one or more performance obligations can be challenging.

(b) Unlike US GAAP which specifies that an entity cannot recognise revenue from the renewal of a license of intellectual property until the beginning of the renewal period, IFRS 15 does not contain a similar requirement. Some entities recognised revenue for the renewal when the renewal was agreed on the basis that the renewal was a modification of the existing contract in which the licence had already been delivered, while others recognised revenue when the renewal period started on the basis that the customer could only use and benefit from the renewal on that date. Determining the appropriate accounting treatment could be further complicated when the scope of the contract was amended during the renewal.

(c) IFRS 15 does not explicitly address situations where there is an option to revoke the licensing rights that exist at the contract inception or due to a modification, and significant judgement is often required to determine the accounting treatment. For example, a contract for an on–site software licence might include an option that allows the customer to migrate the on-site software to SaaS or hybrid cloud computing arrangement, causing the on–site licence to be revoked.

Our stakeholders suggested that the IASB could consider providing guidance or clarifying the accounting treatment to address the above areas.

Question 7—Disclosure requirements
(a) Do the disclosure requirements in IFRS 15 result in entities providing useful information to users of financial statements? Why or why not? Please identify any disclosures that are particularly useful to users of financial statements and explain why. Please also identify any disclosures that do not provide useful information and explain why the information is not useful. **(b) Do any disclosure requirements in IFRS 15 give rise to significant ongoing costs?** Please explain why meeting the requirements is costly and whether the costs are likely to remain high over the long term. **(c) Have you observed significant variation in the quality of disclosed revenue information? If so, what in your view causes such variation and what steps, if any, could the IASB take to improve the quality of the information provided?**

Our stakeholders generally considered that the disclosure requirements in IFRS 15 are more comprehensive than those in the previous IFRS Accounting Standards, resulting in more useful information that is provided to users of financial statements (users). However, some stakeholders felt that the disclosure requirements in IFRS 15 have resulted in some entities adopting a 'checklist' approach—information disclosed was based on the examples of categories listed in IFRS 15 instead of being tailored to the respective entities.

Question 8—Transition requirements
(a) Did the transition requirements work as the IASB intended? Why or why not? Please explain: (i) whether entities applied the modified retrospective method or the practical expedients and why; and (ii) whether the transition requirements in IFRS 15 achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements.

While the transition to IFRS 15 was challenging for entities due to the costs and efforts incurred to analyse contracts and change financial reporting systems, our stakeholders generally welcomed the modified retrospective approach in IFRS 15 and found the practical expedients useful, which helped to achieve an appropriate balance between reducing costs for preparers and providing useful information to users.

Entities in some industries found transition to IFRS 15 to be more challenging because those entities have more complicated types of revenue contracts that require more judgements and estimates. Examples include those industries with more significant impact on equity at the date of transition, longer revenue-related disclosures, more revenue-related significant judgements and estimations, or more disaggregated revenue streams.

Question 9—Applying IFRS 15 with other IFRS Accounting Standards
(a) Is it clear how to apply the requirements in IFRS 15 with the requirements in other IFRS Accounting Standards? If not, why not? Please describe and provide supporting evidence about fact patterns in which it is unclear how to apply IFRS 15 with the requirements of other IFRS Accounting Standards, how pervasive the fact patterns are, what causes the ambiguity and how that ambiguity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. The IASB is particularly interested in your experience with the matters described in Spotlights 9.1–9.3. **(b) Do you have any suggestions for resolving the matters you have identified?**

Our stakeholders have the following comments:

Interaction with IFRS 3 *Business Combinations*

There are application challenges in accounting for the acquisition of revenue contracts in a business combination, both regarding initial recognition and measurement at the acquisition date and post-acquisition accounting, such as adjustments for favourable or unfavourable terms, presentation after the acquisition and measurement period adjustments. Our stakeholders suggested that the IASB could consider undertaking a narrow scope project to introduce amendments similar to the changes made by FASB in October 2021, such that an acquirer is required to apply IFRS 15 to measure contract assets and contract liabilities acquired in a business combination at the acquisition date.

Interaction with IFRS 9 *Financial Instruments*

Diversity in practice and application challenges have been observed in the following areas:

(a) Circularity of the scope exclusions in IFRS 15 and IFRS 9. Paragraph 5(c) of IFRS 15 scopes out financial instruments and other contractual rights or obligations within the scope of IFRS 9, while paragraph 2.1(j) of IFRS 9 excludes rights and obligations within the scope of IFRS 15 that are financial instruments, except for those that IFRS 15 specifies are accounted for in accordance with IFRS 9. Our stakeholders noted that the resulting uncertainty over which Standard should take precedence could cause application challenge, for example, in a transaction in which an entity provides services to a customer in exchange for rights to subscribe for new shares of the customer.

(b) Transactions involving share-based sales incentives that is covered in Question 3.

(c) A transaction where the customer purchases gift cards and is granted a choice between spending the gift cards with the selling entity or another party. While both IFRS 15 and IFRS 9 require the selling entity to recognise a liability, IFRS 15 permits recognition of revenue for breakage before expiry, i.e., selling entity can recognise the breakage amount as revenue if the entity expects to be entitled to that amount, while IFRS 9 does not. The impact from the difference in accounting treatment would be more pronounced if the gift cards have no expiration date. Some loyalty point programmes also face the same issue.

(d) Significant judgment is often required to identify whether an entity has implicitly offered a price concession (i.e., variable consideration) or chosen to accept the risk of default by a customer of a contractually agreed–upon consideration (i.e., impairment losses under IFRS 9). This is applicable at both contract inception, and subsequently, for example, when it might not be clear if a modification has occurred (whether explicit or implied by customary business practice) or a change in price that was already contemplated in the contract.

Our stakeholders suggested that the IASB could consider providing further guidance or undertaking a narrow scope amendment project to clarify the interaction issues between these two Standards.

Interaction with IFRS 10 *Consolidated Financial Statements*

On the topic of sales of corporate wrapper, our stakeholders felt that the issue should be given a higher priority. While our stakeholders acknowledged that this issue cuts across several IFRS Accounting Standards, they believe that the IASB should address it as they observe diversity in how entities account for such transactions.

Interaction with IFRS 16 *Leases*

Our stakeholders identified the following areas where more guidance is required to clarify the interaction between IFRS 15 and IFRS 16:

(a) When a contract contains both lease and non-lease components, it is not clear how an entity should apply the two Standards, particularly on the assessment of contract duration and whether variable consideration is included. This affects the promised goods or services identified to be recognised under IFRS 15 as well as the allocation of consideration between the lease and non-lease components.

(b) For sale and leaseback transactions, it is unclear when determining if there is a sale transaction under IFRS 15, whether the unit of account should be the same as that of the lease transaction under IFRS 16, and whether a lessee's renewal options, for example, fixed price or fair value at date of exercise, should be considered to permit the seller-lessee to extend the lease for substantially all of the remaining economic life of the underlying asset.

(c) There appears to be a misalignment between IFRS 15 and IFRS 16 on the recognition of revenue. IFRS 15 requires an entity to evaluate the collectability of the consideration when identifying the contract; hence, there may not be any recognition of revenue if there are collectability issues of a customer. On the other hand, under IFRS 16, a lessor first recognises revenue from a lessee that has financial difficulties before impairing the recognised receivables.

Question 10—Convergence with Topic 606
(a) How important is retaining the current level of convergence between IFRS 15 and Topic 606 to you and why?

Our stakeholders emphasised the need for more alignment between IFRS 15 and Topic 606 on certain issues, such as share-based sales incentives, renewal of licences and measurement of contract assets and contracts liabilities acquired in a business combination which are mentioned in Questions 3, 6 and 9 respectively.

Question 11—Other matters
(a) Are there any further matters that you think the IASB should examine as part of the post-implementation review of IFRS 15? If yes, what are those matters and why should they be examined? Please explain why those matters should be considered in the context of this post-implementation review and the pervasiveness of any matter raised. Please provide examples and supporting evidence.

One of our stakeholders suggested that the IASB could clarify the interaction of revenue arising from an entity's ordinary activities versus gains and/or other income with regards to climate risk reporting. It may not be clear whether certain climate-related items that are included in customer contracts, such as carbon credits, should be classified as revenue given that the current definition in paragraph 6 of IFRS 15 tags a revenue item to "*an output of the entity's ordinary activities* in exchange for consideration", and entities may not construe carbon credits to be "*output of the entity's ordinary activities*".

We hope that our comments will contribute to the IASB's deliberation on the RFI. Should you require any further clarification, please contact our project manager Yat Hwa Guan at Guan_Yat_Hwa@acra.gov.sg.

Yours sincerely

Wee Khim Tan (Ms)
Technical Director
Accounting Standards Committee
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