

IASB AND FASB ISSUE CONVERGED STANDARD ON REVENUE RECOGNITION

The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS), and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP), today jointly issued a converged Standard on the recognition of revenue from contracts with customers. The Standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Revenue is a vital metric for users of financial statements and is used to assess a company's financial performance and prospects. However, the previous requirements of both IFRS and US GAAP were different and often resulted in different accounting for transactions that were economically similar. Furthermore, while revenue recognition requirements of IFRS lacked sufficient detail, the accounting requirements of US GAAP were considered to be overly prescriptive and conflicting in certain areas.

Responding to these challenges, the boards have developed new, fully converged requirements for the recognition of revenue in both IFRS and US GAAP—providing substantial enhancements to the quality and consistency of how revenue is reported while also improving comparability in the financial statements of companies reporting using IFRS and US GAAP.

The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The boards have together consulted extensively with interested parties throughout the life cycle of the Revenue project, seeking public comment at each stage of the development process and further refining their proposals in response to that feedback. In total, the boards received more than 1,500 comment letters in response to their work.

Furthermore, the boards have established a joint transition resource group in order to aid transition to the new Standard. Further details about that group will be announced shortly.

Hans Hoogervorst, Chairman of the IASB commented: *“The successful conclusion of this project is a major achievement for both boards. Together, we have improved the revenue requirements of both IFRS and US GAAP, while managing to achieve a fully converged Standard. Our attention now turns to ensuring a successful transition to these new requirements.”*

Russell Golden, Chairman of the FASB commented: *“The revenue recognition Standard represents a milestone in our efforts to improve and converge one of the most important areas of financial reporting. It will eliminate a major source of inconsistency in GAAP, which currently consists of*

numerous disparate, industry-specific pieces of revenue recognition guidance. The issuance of this Standard is a major first step, but it is not the end of the process. Through the transition resource group and a robust implementation period, the FASB and the IASB will work to ensure that reporting organisations are able to make a smooth transition to the new requirements by 2017.”

On Thursday June 5 2014, at 10:00 am EDT/3:00 pm BST, the IASB and the FASB will host a live, joint webcast: *IN FOCUS: Revenue from Contracts with Customers*. The one-hour webcast will feature IASB and FASB members and staff providing a high-level overview of the new Standard, with the opportunity for participants to submit questions. Those interested in participating must [register](#) in advance. US participants in the live webcast will be eligible for up to one continuing professional education (CPE) credit.

###

Contacts:

Chris Welsh, Communications Manager, IFRS Foundation

Telephone: +44 (0)20 7246 6495

Email: cwelsh@ifrs.org

Christine Klimek, Senior Manager Media Relations, Financial Accounting Foundation

Telephone: 203.956.3459

Email: cklimek@f-a-f.org

NOTES TO EDITORS

The revenue Standard will be introduced into the FASB’s Accounting Standards Codification[®] as Topic 606 by Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*. Topic 606 replaces the previous guidance on revenue recognition in Topic 605. The revenue Standard will be included in IFRS as IFRS 15 *Revenue from Contracts with Customers* and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related Interpretations.

Companies using IFRS will be required to apply the revenue Standard for reporting periods beginning on or after 1 January 2017 (early application is permitted); public companies using US GAAP will be required to apply it for annual reporting periods beginning after 15 December 2016 (including interim reporting periods therein). Additionally, US non-public companies and organisations are to apply the revenue Standard for annual reporting periods beginning after 15 December 2017, and interim and annual reporting periods thereafter.

About the International Accounting Standards Board

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the

public interest, a single set of high quality, global accounting standards that provide high quality, transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 16 full-time members drawn from 11 countries and a variety of professional backgrounds. IASB members are appointed by, and accountable to, the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.

About the Financial Accounting Standards Board

Since 1973, the FASB has been the designated organisation in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognised as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors and others rely on credible, transparent and comparable financial information. For more information about the FASB, visit its website at www.fasb.org.