

**THE REAL STEP IN CONVERGENCE PROJECT: A PARADIGM  
SHIFT FROM REVENUE RECOGNITION TO REVENUE FROM  
CONTRACTS WITH CUSTOMERS**Ali Fatih DALKILIÇ<sup>1</sup>**ABSTRACT**

*Revenue is a crucial number to users of financial statements in assessing an entity's financial performance and position. In May 2014, the IASB and FASB published a new joint standard (IFRS 15 vs. ASC 606) on revenue recognition which replaces most of the detailed guidance on revenue recognition that currently exists under US GAAP and IFRS. The new rules will apply to all entities that enter into contracts with customers. Coming up with a joint standard about recognizing revenue is a major achievement for the standard setters, but for corporate world the real work is fast approaching. According to first introduction paragraph of the standard IFRS 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. Adoption of the joint standard on revenue recognition will represent a major advancement toward the ultimate goal of creating one set of high quality international accounting standards. The purpose of this study is two-fold: first to highlight the history and background of the new standard; second to make some policy recommendations for companies towards preparation for new standard.*

**Keywords:** IFRS 15, Revenue Recognition, ASC 606, Convergence

**JEL Codes:** M40, M4, K20

**1. Introduction**

The beginning of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) convergence project can be traced back to the 2002 Norfolk agreement, where the two regulatory bodies committed to develop a set of high quality “compatible” standards. In 2006, the IASB and FASB signed up a “Memorandum of Understanding” (MoU) which enhanced their commitment from a “compatible” to a “common” set of high quality standards (Carmona & Trombetta, 2010). In line with this convergence project FASB and the IASB have been working for over a decade to develop a joint standard on revenue recognition. On November 14, 2011, the FASB and IASB issued their most recent Exposure Draft (ED) on

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the subject, Revenue From Contracts With Customers, including proposed amendments to the FASB Accounting Standards Codification, which was open for comments until March 13, 2012. After significant outreach efforts and further deliberations conducted during the ensuing post comment period, a meeting of the Boards on November 6, 2013, marked the completion of their discussions on revenue. Since then, the Board's staffs have continued drafting the final update, which was finally issued on May 28, 2014 (Holzmann & Munter, 2014).

## **2. Dynamics of Change**

### **2.1. Preparation of New Standard Set**

Revenue is a crucial number to users of financial statements in assessing an entity's financial performance and position. However, revenue recognition requirements in U.S. generally accepted accounting principles (US GAAP) differ from those in International Financial Reporting Standards (IFRSs), and both sets of requirements need improvement. U.S. GAAP comprises broad revenue recognition concepts and numerous requirements for particular industries or transactions that can result in different accounting for economically similar transactions. Although IFRSs have fewer requirements on revenue recognition, the two main revenue recognition standards, IAS 18, Revenue, and IAS 11, Construction Contracts, can be difficult to understand and apply. In addition, IAS 18 provides limited guidance on important topics such as revenue recognition for multiple-element arrangements (FASB, 2012).

Accordingly, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRSs that would: remove inconsistencies and weaknesses in existing revenue requirements; provide a more robust framework for addressing revenue issues; improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets; provide more useful information to users of financial statements through improved disclosure requirements; simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer US GAAP provides extensive guidance and encompasses a wide variety of industry-specific scenarios. US GAAP has been criticized as being over complex and, therefore, not providing effective guidance (Munter, 2011).

IFRS has taken a more liberal approach in determining when to recognize revenue from sale of goods. For example under long-term contracts U.S. GAAP allows a percentage of completion method; while IFRS allows the percentage of completion method and the zero profit method (Bohusova and Nerudova, 2009). On the hand, GAAP approach better embodies the qualitative characteristic of reliability and relevance by requiring contingencies to occur before revenue can be recognized (Sedki, et al., 2014). Revenue recognition is among the most difficult issues that standard setters and accountants must deal with regularly (Schipper, et al., 2009)

One problem is that U.S GAAP uses a rules-based approach for their accounting standards, while IFRS uses a principles-based, also known as an objectives-oriented, approach. A rules-based approach sets very specific rules that must be followed precisely in order to comply with the regulations. The IFRS' principle-based method, however, has a few specific rules but little guidance on how to implement them in the case with revenue recognition, US GAAP consists of several industry-specific and transaction-specific requirements that can result in different accounting for economically similar transactions. IFRS, by contrast, has fewer requirements that can be difficult to apply to complex transactions as they provide little guidance on difficult topics (Steele, 2012).

The international and the US standard setters had noted inconsistencies and weaknesses in each of their respective accounting standards. The project began by simultaneously taking two interrelated approaches. Using a "top-down" approach, staff members developed conceptual guidance for the recognition and measurement of revenues. The aim of this approach was to establish the conceptual "back bone" of the new standard. Using a "bottom-up" approach, staff members analyzed the existing authoritative guidance of both the FASB and IASB regarding revenue recognition principles and practices. The objective of this approach was to identify which principles were "working" and, therefore, be retained in the new standard (Gallistel, et al.,2012).

## **2.2. Superseded Standards**

Today's corporate world puts a great emphasis on revenue. It is a common item for all companies and industries. That's why there are

many rules and regulations within the standards about recognizing revenue. IFRS 15 supersedes some of them (IFRS 15 paragraph 3)

- (a) IAS 11 Construction Contracts;
- (b) IAS 18 Revenue;
- (c) IFRIC 13 Customer Loyalty Programs;
- (d) IFRIC 15 Agreements for the Construction of Real Estate;
- (e) IFRIC 18 Transfers of Assets from Customers; and
- (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

### 2.3. Increased Guidance

Existing IFRS guidance is set out in two relatively old standards (IAS 18 Revenue and IAS 11 Construction Contracts) which are accompanied by a number of Interpretations. In common with other more recently issued IFRSs, IFRS 15 includes comprehensive application guidance and illustrative examples, together with a detailed section which sets out how the IASB reached its decisions about the new requirements (the Basis for Conclusions). As an indication of the scale of change, the following table compares the number of pages of guidance in IFRS 15 with existing standards and interpretations:

	<b>IFRS 15</b>	<b>EXISTING IFRS</b>	<b>IAS 18</b>	<b>IAS 11</b>	<b>IFRIC 13</b>	<b>IFRIC 15</b>	<b>IFRIC 18</b>	<b>SIC 31</b>
Standard Interpretation	39	33	10	11	3	4	4	1
Application Guidance	17	1			1			
Transition Guidance	2							
Amendments to other standards	26							
Implementation guidance and illustrative examples	82	21	8	4	2	5	2	
Basis for conclusions	175	22			7	8	5	2
<b>Total</b>	<b>341</b>	<b>77</b>	<b>18</b>	<b>15</b>	<b>13</b>	<b>17</b>	<b>11</b>	<b>3</b>

BDO (2014) Need To Know IFRS 15 revenue from Contracts with

### **3. Industry Task Forces**

Under US GAAP, concepts for revenue recognition had been supplemented with a broad range of industry specific guidance, which had resulted in economically similar transactions being accounted for differently. The AICPA has formed sixteen industry task forces to help develop a new Accounting Guide on Revenue Recognition that will provide helpful hints and illustrative examples for how to apply the new Revenue Recognition Standard. The industries involved with this project are: (AICPA, 2014)

- Aerospace and Defense
- Airlines
- Asset Management
- Broker-Dealers
- Construction Contractors
- Depository Institutions
- Gaming
- Health Care
- Hospitality
- Insurance
- Not-for-Profit
- Oil and Gas
- Power and Utility
- Software
- Telecommunications
- Timeshare

Below is a list of potential revenue recognition implementation issues identified by the Telecommunications Entities Revenue Recognition Task Force.

<b>Table 2: Telecommunications Industry</b>	
1	Accounting for individual contracts with customers versus Portfolio accounting
2	Determining whether a contract exists
3	Accounting for contract costs (costs of obtaining a contract)
4	Accounting for contract modifications (in general as well as combined with the mechanics of portfolio accounting)
5	Identification of separate performance obligations in the contract <ul style="list-style-type: none"> <li>• This implementation issue discusses how time value of money may impact the accounting for customer contracts in the telecommunication industry when there is a significant benefit of financing. In addition, financial statement presentation of the effects of financing will be discussed.</li> </ul>
6	Considering the effect of the time value of money
7	Determining what approach to use to estimate variable revenue ('most likely amount' or 'expected value' method)
8	Accounting for revenue contingent on a customer's usage
9	Considering the effect of non-cash consideration
10	Considering the effect of consideration payable to a customer
11	Accounting for credit risk
12	Allocating transaction price by applying the relative selling price method
13	Application of the 'onerous test'
14	Accounting for handsets, including: discounts and upfront loss on a handset
15	Application of the criteria to determine whether a performance obligation is satisfied over time or at a point in time
16	Indirect channel sales
17	Transitional issues
18	Disclosure issue
AICPA(2014), <a href="http://www.aicpa.org/INTERESTAREAS/FRC/ACCOUNTINGFINANCIALREPORTING/REVENUERECOGNITION/Pages/RevenueRecognition.aspx">http://www.aicpa.org/INTERESTAREAS/FRC/ACCOUNTINGFINANCIALREPORTING/REVENUERECOGNITION/Pages/RevenueRecognition.aspx</a>	

Below is a list of potential revenue recognition implementation issues identified by the Construction Contractors Revenue Recognition Task Force. The list is highlighted in the current study to give idea about potential conflicts defined by the industry experts.

<b>Table 3: Construction Industry</b>	
1	Ability for a contract to be verbal or implied
2	Combining contracts
3	Loss of segmentation guidance
4	Change orders (including unpriced change orders)
5	Claims
6	Separately accounting for multiple performance obligations
7	Impact of constraint for variable consideration

8	Estimation methods (most likely amount vs. probability weighted)
9	Customer credit risk threshold
10	Time value of money (e.g., retainage)
11	Customer furnished materials/equipment (Gross vs. Net)
12	General allocation issues
13	Acceptable measures of progress and examples of when use is appropriate
14	Consideration of existing Alternative A and B concepts
15	Accounting for service contracts
16	Wasted materials
17	Treatment of contract costs under various recognition measures
18	Pre-contract costs including amortization
19	Examples of contract costs that qualify for capitalization
20	Accounting for warranties
21	Options
22	Impact to proportional consolidation guidance
23	Differences between current BEEC/CEEB and proposed net contract position presentation
24	Disclosures
25	Transition Issues
26	US GAAP vs. IFRS differences
AICPA(2014), <a href="http://www.aicpa.org/INTERESTAREAS/FRC/ACCOUNTINGFINANCIALREPORTING/REVENUERECOGNITION/Pages/RevenueRecognition.aspx">http://www.aicpa.org/INTERESTAREAS/FRC/ACCOUNTINGFINANCIALREPORTING/REVENUERECOGNITION/Pages/RevenueRecognition.aspx</a>	

#### **4. The Five Step Approach**

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps (IFRS 15; paragraph 7):

**Step 1:** Identify the contract(s) with a customer—a contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 apply to each contract that has been agreed upon with a customer and meets specified criteria. In some cases, IFRS 15 requires an entity to combine contracts and account for them as one contract. IFRS 15 also provides requirements for the accounting for contract modifications.

**Step 2:** Identify the performance obligations in the contract—a contract includes promises to transfer goods or services to a customer. If those

goods or services are distinct, the promises are performance obligations and are accounted for separately. A good or service is distinct if the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

**Step 3:** Determine the transaction price—the transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price can be a fixed amount of customer consideration, but it may sometimes include variable consideration or consideration in a form other than cash. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and for any consideration payable to the customer. If the consideration is variable, an entity estimates the amount of consideration to which it will be entitled in exchange for the promised goods or services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

**Step 4:** Allocate the transaction price to the performance obligations in the contract—an entity typically allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. If a stand-alone selling price is not observable, an entity estimates it. Sometimes, the transaction price includes a discount or a variable amount of consideration that relates entirely to a part of the contract. The requirements specify when an entity allocates the discount or variable consideration to one or more, but not all, performance obligations (or distinct goods or services) in the contract.

**Step 5:** Recognize revenue when (or as) the entity satisfies a performance obligation—an entity recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or

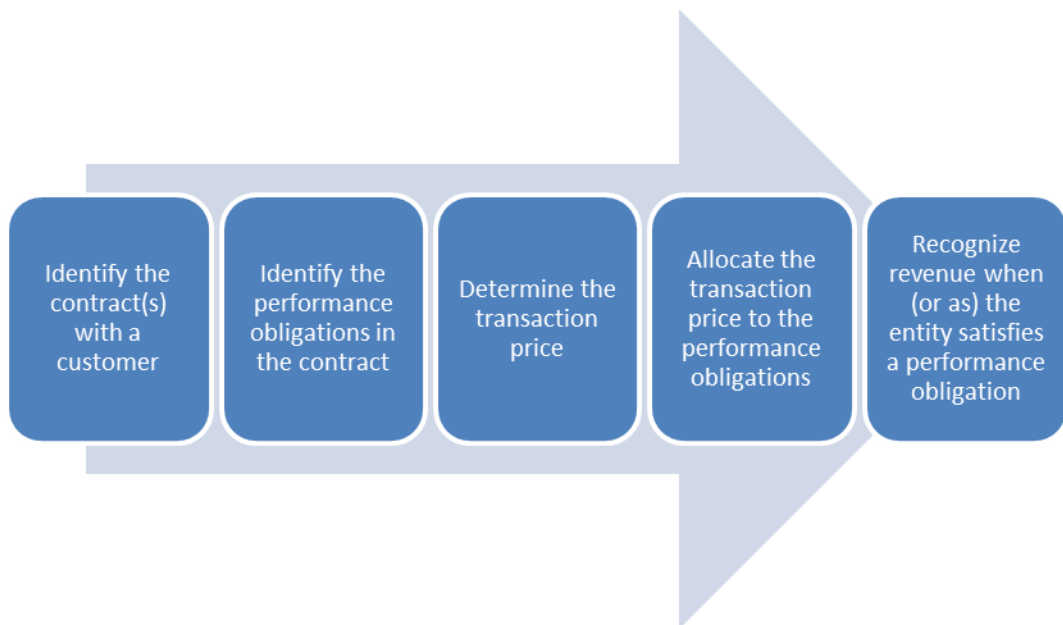


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service). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, an entity recognizes revenue over time by selecting an appropriate method for measuring the entity's progress towards complete satisfaction of that performance obligation.

Five step approach for recognizing revenue in accordance with IFRS 15/ ASC 606 is visually summarized in Figure 1 below.



**Figure 1: Five-step Approach for Revenue Recognition**

The impact of the new standard will vary by industry. Those steps of the model that are most likely to affect the current practice of specific industries are summarized below.

**Table 4: Effect of Steps on Industries**

INDUSTRY	STEPS				
	1	2	3	4	5
<i>Aerospace and defence</i>	✓		✓		✓
<i>Asset managers</i>			✓		
<i>Building and construction</i>			✓		✓
<i>Contract manufacturers</i>					✓
<i>Health care (US)</i>	✓		✓		
<i>Licensors (media, life sciences, franchisors)</i>	✓	✓			✓
<i>Real estate</i>	✓	✓			✓
<i>Software</i>		✓		✓	✓
<i>Telecommunications (mobile networks, cable)</i>		✓		✓	

KPMG (2014) First Impressions: Revenue from Contracts with Customers,  
KPMG IFRG Limited, PN: 131471,UK

New standard for revenue also includes a cohesive set of disclosure requirements that would result in an entity providing 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 (IFRS 15; paragraph 8):

- (a) revenue recognized from contracts with customers, including the disaggregation of revenue into appropriate categories;
- (b) contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities;
- (c) performance obligations, including when the entity typically satisfies its performance obligations and the transaction price that is allocated to the remaining performance obligations in a contract;
- (d) significant judgments, and changes in judgments, made in applying the requirements to those contracts; and
- (e) assets recognized from the costs to obtain or fulfil a contract with a customer.

As can be seen from the items presented above new standard requires significant amount of disclosure requirements that seem materially above the current standard. This requires higher effort, investment, personnel, time consuming for disclosure needs.

## 5. Comparing IAS 18 vs. IFRS 15: Small Cases

Table 5 summarizes the differences between current revenue recognition standard and the joint standard. Then section 5 of the current study has two different case studies which compares the differences in an applied format.

<b>Table 5: Comparison of Standards</b>	
<b><i>Under current IFRS</i></b>	<b><i>Under IFRS 15</i></b>
Multiple standards and interpretations	A single, converged standard
Separate models for different types of revenue (eg, construction, goods and services)	A single model for revenue across all sectors
<i>IAS 18, Revenue</i> , underpinned by concept of risks and rewards	A control-based model, in line with other IFRS
Fair value used to measure consideration	Consideration measured as being the amount to which the company expects to be entitled
Diversity in whether companies recognise revenue at a point in time or over time	Revenue recognised over time only if criteria specified in <i>IFRS 15, Contracts with Customers</i> , are met; otherwise revenue recognised at the point in time when the customer obtains control of the good or service
No detailed guidance on measuring the revenue to be recognised when	Variable consideration included only if it is highly probable that a significant
Perrin, S. (2014), Revenue Recognition: Preparing for IFRS 15, <a href="https://www.accountancylive.com/revenue-recognition-preparing-ifs-15">https://www.accountancylive.com/revenue-recognition-preparing-ifs-15</a>	

### 5.1. Case 1: Turkcell

Sami enters into a 12-month telecom plan with the local mobile operator Turkcell<sup>2</sup>. The terms of plan are as follows:

- Sami's monthly fixed fee is 100 TL

<sup>2</sup> This example is heavily adapted from the following website with making some minor changes for better understanding; [http://www.ifrsbox.com/ifrs-15-vs-ias-18/\(10.10.2014\)](http://www.ifrsbox.com/ifrs-15-vs-ias-18/(10.10.2014))

- Sami receives a free i-phone at the inception of the plan.

Turkcell sells the same i-phone for 300 TL and the same monthly prepayment plans without i-phone for 80 TL /month. Turkcell recognize the revenues from this plan in line with IAS 18 and IFRS 15 in a very different way. Current rules of IAS 18 say that Turkcell should apply the recognition criteria to the separately identifiable components of a single transaction (i-phone + monthly plan). However, IAS 18 does not give any guidance on how to identify these components and how to allocate selling price and as a result, there were different practices applied. For example, telecom companies recognized revenue from the sale of monthly plans in full as the service was provided, and no revenue for i-phone. They treated the cost of i-phone as the cost of acquiring the customer. Some companies identified these components, but then limited the revenue allocated to the sale of i-phone to the amount received from customer (zero in this case). This is a certain form of a residual method (based on US GAAP's cash cap method). For the simplicity, let's assume that Turkcell recognizes no revenue from the sale of i-phone, because Turkcell gives it away for free. The cost of handset is recognized to profit or loss and effectively, Turkcell treats that as a cost of acquiring new customer. Revenue from monthly plan is recognized on a monthly basis. The journal entry is to debit receivables or cash and credit revenues with 100 TL.

Under new rules in IFRS 15, Turkcell needs to **identify the contract first (step 1)**, which is obvious here as there's a clear 12-month plan with Sami. Then, Turkcell needs to **identify all performance obligations** from the contract with Sami (**step 2** in a 5-step model):

- a. Obligation to deliver i-phone
- b. Obligation to deliver network services over 1 year

The **transaction price (step 3)** is 1,200 TL, calculated as monthly fee of 100 TL times 12 months. Now, Turkcell needs to **allocate that transaction price** of 1, 200 TL to individual performance obligations under the contract based on their relative stand-alone selling prices (or their estimates) – this is **step 4**.

<i>Performance obligation</i>	<i>Stand-alone selling price</i>	<i>Percentage</i>	<i>Revenue (relative selling price)</i>
i-phone	300 TL	23.8%	285.60 TL
Network services	960 TL (=80*12)	76.2%	914.40 TL
<b>Total</b>	<b>1,260 TL</b>	<b>100.0%</b>	<b>1,200 TL</b>

The *step 5* is to *recognize the revenue when Turkcell satisfies the performance obligations*. Therefore:

- When Turkcell gives i-phone to Sami, it needs to recognize the revenue of 285.60 TL
- When Turkcell provides network services to Sami, it needs to recognize the total revenue of 914.40 TL. It's practical to do it once per month as the billing happens.

When i-phone is given to Sami following journal entry will be made to show sale of i-phone;

Receivable	285.60	
Revenue		285.60

When network services are provided; on a monthly basis according to contract with Sami following journal entry will be made to show cash collection from customer due to providing network services;

Cash	100	
Revenue (network)		76.20
Receivable		23.80

With making journal entries stated above Sami effectively pays not only for network services, but also for his i-phone. The biggest impact of the new standard is that the companies will report profits in a different way and *profit reporting patterns will change*. In current example, Turkcell

reported loss in the beginning of the contract and then steady profits under IAS 18, because they recognized the revenue in line with the invoicing to customers. Under IFRS 15, Turkcell's reported profits are the same in total, but their pattern over time is different.

Assuming contract started at July 2018 and Turkcell's financial year-end is December 2018. Just look how much profits Turkcell reports from the same contract with Sami under IAS 18 and IFRS 15 in the year 2018:

<b>Table 7</b>		
<b>Performance obligation</b>	<b>IAS 18</b>	<b>IFRS 15</b>
Handset	0.00	285.60
Network services	600.00 (=100*6)	457.20 (=76.2*6)
<b>Total</b>	<b>600.00</b>	<b>742.80</b>

## 5.2. Case 2: Jumbo Post-It by 3M

3M enters into a contract with University of Wisconsin River Falls to produce jumbo, weatherproof post-it notes with the school logo<sup>3</sup>. The post-it notes need to be able to stick to UWRF buildings so 3M has no way to test the product before delivery. Management has determined that the contract is a single performance obligation. The contract has the following characteristics:

- The customization is significant and UWRF's specifications may be changed at their request during the contract term.
- Non-refundable, interim progress payments are required to finance the contract
- UWRF can cancel the contract at any time and any work in process has no alternative use to the vendor.
- Physical possession and the title do not pass until completion of contract.

Under current IAS 18 standard revenue is recognized upon completion, delivery and acceptance of the product. According to IFRS 15; the terms of the contract, in particular the customer specifications and ability to change the specifications indicate that the work-in-process has no alternative use to the vendor. The non-refundable progress payments

<sup>3</sup> This case is adapted from the oral presentation and discussions made thereafter on November 2014 at University of St. Thomas- Minneapolis. The name of the event was MSA Presentations: Emerging Issues in Financial Reporting-Opus College of Business.

suggest that control of the product is being transferred over the contract term. Revenue is therefore recognized over time as the products are produced. This approach can be supported with paragraph 35 of the IFRS 15: an entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## **6. Conclusion**

When there are problems in a company's financial statements, investors are more concerned about revenue recognition than any other reporting issue (Colson, et al., 2010). A recent example involving Groupon stated in McMillan, (2011) illustrates the potential problems inherent in agent-facilitator transactions. In these types of transactions, the agent retains custody of the inventory, but does not have ownership rights to it. Therefore, upon the sale of the inventory, the agent should only recognize the commission on the sale, not the entire value of the sale. Shortly after its initial public offering on November 4, 2011, Groupon's revenue recognition practices came under scrutiny. Specifically, it was found that Groupon was recording the commission on the sale of coupons and the coupons being sold as revenue. Consequently, Groupon was forced to restate earnings for its first three months as a publicly listed company, which reduced revenue from 713.4 million to 312.9 million, or a decrease of %56 (McMillan, 2011).

Adoption of the joint standard on revenue recognition will represent a major advancement toward the ultimate goal of creating one set of high quality international accounting standards. Therefore, IFRS 15 is a change in mindset rather than only an accounting change.

For many entities, the timing and profile of revenue recognition will change. In some areas, the changes will be very significant and will require careful planning. In line with Starczewski and Rooney (2013) important issues can be highlighted as follow;

- Industry-specific guidance is out; thus, the new approach is more reliant on professional judgment and contract terms and conditions.
- The new rules will apply to all entities that enter into contracts with customers.
- The key to revenue recognition under the new approach is the “transfer of control” of a promised good or service (not the transfer of risks and rewards).
- Collectability is no longer a recognition threshold and does not affect the measurement of transaction price.
- All reporting entities will allocate the transaction price to the good or service underlying each performance obligation on a relative stand-alone selling price basis.

Consequently, companies must assess their current systems and processes to determine the changes that they will need to make in order to comply with new approach. IT and ERP systems should be revised in line with new five step revenue recognition model. Contracts with existing customers should be reviewed and must be modified if needed. Although IFRS 15 applies to an annual reporting period beginning on or after January, 1, 2017 the time to analyze and plan for its impact should start immediately for corporations.



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