Post-implementation Review of IFRS 15, *Revenue from Contracts with Customers*

Our response given below -

As per current guidelines, for Indian Banks, IFRS/IndAS is not so far made applicable. However, considering that IFRS / Ind AS are implemented in Banks, the factors that are presently in vogue, the following requires to be examined.

Question 11—Other matters,
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.

Banking Institutions provide Performance Guarantee/ Financial Guarantee. These guarantees are not reported under Financial Liabilities. However, these are reported under Contingent Liabilities / Contingent Assets.

Bank is issuing Performance Guarantee guaranteeing the performance obligations for a period of say one year. Within the one year period, in case of non-performance of any obligation by the customer, Bank is liable to meet the invocation of the Beneficiary.

Thus allocation of transaction price towards performance obligations will be difficult.

Out of the five steps for recognising the revenue:

Step 1—identify the contract(s) with a customer;
Step 2—identify the performance obligations in the contract;
Step 3—determine the transaction price;
Step 4—allocate the transaction price to the performance obligations in the contract; and
Step 5—recognise revenue when (or as) the entity satisfies a performance obligation.

Step 5 which involves recognition of revenue can be done only after the performance obligation is satisfied. Hence, the commission which is booked as revenue can be recognised only after completion of performance obligations. This results in recognition of revenue with a time difference.