Question 3—Determining the transaction price

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?

Comment/suggestion:

IFRS 15 has provided sufficient and clear basis to determine the transaction price receivable from the customer. It has provided enough guidelines for warranty contracts as well. However, IFRS 15 leaves a scope for different views when it comes to consideration payable to customers in terms of discounts, rebates and other promotional offers.

With the emergence of new-gen businesses which spends heavily on the getting the customers on board. There is no specific guidelines as to how to recognise this spends and hence leaving the scope of facilitative treatment in the financial statements.

How to determine the assessment period—for example, does an entity consider consideration it expects to be entitled to in the current reporting period or over the term of the contract? – As far as the consideration payable to customer is concerned, ideal way would be to show this consideration payable by an entity to customer by setting it off against the revenue and hence showing the amount as negative revenue. This will be tantamount to charging off of the expense incurred for getting the customer on board in the year of expense only.

Allowing such expenditure to be settled over a term of the contract is again leaving the scope for facilitative treatment. As such new gen businesses are into the B2C category and hence there is no define terms of contract with the users of the products or services or both.

However, showing negative revenue will enable the users of the financial statements to have better understanding as to how the company is utilizing the capital available with them. Revenue being the sole factor which drives the company, stringent reporting over revenue is advisable. Negative revenue also allows the stakeholders to clearly see the difference between amount incurred in getting the customers and amount received from the customers. Over the period of time, with comparatives easily available from the financial statements, users can gauge the change in pattern of consumer behaviour and how the products/services or both have been perceived by the consumers of the company.