



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

October 19, 2015

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2015/6 Clarifications to IFRS15

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on *ED/2015/6 Clarifications to IFRS15*. Overall, we support the clarifications and the amendments on the concept of 'distinct', the control principle regarding principal versus agent considerations, the guidance on licence, and the transition requirements. We also agree not to amend the concepts of collectability, measuring non-cash consideration and the presentation of sales taxes.

Please find our responses to the specific questions raised in *ED/2015/6 Clarifications to IFRS15* in an attachment. We believe that this proposed amendment will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



Exposure Draft ED/2015/6 Clarifications to IFRS 15

Question 1: Identifying performance obligations

IFRS 15 requires an entity to assess the goods or services promised in a contract to identify the performance obligations in that contract. An entity is required to identify performance obligations on the basis of promised goods or services that are distinct.

To clarify the application of the concept of ‘distinct’, the IASB is proposing to amend the Illustrative Examples accompanying IFRS 15. In order to achieve the same objective of clarifying when promised goods or services are distinct, the FASB has proposed to clarify the requirements of the new revenue Standard and add illustrations regarding the identification of performance obligations. The FASB’s proposals include amendments relating to promised goods or services that are immaterial in the context of a contract, and an accounting policy election relating to shipping and handling activities that the IASB is not proposing to address. The reasons for the IASB’s decisions are explained in paragraphs BC7–BC25.

Do you agree with the proposed amendments to the Illustrative Examples accompanying IFRS 15 relating to identifying performance obligations? Why or why not? If not, what alternative clarification, if any, would you propose and why?

FAP: We generally agree with the proposed amendments to the illustrative examples as they will help entities to have a better understanding on how to assess the ‘distinction in the context of a contract. We believe that this will result in more consistent application.

Question 2: Principal versus agent considerations

When another party is involved in providing goods or services to a customer, IFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent. To do so, an entity assesses whether it controls the specified goods or services before they are transferred to the customer.

To clarify the application of the control principle, the IASB is proposing to amend paragraphs B34–B38 of IFRS 15, amend Examples 45–48 accompanying IFRS 15 and add Examples 46A and 48A.

The FASB has reached the same decisions as the IASB regarding the application of the control principle when assessing whether an entity is a principal or an agent, and is expected to propose amendments to Topic 606 that are the same as (or similar to) those included in this Exposure Draft in this respect.

The reasons for the Boards’ decisions are explained in paragraphs BC26–BC56. Do you agree with the proposed amendments to IFRS 15 regarding principal versus agent considerations? In particular, do you agree that the proposed amendments to each of the indicators in paragraph B37 are helpful and do not raise new implementation questions? Why or why not? If not, what alternative clarification, if any, would you propose and why?



FAP: We agree with the proposed amendments to paragraph B37 as this will improve the clarity of the guidance. However, we believe that it would be helpful if there are more illustrative examples added to clarify the application of the control principle, in which implementation questions frequently arise. For example, we would appreciate illustrative examples that can demonstrate why or why not the entity controls the goods or services before its transfer to the customer if a sole distributor or dealer is involved in the transaction.

Question 3: Licensing

When an entity grants a licence to a customer that is distinct from other promised goods or services, IFRS 15 requires the entity to determine whether the licence transfers to a customer either at a point in time (providing the right to use the entity’s intellectual property) or over time (providing the right to access the entity’s intellectual property). That determination largely depends on whether the contract requires, or the customer reasonably expects, the entity to undertake activities that significantly affect the intellectual property to which the customer has rights. IFRS 15 also includes requirements relating to sales-based or usage-based royalties promised in exchange for a licence (the royalties constraint).

To clarify when an entity’s activities significantly affect the intellectual property to which the customer has rights, the IASB is proposing to add paragraph B59A and delete paragraph B57 of IFRS 15, and amend Examples 54 and 56–61 accompanying IFRS 15. The IASB is also proposing to add paragraphs B63A and B63B to clarify the application of the royalties constraint. The reasons for the IASB’s decisions are explained in paragraphs BC57–BC86. The FASB has proposed more extensive amendments to the licensing guidance and the accompanying Illustrations, including proposing an alternative approach for determining the nature of an entity’s promise in granting a licence.

Do you agree with the proposed amendments to IFRS 15 regarding licensing? Why or why not? If not, what alternative clarification, if any, would you propose and why?

FAP: We support IASB’s efforts to improve the application guidance for determining the nature of an entity’s promise in granting a licence and in clarifying the scope and the application of the sales-based and usage-based ‘royalty constraint’.



Question 4: Practical expedients on transition

The IASB is proposing the following two additional practical expedients on transition to IFRS 15:

(a) to permit an entity to use hindsight in (i) identifying the satisfied and unsatisfied performance obligations in a contract that has been modified before the beginning of the earliest period presented; and (ii) determining the transaction price.

(b) to permit an entity electing to use the full retrospective method not to apply

IFRS 15 retrospectively to completed contracts (as defined in paragraph C2) at the beginning of the earliest period presented. The reasons for the IASB's decisions are explained in paragraphs BC109–BC115. The FASB is also expected to propose a practical expedient on transition for modified contracts.

Do you agree with the proposed amendments to the transition requirements of IFRS 15? Why or why not? If not, what alternative, if any, would you propose and why?

FAP: We agree with IASB's proposal to add the practical expedients on transition as it will be helpful to clarify the population of contracts with customers that fall within the scope of the standard.

Question 5: Other topics

The FASB is expected to propose amendments to the new revenue Standard with respect to collectability, measuring non-cash consideration and the presentation of sales taxes. The IASB decided not to propose amendments to IFRS 15 with respect to those topics. The reasons for the IASB's decisions are explained in paragraphs BC87–BC108.

Do you agree that amendments to IFRS 15 are not required on those topics? Why or why not? If not, what amendment would you propose and why? If you would propose to amend IFRS 15, please provide information to explain why the requirements of IFRS 15 are not clear.

FAP: We agree with IASB that no amendments with respect to the following matters are required.

- 1) The collectability, the clarifications that FASB proposed are already addressed in the BC46.
- 2) The measurement date of non-cash consideration
- 3) Presentation of sales taxes. We holds the view that IFRS15 require the same level of judgment as presently required in IAS18 Revenue and no additional specific concerns have been raised.