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Sir David Tweedie
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19 June 2009

Dear Sir David,

Discussion Paper ‘Preliminary Views on Revenue Recognition in Contracts with Customers’

Deloitte Touche Tohmatsu is pleased to respond to the International Accounting Standards Board’s (the IASB’s) *Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers* (referred to as the ‘discussion paper’ or ‘DP’).

Although, for the most part, we do not disagree with the material set out in the discussion paper, most of the fundamental issues (in particular, to use old terminology, the approach to multiple element arrangements and the distinction between goods and services) will need to be addressed at the next stage of the project. The decisions made at that stage will be critical to the development of a Standard, and, accordingly, it is only at that stage that we will be able to assess whether we support the approach being taken by the boards; at this point, it is too soon to tell.

We support the overall objective of creating a single revenue recognition principle, though we acknowledge that there are significant challenges to such an approach. We would, however, emphasise the importance that we attach to a robust and coherent Standard on revenue recognition. This is a very important aspect of financial reporting, with many challenging issues, and it is essential that a Standard strikes the right balance between, on the one hand, being too high-level (which could create a significant level of diversity in practice for otherwise similar arrangements) and, on the other hand, being too rules-based. With that in mind, we think it is essential that a Standard sets out broad and clear principles, expressed in language that is meaningful to users, which are then reflected in practical guidance for goods, services, and other areas as appropriate. Much work has been done to address difficult revenue recognition issues over the years, both in IFRSs and in other GAAPs. Although those solutions have been developed piecemeal, and they may not all be compatible, many of the underlying principles have proven resilient and helpful. Accordingly, we urge the boards to consider the best of that existing material when moving to the next stage of the project, with the aim of preserving the best aspects of existing GAAPs to the extent that those aspects are compatible with the DP’s proposals.

In particular, one of the most important aspects of a proposed Standard will be the guidance on recognising revenue for contracts where some but not all of the seller's performance has taken place. IAS 18 (like some other GAAPs) approaches this by distinguishing between goods and services, and by separating multiple element arrangements, to the appropriate extent, into individual components which are then accounted for as goods or services. The DP's proposal that revenue should be recognised as an asset is transferred will not in itself solve the challenging issues around revenue recognition; it will simply change the terminology with which those issues are expressed. There will be just as much need for robust and coherent guidance in this area as before. With that in mind, we note that, in our view:

- although they would need to be developed, the ideas underlying IFRIC 15 are a good starting point when distinguishing between the supply of goods and the provision of services. As such, if appropriately rewritten to reflect the terminology of the DP, it would be a useful starting point for guidance on when an asset (good or service) should be regarded as having been transferred to a customer. We believe that where an asset is constructed for a customer to the customer's design (as distinct from the customer selecting from some pre-existing options), it is generally appropriate to conclude that control of the asset rests with the customer during the construction period, irrespective of physical custody and title; and
- although IAS 18 is silent, under other GAAPs it is often the case that two elements of an arrangement are accounted for separately if and only if they have 'standalone value', i.e. either the second element is an 'optional extra' for the customer or, failing that, the customer could source the second element from a different supplier. In our experience, an approach based on these principles is robust and capable of practical application. It would form an appropriate basis for guidance on how to identify or disaggregate performance obligations.

We note also that there will be a need for further guidance on the recognition of costs, particularly in relation to the provision of services, as it is proposed that IAS 11 will be replaced.

Finally, as explained further in our responses to questions 5 and 8, we do not believe that a Standard should be drafted so as to focus directly on the 'transfer of control'. The concept is too ambiguous and too far removed from the practicalities of accounting for revenue recognition, and we believe that it would lead to very significant lack of comparability between entities as a result of different interpretation and application. Instead, we believe the boards should develop the existing idea of a distinction between goods and services in a manner that is consistent with a focus on when the promised asset becomes an asset of the customer.

Our detailed comments and answers to your questions on the discussion paper along with other comments and suggested editorial changes are included in the Appendices to this letter.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0)20 7007 0907.

Yours sincerely,



Ken Wild
Global IFRS Leader

Appendix 1

Response to questions on Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers

Question 1

Do you agree with the boards' proposal to base a single revenue recognition principle on changes in an entity's contract asset or contract liability? Why or why not? If not, how would you address the inconsistency in existing standards that arises from having different revenue recognition principles?

Conceptually yes, but the DP does not contain sufficient depth to understand and assess how the boards will implement this proposal in practice. The boards have yet to address many of the most important and most fundamental issues (in particular, to use existing terminology, the approach to multiple element arrangements and the distinction between goods and services). Consequently, until these issues are addressed, it is too early to judge whether the DP's proposals are appropriate.

The DP could have explained better why revenue arising from contract is, at least for some entities, a figure that is helpful to users of financial statements. We suggest that this figure serves primarily as an indicator of the scale of the entity's transactions (specifically, performance under revenue contracts) during the period. We note also that there are some entities for which this is not particularly useful information. For instance, an entity that aims to profit from holding investments that appreciate in value could report revenue as the value of investments sold during the period, but this would not be particularly useful information, because there might be no relationship between this figure and the entity's overall profitability. Revenue from contracts will tend to be a useful figure where there is some link between that revenue and the entity's profitability.

Question 2

Are there any types of contracts for which the boards' proposed principle would not provide decision-useful information? Please provide examples and explain why. What alternative principle do you think is more useful in those examples?

Yes. Depending on how the proposals in the DP are developed, it is possible that they will not provide decision-useful information for construction contracts and for some contracts for services. For example, where contract activity is entirely specific to a particular customer (e.g. in a construction contract where an asset is constructed to a customer's design) we believe it is decision-useful for the seller's financial statements to reflect revenue as the contract activity takes place. We encourage the boards to develop the proposals in the DP such that this outcome is achieved. If instead revenue from construction contracts were to be recognised only on physical transfer of an asset to a customer, we do not believe that would be decision-useful information.

As explained above, revenue from contracts is not particularly decision-useful when it relates to the sale of assets that are already reported at a current value and for which there is a ready market. In such circumstances, the change in value of those assets is more decision-useful. But this is, in essence, a question of whether a revenue figure should be presented in some circumstances, rather than an issue over how revenue should be recognised or measured. Accordingly, the only impact on the development of a revenue Standard is that there may be some circumstances in which the presentation of a revenue figure should be considered optional rather than mandatory.

Question 3

Do you agree with the boards' definition of a contract? Why or why not? Please provide examples of jurisdictions or circumstances in which it would be difficult to apply that definition.

Yes, but we believe there are further issues that should be addressed by the boards.

It would be appropriate for a Standard to include some discussion of the difference between an offer and a contract, as this may be critical in deciding when a contract comes into existence. Some guidance would also be helpful on the 'boundaries' of a contract, such as the treatment of renewal and other options embedded in a contract (for example, sales incentives as discussed in question 7).

There may be some cases where an entity's revenue transactions are, in law, governed by statute rather than contract. For example, in the UK, the supply of water to private households is typically governed by statute rather than contract though, in practice, the customer relationship for the most part works in the same way as a contractual relationship. If a transaction governed by statute nevertheless creates obligations and enforceable rights in the same way as a contract, we believe that it should be within the scope of a revenue Standard.

Finally, we note that some transactions in which an entity becomes eligible to receive a grant may have the characteristics of a revenue transaction, namely enforceable rights to cash (a grant) in the event that certain obligations are satisfied. The boards should consider whether such arrangements should be excluded from the scope of a revenue Standard. On a similar note, the boards might consider whether to provide guidance on when it is appropriate to present income as revenue and when it is appropriate to present it as other income, dealing, for example, with grant income and the proceeds of legal and insurance claims.

Question 4

Do you think the boards' proposed definition of a performance obligation would help entities to identify consistently the deliverables in (or components of) a contract? Why or why not? If not, please provide examples of circumstances in which applying the proposed definition would inappropriately identify or omit deliverables in (or components of) the contract.

The definition is broadly fine as a starting point, but the DP contains insufficient guidance for users to be able to apply it consistently in practice. In particular, it seems to us that concepts such as unbundling will still be of importance in determining whether a deliverable is separate from another deliverable, in that such concepts may help in determining when control passes (see the further discussion in our covering letter and below). We believe it is very important that clear and robust guidance is devised on this topic at the next stage.

When drafting the definition, we recommend that the boards consider whether the word 'promise' might be better replaced with an alternative, such as 'commitment'. We believe the word 'promise' may have different meanings in different cultures and languages, and, as such, may be open to different interpretations.

In relation to warranties, it seems to us that some may meet the definition of a performance obligation while others may not. For example, under a contract to supply goods, a warranty that the quality of goods is as agreed in the contract does not appear to be a separate performance obligation. The only performance obligation is to deliver goods of the agreed quality. If this has not been done, the performance obligation relating to the goods has not been satisfied. Conversely, some 'extended warranties' should be regarded as separately identifiable components of a revenue transaction, because they create potential obligations to the customer that will not exist if the customer chooses to buy goods without taking an extended warranty.

See also our response to question 11 in relation to origination costs.

Question 5

Do you agree that an entity should separate the performance obligations in a contract on the basis of when the entity transfers the promised assets to the customer? Why or why not? If not, what principle would you specify for separating performance obligations?

We agree that an entity should separate the performance obligations in a contract on the basis of when the promised assets become assets of the customer. However, we think it may be misleading to refer to those assets being ‘transferred’ to the customer, because this may seem to imply that, prior to transfer, the assets were assets of the entity. We do not think that this will necessarily be the case. For example, in the case of some services, we believe that the entity may not have an asset prior to ‘transfer’ – rather, the asset first exists as an asset of the customer. Please also see our response to question 8.

Question 6

Do you think that an entity’s obligation to accept a returned good and refund the customer’s consideration is a performance obligation? Why or why not?

We find it difficult to comment on this question without further indication of how this principle might translate into a revenue Standard. The idea that a return obligation is a performance obligation may potentially be attractive, but appropriate measurement of that return obligation will be critical. The DP does not include any discussion of measurement in such cases.

For example, will measurement be affected by the likelihood of the option being exercised? Will the amount allocated to the performance obligation reflect the selling price of the item (i.e. the amount that will be refunded) or the profit margin? If the latter, will it be affected by the original cost of the item to the seller (which might be surprising, since this would appear to be an entity-specific measure)? Will it be based on a ‘portfolio’ approach to a population of similar transactions? And will this approach lead to revenue being recognised ‘twice’ where an item is sold, returned and resold?

Where goods are sold with a right of return, the approach currently adopted by IAS 18 recognises revenue only where it is possible to estimate reliably the proportion that will be returned, and only for those items that are not expected to be returned. This approach works well in practice and results in figures that are understandable and decision-useful. Accordingly, we encourage the boards to develop a Standard that preserves the benefits of the existing Standard.

When considering this issue at the next stage, we also encourage the boards to keep in mind the wide variety of transactions to which this may be relevant. In particular, contractual terms may permit a customer to return a good at will or only in certain specified circumstances; and the customer may have the right to a full refund or, alternatively, only to replacement goods.

Question 7

Do you think that sales incentives (eg discounts on future sales, customer loyalty points and ‘free’ goods and services) give rise to performance obligations if they are provided in a contract with a customer? Why or why not?

Yes, we think they give rise to performance obligations in accordance with the logic articulated in IFRIC 13. Please see our response to question 3, which requests further guidance on the ‘boundaries’ of contracts.

Question 8

Do you agree that an entity transfers an asset to a customer (and satisfies a performance obligation) when the customer controls the promised good or when the customer receives the promised service? Why or why not? If not, please suggest an alternative for determining when a promised good or service is transferred.

For the reasons set out below, we do not agree with the way that the DP focuses on the concept of control in articulating the performance obligation model.

In our view, although the model adopted by IAS 18 may need to be strengthened, it is not 'broken'. In particular, by applying IAS 18, preparers are able to report revenue on a basis that is decision-useful and economically meaningful to users. We believe that the boards should seek to develop a Standard that preserves the strengths of IAS 18, and retains a distinction between goods and services, but which gives better guidance on the distinction between goods and services and the approach to multiple element arrangements. We also believe that it is possible for the boards to develop the thinking in the DP into such a Standard. We are concerned that if the proposals in the DP are developed and drafted in a way that does not achieve this outcome, the resulting Standard may lack a grounding in the economics of a business and its contracts; it may be ambiguous and difficult to interpret, leading to diversity of application by similar entities; and it may result in financial information that is not decision-useful.

We comment below on how the proposals in the DP might be developed into a Standard that retains the fundamental strengths of IAS 18.

As noted in our response to question 5, we think that a concept of 'transferring' an asset may be misleading in some circumstances. We would agree that an entity satisfies a performance obligation when the promised asset is an asset of the customer.

Once the promised asset is an asset of the customer, it follows from the definition of an asset within the IASB's current framework that the customer must 'control' the promised asset. However, we think that considerably more thought is needed on how the concept of 'transfer of control' should be translated into operational guidance.

In particular, the very limited discussion in the DP may give the impression that the most important factor in some cases is whether the customer has the right to take work in progress from the seller. We believe that in most cases the existence or not of such a right will be of very little economic significance, and that it is not a good indicator of control.

For example:

- Where an item is being manufactured to a customer's design (i.e. the contract would be a construction contract under existing IFRSs), we believe that control of any work in progress will generally be with the customer from the outset. Thus, additional construction activity will typically result in immediate recognition of revenue. This is because in such cases, even if the contract does not expressly permit the customer to modify the item once construction has started, the customer will generally be able to request that construction ceases at any time, and the seller will typically be entitled to be paid for any construction work done to date.
- Where an item is manufactured to a seller's existing design, we believe that control of any work in progress will generally remain with the seller. In most cases, the ability of the buyer to take possession of that work in progress will not be of economic relevance and will not affect the seller's control of the asset.

More generally, in the context of subsidiaries, there is a clear distinction between 'control' and 'day-to-day management'. Control relates to setting operating and financial policies – i.e. shaping what will be done – rather than the practical day-to-day execution of those policy decisions. By

analogy, where the customer specifies the design of an item to be manufactured, and the seller is required to execute the customer's design decisions, it seems to us that the customer has control of the item as it is manufactured.

However, we are not convinced that it is helpful for a Standard on revenue to focus on 'control' in the context of a revenue contract. There is a danger that preparers (and others) will misunderstand the concept and, wrongly, focus only on legal title or physical possession. There is also a danger that preparers will, again wrongly, focus only on those decisions that can be made once the contract is in progress (by analogy, the day-to-day management decisions), rather than on the important decisions that were made in entering into the contract (by analogy, the policy decisions).

Accordingly, although we can understand why the boards have focused on 'control' in developing their thinking to date, we do not believe that the drafting of a Standard should be based around this concept. It is too ambiguous and too far removed from the practicalities of accounting for revenue recognition, and we believe that it would lead to very significant lack of comparability between entities as a result of different interpretation and application.

Instead, we believe the boards should develop the existing idea of a distinction between goods and services. That distinction should focus on those factors that determine whether an incomplete item is an asset of the seller (goods) or of the customer (services). We believe that this distinction can be drawn by focusing on whether, in substance, the item is a 'standard' item made by the seller (goods) or is bespoke for the customer (services). We note that IFRIC 15 already draws a similar distinction.

Finally, on a matter of drafting, we note that the verb 'to satisfy' a performance obligation is potentially ambiguous and, therefore, best avoided. For example, under a contract to paint a customer's room, the painter 'satisfies' the obligation over a period of time as paint is applied, and we would expect revenue to be recognised over that period. But it is possible to say that the performance obligation to paint the room is not 'satisfied' until the end of that period. This ambiguity may be avoided if, as we suggest above, a Standard is drafted so as to refer to goods and services rather than performance obligations.

Question 9

The boards propose that an entity should recognise revenue only when a performance obligation is satisfied. Are there contracts for which that proposal would not provide decision-useful information? If so, please provide examples.

See the answers to questions 1 and 2.

In addition, we are not convinced that it will be practical or helpful to apply this approach to insurance contracts or exchanges of financial instruments.

Question 10

In the boards' proposed model, performance obligations are measured initially at the original transaction price. Subsequently, the measurement of a performance obligation is updated only if it is deemed onerous.

(a) Do you agree that performance obligations should be measured initially at the transaction price? Why or why not?

Yes, we agree.

(b) Do you agree that a performance obligation should be deemed onerous and remeasured to the entity's expected cost of satisfying the performance obligation if that cost exceeds the carrying amount of the performance obligation? Why or why not?

No. We believe that the test for whether an onerous contract provision is required should be based on the outstanding performance obligations in aggregate. Applying this test at the level of individual performance obligations would distort the accounting. In particular, it might require an onerous contract provision to be recognised at inception for a contract that is profitable overall, merely because some components within the contract will be loss-making.

It will be important for a Standard to give clear and unambiguous guidance on when an onerous contract provision should be recognised and how it should be measured. In particular, guidance will be needed on which costs are relevant (especially where there is a high fixed cost base) and what assumptions should be made about future changes in costs.

(c) Do you think that there are some performance obligations for which the proposed measurement approach would not provide decision-useful information at each financial statement date? Why or why not? If so, what characteristic of the obligations makes that approach unsuitable? Please provide examples.

The approach taken needs to balance the benefits of using up to date measures against the difficulty and expense of obtaining reliable up to date measures for many contracts. It would be inappropriate, and usually onerous, for a Standard to require entities to revisit the original allocation of revenue between contract elements at each subsequent reporting date. Accordingly, we agree that, for many contracts, the approach proposed by the DP of 'freezing' the original allocation is both cost-effective and decision-useful. We also agree with the DP that this may not be the case for contracts where there is considerable uncertainty over the value of performance obligations, or where the value of those obligations may be expected to change very significantly during the course of the contract.

The basic idea underlying the DP's proposals is that revenue should be measured by reference to the value of inflows from a customer under a contract (what the customer pays) rather than the value of outflows from the seller (the value of goods and services supplied). Thus, where a customer pays CU100 in advance for an item, but the value of that item falls to CU98 before it is supplied, at the time of supply revenue will be recognised and measured as the amount paid by the customer (CU100), and not as the updated value of the item (CU98).

Such an approach requires the total contract price to be allocated between the various elements of the contract, so that the revenue relating to each element can be recognised as that element is supplied. In principle, we agree that this allocation should be made at the outset, and that the amounts allocated should not be adjusted afterwards merely because there have been subsequent changes to the standalone selling prices of particular elements.

However, we think that it will sometimes be appropriate to revise the initial allocation of contract revenue to the various elements. In particular, we would draw a distinction between remeasurement to reflect changes in selling price that have occurred since the contract was entered into and remeasurement to reflect improved estimates of selling price at the date the contract was entered into. Where no external selling prices are available for individual performance obligations, it may be necessary at the start of a contract to estimate those selling prices by predicting the associated costs and adding a reasonable margin. Where better information becomes available about the costs that should have been predicted, we believe it is appropriate to allow an entity to revise the original estimates and, hence, to revise the allocation of the contract price to individual performance obligations. To insist on retaining the original allocations, even though they were based on relatively poor information, may result in financial reporting that does not properly reflect the relative profitability of different performance obligations. But it is important that an

entity is only required to consider whether such revisions might be appropriate where there is reason to believe that continuing to use the original allocations may lead to a significant distortion of reported revenues.

A different problem arises where contracts contain a significant level of optionality. A simple example of this relates to sales incentives. When a supermarket sells goods, it may grant associated loyalty points. There may be some uncertainty over the proportion of such points that will ultimately be redeemed, and it may also be very likely that a significant proportion of them will not be redeemed. In dealing with this issue, IFRIC 13 takes an approach that is similar to a percentage of completion model. At each reporting date, the cumulative amount of revenue recognised for the points is adjusted based on the number of points redeemed to date as a proportion of the revised estimate of the total number of points that will be redeemed. We think that this approach is sensible and appropriate, but we note that it might be said to conflict with the proposals in the DP, in that the revenue recognised for points already redeemed is adjusted in subsequent periods. We therefore suggest that, in such situations, a revenue Standard follows IFRIC 13, by fixing the amount of revenue that is allocated to the points granted but taking a 'percentage of completion' approach to their subsequent redemption. Although we have illustrated this issue by reference to sales incentives, it will apply to other scenarios where there is uncertainty over the extent to which a customer will exercise options within a contract.

There will also need to be sufficient flexibility in the Standard to deal with the scenario in which performance obligations have not been separated at the outset, because it is expected that the related assets will be transferred at the same time, but it later transpires that they will be transferred at different times.

See also our comments in appendix 2 in relation to royalties receivable.

(d) Do you think that some performance obligations in a revenue recognition standard should be subject to another measurement approach? Why or why not? If so, please provide examples and describe the measurement approach you would use.

Yes, for example it may be necessary to remeasure obligations relating to contracts with considerable estimation uncertainties, for the reasons discussed above.

Question 11

The boards propose that an entity should allocate the transaction price at contract inception to the performance obligations. Therefore, any amounts that an entity charges customers to recover any costs of obtaining the contract (eg selling costs) are included in the initial measurement of the performance obligations. The boards propose that an entity should recognise those costs as expenses, unless they qualify for recognition as an asset in accordance with other standards.

(a) Do you agree that any amounts an entity charges a customer to recover the costs of obtaining the contract should be included in the initial measurement of an entity's performance obligations? Why or why not?

Yes, we agree.

(b) In what cases would recognising contract origination costs as expenses as they are incurred not provide decision-useful information about an entity's financial position and financial performance? Please provide examples and explain why.

We disagree with the proposal that contract origination costs should be recognised as expenses as they are incurred. The DP proposes, in effect, that the rights and obligations arising under contracts should be reflected in the statement of financial position. We note that, where such contracts are obtained in a business combination, it will be common for them to be recorded as

assets, initially at fair value. It seems to us that there is similarly a case, outside of a business combination, for recording such contracts as assets at cost, which would include any directly attributable costs of obtaining those contracts – for example, amounts paid to agents for obtaining the contract.

If the costs of obtaining contracts are expensed, this may cause the financial statements to be less relevant because accounting profits would not be in line with the underlying economics of the transaction. All other things being equal, entities would report accounting losses at the point of sale of profitable contracts and, subsequently, would report accounting profits that are overstated compared to the economic value of the performances rendered.

Some existing IFRS literature (e.g. IAS 18 Appendix paragraph 14 (a)) clearly attributes a value to origination services that is negated in the DP without providing an economic justification.

Accordingly, we believe that the boards should give further consideration to this issue at the next stage of the project.

Question 12

Do you agree that the transaction price should be allocated to the performance obligations on the basis of the entity's stand-alone selling prices of the goods or services underlying those performance obligations? Why or why not? If not, on what basis would you allocate the transaction price?

Yes, but we believe that entities should be allowed sufficient room for judgement in how best to do this. For example, the unit price of an item sold individually may be very different from the price where it is sold in a batch of 10, which may be different again from the price where it is sold in a batch of 100. It is important that any required methodology allows sufficient room for interpretation for an entity to arrive at an allocation that is economically meaningful, rather than arbitrary and misleading.

To illustrate this, suppose the published selling price for product A is £5 per unit, but £8 for two units, and the published selling price for product B is £6 per unit. If a customer pays £8 for two units of A, it seems clear that £4 should be allocated to each unit of A. If the customer bundles this with a unit of B without any discount being given against the published prices, the customer will pay £14 and this should be allocated as £4 to each unit of A and £6 to the unit of B. It is important that any methodology set out in a Standard allows the use of judgement and does not, wrongly, require a £2 discount to be allocated across all three units in such a scenario, as this will not reflect the underlying economics.

Question 13

Do you agree that if an entity does not sell a good or service separately, it should estimate the stand-alone selling price of that good or service for purposes of allocating the transaction price? Why or why not? When, if ever, should the use of estimates be constrained?

Yes. We do not believe that the use of estimates should be constrained. As discussed earlier, it is essential that a revenue Standard includes robust and sensible guidance on unbundling a contract into appropriate elements. But in practice, provided the guidance on determining performance obligations is sensible, we believe entities will be able to come up with estimates that are sufficiently reliable.

Appendix 2

Additional Comments

We note that the DP does not discuss the treatment of royalties receivable, and we believe that these should be addressed at the next stage of the project. In many cases, an entity will supply intellectual property (or other assets) to a third party under an arrangement that will require the third party to pay an uncertain level of royalties to the entity. The entity may have no further contractual obligations to the third party. The framework of the DP would seem to indicate that, on performance of its contractual obligations, the entity should recognise revenue, but there are a number of questions over how that revenue should be measured. In particular, should revenue recognised at this point be based on amounts that are likely to become payable or should it exclude amounts that the third party could avoid paying (for example, by choosing not to make sales)? And, if there is uncertainty over the level of royalties that may become payable, how should this affect the amount of revenue to be recognised?

There may also be uncertainty over whether royalties should be dealt with under a revenue Standard or under a leasing Standard. When focusing on the appropriate requirements, the boards should ensure that the scope is made clear.