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Roger Marshall **Acting President** 35 Square de Meeûs B-1000 Brussels

Belgique

**EFRAG** 

Berlin, 16 January 2015

Dear Roger,

#### DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Assessment of IFRS 15 Revenue from Contracts with Customers ('IFRS 15').

We agree with the views set out in the assessment. As a national standard-setter we are not in a position to answer the questions regarding the costs that will arise for preparers and for users to implement IFRS 15. We therefore sent your assessment form to the DAX30 as well as some other large listed entities and got feedback from eight entities. Seven of them indicated that they generally agree with the assessment made by EFRAG. One entity indicated that, in its view, the benefits of adopting IFRS 15 will not outweigh the costs.

You will find our comments to the above mentioned assessment as well as those received from the DAX30 entities as attachments to this letter.

Furthermore, in your assessment you raise the point that publication of the final Standard in spring 2014 reduces the time available for implementation to less than three years. You therefore ask in Question 4 whether we assess that it will be possible to apply IFRS 15 by 1 January 2017.

Again, as a national standard-setter we are not in a position to answer this question ourselves. However, in addition to your assessment we explicitly asked our constituency whether they would prefer a change of the mandatory effective date to 1 January 2018.

We received 25 responses (from the DAX30 as well as some other large listed entities) with mixed views:

- 12 entities supported shifting the effective date of IFRS 15 for one year;
- 10 entities were neutral in their feedback; and
- only 3 favoured the proposed application date 2017 (mainly due to implementation projects which they have already started or other projects they would give higher priority from 2018 onwards).

Although our assessment only indicates preferences from the preparers' side and does not necessarily answer the question whether an application in 2017 would be achievable for them anyhow, we can acknowledge that we did not receive much support for a mandatory effective date 2017.

In our view, a shift of the mandatory effective date from 2017 to 2018 could therefore be arguable provided the following conditions are met:

- Early application needs to be permitted and transitional options shall remain unchanged compared to current IFRS 15.
- The endorsement procedure of IFRS 15 (i.e. the process until the publication of the Standard in the EU Official Journal) shall not be postponed or delayed by the discussion about a change in the effective date.
- Effective dates for IFRS in the EU diverging from the date set by the IASB and the rest of the world should remain rare.

Difficulties arising from an implementation period shorter than three years are not EU specific and should be acknowledged by the IASB. We would strongly prefer if any changes to the effective date would not be a unilateral attempt on the EU level in its endorsement process but would instead follow a joint decision made by the IASB and FASB. Simultaneously changing IFRS 15 and the corresponding US GAAP requirements would keep the same mandatory effective dates for the converged principles on revenue recognition globally. However, we hold the view that such a change of the effective date of a new, final and published Standard should remain an exception. In this particular case it might be arguable, as a full three years seems to be necessary to achieve proper implementation of IFRS 15.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely, Liesel Knorr President



## DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRS 15 is set out in Appendix 1.

#### Notes to constituents

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1	Please provide	the following	details about yourself:	
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(a)	Your name or, if you are responding on behalf of an organisation or company
	ts name:

Liesel	Knorr,	ASCG	(Accounting	Standards	Committee
of Ger	many)				

(b)	Are you a:
	☐ Preparer ☐ User ☐ Other (please specify)
	National Standard Setter
(c)	Please provide a short description of your activity:
	see above (b)
(d)	Country where you are located:
	Germany
(e)	Contact details including e-mail address:
	Liesel Knorr - c/o DRSC e.V.
	Zimmerstr. 30; 10969 Berlin
	knorr@drsc.de
endo and	AG's initial assessment of IFRS 15 is that it meets the technical criteria for corsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. AG's reasoning is set out in Appendix 2.
(a)	Do you agree with this assessment?
	⊠ Yes □ No
	If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

(b)	Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?
user year	RAG is also assessing the costs that are likely to arise for preparers and for son implementation of IFRS 15 in the EU, both in year one and in subsequents. Some initial work has been carried out, and the responses to this Invitation to ment will be used to complete the assessment.
App sign infor	results of the initial assessment of costs are set out in paragraphs 3 - 37 or endix 3. To summarise, EFRAG's initial assessment is that there may be difficant one-off and ongoing cost for preparers to collect and process the remation needed to apply IFRS 15. Users may incur one-off costs to update their dels and restate the historical information into a comparable format.
Doy	you agree with this assessment?
□ Y	∕es □ No
	ou do not, please explain why you do not and (if possible) explain broadly what believe the costs involved will be?
	a national standard setter we are not in a position to ment on this issue.
dou	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
expr year of th redu rega the	en commenting on the Exposure Draft that resulted in IFRS 15, EFRAGE ressed the view based on the results of its public consultation that a full three rs was necessary to achieve proper implementation of the Standard. Publication the final Standard in the spring of 2014 (instead of mid-2013 as expected) uces the time available for implementation to less than three years. Having and to the final transition requirements that are meant to ease implementation of standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 or question is only relevant if you are preparing financial statements under S)?
□ Y	res
If yo	ou do not, please explain why you do not think it would be possible.

As a national standard setter we are not in a position to comment on this issue.

Most of the constituents responding to this survey agree with EFRAG's assessment.

However one constituent considered a transition timeframe of 2.5 years for the implementation of IFRS 15 to be insufficient.

In addition to this survey, we explicitly asked our constituency whether they would prefer a change of the mandatory effective date to 1 January 2018. We received 25 responses (from the DAX30 as well as some other large listed entities), with a majority indicating a preference for such a change. For further details we refer to our cover letter.

In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.

Do you agree with this assessment?

☐ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

As a national standard setter we are not in a position to comment on this issue.

Most of the constituents responding to this survey agree with EFRAG's assessment.

However, some constituents remarked that some of the new principles set out in IFRS 15 (e.g. for multiple element arrangements) are complex and difficult to understand.

6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

	Do you agree with this	s assessment?
	Yes	□ No
		with this assessment, please provide your arguments and affect EFRAG's endorsement advice?
	As a national s	standard setter we are not in a position to issue.
	Most of the cons	stituents responding to this survey agree with nt.
		nstituent clearly indicated that in his view adopting IFRS 15 will not outweigh the costs.
7	EFRAG is not aware European public good	e of any reason to believe that it is not conducive to the to adopt IFRS 15.
	Are you aware of an public good to adopt I	y reason to believe that it is not conducive to the European FRS 15?
	Yes	⊠ No
	If 'yes', please provide	e your reasons.
8		e of any other factors that should be taken into account in as to what endorsement advice it should give the European 15.
	Do you agree that the	re are no other factors?
	⊠ Yes	□ No
	If you do not agree, affect EFRAG's endor	please provide your arguments and indicate how this should rement advice?

ACSG Analysis 16.01.2015

## Chief Accountant Questionnaire: DAX30 and other large listed German groups

Compa		Effective Date of IFRS 15	
No.	I prefer a mandatory effective date 2017	I prefer a mandatory effective date 2018	Indifferent between 2017 and 2018
1		Х	
2			X
3	Х		
4			Х
5			Х
6		Х	
7		Х	
8			Х
9			Х
10		Х	
11		Х	
12		Х	
13		Х	
14			Х
15		Х	
16		X	
17			Х
18			Х
19			Х
20		X	
21	Х		
22		Х	
23			Х
24	Х		
25		Х	
	3	12	10



## DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRS 15 is set out in Appendix 1.

#### Notes to constituents

1

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

Please	e provide the following details about yourself:
(a)	Your name or, if you are responding on behalf of an organisation or company, its name:
	XXX AG

(b)	Are you a:					
	⊠ Preparer	User	Other (	please specify	·)	
(c)	Please provid	de a short des	cription of you	ır activity:		
	Healtcare	/ Cropscie	nce / Mate	rialscience	e 	
(d)	Country when	re you are loca	ated:			
(u)	Germany	re you are roce	atou.			
(e)	Contact deta	ils including e-	mail address:			
endo and	orsement. In of	ther words, it i iteria of unders	s not contrary	y to the princip	ne technical crolle of true and bility and comp	fair view
(a)	Do you agree	e with this asse	essment?			
	⊠ Yes	☐ No				
				o not agree ar 's endorsemei	nd what you be nt advice.	lieve the

(b)	Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?
	An entity shall apply paragraph B63 to account for consideration in the form of a sales-based or usage-based royalty that is promised in exchange for a licence of intellectual property. The question is whether this exception is still applicable if a license is granted up to the end of patent life or whether this has to be accounted for as sale transaction. If it is a sale one might have to draw the conclusion that a "minimum" according to §53 and 56 has to be recognized. Based on the high uncertainty related to sales based royalties for IP (depending on industry) B63 should be applied for all usage based royalties - irrespective of up to the end of patent life or shorter. If further industry insights might be of interest for EFRAG to consider this issue. Submitter would be open to share views.
use yea	RAG is also assessing the costs that are likely to arise for preparers and for ors on implementation of IFRS 15 in the EU, both in year one and in subsequent ors. Some initial work has been carried out, and the responses to this Invitation to mment will be used to complete the assessment.
App sign info	e results of the initial assessment of costs are set out in paragraphs 3 - 37 of pendix 3. To summarise, EFRAG's initial assessment is that there may be deficient one-off and ongoing cost for preparers to collect and process the remation needed to apply IFRS 15. Users may incur one-off costs to update their dels and restate the historical information into a comparable format.
Do	you agree with this assessment?
	Yes
	ou do not, please explain why you do not and (if possible) explain broadly what believe the costs involved will be?

expressed the years was need of the final Streduces the tregard to the final standard,	enting on the Exposure Draft that resulted in IFRS 15, EFRAGE view based on the results of its public consultation that a full three cessary to achieve proper implementation of the Standard. Publication standard in the spring of 2014 (instead of mid-2013 as expected) time available for implementation to less than three years. Having final transition requirements that are meant to ease implementation of do you assess it will be possible to apply IFRS 15 by 1 January 2017 is only relevant if you are preparing financial statements under
⊠ Yes	□ No
If you do not,	please explain why you do not think it would be possible.
	r we would be supportive to shift mandatory application date while arly application in line with full IFRS.
assessment is relevant, relia benefit from a customers, ac	raphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial in that users will generally benefit from the Standard as it will result in ble, comparable and understandable information. Preparers will also robust and comprehensive framework applying to all contracts with cross industries. In addition, preparers may benefit from the guidance RS 15 which is more comprehensive than in previous Standards or
Do you agree	with this assessment?
⊠ Yes	□ No
	agree with this assessment, please provide your arguments and nis should affect EFRAG's endorsement advice?
be derived from above are like It is however	al assessment is that, for users and for most preparers, the benefits to om implementing IFRS 15 in the EU as described in paragraph 5 by to outweigh the costs involved as described in paragraph 3 above likely that for some entities or in some industries (particularly those umber of complex contracts) the benefits may not outweigh the costs

when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

Yes	□ No	
	agree with this assessment, please provide your arg s should affect EFRAG's endorsement advice?	uments and
	aware of any reason to believe that it is not condic good to adopt IFRS 15.	ucive to the
	of any reason to believe that it is not conducive to the dopt IFRS 15?	e Europear
_	□ No provide your reasons.	
Yes  If 'yes', please	□ No provide your reasons.	
If 'yes', please	aware of any other factors that should be taken into ision as to what endorsement advice it should give the	
EFRAG is no reaching a de Commission o	aware of any other factors that should be taken into ision as to what endorsement advice it should give the	
EFRAG is no reaching a de Commission o	aware of any other factors that should be taken into ision as to what endorsement advice it should give the IFRS 15.	

IFRS 15 – Invitation to Comment on EFRAG's Initial Assessments	



## DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

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IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1	Please ni	rovide the	following	details	about vourself.	
	FIGASE D	COUCE IIIC		ueialis	audun vuulsen	

(a)	Your name or, if you are responding on behalf of an organisation or company,
	ts name:

ProSiebenSat.1 Media AG, Medienallee 7, 85774 Unterföhring

(b)	Are you a:
(c)	Please provide a short description of your activity:
(0)	r lease provide a short description of your activity.
	ProSiebenSat.1 Group is mainly engaged in broadcasting of advertising-funded Free TV primarily in Germany, Austria and Switzerland. Moreover, the Group develops, produces and distributes media programmes worldwide and engages in various activities adjacent to its TV business, such as online, ventures and commerce, music, travel, licensing and distribution.
(d)	Country where you are located:
	Germany
(e)	Contact details including e-mail address:
end and	robert.walter@prosiebensat1.com  RAG's initial assessment of IFRS 15 is that it meets the technical criteria for orsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. RAG's reasoning is set out in Appendix 2.
(a)	Do you agree with this assessment?
	☐ Yes
	If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.
	In our view, it is too early to assess whether IFRS 15 will provide sound revenue recognition principles that provide a true and fair view of an entity's revenue-generating activities. The present principles under IAS 18, IAS 11 and the related interpretations are well-understood by preparers, auditors, enforcers and users of financial statements such as analysts and banks.  The widespread disconnect of billing and revenue recognition as well as the complex rules on identifying performance obligations and respective stand-
	alone selling prices may in our view lead to divergence in practice and thus undermine both understandability and comparability of financial statements.
	The extensive disclosure requirements have the potential of obscuring rather

2

than enhancing the transparency of entities' revenue-generating activities.

(b)	Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?
	None
<b></b> -	
user	AG is also assessing the costs that are likely to arise for preparers and for s on implementation of IFRS 15 in the EU, both in year one and in subsequent s. Some initial work has been carried out, and the responses to this Invitation to

The results of the initial assessment of costs are set out in paragraphs 3 - 37 of Appendix 3. To summarise, EFRAG's initial assessment is that there may be significant one-off and ongoing cost for preparers to collect and process the information needed to apply IFRS 15. Users may incur one-off costs to update their models and restate the historical information into a comparable format.

Do y	ou/	agree	with	this	assessme	ent?

Comment will be used to complete the assessment.

No

3

X Yes

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We share EFRAG's belief that the costs of transition to IFRS 15 will be significant, both in terms of one –off costs of adjusting preparers' IT systems to cope with the increased data volume necessary to deliver revenue figures under IFRS 15 and in terms of ongoing costs of maintaining such expanded IT systems (for example for disclosure purposes). Transitioning to IFRS 15 will also involve significant costs for training staff (not just executive and senior accounting but also debtor and creditor accounting departments, given the potentially significant disconnect of billing and revenue recognition). Especially in the media sector, contracts are often negotiated on an individual contract-by-contract basis and thus do not lend themselves to be managed and processed in standardised databases, which may significantly complicate the revenue accounting process and thus further enhance costs.

Given our opinion stated in answering question 2, we do not share EFRAG's optimism that introducing IFRS 15 will serve to lower the cost of capital for enterprises. Divergence in applying the principles of the standard and the extensive disclosures, coupled with the potential for lengthy audits by enforcement agencies at this backdrop may, on the contrary, serve to increase entities' overall cost of capital.

4	When commenting on the Exposure Draft that resulted in IFRS 15, EFRAG expressed the view based on the results of its public consultation that a full three years was necessary to achieve proper implementation of the Standard. Publication of the final Standard in the spring of 2014 (instead of mid-2013 as expected) reduces the time available for implementation to less than three years. Having regard to the final transition requirements that are meant to ease implementation of the standard, do you assess it will be possible to apply IFRS 15 by 1 January 2017 (this question is only relevant if you are preparing financial statements under IFRS)?
	⊠ Yes □ No
	If you do not, please explain why you do not think it would be possible.
	We believe that the head-time for implementation, even with the standard having been published in 2014, is still sufficient for a proper transition to IFRS 15. With regard to recent developments in the United States, where a postponement of the implementation deadline has recently been actively discussed, we also believe that in order to ensure full comparability of financial statements worldwide, the IASB should follow the FASB, should it decide to postpone the initial application.
	We would encourage EFRAG to ensure there is no timing disjuncture between the US and the rest of the world in applying the new standard.
5	In addition to considering the costs, EFRAG is assessing the benefits that are likely to be derived from IFRS 15. The results of the initial assessment of benefits are set out in paragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial assessment is that users will generally benefit from the Standard as it will result in relevant, reliable, comparable and understandable information. Preparers will also benefit from a robust and comprehensive framework applying to all contracts with customers, across industries. In addition, preparers may benefit from the guidance provided in IFRS 15 which is more comprehensive than in previous Standards on revenue.
	Do you agree with this assessment?
	☐ Yes
	If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?
	Our answer in to this question is more a "yes, but": We believe IFRS 15 may potentially lead to a more relevant accounting for revenue-generating activities. However, we also believe that, given the wording of the standard and its more rules-based approach than current guidance may generate "structuring opportunities" to arrive at desired accounting outcomes that do not properly reflect the substance of the transaction.
	We also believe that the requirements for multiple-element transactions are complex and difficult to understand, both for preparers and users of financial

statements. This, as mentioned above, may have the potential of increasing rather

than decreasing entities cost of capital.

We believe, however, that these obstacles may be overcome by extensive training and education by the IASB (we greatly welcome the IASB's and FASB's decision to set up a Transition Resource Group). We do appreciate that the standard may lead to more relevant accounting for revenue recognition, if properly understood and applied. It will be for the Boards to provide ongoing education to preparers, users, auditors and enforcers to address divergence that may arise in practice.

We also believe that IFRS 15 represents an important and worthwhile step towards arriving at a single set of high quality global accounting standards. Transitioning to IFRS 15 offers an opportunity to preparers to (re-)assess its revenue-generating activities and to streamline its contract management process (e.g. by introducing more standardised, less complex contracts), which may lower the overall cost burden and lead to a smoother overall accounting process.

6 EFRAG's initial assessment is that, for users and for most preparers, the benefits to be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

Do you agree wi	th this assessment?			
⊠ Yes	☐ No			
•	gree with this assession		arguments	and

We agree with EFRAG's assessment that some industries will be more significantly affected by IFRS 15 than others. In particular, industries with a large number of multiple element transactions such as telecommunications will be significantly affected. We also believe that media corporates with a variety of activities such as our Group will be affected by substantial transition costs.

We share EFRAG's belief that having a single revenue recognition principle <u>may</u> materially enhance comparability, provided the Boards properly educate preparers, users, auditors and enforcers about the application issues so as to avoid divergence in actual practice, unnecessary application errors and subsequent enforcement audit findings, once IFRS 15 has been implemented.

The significantly enhanced disclosures may impede the usability of financial statements, as mentioned earlier. We therefore believe that EFRAG should urge the IASB to address the issue of excessive disclosure requirements in its comments regarding the recent disclosure initiative.

7	EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.					
	-	e of any reason to belie adopt IFRS 15?	eve that it is not conducive to the	European		
	Yes	⊠ No				
	If 'yes', please	provide your reasons.				
8		ecision as to what endor	actors that should be taken into a rsement advice it should give the			
	Do you agree	that there are no other fa	actors?			
	⊠ Yes	□No				
		agree, please provide y 's endorsement advice?	our arguments and indicate how th	nis should		



# DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

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1	Please	provide	the t	following	details	about	yourself	

(a)	Your name or, if you are responding on behalf of a	n organisation or company,
	its name:	

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(c)	Preparer User Other (please specify)  Please provide a short description of your activity:  TRANSPORTATION & LOGISTICS
(d)	TRANSPORTATION & LOGISTICS
(d)	
	Country where you are located:
	GERMANY
(e)	Contact details including e-mail address:
	DIRK. BAUKMANN @ DPDHL. COM
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(a)	Do you agree with this assessment?
	If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

EFR	AG is also assessing the costs that are likely to arise for preparers and for us
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lf yo	∕es □ No  ou do not, please explain why you do not and (if possible) explain broadly v
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7	EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.								
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	If 'yes', please provide your reasons.								
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	Do you agree that there are no other factors?								
	If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?								



# DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 Revenue from Contracts with Customers ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRS 15 is set out in Appendix 1.

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1	Please	provide	the t	following	details	about	yourself	

(a)	Your name or, if you are responding on behalf of a	n organisation or company,
	its name:	

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(c)	Preparer User Other (please specify)  Please provide a short description of your activity:  TRANSPORTATION & LOGISTICS
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Do you agree w	ith this assessment?
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7	EFRAG is not aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15.								
	Are you aware of any reason to believe that it is not conducive to the European public good to adopt IFRS 15?								
	☐ Yes No								
	If 'yes', please provide your reasons.								
8	EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 15.								
	Do you agree that there are no other factors?								
	If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?								



## DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

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A summary of IFRS 15 is set out in Appendix 1.

#### Notes to constituents

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Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1	Please provide the following details about yourself:				
	(a)	Your name or, if you are responding on behalf of an organisation or company, its name:			
		BMW AG, Munich			

(b)	Are you a:
	□ Preparer □ User □ Other (please specify)
(c)	Please provide a short description of your activity:
	Automotive Manufacturer
(d)	Country where you are located:
	Germany
(e)	Contact details including e-mail address:
	Jonathan.Townend@bmw.de
endo and	AG's initial assessment of IFRS 15 is that it meets the technical criteria for orsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. AG's reasoning is set out in Appendix 2.
(a)	Do you agree with this assessment?
	⊠ Yes □ No
	If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

	(b)	Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 15? If there are, what are those issues and why do you believe they are relevant to the evaluation?
		Referring to paragraphs 44 and 90, BMW note that allocating variable
		consideration to a specific performance obligation when this is consistent with
		the management steering of the entity would also result in relevant information.
3	user year	AG is also assessing the costs that are likely to arise for preparers and for son implementation of IFRS 15 in the EU, both in year one and in subsequent s. Some initial work has been carried out, and the responses to this Invitation to ment will be used to complete the assessment.
	Appe signi infor	results of the initial assessment of costs are set out in paragraphs 3 - 37 of endix 3. To summarise, EFRAG's initial assessment is that there may be ificant one-off and ongoing cost for preparers to collect and process the mation needed to apply IFRS 15. Users may incur one-off costs to update their els and restate the historical information into a comparable format.
	Do y	ou agree with this assessment?
	⊠ Y	es No
		u do not, please explain why you do not and (if possible) explain broadly what believe the costs involved will be?
4	years of the reduce regard	n commenting on the Exposure Draft that resulted in IFRS 15, EFRAG essed the view based on the results of its public consultation that a full three is was necessary to achieve proper implementation of the Standard. Publication the final Standard in the spring of 2014 (instead of mid-2013 as expected) the time available for implementation to less than three years. Having and to the final transition requirements that are meant to ease implementation of transdard, do you assess it will be possible to apply IFRS 15 by 1 January 2017

IFRS)?

(this question is only relevant if you are preparing financial statements under

⊠ Yes	□ No
If you do not,	please explain why you do not think it would be possible.
to be derived out in parag assessment i relevant, relia benefit from customers, a	considering the costs, EFRAG is assessing the benefits that are like from IFRS 15. The results of the initial assessment of benefits are graphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial that users will generally benefit from the Standard as it will result able, comparable and understandable information. Preparers will at a robust and comprehensive framework applying to all contracts we cross industries. In addition, preparers may benefit from the guidar FRS 15 which is more comprehensive than in previous Standards
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	are of any reason to believe that it is not conducive to the Euro to adopt IFRS 15?
Yes	⊠ No
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Pleas	se provide the following details about yourself:	
(a)	Your name or, if you are responding on behalf of an organisation or company its name:	
	The Linde Group	

	(b)	Are you a:
		X Preparer  User  Other (please specify)
	(c)	Please provide a short description of your activity:
		Gases & Engineering Company
	(d)	Country where you are located:
		Worldwide, parent company: Germany
	(e)	Contact details including e-mail address:
		Attn. Hans Fladung, Klosterhofstraße 1, 80331 Munich
		Hans-dieter.fladung@linde.com
2	endo and	AG's initial assessment of IFRS 15 is that it meets the technical criteria for orsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. AG's reasoning is set out in Appendix 2.
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		X Yes
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3	user year Com	s on implementa s. Some initial wo nment will be use	essing the costs that are likely to arise for preparers and tion of IFRS 15 in the EU, both in year one and in subsequence has been carried out, and the responses to this Invitation d to complete the assessment.	uent on to
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	ΧYe	es	□ No	
	If yo	u do not, please	explain why you do not think it would be possible.	

Page 3 of 42

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to be derived out in parag assessment is relevant, relia benefit from a customers, ac	from IFRS 15. The results of raphs 38 - 41 of Append that users will generally be ole, comparable and unders robust and comprehensive ross industries. In addition,	G is assessing the benefits that are the initial assessment of benefits a dix 3. To summarise, EFRAG's nefit from the Standard as it will retandable information. Preparers wiframework applying to all contractoreparers may benefit from the guite ehensive than in previous Standard
Do you agree	with this assessment?	
X Yes	☐ No	
	nis should affect EFRAG's er	nt, please provide your argument idorsement advice?
	nis should affect EFRAG's er	
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EFRAG's initiate be derived frabove are like It is however with a large n when consider having one rebelieves that,	al assessment is that, for use om implementing IFRS 15 ily to outweigh the costs involikely that for some entities umber of complex contracts) red in isolation. However, wenue recognition principle a	rs and for most preparers, the bender the EU as described in paragraph 3 are or in some industries (particularly the benefits may not outweigh the when taking into account the benefits, E
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	ot aware of any reason to believe that it is not conducive to blic good to adopt IFRS 15.
	are of any reason to believe that it is not conducive to the Euro o adopt IFRS 15?
☐ Yes	X No
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reaching a d Commission	lecision as to what endorsement advice it should give the Euro on IFRS 15.



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EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

Pleas	se provide the following details about yourself:
(a)	Your name or, if you are responding on behalf of an organisation or company, its name:
	Volkswagen AG

	(b)	Are you a:		
	(c)	Please provide a short description of your activity:		
		Volkswagen Group is one of the world's leading automobile		
		manufacturers and the biggest carmaker in Europe		
	(d)	Country where you are located:		
		Germany		
	(e)	Contact details including e-mail address:		
		Ingrun-Ulla Bartoelke, Head of group accounting		
		Ingrun-ulla.bartoelke@volkswagen.de		
2	endo and i	AG's initial assessment of IFRS 15 is that it meets the technical criteria for orsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. AG's reasoning is set out in Appendix 2.		
	(a)	Do you agree with this assessment?		
		☐ Yes		
		If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.		
		Please see our Appendix A		

	(b)	EFRAG should	I take into account in its technical evaluation of IFRS 15? If are those issues and why do you believe they are relevant to
		Please see	our Appendix A
3	user year	s on implementa s. Some initial w	essing the costs that are likely to arise for preparers and for tion of IFRS 15 in the EU, both in year one and in subsequent ork has been carried out, and the responses to this Invitation to d to complete the assessment.
	Appo sign infor	endix 3. To sur ificant one-off a mation needed t	itial assessment of costs are set out in paragraphs 3 - 37 of nmarise, EFRAG's initial assessment is that there may be nd ongoing cost for preparers to collect and process the papply IFRS 15. Users may incur one-off costs to update their ne historical information into a comparable format.
	Do y	ou agree with th	s assessment?
	□ Y	'es	⊠ No
			explain why you do not and (if possible) explain broadly what involved will be?
	Ple	ase see our <i>l</i>	Appendix A
4	expr year of th redu rega the s	essed the view s was necessary ne final Standar aces the time avoid to the final transtandard, do you question is on	on the Exposure Draft that resulted in IFRS 15, EFRAG based on the results of its public consultation that a full three to achieve proper implementation of the Standard. Publication d in the spring of 2014 (instead of mid-2013 as expected) railable for implementation to less than three years. Having insition requirements that are meant to ease implementation of assess it will be possible to apply IFRS 15 by 1 January 2017 by relevant if you are preparing financial statements under
		'es	⊠ No
	If yo	u do not, please	explain why you do not think it would be possible.
	Ple	ase see our <i>l</i>	Appendix A

out in passessm relevant, benefit froustome	n to considering the costs, EFRAG is assessing the benefits that are likely ved from IFRS 15. The results of the initial assessment of benefits are staragraphs 38 - 41 of Appendix 3. To summarise, EFRAG's initial in that users will generally benefit from the Standard as it will result reliable, comparable and understandable information. Preparers will allow a robust and comprehensive framework applying to all contracts we are sindustries. In addition, preparers may benefit from the guidant in IFRS 15 which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more comprehensive than in previous Standards of the contracts which is more contracts which is the contract of the contrac
Do you a	gree with this assessment?
☐ Yes	⊠ No
	not agree with this assessment, please provide your arguments a ow this should affect EFRAG's endorsement advice?
But pro	vided our restriction described in our appendix A tha
in spec	ific circumstances a considerable effort in the
account	ing does not lead to a benefit for users or preparers
be derive above are It is how with a law when co	initial assessment is that, for users and for most preparers, the benefits d from implementing IFRS 15 in the EU as described in paragraph e likely to outweigh the costs involved as described in paragraph 3 above likely that for some entities or in some industries (particularly the ge number of complex contracts) the benefits may not outweigh the costs desidered in isolation. However, when taking into account the benefits e revenue recognition principle applying to all types of industries, EFRA hat, on balance, the benefits of adopting IFRS 15 will outweigh the costs.
believes	gree with this assessment?
believes	gree with this assessment?
Do you a  Yes  If you do	
Do you a  Yes  If you do indicate h	No No not agree with this assessment, please provide your arguments a

	ot aware of any reason to believe that it is not conducive to lic good to adopt IFRS 15.	o the
	e of any reason to believe that it is not conducive to the Euro adopt IFRS 15?	pean
⊠ Yes	□No	
If 'yes', pleas	provide your reasons.	
Please see	our Appendix A	
	it aware of any other factors that should be taken into accordiction as to what endorsement advice it should give the Euron IFRS 15.	
Do you agree	that there are no other factors?	
☐ Yes	⊠ No	
f you do not	agree, please provide your arguments and indicate how this s's endorsement advice?	hould

## **Appendix:**

Appendix A

to the DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers



# DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON IFRS 15 Revenue from Contracts with Customers INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

Comments should be sent to commentletters@efrag.org by 15 December 2014

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15' or 'the Standard'). In order to do that, EFRAG has been carrying out an assessment of IFRS 15 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRS 15 is set out in Appendix 1.

#### Notes to constituents

The endorsement advice on IFRS 15 will be finalised by EFRAG Board which is expected to be in place by 31 October 2014. The EFRAG Board results from the recent and ongoing governance reform. It will be responsible for all EFRAG positions after considering the technical advice provided by the EFRAG Technical Expert Group and the outcome of EFRAG's due process. As a result, any dissenting views from the final endorsement advice would be the views of EFRAG Board members.

IFRS 15 includes consequential amendments to IFRS 9 *Financial Instruments* which has not been endorsed by the European Union. These consequential amendments are not addressed in this endorsement advice and will be considered as part of the endorsement process of IFRS 9 as a whole.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

- 1 Please provide the following details about yourself:
  - (a) Your name or, if you are responding on behalf of an organisation or company, its name:

SAP SE, Walldorf, Germany

Miklos Szabo - Finance Expert and lead of the IFRS 15 implementation project

(b)	Are you a:					
	X☐ Preparer ☐ User ☐ Other (please specify)					
(c)	Please provide a short description of your activity:					
	I am the lead for the implementation of IFRS 15 at SAF SE.					
(d)	Country where you are located:					
(d)	Country where you are located.					
	Germany					
(e)	Contact details including e-mail address:					
	Miklos (Mike) Szabo Finance Expert Corporate Financial Reporting - Revenue Recognition IFRS Task Force					
	SAP					
	SAP SE Dietmar-Hopp-Allee 16 69190 Walldorf T +49 6227-7-64578 M +49 151-54346482 mailto:miklos.szabo@sap.com www.sap.com					
endo and	AG's initial assessment of IFRS 15 is that it meets the technical criteria for corsement. In other words, it is not contrary to the principle of true and fair view it meets the criteria of understandability, relevance, reliability and comparability. AG's reasoning is set out in Appendix 2.					
(a)	Do you agree with this assessment?					
	X□ Yes □ No					
	If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.					

2

(b)	Are there any issues that are not mentioned in Appendix 2 that you be EFRAG should take into account in its technical evaluation of IFRS 1 there are, what are those issues and why do you believe they are relevantee evaluation?
	No, all material items have been listed and sufficient
	described in Appendix 2.
	described in Appendix 2.
	described in Appendix 2.
user year	AG is also assessing the costs that are likely to arise for preparers and as on implementation of IFRS 15 in the EU, both in year one and in subsects. Some initial work has been carried out, and the responses to this Invitationment will be used to complete the assessment.
user year Com The Appe signi	AG is also assessing the costs that are likely to arise for preparers and some some some some and in subsects. Some initial work has been carried out, and the responses to this Invitation.
user year Com The Appo signi infor mod	AG is also assessing the costs that are likely to arise for preparers and is on implementation of IFRS 15 in the EU, both in year one and in subsects. Some initial work has been carried out, and the responses to this Invitationment will be used to complete the assessment.  The results of the initial assessment of costs are set out in paragraphs 3 rendix 3. To summarise, EFRAG's initial assessment is that there may inficant one-off and ongoing cost for preparers to collect and process mation needed to apply IFRS 15. Users may incur one-off costs to update
user year Com The Appo signi infor mod	AG is also assessing the costs that are likely to arise for preparers and so on implementation of IFRS 15 in the EU, both in year one and in subsects. Some initial work has been carried out, and the responses to this Invitationment will be used to complete the assessment.  The results of the initial assessment of costs are set out in paragraphs 3 endix 3. To summarise, EFRAG's initial assessment is that there may inficant one-off and ongoing cost for preparers to collect and process mation needed to apply IFRS 15. Users may incur one-off costs to update els and restate the historical information into a comparable format.
user year Com The Appendinfor mod Do y X If yo	AG is also assessing the costs that are likely to arise for preparers and so on implementation of IFRS 15 in the EU, both in year one and in subsects. Some initial work has been carried out, and the responses to this Invitationment will be used to complete the assessment.  The results of the initial assessment of costs are set out in paragraphs 3 endix 3. To summarise, EFRAG's initial assessment is that there may inficant one-off and ongoing cost for preparers to collect and process mation needed to apply IFRS 15. Users may incur one-off costs to update els and restate the historical information into a comparable format.

expressed the v years was neces of the final Star reduces the tim regard to the final the standard, do	ng on the Exposure Draft that resulted in IFRS 15, EFRAGew based on the results of its public consultation that a full three sary to achieve proper implementation of the Standard. Publication dard in the spring of 2014 (instead of mid-2013 as expected) available for implementation to less than three years. Having I transition requirements that are meant to ease implementation of you assess it will be possible to apply IFRS 15 by 1 January 2017 only relevant if you are preparing financial statements under
X∐ Yes	□ No
If you do not, ple	ase explain why you do not think it would be possible.
	cant undertaking, specifically for entities with complex and ontracts, the transition to IFRS 15 within the available timeframe is
to be derived fro out in paragrap assessment is the relevant, reliable benefit from a re- customers, acros provided in IFRS revenue.	sidering the costs, EFRAG is assessing the benefits that are likely IFRS 15. The results of the initial assessment of benefits are set the 38 - 41 of Appendix 3. To summarise, EFRAG's initial at users will generally benefit from the Standard as it will result in comparable and understandable information. Preparers will also bust and comprehensive framework applying to all contracts with a industries. In addition, preparers may benefit from the guidance 15 which is more comprehensive than in previous Standards on
	n this assessment?
	☐ No gree with this assessment, please provide your arguments and should affect EFRAG's endorsement advice?

be derived from implementing IFRS 15 in the EU as described in paragraph 5 above are likely to outweigh the costs involved as described in paragraph 3 above. It is however likely that for some entities or in some industries (particularly those with a large number of complex contracts) the benefits may not outweigh the costs, when considered in isolation. However, when taking into account the benefits of

having one revenue recognition principle applying to all types of industries, EFRAG believes that, on balance, the benefits of adopting IFRS 15 will outweigh the costs.

	vith this assessment?	
X□ Yes	□ No	
	agree with this assessment, please provide your arguments s should affect EFRAG's endorsement advice?	and
EEDAC is no	aware of any reason to believe that it is not conducive to	· tho
	aware of any reason to believe that it is not conducive to good to adopt IFRS 15.	) lile
	of any reason to believe that it is not conducive to the Euroadopt IFRS 15?	pean
☐ Yes	X□ No	
	aware of any other factors that should be taken into accousision as to what endorsement advice it should give the Euro	
reaching a dec Commission or	sision as to what endorsement advice it should give the Euro	
reaching a dec Commission or	cision as to what endorsement advice it should give the Euro I IFRS 15.	