

28 October 2015

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Mr Hoogervorst

EXPOSURE DRAFT ED/2015/6 CLARIFICATIONS TO IFRS 15

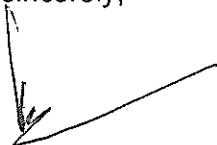
The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the IASB Exposure Draft ED/2015/6 *Clarifications to IFRS 15*.

Our responses to the respective questions are detailed in the Appendix to this letter.

If you need further clarification, please contact the undersigned at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,



TAN BEE LENG
Executive Director

Question 1 – Identifying performance obligation

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

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

We support the proposals.

However, we recommend the IASB to consider the following observations with regards to the Illustrative Examples.

Contract for the construction and sales of real estate

Whilst the proposed amendments to the Illustrative Examples clarifies the application of the concept of "distinct in the context of the contract", we observe that some have read the new Example 10 Case B would result in unintended consequence on some contracts with customers involving project management such as contracts for the construction of real estate, where items could potentially be inappropriately combined as a single performance obligation. For example, in a multi-unit residential development, it is common for the developer to incorporate various recreational amenities (e.g. swimming pool) within the residential complex which are accessible only to the residents. Although the recreational amenities complement the residential units, there is no transformative relationship between the items as the recreational amenities are not integrated with the residential units into a bundle of combined output, and they are not highly dependent on or highly interrelated with one another. Though complementing, the recreational amenities do not significantly modify or customise the residential units. However, some have read paragraph IE48C in Example 10 Case B to potentially be interpreted that the goods or services in the contract are not separately identifiable in all situations where an entity is responsible for the overall management of the contract to produce the full complement of items for which the customer has contracted.

We therefore recommend the IASB to consider developing additional examples to avoid circumstances whereby Example 10 Case B may be applied by analogy as explained above. In particular, the additional examples should illustrate the application of the principle in IFRS 15 paragraph 27(b) and the supporting factors in IFRS 15 paragraph 29 in situations where goods or services promised in a contract which complements with one another are separately identifiable due to lack of integration, interrelation or interdependence, as well as

the absence of a transformative relationship between the goods or services promised in the contract, such as a contract for the construction and sales of real estate.

Paragraph IE48A

We also note that the title before the proposed paragraph IE48A uses the term “multiple items” but the proposed paragraph IE48A uses the term “multiple units”.

We recommend that the IASB to consider using consistent wording to avoid any divergent views that may arise as to whether “multiple items” and “multiple units” have the same meaning. Some believe “multiple items” could mean many dissimilar devices whereas “multiple units” could mean many identical devices.

Question 2 – Principal versus agent considerations

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

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

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

The reasons for the Boards’ decisions are explained in paragraphs BC26–BC56.

Do you agree with the proposed amendments to IFRS 15 regarding principal versus agent considerations? In particular, do you agree that the proposed amendments to each of the indicators in paragraph B37 are helpful and do not raise new implementation questions? Why or why not? If not, what alternative clarification, if any, would you propose and why?

We support the proposals.

Question 3 – Licensing

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

IFRS 15 also includes requirements relating to sales-based or usage-based royalties promised in exchange for a licence (the royalties constraint).

To clarify when an entity's activities significantly affect the intellectual property to which the customer has rights, the IASB is proposing to add paragraph B59A and delete paragraph B57 of IFRS 15, and amend Examples 54 and 56–61 accompanying IFRS 15. The IASB is also proposing to add paragraphs B63A and B63B to clarify the application of the royalties constraint. The reasons for the IASB's decisions are explained in paragraphs BC57–BC86.

The FASB has proposed more extensive amendments to the licensing guidance and the accompanying Illustrations, including proposing an alternative approach for determining the nature of an entity's promise in granting a licence.

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

We support the proposal.

Question 4 – Practical expedients on transition

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

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

to permit an entity electing to use the full retrospective method not to apply IFRS 15 retrospectively to completed contracts (as defined in paragraph C2) at the beginning of the earliest period presented.

The reasons for the IASB's decisions are explained in paragraphs BC109–BC115. The FASB is also expected to propose a practical expedient on transition for modified contracts.

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

We support the proposal.

IASB Update September 2015

With regards to the accounting for completed contracts on transition to IFRS 15 which the IASB discussed in September 2015, we would like to recommend the IASB to consider incorporating Agenda Paper 7 analysis in the Standard given that the IASB has acknowledged that it could help educate and inform practice. We are concerned that if the analysis is not incorporated in the Standard or the Implementation Guidance, some stakeholders may not be aware of such helpful guidance as these stakeholders would not have followed the IASB discussion so closely, including the IASB staff paper.

Question 5 - Other topics

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

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

We agree with the IASB's decision.