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## Effective date of IFRS 15

ICAEW welcomes the opportunity to comment on the ED/2015/2 *Effective Date of IFRS 15* published by the IASB on 19 May 2015, a copy of which is available from this [link](#).

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## MAJOR POINTS

### We agree with the proposal to defer IFRS 15's effective date

1. In the light of the board's decision to make a number of targeted amendments to IFRS 15, we agree with the proposal to defer the standard's effective date by one year to periods beginning on or after 1 January 2018. While doing so mirrors the FASB's decision to defer the effective date of its substantially equivalent requirements by one year, this should not be portrayed as the primary driver for the board's decision. Emphasis should instead be placed on meeting the needs of the IASB's own constituents, many of whom are likely to find it challenging to implement the standard by its original effective date.

### This decision should not set a precedent

2. We note that the basis for conclusions that accompanies the exposure draft raises concerns about this decision setting a bad precedent and we share those apprehensions. While we agree that deferring the effective date after a standard has been issued is generally not a good idea, we nonetheless feel that it is justified in this case due to the exceptional circumstances surrounding it.

### There are important lessons to be learned

3. The basis for conclusions also points out that one reason why deferral is justified is that the board issued IFRS 15 later than had been anticipated when the effective date of the standard had already been set. If the board commits to effective dates before its standards are finalised it is, perhaps, unsurprising that such a situation has arisen. To avoid similar situations arising in future, we recommend that, instead of discussing the appropriate effective date prior to issuance, the board instead discusses how long the period should be from issuance until the effective date for any proposed new standard. Doing so will ensure that preparers are always given sufficient time to transition to a new standard and will provide both clarity and certainty.
4. There are other important lessons that can be learned from this experience. We appreciate that standard-setting is inherently a difficult process, especially when diverse views are expressed by constituents. We also understand why the board was keen to finalise this particular standard and why they did not want to resort to prolonging the process by issuing a third exposure draft. But at the same time, due process needs to be followed and we think it was a mistake that, in this instance, changes were made during the final drafting of the standard that introduced entirely new concepts and ideas, which had never been reflected in an exposure draft, rather than simply fine tuning proposals that had previously been exposed.
5. For example, the approach to both licenses and variable consideration changed significantly between the publication of the second exposure draft and the final standard. In both instances the final standard contains an entirely new approach that was never exposed for public consultation. It is, perhaps, unsurprising to note that various issues relating to these topics have subsequently been submitted to the Transition Resource Group and that the boards have discussed making some changes to the drafting as a result. In our view, a third exposure draft focusing particularly on these new concepts should have been issued.
6. To be clear, we recognise that it is neither appropriate nor possible to expose all drafting changes when finalising a new standard, and we accept that some issues will only ever come out of the woodwork when people attempt to apply a new standard in practice. No standard, after all, is ever perfect. That is why we have post implementation reviews. But in this instance, we feel that the new concepts that were introduced into the standard at the eleventh hour should have been exposed for public comment.

## **RESPONSES TO SPECIFIC QUESTIONS**

### **Question 1**

The IASB proposes to amend IFRS 15 so that entities would be required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018. Earlier application would continue to be permitted. Do you agree? Why or why not?

7. See major points above.