

In Brief

A plain and simple overview of what stakeholders think about the existing Section 3400, Revenue, in the CPA Canada Handbook – Accounting

This overview presents key results the AcSB collected when surveying stakeholders on Section 3400, *Revenue*.

Survey objectives:	The survey informed the Board about stakeholders' issues when applying Section 3400, including to what extent and why stakeholders refer to other sources for revenue guidance.
Current stage:	<ul style="list-style-type: none">• The Board directed staff to develop a project proposal to address the issues raised by stakeholders.• The Board also directed staff to compare the current risks-and-rewards model with a control-based model based on the concepts in the standards on <i>Revenue from Contracts with Customers</i> in IFRS® Standards and U.S. GAAP. For further details, see the AcSB's January 18, 2018 meeting Decision Summary .
Next steps:	The Board will consider a project proposal.

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Why the AcSB surveyed stakeholders on Revenue

The Board wanted to better understand the concerns with accounting for revenue from the sale of goods and the provision of services, including their nature and frequency of occurrence. This feedback will help the AcSB consider a project proposal to improve the standard.

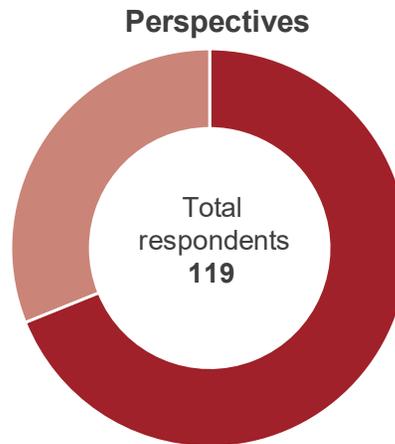
Who was surveyed?

This survey targeted stakeholders who account for revenue using the private enterprise standards in Part II of the Handbook, either directly or via the not-for-profit standards in Part III.

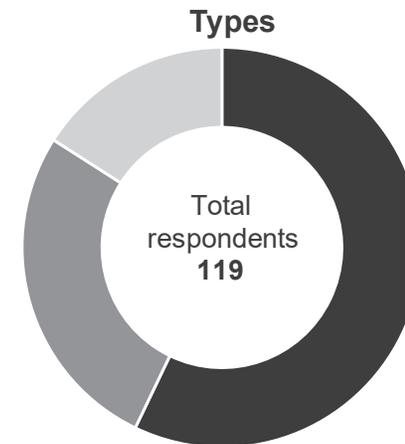
After eight weeks in the market, 119 stakeholders responded.

Respondents were from all over Canada. Those from Ontario represented the highest percentage of respondents, followed by Alberta, British Columbia, Quebec, and other Canadian provinces and territories.

Who responded?



■ Private Enterprises/Pension Plans 69%
■ Not-for-Profit Organizations 31%



■ Practitioners 57%
■ Financial Statement Preparers 27%
■ Other roles such as Academics, Business Advisors, Governments, and Regulators 16%

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What did stakeholders say?

- Insufficient guidance on revenue in Section 3400 arising from increasingly complex revenue transactions
- Principles in Section 3400 not well-articulated to address these complex transactions

Looking to sources outside Section 3400

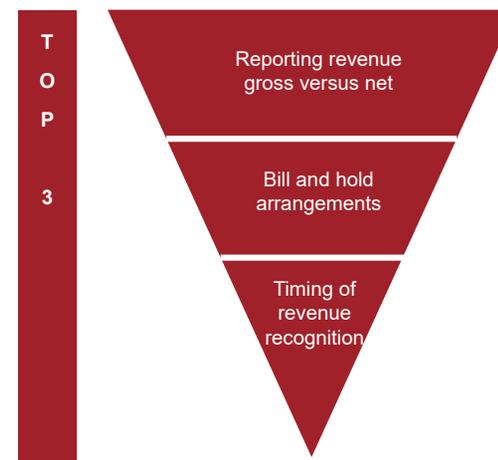
Some respondents said they refer to guidance outside Section 3400 when addressing complex revenue transactions.

- 15% of respondents refer “a lot” to the Emerging Issues Committee Abstracts (EICs) in the pre-changeover standards in Part V of the Handbook related to revenue (e.g., EIC-123 *Reporting Revenue Gross as a Principal versus Net as an Agent* and EIC-142 *Revenue Arrangements with Multiple Deliverables*).
- 10% or less of respondents refer “a lot” to some of the IFRS Standards in effect pre-2018 (e.g., IAS 11 *Construction Contracts*, and IAS 18 *Revenue*).
- 5% of respondents refer “a lot” to the U.S. GAAP guidance in effect pre-2018.

Experiencing/observing issues in practice “frequently or very frequently” by topic¹

Other topic	Percentage of respondents
Percentage of completion method	44%
Multiple-element arrangements	21%
Upfront non-refundable fees/payment	17%
Loyalty programs	<5%

1/3 of respondents experienced or observed issues in practice with other revenue topics as gathered from the open comment boxes in the survey.



¹ Similar questions asked for each of these topic areas.

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What did stakeholders say? (continued)

Adequacy of guidance on transfer of risks and rewards of ownership

2/3 of respondents said the guidance in Section 3400 was not sufficient to assess whether significant risks and rewards of ownership have transferred to the buyer — one of the requirements in this Section to recognize revenue.

Importance of a common revenue recognition model

The survey asked respondents whether a common revenue recognition model for the sale of goods and rendering of services between IFRS 15 in Part I and Section 3400 in Part II of the Handbook was important to them.

Respondents who selected “not important”:

- 63% of practitioners
- 23% of financial statement preparers
- 14% other such as academics and accounting practice advisors

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Next Steps

The Board will consider a project proposal.

What is the AcSB going to do with the results?

The survey results will:

- provide the Board with a better understanding of the issues arising from applying the revenue standard;
- be considered by the Board in setting its priorities for Section 3400; and
- help the Board identify and evaluate the possible approaches on how to address these issues in its consideration of a project proposal on revenue in Section 3400.

Stay informed

Stay up to date on the Revenue project via the [Board's decision summaries](#).

Please contact:

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