

PSAK 72 Placemat

A summary of key changes and impacts

Below are the brief discussions on the 5-Step Model introduced by PSAK 72 and other significant changes that may affect the accounting policies adopted for reporting under PSAK. Also, decision trees for some accounting issues are provided for reference. PSAK 72 is effective for annual financial reporting periods beginning on or after 1 January 2020.

The 5-Step Model

	KEY CHANGES	Possible impact
Step 1: Identify the contract(s) with the customer (figure 1)	<ul style="list-style-type: none"> Defines “customers” Set out criteria in identifying contracts with customers Multiple contracts need to be combined and accounted for as a single arrangements Provides specific guidance on contract modifications 	<ul style="list-style-type: none"> Only contracts with “customers” are within scope The accounting for contract modifications depends on the nature of the changes
Step 2: Identify the separate performance obligations in the contract(s)	<ul style="list-style-type: none"> Requires identification of “distinct” goods and services including implicit promises in a contract Generally product liability and patent infringement protection are not performance obligation Deals with material right to acquire additional goods and services 	<ul style="list-style-type: none"> Distinct performance obligations need to be reassessed The allocated portion for material rights are deferred until it is exercised or expires
Step 3: Determine the transaction price	<ul style="list-style-type: none"> Variable consideration is generally part of transaction price Significant financing component has to be accounted for separately Any noncash consideration received from customer needs to be included when determining transaction price Consideration payable to a customer is generally accounted for as a reduction from the transaction price unless it is for an exchange of distinct good or service transferred from the customers 	<ul style="list-style-type: none"> Earlier revenue recognition if contingencies exists Revenue is reduced by finance income Interest expense may be recognised for advances recieved
Step 4: Allocate the transaction price	<ul style="list-style-type: none"> Generally only allows a relative standalone selling price method Requires estimation of standalone selling price if it is not directly observable Provides guidance on allocating variable consideration and any subsequent changes in the transaction price 	<ul style="list-style-type: none"> More estimates may be required to establish standalone selling price Fluctuations in revenue may arise resulting from variable consideration
Step 5: Recognise revenue when (or as) a performance obligation is satisfied	<ul style="list-style-type: none"> Revenue is recognised based on the transfer of control and not on risk and rewards Revenue may be transferred only over time or at a point in time Provides measures of progress over time 	<ul style="list-style-type: none"> Changes in timing of revenue recognition Re-assessment needed to support any current over-time basis, which could lead to achange to “point in time” if unsupportable

Other Significant Considerations

AREAS	KEY CHANGES	POSSIBLE IMPACT
Licenses	<ul style="list-style-type: none"> Set outs criteria for licenses that provide access to IP: <ul style="list-style-type: none"> ➢ Point in time if licenses represent a right to use ➢ Over time if licenses represent a right of access Includes exception for sales-or-usage-based royalties 	<ul style="list-style-type: none"> ➢ Assessment of the nature of the license is necessary
Contract costs (figures 2 and 3)	<ul style="list-style-type: none"> Incremental contract costs of obtaining a contract shall be capitalised and amortised as revenue is recognised Costs to fulfil a contract not addressed by other standards are required to be capitalised if certain criteria are met 	<ul style="list-style-type: none"> ➢ Recoverability of those costs should be evaluated ➢ Assets recognised will be subject to amortisation and impairment testing
Principal versus agent considerations	<ul style="list-style-type: none"> Clarifies that an entity is a principal if it obtains control of the goods or services before it is transferred to the customers 	<ul style="list-style-type: none"> ➢ Assessment on how control is obtained over the goods and services is necessary
Right of return	<ul style="list-style-type: none"> An asset shall be recognised with corresponding adjustment to cost of sales for the right to recover the goods from customers 	<ul style="list-style-type: none"> ➢ Gross presentation of asset (right of return) and liability (refund) with corresponding adjustment in cost of sales and revenue, respectively
Warranties (Figures 4)	<ul style="list-style-type: none"> Service in addition to the assurance that the product will function is expected is a separate performance obligation 	<ul style="list-style-type: none"> ➢ Revenue is reduced by additional service that is deferred
Non-refundable upfront fees	<ul style="list-style-type: none"> No revenue shall be recognised upon receipt of non-refundable upfront fee if it does not relate to the satisfaction of a performance obligation 	<ul style="list-style-type: none"> ➢ Lower revenue will be recognised upon receipt of non-refundable upfront fee that relates to future performance obligations
Repurchases rights (Figures 5 and 6)	<ul style="list-style-type: none"> Accounting treatment depends on the amount the entity can or must pay to repurchase the goods 	<ul style="list-style-type: none"> ➢ Asset repurchase may be accounted for as a lease or financing

Figure 1
Accounting for contract modifications

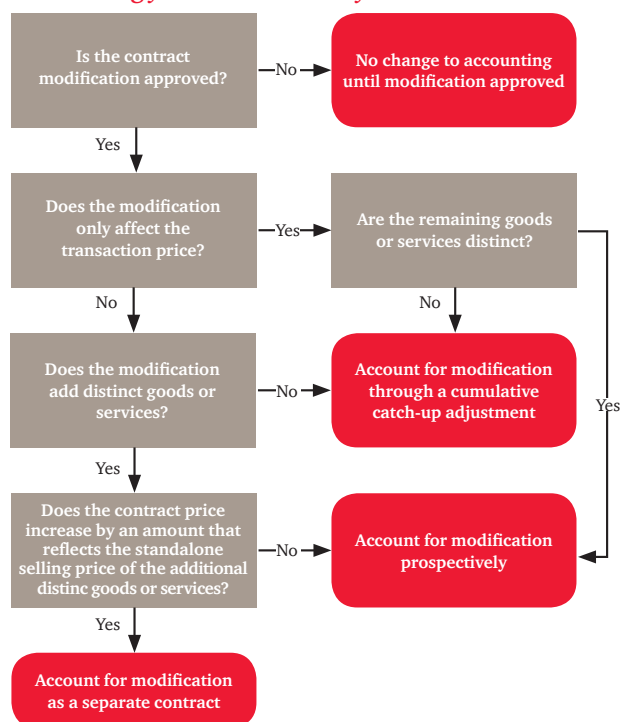


Figure 3
Costs to fulfil contract recognition model overview

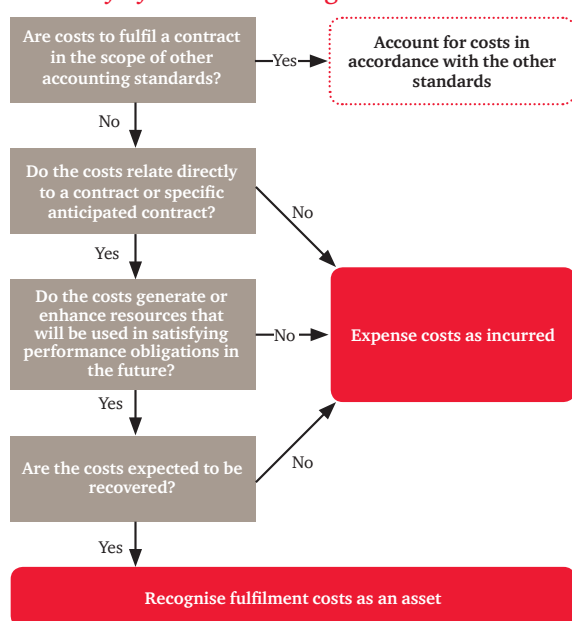


Figure 5
Accounting for call and forward options under repurchase agreements

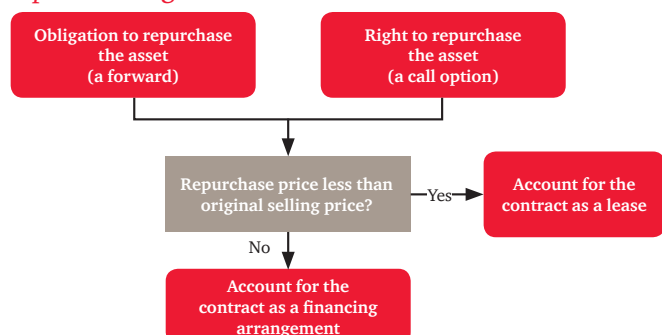


Figure 2
Costs to obtain contract recognition model overview

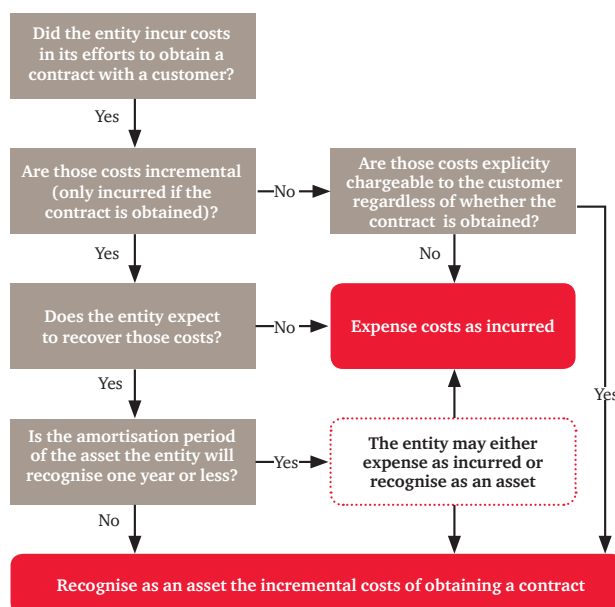


Figure 4
Accounting for warranty obligations

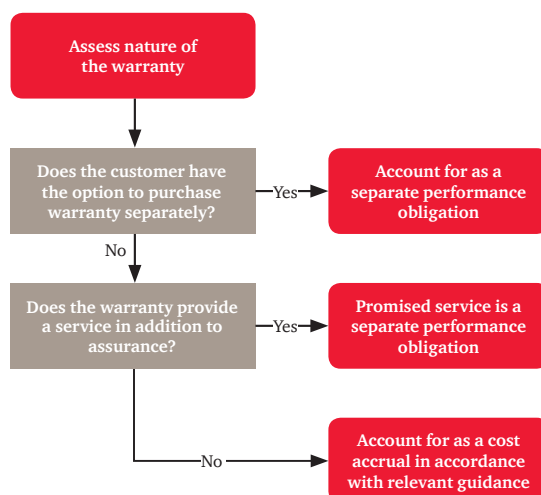
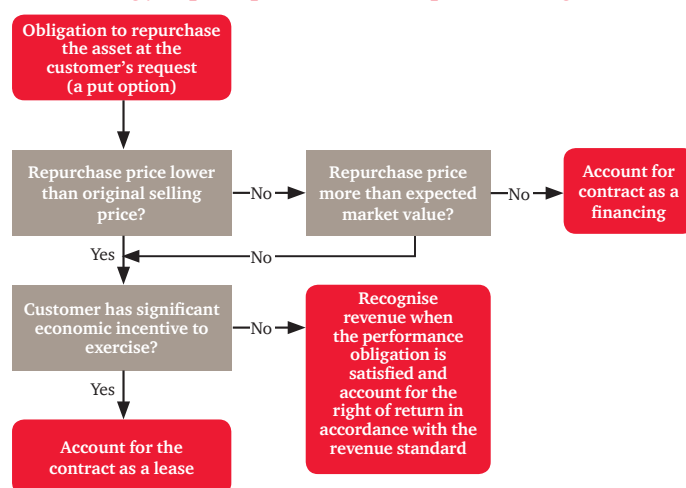


Figure 6
Accounting for put options under repurchase agreements



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