

**From:** [Mavis YS HO](#)  
**To:** [P.T. Comment Letter](#)  
**Subject:** IASB Request for Information: Post-Implementation Review of IFRS 15 Revenue from Contracts with Customers  
**Date:** Monday, 18 September 2023 2:46:40 pm  
**Attachments:** [image001.png](#)

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Dear Sir / Madam,

Below please find our comments on the captioned matter for your perusal:

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According to IFRS15 “Revenue from Contracts with Customers” (paragraph 16), an entity shall recognise the consideration received from a customer as a liability until one of the events take place:

(i) When a contract with a customer does not meet the criteria set out in paragraph 9 of IFRS 15 and either (A) the entity has no remaining obligations to transfer goods or services to the customer and all or substantially all of the consideration promised by the customer has been received by the entity and is non-refundable, or (B) the contract has been terminated and the consideration received from the customer is non-refundable; or

(ii) when the criteria set out in paragraph 9 of IFRS 15 are subsequently met.

In the application guidance (B44-B47), IFRS15 provides guidance that where non-refundable prepayment has been received, an entity shall recognise the expected breakage amount as revenue either in proportion to the pattern of rights exercised by the customer or when the likelihood of the customer exercising its remaining rights becomes remote (depending on whether the entity expects to be entitled to the breakage amount in a contract liability).

Paragraph 110 of IFRS 15 provides that an entity shall disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including the significant judgments, and changes in the judgments, made in applying IFRS 15 to those contracts.

It is observed that some entities have recognised significant breakage revenue in relation to customers’ unexercised rights but have made limited disclosure on their recognition basis, including, without limitation, (i) whether the relevant customers have remaining rights at the time of recognition of the breakage revenue or as at the end of the financial reporting period, and (ii) if so, (a) the details of the remaining rights, (b) the basis on which the likelihood of any such customers exercising the remaining rights is considered remote by the entity based on its assessment, and (c) the extent to which such remaining rights were exercised by the customers (contrary to the entity’s assessment) after the recognition of the relevant breakage revenue before the date of the auditors’ opinion.

It would appear useful for IASB to consider providing further guidance in this regard, such as examples of useful disclosure on the recognition basis of breakage revenue and the associated uncertainties for compliance with paragraph 110 of IFRS 15 (for example, items (i) and (ii) described in the preceding paragraph).

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Thank you.

Best regards,

Mavis

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