Indian Journal of Accounting (IJA)
ISSN : 0972-1479 (Print) 2395-6127 (Online) Vol. 50 (2), December, 2018, pp. 22-30

REVENUE RECOGNITION FOR LONG-TERM CONTRACTS UNDER IFRS 15: AN ANALYSIS WITH REFERENCE TO THE REAL ESTATE COMPANIES IN BANGLADESH

Dr. Bidhan Chandra Mazumder*
Dr. Kanchan Kumar Purohit**

ABSTRACT

Accounting practices for revenue recognition for long-term construction contracts was followed under two separate standards, IAS 11: Construction Contracts and IAS 18: Revenue, until recently guided in concrete by the IASB, one of the main standard setting bodies in the world. The FASB, another giant standard setting body in the USA, on the other hand, guided the same with the same purpose by formalizing different rules in detailed. Realizing the importance of bringing convergence in the issues concerned, that were getting complicated day-by-day, IASB and FASB finally introduced a new standard on revenue recognition, IFRS 15: Revenues from Contracts with Customers by repealing all existing standards related to this purpose. This article aims to highlight on a review basis the state of practicing this new standard as to revenue recognition for long-term contracts with special reference to the real estate companies of Bangladesh. It is revealed that the real estate companies to a great extent follow IAS 11 and that adoption of IFRS 15 was not mandatory till 1 January 2018. As it has been made mandatory from 1 January 2018, the companies reportedly are committed to adopt the same and some preparations are reportedly made to this end.

KEYWORDS: *IASB, IAS 11, IFRS 15, IAS 18, FASB, Accounting Practices.*

Introduction

Revenue recognition, to depict the transfer of promised goods or services to customers in an amount, interferes with the process of assessment. In an uncertain world with imperfect and incomplete markets (financial crisis), no particular measurement objective should be regarded as having a monopoly, and different measurements should be regarded as complementing one another (Oncioiu and Tănase, 2016). Recognition of revenue for a long-term contract also requires some measurement with some sound rules so that profits and losses over a long period of time and tax liability can be calculated based on those rules. For this, it was felt necessary that the timing of revenue recognition may need to change in the near term preparing IFRS (International Financial Reporting Standard) financial statements (Cross, 2017).IAS (International Accounting Standard) 11,very recently(on 1 January 2018)became former standard for construction contracts. In the past, this standard was considered sufficient to achieve progressive revenue recognition over time where an arrangement met the definition of a construction contract. But the practitioners realised and thereafter the preparers of the standard carefully considered that the revenue recognition over time would not actually be appropriate if the customer did not enjoy recurring services from the contract, or the assets were not built at customer sites, or the customer did not hold the right for use of the asset only by him/her. As a result, the IASB (International Accounting

G Associate Professor of Accounting, University of Chittagong, Chittagong, Bangladesh.
** Professor of Accounting, MBA; FCMA; CPA Conestoga College Institute of Advanced Learning and Technology, ON, Canada.

Standards Board) and the FASB (Financial Accounting standards Board) jointly released a new standard in order to get clear understanding about revenue recognition of a long-term construction contract named IFRS 15: Revenues from Contracts with Customers. IFRS 15 prescribes detailed guidance for revenue recognition both over time and at a point in time. Thus the application of IFRS 15 on or after 1 January 2018 ceased the use of some specific standards, the most mentionable ones are IAS 11: Construction Contracts and IAS 18: Revenue, and will appear as a single set of accounting standard for revenue recognition for long-term contracts with full convergence.

Under the above backdrop, it is expected that the users of financial information will get more convergence with IFRS 15 as to revenue recognition for long-term contracts. This study attempts to examine this aspect by a comparative analysis of IFRS 15 with IAS 11.The analysis has been made by reviewing the existing literature and evaluating typical example relating to the real estate businesses in Bangladesh that are typical for their contracts with customers of a long-term nature. The organization of this paper has been made by splitting off it into seven sections. The introduction is in the first section followed by the objectives, methods, literature review of the relevant standards, comparative analysis of revenue recognition under IAS 11 and IFRS 15 with a special attention to the practice of real estate companies of Bangladesh, concluding remarks and implications, and references. An abstract of this paper has also been taken place at the top.

Objectives of the Study

The main objective of this study is to evaluate the structure and guidance as to revenue recognition for long-term contracts under IFRS 15. To this end, the following aspects have been examined:

- Reviewing the provisions of IAS 11 and IFRS 15;
- Highlighting the improvement of IFRS 15 over IAS 11 with respect to revenue recognition for long-term construction contracts;
- Scrutinizing as to whether the real estate companies in Bangladesh are practicing the accounting process as prescribed in IFRS 15; and
- Focusing on the implications of IFRS 15 to the businesses engaged in long-term construction contracts and the challenges faced that need to be overcome for its easy admissibility and application.

Methods of the Study

This study is basically based on relevant literature available in the human communication records, such as books, journals, and materials on websites. The contents of IAS 11 (in Bangladesh it was renamed as Bangladesh Accounting Standard, BAS 11 and IFRS 15 (in Bangladesh it has been renamed as Bangladesh Financial Reporting Standard, BFRS15)have been studied meticulously for this purpose. A metaphorical example related to the accounting practices of long-term construction contracts for revenue recognition under IFRS 15 and IAS 11 has been developed to indicate the differences between these two standards. Further, for evaluating the use of IFRS 15 in real estate business in Bangladesh, an in-depth search has been made on the Internet for reviewing the annual reports prepared for the period of 2016 and 2017 (i.e. before 1 January 2018) of some listed and unlisted real estate companies in Bangladesh. However, due to unavailability of published financial reports of unlisted companies, a sample of 25 companies located in Dhaka and Chittagong has been randomly selected where telephonic contacts with the concerned officials of those companies were made to collect the relevant information. With this limitation as to the published information of unlisted real estate companies, this study also suffers from its limitations as to coverage of all aspects of IFRS 15. Against this backdrop of preliminary aspects of the study, the following sections are devoted to depict the important features of old standard AS 11 and the new standard IFRS 15.

IAS 11 and IFRS 15 – An Overview

- **IAS 11: Construction Contracts**

IAS 11 is set out with an objective of prescribing the accounting treatment of revenue and costs associated with construction contracts. This standard applies only to the contractor, i.e. the entity carrying out the work; it does not apply to the customer for whom the work is being carried out (ICAEW, 2008).

Under IAS 11, contract revenue and costs should only be recognized, using percentage of completion method, where the outcome of the contract can be measured reliably (ICAEW, 2008). This means that revenue, expenses and therefore profit are recognized gradually as contract activity occurs over time. Actually, the principal concern of IAS 11 is how to allocator venue and costs to the different accounting periods to reflect the reality of the construction activity as it takes place (ICAEW, 2008). When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately (PwC, 2017). Here the loss should not be deferred until the project is completed or spread over the period of the contract. This means that when a loss has been identified, there is no need to estimate the contract's stage of completion (ICAEW, 2008).

- **IFRS 15: Revenues from Contracts with Customers**

The backdrop of IFRS 15 is the long-awaited converged accounting standard on revenue recognition issued by the combined effort of the IASB and the FASB which replaces the standards used until recently for the same purpose under U.S. GAAP (United State Generally Accepted Accounting Principles), IAS 18 and IAS 11. A single new five-step revenue recognition model emerged by the introduction of IFRS 15 based on the principle that revenue is recognized when control is transferred to the customer. As a result, the companies in the real estate and property construction and development industry in the world, and so also in Bangladesh, may confront strong challenges while applying this new standard in the areas where IAS 11, IAS 18 and other related standards were not unerringly organized.

The biggest area of impact of IFRS 15 on the real estate and property construction and development industry is inthe accounting practice for revenue recognition – over time (spread between the periods during contract duration) or at a point in time (upon completion of the contract) (Silvia, n. d.).Against this backdrop, the most significant challenges the real estate managers and developers are going to confront are the new accounting practices - the five-step revenue recognition model prescribed by IFRS 15and relevant more disclosures. These five steps in the model are 1) identifying the contract with a customer, 2) identifying the performance obligations in the contract, 3)determining the transaction price of the contract, 4) allocating the transaction price to separate performance obligations, and 5) recognizing revenue as the entity satisfies a performance obligation (BDO, 2016a)

Due to these new and revised guidelines in IFRS 15,the real estate companies in Bangladesh may need to commit for more disclosures than earlier. However, there are no qualms in this point of view that the business operators of real estate industry are in transition as to this new standard and thus they may need some times to get accustomed with. Till then it needs to address the loose proximity within its scope, if any, for which it gets slow in action. Against this backdrop, a comparative analysis is made in the following section highlighting the improvement in IFRS 15 over IAS 11 as to revenue recognition and the disclosure requirements for revenue, assets, and liabilities.

Comparative Analysis

- **IAS 11 vs. IFRS 15: Revenue Recognition for Long-term Contracts**

The most notable change for long-term construction contracts for revenue recognition is the timing and process and that under IAS 11, for all contracts that meet the definition of a construction contract, an entity recognizes revenue and profits over time by reference to the stage of completion of the contract activity (KPMG, 2014), but IFRS 15 clearly defines that revenue is recognized when, or as, performance obligations are satisfied through the transfer of control of a good or service to a customer, i.e. at the point in time. IFRS 15 does not allow any automatic right to recognize revenue over time on a progressive basis for long-term construction contracts unless at least one of the following criteria is met and the entity is able to estimate progress toward completion(KPMG, 2014): i) the customer simultaneously receives and consumes the benefit provided by the entity's performance as the entity performs (in case of routine or recurring services); ii) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (in case of building an asset on a customer's site); or iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date (in case of building a specialized asset that only the customer can use, or building an asset to a customer order). In essence, it can be added that the entities that currently use percentage of completion or proportional performance method will need to reassess under IFRS 15 whether to recognize revenue over time or at a point in time. To apply the new criteria, an entity will need to evaluate the nature of its performance obligations and review its contract terms, considering what is legally enforceable in its jurisdictions (KPMG, 2016).An example can be cited here to show how the change in the contractual terms can drastically affect a real estate company's revenues.

- **Typical Example:** It is supposed that X Company gets two contacts with two different clients, A and B, for the apartment buildings of identical shape and price of TK. 5,000,000 per apartment. The contract with A is cancellable and with B is non-cancellable. The contract period is two years from the date of contract. As per the IFRS 15 guidelines for revenue recognition, X Company will recognize the revenue at a point in time for Contract A and over time for Contract B, because at least third criterion mentioned above is met in Contract B but none is met in Contract A. But IAS 11 requires that the revenue for both Contract A and Contract B will be recognized over time. Further, if the percentage of work completion is 40 percent in Year 1 and 60 percent in Year 2, the revenue recognition pattern for Contract A and Contract B under IAS 11 and IFRS 15 as will feature can be seen from the comparative Table 1 as presented below.

Table 1: Revenue Recognition for Contracts Under IAS 11 and IFRS 15

Period	IAS 11		IFRS 15		
	Revenue for				
	Contract A and Contract B		Contract A	Contract B	
Figure in million Taka					
Year 1	2	40 percent of 5	0	2	40 percent of 5
Year 2	3	60 percent of 5	5	3	60 percent of 5
Total	5	100 percent	5	5	100 percent

Source: Typical example and authors' calculation. Under percentage of completion method used for recognising revenue over time, the entity will determine whether input (cost-to-cost) or output (units-of-production) method would be appropriate to depict its performance under the contract.

Table 1 reveals that the amount of revenue collection is the same (over time as per their percentage of completion), TK. 2,000,000 in Year 1 and TK. 3,000,000 in Year 2for both the Contracts, A and B, under IAS 11 though the contracts are not identical in terms of their performance obligation done, cancellation clause, using right, etc. On the other hand, IFRS 15 clearly defines the contacts first, and then allows the company to recognize revenue of TK. 5,000,000 at a point in time (at the end of project completion, i.e. when the building is delivered to client A) for Contract A and over time (as per the performance completed to date, i.e. the percentage of completion) of TK. 2,000,000 in Year 1 and TK. 3,000,000 in Year 2 for Contract B. Here timing of revenues matters in cases of the payment of taxes, payment of dividends, financial ratios, etc. which will differ from one contract to another. Moreover, it is usual that customer is obliged to pay for work completed to date in the reasonable amount, at the same time, it is also crucial to assess whether the real estate company has an enforceable right to payment for performance completed to date or not. Apart from this, making sure that the contract for the assets created by the real estate company will not have alternative use, i.e. the contract prevents directing the assets to another customer, is also crucial. In this circumstance, it is clear that IFRS 15 paves the more explicit way to recognize the revenue of construction contract than IAS 11. In addition to addressing revenue recognition, IFRS 15 also addresses the requirements of contract costs for accounting purpose. The following section briefly highlights in this respect.

- **Contract Assets and Contract Liabilities**

IFRS 15 is explicit in requiring certain costs to be capitalized and is prescriptive on the nature and conditions that must be met, which may lead to entities capitalizing more costs than in the past (BDO, 2016b). IFRS 15 also specifies the accounting treatment for certain costs an entity incurs in obtaining and fulfilling a contract to provide goods and services to customers for both contracts obtained and contracts under negotiation. However, the requirements in IFRS 15 only apply if another standard does not apply to those costs. IAS 11 permits a broader range of pre-contract costs to be capitalized, i.e. not just those that are incremental, when it is probable that the contract will be obtained (KPMG, 2014). But IFRS 15 allows incremental costs of obtaining a contract and fulfillment costs to be capitalized and recognized as an asset if the entity expects to recover them. IFRS 15 also specifies how to account for costs incurred in fulfilling a contract that are not in the scope of another standard. Costs to fulfill a contract that is accounted for under IFRS 15 are divided into two categories: i) those that give rise to an asset; and ii) those that are expensed as incurred. Under this new standard, entities will recognize an asset when costs incurred to fulfill a contract meet all of the following criteria (BDO, 2016b): i)the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify, ii) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future, and iii) the costs are expected to be recovered. So construction in progress is an asset under IFRS 15 and progress billings is a liability for construction contract. In this regard, for clarity, it may be useful to show how IFRS 15 lets the entities present contract assets and contract liabilities in their statement of financial position.

- **Presentation of Contract Assets and Contract Liabilities:** IFRS 15 is based on the notion that a contract asset or contract liability is generated when either party to a contract performs. IFRS 15also requires that an entity shall present the performance of a contract in the balance sheet as a contract asset or contract liability, depending on the relationship between the performance done by the entity by transferring goods and services and the payment of consideration made by the customer to the entity at the reporting date. Chart 1below shows clearly when IFRS 15 requires contract assets and contract liabilities to be recognized and presented in the balance sheet.

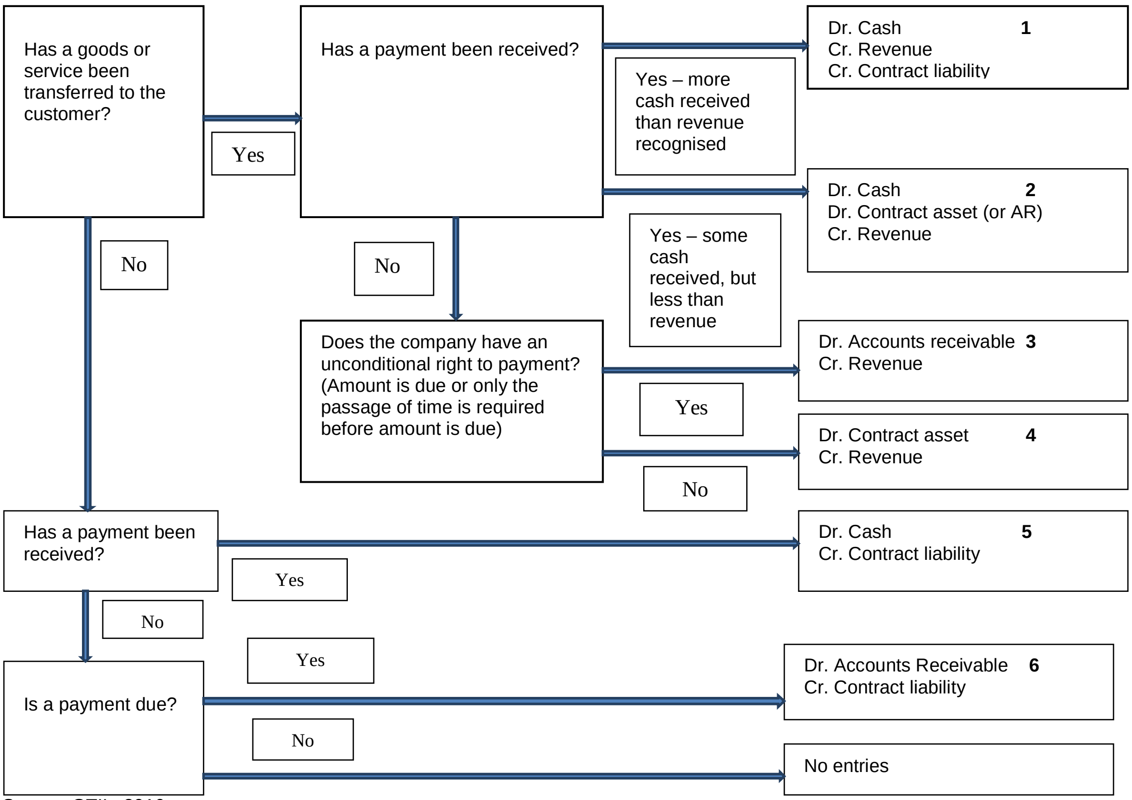
Chart 1: Recognition of Contract Assets and Contract Liabilities

(Net) contract asset If rights >obligations	←	Rights (conditional) and Obligations	→	(Net) contract liability If obligations > rights

Source: KPMG, 2016.

Chart 1 reveals that a conditional right to consideration be considered as a contract asset if it exceeds the performance obligation, on the contrary, a performance obligation be considered as a contract liability if it exceeds the right. But any unconditional rights to consideration shall be presented separately as a receivable (GTIL, 2016).In this respect, a summary presentation of the circumstances as to the flow of various assets (cash, receivables, and contract assets) and liabilities (contract liabilities) of a contract under IFRS 15 can be seen from Chart 2 as show below.

Chart 2: Circumstances under which various assets and liabilities of a contract arise under IFRS 15



Source: GTIL, 2016.

It is seen from Chart 2 that entries 1, 5, and 6 will be passed if an entity presents a contract as a liability whenever the consideration received (or due) from the customer exceeds the revenue recognized for performance to date. On the contrary, entries 2, 3, and 4 will be given if the entity recognizes either a contract asset or a receivable for transferring goods or services as of the reporting date which is not yet paid for by the customer. An entity recognizes a receivable to the extent that only the passage of time is required before payment of the amount is due; otherwise, it recognizes a contract asset. Under current accounting standards, entry 6 is discouraged based largely on a definition on deferred revenue that focuses on the receipt of cash in advance of revenue being recognized. But under IFRS 15, entities will be required to recognize this entry whenever an amount is due under a contract (but not yet received) and performance has not yet occurred. This will represent a change in practice for many (GTIL, 2016). Though IFRS 15 does not specifically consider the loss-making contracts, it seems to be important to focus on the necessary provisions that are relevant to accounting of such contracts.

- **Loss-Making Contracts**

IAS 11 sets out how to account for expected contract losses, but no guidance is contained in IFRS 15, rather it refers to IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Two types of losses can occur under long-term contracts:

- Loss in current period on a profitable contract: This condition occurs when, during construction, there is a significant increase in the estimated total contract costs but the increase does not eliminate all profits on the contract. Under the percentage of completion method only, the estimated cost increase requires a current-period adjustment of excess gross profit recognized on the project in prior periods. This adjustment is recorded as a loss in the current period because it is a change in accounting estimate (Kieso et. al., 2016).
- Loss on an onerous contract: IAS 37 requires a provision to be recognized for an onerous contract. Under IAS 37, an entity considers only the unavoidable costs of fulfilling an obligation when identifying onerous contracts. But the costs that are not considered unavoidable are expensed as incurred under IAS 11 because they are considered to be the costs to operate the business. This distinction between what is and isn't considered unavoidable may have a significant impact on whether a contract is considered onerous and how a contractual loss is calculated (KPMG, 2014), that is,the timing for when these losses from loss-making contracts are recognized and how they are measured. Here the recognition guideline for the entire loss that is expected on the contract is that the loss must be recognized in the current period (Cross, 2017). Now the disclosure requirements as given by IFRS 15 are summarized in the ending part of this section.

- **Disclosures under IFRS15**

IFRS 15 requires additional qualitative and quantitative disclosures about contracts with customers which are not included in IAS 11. Many of these requirements are narrative in nature. However, Table 2 below depicts a summary of the most significant disclosures entities need to disclose under IFRS 15.

Table 2: A summary of disclosures for long-term contracts under IFRS 15

Disclosure areas for long-term contracts
Revenue recognized from contracts with customers
Disaggregation of revenue
Information about contract balances
Information about performance obligations
Information about significant judgments
Assets recognized from the costs to obtain or fulfill a contract

Source: Watchman, 2014.

In addition, reconciliations between opening and closing contract balances are required in respect of contract assets and contract liabilities; revenue recognized in the reporting period that was included in the contract liability (i.e. billings in advance) balance at the beginning of the period; and revenue recognized in the reporting period from performance obligations satisfied in previous periods (KPMG, 2014).Updates and changes, however, to the systems and processes of entities may be required to ensure that they are able to comply with the disclosure requirements (DTTL, 2015).

Revenue Recognition in the Real Estate Companies of Bangladesh: Analysis

Real estate business in Bangladesh started its journey in the private sector inmid-60swhen EHL (Eastern Housing Ltd.)undertook land development project for the first time in Dhaka. But due to the construction boom and increasing number of high-rise buildings in the major cities of the country, mainly Dhaka and Chittagong, it has got its real motion in the near past. Owners of this business then formed an association named REHAB (Real Estate and Housing Association of Bangladesh) in 1991 with only 11 members in order to bring all concerned issues of their interest under an umbrella. In 2016, its membership number has been raised to 1151 (REHAB, n. d.).Among them, only EHL was found to go public through two stock markets, DSE (Dhaka Stock Exchange) and CSE (Chittagong Stock Exchange).

- **Accounting Practices with Reference to IFRS 15**

To examine the position of real estate companies in Bangladesh as to the accounting practice of IFRS 15, the authors attempted either to study their financial reports published before 1 January 2018 or to contact to the concerned officials of those companies in case of unavailability of published reports. 1 January 2018 is seen as the turning point, because the application of IFRS 15 must be followed compulsorily by the entities for construction business on or after this date. It was revealed in the field study that EHL, the only listed real estate company so far in Bangladesh, produced the published financial reports every year. But all other real estate and housing companies registered with REHAB neither publish their financial activities and results nor make reports by month, quarter or year. As a result, the authors could extensively study the EHL's annual reports prepared for the year of 2016 and 2017 (EHL used the period of 2015-2016 and 2016-2017). Table 3 below depicts the position of EHL as to following the accounting standards relevant to recognition and disclosure of contract revenue, work completion, and cost incurred for work completion during the above mentioned period.

Table 3: EHL's Position as to Practice Accounting Standards for Construction Contracts

Accounting Standards	EHL's Position	
	2015-2016	2016-2017
IAS 11: Construction Contract	Followed	Followed
IAS 18: Revenue	Followed	Followed
IFRS 15: Revenues from Contracts with Customers	Not Followed	Not Followed

Source: Annual Report 2016 (EHL, 2016) and 2017 (EHL, 2017)

It is revealed from Table 3 that EHL followed IAS 11 and IAS 18 but did not follow IFRS 15 as to revenue recognition for construction contract during last two consecutive reporting years 2015-2016 and 2016-2017, and in fact the application of IFRS 15 was voluntarily obligated until before 1 January 2018. It was further noticed that the disclosure of information relating to IAS 11, such as amount of work completion and cost incurred thereon was not clearly reported in the EHL's annual reports. In this context, it may be worth mentioning that WMSL (Western Marine Shipyard Ld.), though not a real estate company but an engineering company doing vessel construction business in Bangladesh, was found to be only the company listed both in the DSE and CSE that practiced IFRS 15 before 1 January 2018. Table 4 below depicts this picture.

Table 4: WMSL's Position as to Practice Accounting Standards for Construction Contracts

Accounting Standards	WMSL's Position	
	2015-2016	2016-2017
IAS 11: Construction Contract	Followed	Not Followed
IAS 18: Revenue	Not Followed	Not Followed
IFRS 15: Revenues from Contracts with Customers	Followed	Followed

Source: Annual Report 2015-2016 (WMSL, 2016) and 2016-2017 (WMSL, 2017).

Table 4 shows that in its annual reports, WMSL followed both IAS 11 and IFRS 15 as the accounting standards in reporting contract revenue recognition and for related disclosure in 2015-2016, and in 2016-2017.But nothing was mentioned about IAS 18 in either period. It was also found that despite stating IFRS 15, WMSL disclosed its contract revenues as needed to be estimated under IAS 11, i.e. percentage of stage of work completion, and cost incurred for work completion as percentage of completion. Further, due to unavailability of published financial reports, a sample of 25 unlisted real estate companies were requested over telephone to inform about their accounting practices as to contract revenue recognition and its disclosure. They reported that they applied IAS 11 and IAS 18 for construction contract revenue recognition until before 1 January 2018, and since it is made compulsory to apply IFRS 15 for the same purpose on or after the same date they will follow it henceforth. Their opinions as to adoption of IFRS 15 are shown in Table 5 below.

Table 5: Respondents' Opinion as to Follow IFRS 15

State of Opinion as to follow IFRS 15	Frequency	Percentage
Agree to follow IFRS 15 on or after 1 January 2018	25	100
Necessary training and other education completed for IFRS 15	15	60
Still continuing the training for IFRS 15	6	24
Yet to initiate any training for IFRS 15	4	16
Total	25	100

Source: Field survey.

Table 5 puts out that the respondents of the sample companies fully agreed to follow IFRS 15 on or after 1 January 218 as a part of the mandatory compliance of the same. 60 percent of the respondents reported that they have already completed necessary training and educational activities to concerned persons for practicing accounting processes under IFRS 15; 24 percent of them were continuing the training activities; and the remaining 16 percent yet to launch training and other activities. These 16 percent respondents further added that they would begin the practice of IFRS 15 by hiring the concerned experts and then would take necessary initiatives for enhancing the capabilities of its own resources in this regard.

Under the above backdrop, the authors got the real picture of accounting practices of both listed and unlisted sample real estate companies in Bangladesh in terms of IAS 11, IAS 18, and IFRS 15 during the period of 2016 and 2017. It is revealed that none of the sample companies started to adopt IFRS 15 for recognition of revenues from contracts with customers, instead, they were following IAS 11 and IAS 18 for the accounting practices with reference to revenue recognition until 2017. Respondents further reported that the compliance of IFRS 15 was left voluntary until before 1 January 2018. This is likely the main cause of unsatisfactory compliance of IFRS 15 made by the real estate companies in Bangladesh. However, the sample companies showed their strong commitments in favour of the compliance of IFRS 15 from 2018 onward.

Concluding Remarks and Implications

IFRS 15 addresses the issues relating to revenue recognition for long-term contracts. The entities in the IASB member countries and the USA(country of origin of the FASB) are to apply IFRS 15 for reporting periods beginning on or after 1 January 2018.Although this article does not address all aspects of the new standard, the authors have tried to highlight some important changes made in IFRS 15 over IAS 11. Companies can continue to evaluate how IFRS 15 might change current business activities, including contract negotiations, contract costs, contract modifications, taxes, budgeting, controls, etc. However, the success or failure of this new standard can only be determined after its implementation.

Further, real estate businesses in Bangladesh seem to commit strongly to adopt IFRS 15 from 2018 and to this end the real estate companies in Bangladesh can adopt IFRS 15 by using a simplified approach as suggested by PwC (2017). The approach refers to i) applying this standard to all existing contracts as of the effective date and to contracts entered into subsequently, ii) recognising the cumulative effect of applying IFRS 15 in the opening balance of retained earnings on the effective date, and iii) disclosing the impact of adopting the new standard on all affected financial statement line items in the period the standard is adopted. In fact, a real estate company using this simplified approach can fulfill the requirements of the new standard by disclosing this fact in its financial statements. Against this background, this review article is expected to be useful as an introduction to the academic readers as well as to the practitioners in concerned areas to perceive this new IFRS just at the beginning of its compulsory application in real life situation. Moreover, the authors also believe that reaction of real estate companies as to revenue recognition and the presentation of the same in the financial statements before and after the implementation of IFRS 15 can be revealed as an important issue for further studies.

References

- BDO (2016b). ASPE – IFRS: A comparison revenue, BDO Canada LLP, Canada, 1-19. Retrieved on 24 June 2017 from https://www.bdo.ca/getattachment/93a6e316-5205-4e40-93a9-d991f56e9de1/attachment.aspx/

- BDO (Binder DijkerOtte) (2016a). IFRS in practice 2017 -
- Cross, Craig (2017). Revenue recognition for construction contracts under IFRS 15, Collins Barrow. Retrieved on 23 June 2017 from http://www.collinsbarrow.com/en/cbn/publications/revenue-recognition-for-construction-contracts-under-ifrs-15
- DTTL (Deloitte Touche Tohmatsu Limited) (2015). Implementing IFRS 15 Revenue from Contracts with Customers, Deloitte Touche Tohmatsu Limited, London, 1-27. Retrieved on 27 June 2017 from file:///C:/Users/Lb140714/Downloads/IFRS%2015%20implementation-THL%20(1).pdf
- EHL (2016).Annual Report 2016. Retrieved on 4 April 2018 from http://lankabd.com/mubasherFileServer/File.Exchange_English_Reports/EHL%202015-2016%20Annual.pdf
- EHL (Eastern Housing Limited) (2017).Annual Report 2017. Retrieved on 4 April 2018 from http://lankabd.com/mubasherFileServer/File.Exchange_English_Reports/EHL%202016-2017%20Annual.pdf
- GTIL (Grant Thornton International Ltd.) (2016). Get ready for IFRS 15 - Recognising revenue in the real estate and construction industries, Grant Thornton International Ltd., August, 1-32. Retrieved on 8 September, 2017 from https://www.grantthornton.ca/resources/insights/adviser_alerts/Advisor_alert_Get-ready-for-IFRS-15-Real-estate-and-construction.pdf
- ICAEW (The Institute of Chartered Accountants in England and Wales) (2008). International Financial Reporting Standards, The Institute of Chartered Accountants in England and Wales, Milton Keynes, 361-372.
- IFRS 15 Revenue from contracts with customers, BDO IFR Advisory Limited, UK, 1-109. Retrieved on 23 June 2017 from https://www.bdo.global/getattachment/Services/Audit-Assurance/IFRS/IFRS-in-practice/IFRS15_print-(1).pdf.aspx?lang=en-GB
- Kieso, Donald E.,Weygandt, Jerry J., Warfield, Terry D., Young, Nicola M., Wiecek, Irene M. and McConomy, Bruce J. (2016). Intermediate Accounting, John Wiley & Sons Canada, Ltd., Vol. 1, 11th Canadian ed., 304-316,
- KPMG (2014).Impacts on the construction industry of the new revenue standard, KPMG IFRG Limited, UK, September, 1-15.Retrieved on 23 June 2017 from https://home.kpmg.com/content/dam/kpmg/pdf/2014/10/First-Impressions-O-201409-Impacts-on-the-construction-industry-of-the-new-revenue-standard.pdf.
- KPMG (Klynveld Peat Marwick Goerdeler) (2016). First Impressions: IFRS 15 Revenue, KPMG IFRG Limited, UK, April, 1-32. Retrieved on 23 June 2017 from https://www.in.kpmg.com/ifrs/files/first-impressions-revenue-IFRS15.pdf
- Oncioiu, Ionica and Tănase, Alin-Eliodor (2016). Revenue from contracts with customers under IFRS 15: New perspectives on practice, EuroEconomica, 35(2). Retrieved on 1 July 2017 from http://journals.univ-danubius.ro/index.php/euroeconomica/article/view/3636/3752
- PwC (PricewaterhouseCoopers) (2017). IAS 18, IAS 11 - Revenue and construction contracts, PricewaterhouseCoopers LLP, 15 February. Retrieved on 11 July, 2017 from https://inform.pwc.com/?action=informContent&id=0905082003182695
- REHAB (Real Estate Housing Association of Bangladesh) (n. d.). REHAB at a glance. Retrieved on 22 March 2018 from http://www.rehab-bd.org/index.php?page=rehab_at_a_glance.
- Silvia, M. (n. d.). IFRS 15 examples: How IFRS 15 affects your company. Retrieved on 4 June 2017 from http://www.ifrsbox.com/ifrs-15-examples/
- WMSL (2016). Annual Report 2015-2016. Retrieved on 4 April 2018 from http://www.wms.com.bd/wp-content/uploads/2014/06/WMShL-annual-report-2015-2016.pdf
- WMSL (Western Marine Shipyard) (2017). Annual Report 2016-2017. Retrieved on 4 April 2018 from http://www.wms.com.bd/wp-content/uploads/2018/01/Annual-Report-2016-2017-Final-version.pdf