



## **Information Note**

# **Requirement to disclose disaggregated revenue**

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### **Mission**

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest

# Information Note

## Requirement to disclose disaggregated revenue

### 1. Financial reporting requirements

Paragraphs 114 and 115 of IFRS 15 *Revenue from Contracts with Customers* require entities to disclose information regarding the disaggregation of revenue.

IFRS 15.114 and IFRS 15.115 state that:

- 114 An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87 – B89 when selecting the categories to use to disaggregate revenue.*
- 115 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies IFRS 8 Operating Segments ...'*

IFRS 15.B87 to B89 state that:

- B87 Paragraph 114 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Consequently, the extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances that pertain to the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in paragraph 114 for disaggregating revenue. Other entities may meet the objective by using only one type of category to disaggregate revenue*
- B88 When selecting the type of category (or categories) to use to disaggregate revenue, an entity shall consider how information about the entity's revenue has been presented for other purposes, including all of the following:*
- (a) disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations);*
  - (b) information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and*
  - (c) other information that is similar to the types of information identified in paragraph B88(a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions.*
- B89 Examples of categories that might be appropriate include, but are not limited to, all of the following:*
- (a) type of good or service (for example, major product lines);*
  - (b) geographical region (for example, country or region);*
  - (c) market or type of customer (for example, government and non-government customers);*
  - (d) type of contract (for example, fixed-price and time-and-materials contracts);*
  - (e) contract duration (for example, short-term and long-term contracts);*

- (f) *timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time); and*
- (g) *sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).*

## **2. Application of requirements**

As noted above, IFRS 15.114 and 115 require:

- (a) disclosure of the disaggregation of revenue into categories that depict how revenue and cash flows are affected by economic factors; and
- (b) that the disclosures must provide sufficient information to enable users to understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each operating segment.

## **3. Evaluation of extent of compliance by issuers**

In undertaking examinations of issuers' financial reports, IAASA has observed that some issuers have determined that the disaggregation of revenue by operating segment is appropriate in meeting the IFRS 15.114 and 115 requirements.

However, IAASA has also observed that some issuers have disclosed revenue information in the management report, preliminary announcements and/or investor presentations on a more disaggregated basis to that disclosed within the operating segment note or other notes within the financial statements. For example, one issuer disclosed in its operating segment note that it had disaggregated revenue over its three products lines; however, that same issuer had presented revenue numbers for four product lines within its investor presentation.

In such circumstances, it appears that certain issuers use other revenue information (beyond the segment disclosures) to evaluate their financial performance. In addition, IAASA has observed that these issuers do not appear to disclose sufficient information to allow users of the financial statements understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment [IFRS 15.115 refers].

## **4. Compliance with requirements**

Issuers are reminded of the disclosure requirements of IFRS 15.114 and 115.

On the basis that issuers have provided more disaggregated revenue information outside of the financial statements, IAASA has challenged issuers' disaggregation of revenue disclosures that are provided within the financial statements. For example, IAASA has requested issuers to explain why further disaggregation of revenue was not provided within the notes to the financial statements.

IAASA also reminds directors and Audit Committees that they need to consider the revenue information that is presented outside the financial statements (e.g. in investor presentations or in management reports) when considering the presentation of '*categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.*'

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