IFRS 15 for airlines
Are you good to go?

Application guidance

June 2017
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Purpose of this document

What is Good to go?

IFRS 15 Revenue from Contracts with Customers may change the way airlines account for air tickets, cargo airway bills, loyalty points and other contracts. In the past, when major IFRS change has led to large-scale implementation projects, management at companies – usually group financial controllers – have asked us ‘How will I know when we’re done?’

To help answer that question, we’ve created a SlideShare accompanied by this guide that list the key considerations that all airlines need to focus on to get to the finish line.

Each section within this guide deals with a different issue and considers:

– the new requirements; and

– how they differ from existing requirements.

More information

Please refer to the back of this publication for further resources to help you apply the new standard’s requirements.
What may change?

This document focuses on the following areas that may result in a change in practice for airlines on adoption of IFRS 15.

**Ticket breakage**

The new standard’s guidance on accounting for breakage may result in earlier revenue recognition by airlines in some circumstances compared with current practice. Although many airlines may be able to recognise breakage before ticket expiry, no breakage can be recognised before the scheduled flight date. See Section 1.

**Loyalty programmes**

For loyalty points that are granted for travel with the airline or for qualifying purchases with airline partners, allocation of revenue to loyalty points may change because the residual method may no longer be available. See Section 2.

The more extensive guidance in the new standard on identification of performance obligations means that there may be other promises in a contract that are accounted for as separate performance obligations – e.g. loyalty points that are sold to non-airline partners. The measurement of the loyalty points may also change because under the new standard, it is based on the stand-alone selling price rather than the relative fair value of the loyalty points, as is the case under IFRIC 13 Customer Loyalty Programmes. See Section 3.

Other aspects of loyalty programmes for airlines to consider are covered in Section 4.

**Ancillary revenue and change fees**

The timing of revenue recognition of ancillary revenue and change fees may alter. Many change fees may not be a separate performance obligation under the new standard so may no longer be recognised as revenue when the change is requested and the fee is charged. Under the new standard, change fees are accounted for together with those for travel services. See Section 5.

**Interline cargo revenue**

An airline that engages in interline cargo transportation needs to assess whether it is acting as principal or agent. This assessment may change under the new standard as a customer’s credit risk for the amount receivable is no longer an indicator when determining whether an airline is a principal or an agent. Depending on the facts and circumstances, this may change the presentation of interline cargo revenue. See Section 6.
Travel vouchers

Airlines need to consider whether travel vouchers are accounted for as variable consideration or as a customer option, based on the specific facts and circumstances. In many cases, travel vouchers reduce the amount of revenue for the original travel and may not be expensed when granted. See Section 7.

Holiday packages

The new standard contains more extensive guidance on identification of performance obligations. An airline offering holiday packages considers the number and nature of performance obligations that are accounted for separately. For each performance obligation, an airline considers whether it is acting as principal or agent, as well as the timing of revenue recognition for each performance obligation. The amount and/or timing of revenue recognition for holiday packages may change for some airlines. See Section 8.
Air tickets - breakage

Overview

Airlines usually sell tickets in advance for full consideration. Some tickets are not used for travel and cannot be exchanged or refunded. Certain flexible air tickets include a right to re-schedule if the customer does not fly on the scheduled flight date, but the customer may decide not to travel. Those partially or wholly unused tickets are often referred to as ‘ticket breakage’. Judgement is required when determining whether it is appropriate to recognise ticket breakage.

Requirements of the new standard

An entity recognises a prepayment received from a customer as a contract liability and recognises revenue when the promised goods or services are transferred in the future. However, a portion of the contract liability recognised may relate to contractual rights that the entity does not expect to be exercised – i.e. a breakage amount.

The timing of revenue recognition for breakage depends on whether the entity expects to be entitled to a breakage amount – i.e. if it is highly probable that recognising breakage will not result in a significant reversal of the cumulative revenue recognised.

An entity considers the variable consideration guidance to determine whether – and to what extent – it recognises breakage. It determines the amount of breakage to which it is entitled as the amount for which it is considered highly probable that a significant reversal will not occur in the future. This amount is recognised as revenue in proportion to the pattern of rights exercised by the customer when the entity expects to be entitled to breakage. Otherwise, the entity recognises breakage when the likelihood of the customer exercising its remaining rights becomes remote.

These requirements are discussed further in Chapter 10.5 of our Revenue Issues In-Depth publication.

How does this approach differ from existing requirements?

Current IFRS does not contain specific guidance on the accounting for breakage. In our view, an unredeemed amount should be recognised as revenue if:

- the amount is non-refundable; and
- an entity concludes, based on available evidence, that the likelihood of the customer requiring it to fulfil its performance obligation is remote (see 4.2.440.20 of Insights into IFRS, 13th Edition).

Under the new standard, revenue for ticket breakage may sometimes be recognised earlier by airlines compared with current practice. Although many airlines will be able to recognise breakage before ticket expiry, no breakage can be recognised before the scheduled flight date.
Application of the new requirements

**Systems’ ability to provide reliable data for estimates**

The key test for recognising ticket breakage revenue is whether it is highly probable that doing so will not result in a significant revenue reversal in the future. Therefore, an airline needs to be able to make sufficiently reliable estimates. To achieve this, an airline’s systems must be able to track, analyse and provide reliable data based on historical information.

If an airline’s systems do not provide sufficiently reliable data for estimating ticket breakage, then it cannot recognise ticket breakage revenue until the ticket expires.

**Estimates need to consider ticket sale terms**

An airline may offer a range of fares for the same flight depending on various factors, including but not limited to:

- the class of travel – e.g. first, business or economy;
- services offered on the flight – e.g. check-in luggage, reserved seat, food and drink; and
- the customer’s ability to change the travel dates or cancel the flight.

In developing estimates about ticket breakage, an airline needs to consider the ticket sale terms and treat similar tickets in the same way.

**Breakage does not constitute variable consideration**

Although an entity considers the variable consideration guidance to determine the amount of breakage, breakage itself is not a form of variable consideration, because it does not affect the transaction price. It is a recognition, rather than a measurement, concept under the new standard.

An entity can use a portfolio of similar transactions as a source of data to estimate expected breakage for an individual contract if it has a sufficiently large number of similar transactions or other history. This is not the same as using the portfolio approach.
Example – Airline expects ticket breakage and can estimate it reliably

Airline B sells 100 non-refundable, flexible tickets for a flight from London to Melbourne. The price of each ticket is 1,000. If a customer does not fly on the scheduled flight date, then it can reschedule the flight within 12 months at no additional charge. B’s historical data indicates that:

- 5% of customers purchasing tickets with similar terms do not fly on the scheduled flight date;
- 20% of these customers – i.e. 1% of total sales – book an alternative flight within the 12-month period; and
- 80% of these customers – i.e. 4% of total sales – never exercise their rights before expiry.

Based on the historical data, B estimates that for these 100 tickets, 95 customers will fly on the scheduled date, one customer will reschedule the flight and four customers will not take their flight – i.e. the estimated breakage is 4,000 (4% x (100 x 1,000)).

B can reasonably estimate the amount of breakage expected and it is highly probable that including the amount in the transaction price will not result in a significant revenue reversal. Therefore, B recognises the estimated ticket breakage of 4,000 in proportion to the pattern of exercise of the rights by the customers as follows.

- On the date of the flight – 3,958 (95,000/96,000 x 4,000).
- When one customer takes the rescheduled flight – 42 (4,000 - 3,958).

Example – Airline cannot reliably estimate breakage

Airline D launches a new budget carrier, DJet, which offers flights from London to a small regional airport in Germany. D sells 100 non-refundable, non-changeable tickets priced at 150 each. Unused tickets expire 12 months after the scheduled travel date. D has no historical data for tickets sold on similar terms.

D concludes that it is unable to estimate the amount of breakage that, if included in the transaction price, would be highly probable of not resulting in a significant revenue reversal.

Therefore, D recognises ticket breakage for the 100 tickets sold only when the likelihood becomes remote that those customers not taking the flight on the scheduled date will exercise their rights. This may occur either on expiry of the ticket or earlier if there is evidence to indicate that the probability has become remote.
Air tickets – air travel and loyalty points

Overview

Many airlines operate customer loyalty programmes in which customers can earn loyalty points, either by travelling with the airline or making qualifying purchases with an airline partner. Customers can use the points to buy future travel, upgrade to a higher travel class or purchase goods from the issuing airline and/or its redemption partners. A customer loyalty programme that provides a customer with a material right is accounted for as a separate performance obligation. The key considerations in accounting for airline loyalty programmes are:

– estimating the stand-alone selling price of loyalty points; and
– allocating the transaction price to performance obligations for providing travel services and loyalty points.

Requirements of the new standard

Estimating stand-alone selling prices

The stand-alone selling price is the price at which an entity would sell a promised good or service separately to a customer. The best evidence of this is an observable price from stand-alone sales of the good or service to similarly-situated customers.

A contractually-stated price or list price may be the stand-alone selling price of that good or service, but this is not presumed to be the case.

If the stand-alone selling price is not directly observable, then the entity estimates the amount using a suitable method.

An entity considers all information that is reasonably available when estimating a stand-alone selling price – e.g. market conditions, entity-specific factors and information about the customer or class of customer. It also maximises the use of observable inputs and applies consistent methods to estimate the stand-alone selling price of other goods or services with similar characteristics.

The new standard does not preclude or prescribe any particular method for estimating the stand-alone selling price for a good or service when observable prices are not available, but describes the following estimation methods as possible approaches.
An entity may estimate the stand-alone selling price with reference to the total transaction price less the sum of the observable stand-alone selling prices of other goods or services promised in the contract. This is often referred to as the ‘residual approach’. The residual approach is appropriate only if the stand-alone selling price of one or more of the goods or services is highly variable or uncertain.

<table>
<thead>
<tr>
<th>Selling price</th>
<th>Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly variable</td>
<td>The entity sells the same good or service to different customers at or near the same time for a broad range of prices</td>
</tr>
<tr>
<td>Uncertain</td>
<td>The entity has not yet established the price for a good or service and the good or service has not previously been sold on a stand-alone basis</td>
</tr>
</tbody>
</table>

Under the residual approach, an entity estimates the stand-alone selling price of a good or service on the basis of the difference between the total transaction price and the observable stand-alone selling prices of other goods or services in the contract.

If two or more goods or services in a contract have highly variable or uncertain stand-alone selling prices, then an entity may need to use a combination of methods to estimate the stand-alone selling prices of the performance obligations in the contract. For example, an entity may use:

- the residual approach to estimate the aggregate stand-alone selling prices for all of the promised goods or services with highly variable or uncertain stand-alone selling prices; and then
- another technique to estimate the stand-alone selling prices of the individual goods or services relative to the estimated aggregate stand-alone selling price determined by the residual approach.
Allocating the transaction price

At contract inception, the transaction price is generally allocated to each performance obligation on the basis of relative stand-alone selling prices. However, when specified criteria are met, a discount or variable consideration is allocated to one or more, but not all, of the performance obligations in the contract.

After initial allocation, changes in the transaction price are allocated to satisfied and unsatisfied performance obligations on the same basis as at contract inception, subject to certain limited exceptions (see Chapter 5.4.3 of our Revenue Issues In-Depth publication).

These requirements are discussed further in Chapters 5.4.1 and 10.4.2 of our Revenue Issues In-Depth publication.

How does this approach differ from existing requirements?

Similar emphasis on use of observable inputs

Under current IFRS, our view is that a cost plus a margin approach should generally be applied only when it is difficult to measure the fair value of a component using market inputs when there are few market inputs available (see 4.2.60.110 of Insights into IFRS, 13th Edition). This emphasis on the use of available market inputs – e.g. sales prices for homogeneous or similar products – is consistent with the new standard’s requirement to maximise the use of observable inputs.

Residual approach not restricted to delivered items

Unlike current guidance, the new standard requires specific conditions to be met for an entity to use the residual approach. In addition, the residual approach is used under the new standard as a technique to estimate the stand-alone selling price of a good or service, rather than as an allocation method. An airline that uses the residual approach may conclude that these conditions are not met and, therefore, needs to estimate the stand-alone selling prices of goods or services using alternative methods.

If it is appropriate to apply the residual approach under the new standard, then an airline is permitted to use it to estimate the stand-alone selling price of any promised goods or services in the contract, including undelivered items. This is a change from our current view that the reverse residual method is not an appropriate basis for allocating revenue (see 4.2.60.50 of Insights into IFRS, 13th Edition).
Treatment of customer loyalty programmes may change

The current IFRS guidance on customer loyalty programmes is broadly similar to the guidance in the new standard.

Under current IFRS, an airline can choose which method it wants to use to allocate the consideration between the travel service and the loyalty points, and many use the residual method to estimate the stand-alone selling price of the travel service. In contrast, the residual approach may no longer be available under the new standard because it can only be applied if certain criteria are met. Further, the measurement of the loyalty points may change because, under the new standard, it is based on the stand-alone selling price rather than the relative fair value, as under IFRIC 13.

Potential changes in the method to estimate stand-alone selling prices of loyalty points and/or allocate the consideration may result in a change in the allocation of revenue between the air ticket and the loyalty points.

Application of the new requirements

Systems’ ability to provide reliable data for estimates

Similar to ticket breakage, an airline needs to be able to make sufficiently reliable estimates to determine a stand-alone selling price for loyalty points. To achieve this, the airline’s systems and/or processes must be able to track, analyse and provide reliable data based on historical information.

An airline needs to review the redemption rates of loyalty points on a regular basis and adjust the estimate of its stand-alone selling price as necessary.

Residual approach may no longer be available

The residual approach is appropriate only if the stand-alone selling price of one or more goods or services is highly variable or uncertain. Although airfares usually fluctuate considerably over short periods of time, the residual approach is unlikely to be appropriate.
### Determining whether the stand-alone selling price of airfare is...

<table>
<thead>
<tr>
<th>Highly variable (Criterion 1)</th>
<th>Observable prices are not available.</th>
<th>Explanation</th>
</tr>
</thead>
</table>

- Prices are observable for the following reasons.
  - Airfares are sold on their own or bundled with loyalty points or other ancillary services. Observable price is available for all elements.
  - Airfares are available on websites or via travel agents for all flights, regardless of the variability in the individual fares.
  - Tickets within a class, with or without loyalty points, are generally sold at the same price to a customer. Points are allocated based on membership of a particular loyalty scheme.

<table>
<thead>
<tr>
<th>Other estimation techniques cannot be used.</th>
<th>Data on direct flight costs, historical yields of flights to similar routes and airfares are available. Other estimation techniques can be used.</th>
</tr>
</thead>
</table>

**Expected cost plus a margin approach** – Forecast the expected costs of satisfying a performance obligation and then add an appropriate margin for that good or service.

**Adjusted market assessment approach** – Evaluate the market in which goods or services are sold and estimate the price that customers in the market would be willing to pay.

### Uncertain (Criterion 2)

<table>
<thead>
<tr>
<th>The product is relatively new.</th>
<th>There is an established market for air tickets.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>The product is an existing product in a new market.</th>
<th></th>
</tr>
</thead>
</table>
Example – Loyalty points granted to programme members

Airline B offers the following customer loyalty programme.

– Programme members earn one point for every 10 that they spend with B.
– Each point is redeemable for future goods and services with value of 1 – e.g. flights or consumer goods.
– Loyalty points expire after 24 months if a programme member is inactive – i.e. there is no increase or decrease in the member’s loyalty point balance.
– B estimates the redemption rate of loyalty points at each reporting date based on its historical experience, which is assessed as being predictive of the amount of consideration to which B will be entitled. B’s current estimate is that 90% of loyalty points will be redeemed.

B sells Customer C an air ticket to fly from Singapore to Hong Kong for 1,000. C is a member of B’s customer loyalty programme.

The customer loyalty programme provides C with a material right because C would not receive the discount on future purchases by redeeming the points without buying the original air travel. Additionally, the price that C will pay on exercise of the points on its future purchases is not the stand-alone selling price of those items.

Because the points provide a material right to C, B concludes that the points are a performance obligation – i.e. C paid for the points when purchasing the air ticket. In determining the stand-alone selling price of the loyalty points, B considers the likelihood of redemption.

B allocates the transaction price between the air ticket and the points on a relative stand-alone selling price basis as follows.

<table>
<thead>
<tr>
<th>Performance obligation</th>
<th>Stand-alone selling prices</th>
<th>Selling price ratio</th>
<th>Price allocation</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air ticket</td>
<td>1,000a</td>
<td>91.7%</td>
<td>917</td>
<td>(1,000 x 91.7%)</td>
</tr>
<tr>
<td>Points</td>
<td>90b</td>
<td>8.3%</td>
<td>83</td>
<td>(1,000 x 8.3%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,090</strong></td>
<td><strong>100%</strong></td>
<td><strong>1,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes
a. Stand-alone selling price for the air ticket.
b. Stand-alone selling price for the points (1,000/10 x 90%).

B recognises revenue for the air ticket of 917 on the flight date and revenue of 83 for the points in proportion to the pattern of rights exercised by C.

B expects 90 points to be redeemed and recognises 0.92 (83/90 points) on each point when it is redeemed.
Overview
An airline may enter into various arrangements with non-airline partners – e.g. sale of loyalty points, provision of rights to access or rights to use its brand and/or its customer loyalty programme member list, advertising or other arrangements. Most arrangements allow airline customers to earn loyalty points by making qualifying purchases with the airline partner. As a result, the airline partner needs to purchase loyalty points from the airline and these arrangements normally include other performance obligations. The key considerations in accounting for arrangements with non-airline partners are:

- identifying performance obligations and their nature – e.g. whether the arrangement contains a sale or licensing of intellectual property (IP);
- allocating the transaction price; and
- the timing of revenue recognition.

Requirements of the new standard
Identifying performance obligations
A ‘performance obligation’ is the unit of account for revenue recognition. An entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer – i.e. each distinct good or service in the series is satisfied over time and the same method is used to measure progress.

At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute a performance obligation.
Promises to transfer a good or a service can be stated explicitly in a contract or implicitly, based on established business practices that create a valid expectation that the entity will transfer the good or service. Conversely, tasks that do not transfer a good or service to the customer are not separate performance obligations and are not included in the analysis – e.g. administrative set-up tasks.

These requirements are discussed further in Chapter 5.2 of our Revenue Issues In-Depth publication.

If an airline determines that the sale of loyalty points is not the only performance obligation in a contract with a non-airline partner, then it:

- determines the number and the nature of other performance obligation(s) – e.g. sale or license of IP, advertising services;
- considers the allocation of the transaction price to all performance obligations in the contract (see Section 2); and
- considers the timing of revenue recognition for each performance obligation in the contract (see Section 8).

**How does this approach differ from existing requirements?**

**More guidance on separating goods and services in the contract**

The new standard introduces comprehensive guidance on identifying separate components, which applies to all types of revenue-generating transactions. This could result in goods or services being unbundled or bundled more frequently than under current practice.

However, contracts relating to a single asset or a combination of assets that are closely inter-related or interdependent will meet the conditions to be a single performance obligation – and so treating the whole contract as the unit of account is likely to continue in many cases.
The pattern of revenue recognition for licences may change

Under current IFRS, licence fees and royalties are recognised based on the substance of the agreement.

In some cases, licence fees and royalties are recognised over the life of the agreement, similar to over-time recognition under the new standard. For example, fees charged for the continuing use of franchise rights may be recognised as the rights are used. IAS 18 Revenue gives the right to use technology for a specified period of time as an example of when, as a practical matter, licence fees and royalties may be recognised on a straight-line basis over the life of the agreement.

In other cases, if the transfer of rights to use IP is, in substance, a sale, an entity recognises revenue when the conditions for a sale of goods are met, similar to point-in-time recognition under the new standard. This is the case when an entity assigns rights for fixed consideration, has no remaining obligations to perform and the licensee is able to exploit the rights freely. IAS 18 includes two examples:

- a licensing agreement for the use of software when the entity has no obligations after delivery; and
- the granting of rights to distribute a motion picture in markets where the entity has no control over the distributor and does not share in future box office receipts.

Although these outcomes are similar to over-time and point-in-time recognition under the new standard, an entity is required to review each distinct licence to assess its nature under the new standard. It is possible that revenue recognition will be accelerated or deferred compared with current practice, depending on the outcome of this assessment.

Application of the new requirements

Contract for sale of loyalty points with more than one performance obligation

It is common for airlines to sell loyalty points to non-airline partners, which then grant the loyalty points to the end-customer when the end-customer makes qualifying purchases – e.g. using a credit card issued by the non-airline partner. Although the airline may only contract explicitly for the sale of the loyalty points, these arrangements may contain other implicit performance obligations that need to be separately accounted for – e.g. a right to use the airline’s brand and/or a right to access the airline’s customer database. An airline needs to evaluate all promises made in an arrangement with the non-airline partner and their nature. It then needs to determine whether those promises are capable of being distinct and are distinct in the context of the contract.
Criterion 1

Good or service is capable of being distinct

A customer can benefit from a good or service if it can be used, consumed, sold for an amount that is greater than scrap value, or otherwise held in a way that generates economic benefits.

A customer can benefit from a good or service on its own or in conjunction with:

– other readily available resources that are sold separately by the entity, or by another entity; or
– resources that the customer has already obtained from the airline – e.g. a good or service delivered up-front – or from other transactions or events.

The fact that a good or service is regularly sold separately by the airline is an indicator that the customer can benefit from a good or service on its own, or with other readily available resources.

Criterion 2

Distinct within the context of the contract

When assessing whether promises to transfer goods or services are distinct within the context of the contract, an airline determines whether the nature of the promise is to transfer each of those goods or services individually or to transfer a combined item or items for which the promised goods or services are inputs.

The new standard provides the following indicators to assist in evaluating when two or more promises to transfer goods or services to a customer are separately identifiable.

– An entity provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services representing the combined output or outputs for which the customer has contracted. This occurs when the entity is using the goods or services as inputs to produce or deliver the output or outputs specified by the customer. A combined output (or outputs) might include more than one phase, element or unit.

– One or more of the goods or services significantly modifies or customises, or is significantly modified or customised by, one or more of the other goods or services promised in the contract.

– The goods or services are highly interdependent or highly inter-related, such that each of the goods or services is significantly affected by one or more of the other goods or services.

The new standard does not include a hierarchy or weighting of the indicators of whether a good or service is separately identifiable from other promised goods or services within the context of the contract. An airline evaluates the specific facts and circumstances of the contract to determine how much emphasis to place on each indicator.
3 Arrangements with non-airline partners

For different scenarios or types of contracts, certain indicators may provide more compelling evidence than others in the separability analysis. For example, factors such as the degree of customisation, complexity, customer’s motivation for purchasing goods/services, contractual restrictions and the functionality of individual goods/services may have differing effects on the distinct analysis for different types of contracts.

In addition, the relative strength of an indicator, in light of the specific facts and circumstances of a contract, may lead an airline to conclude that two or more promised goods or services are not separable from each other within the context of the contract. This may occur even if the other two indicators might suggest separation.

### Analysing arrangements with more than one performance obligation

If an airline determines that the sale of the loyalty points and other promises in a contract are to be accounted for as separate performance obligations, then it considers the following.

- **Number and nature of other performance obligations**: Other performance obligations may include a right to use or right to access the airline’s customer list, its brand or advertising services – e.g. the airline recommends that its customers apply for the partner’s credit card when they pay for tickets. In some cases, contractual terms may not be sufficiently specific and it may be difficult to determine the number and nature of other performance obligations. In these cases, an airline exercises judgement based on all facts and circumstances of the arrangement.

- **Allocation of the transaction price**: To allocate the transaction price, an airline determines the stand-alone selling price of each performance obligation. For some performance obligations, the stand-alone selling price may not be observable and the airline needs to estimate it. In addition, the residual approach may no longer be available.

- **Timing of revenue recognition for each performance obligation**: Although loyalty points are usually transferred to a non-airline partner at a point in time, the airline fulfils its obligation only when the end-customers redeem these points. Therefore, revenue for the loyalty points is recognised when they are redeemed. For performance obligations satisfied over time – e.g. a right to access the customer list or a right to use the brand – an airline determines the appropriate measure of progress that depicts its performance in transferring control over these goods or services to the non-airline partner.

### Stand-alone selling price of loyalty points may be similar

In principle, loyalty points granted to travel customers and loyalty points sold to a non-airline partner – e.g. a bank – are different because:

- the customer’s and the bank’s redemption rates are different;
- the travel points are granted under different terms and conditions to those sold to a bank; and
- a bank purchases points as part of a negotiated deal whereas travel points are earned by customers – i.e. no negotiation.
However, in some circumstances, an airline may conclude that points granted to travel customers and points sold to a non-airline partner have similar characteristics – e.g.:

– the redemption rate by the end-customer may be similar;
– the terms and conditions may be similar; and
– the airline may be able to demonstrate that points are issued at a similar price.

In these circumstances, an airline may determine that the stand-alone selling price of loyalty points sold to a non-airline partner is similar to that for loyalty points earned by customers for their travel. When making this judgement, an airline considers all facts and circumstances carefully.
Loyalty points – other areas to focus on

Tier-status programmes

Airlines may offer customers certain levels of tier status based on how often they have flown during the previous year. These tier-status programmes provide benefits such as free upgrades, early boarding, free lounge membership and free bag checking.

The contract to purchase a good or service (such as an air ticket) could contain a material right if the purchase provides the customer with incremental benefits on future purchases – e.g. the right to free or discounted services in the future – through a tier-status programme.

Airlines that operate tier-status programmes need to consider whether ticket sales contain a material right that is accounted for separately.

Changes in estimated redemption of loyalty points

When accounting for loyalty points earned by customers for travel or for loyalty points sold to non-airline partners, airlines make estimates about the future redemption rates. These estimates are taken into account in determining the stand-alone selling price of loyalty points and are reviewed on a regular basis.

If estimates change – e.g. the number of points expected to be redeemed increases – then the contract liability for the loyalty points is remeasured with a corresponding adjustment to revenue.

If the likelihood of redemption of outstanding points becomes remote, then an airline derecognises the corresponding contract liability and recognises revenue, but only if this would not result in a future revenue reversal.

An airline considers the terms of its loyalty programme, including the terms around the expiry of points, when setting its accounting policy for loyalty points. In particular, it considers how to determine when the likelihood that a customer will redeem the points becomes remote.
Ancillary services and change fees

Overview
Ancillary service fees – e.g. fast check-in, seat selection, additional luggage, food and drink on board and airport shuttles – are sometimes charged by airlines. These services can be implicitly included in the airfare or offered in addition to passenger transportation services. Customers can purchase these services either when they book their flight, or later.

Change fees are often charged by airlines for making changes to the original booking – e.g. changes in travel date or destination.

For the ancillary services that are purchased at the time of the flight booking, there may be more focus on identifying performance obligations (see Section 3) to assess whether they are capable of being distinct and are distinct in the context of the contract. However, if the ancillary services are purchased after the original flight booking or changes are made to the original booking, then it is also important to consider the contract modification guidance. The accounting for the contract modification could significantly impact the timing of revenue recognition (see Section 8). The key considerations in accounting for ancillary services and change fees are:

- identifying performance obligations;
- identifying contract modifications; and
- the timing of revenue recognition.
Requirements of the new standard

A contract modification is a change in the scope or price of a contract, or both. It may be described as a change order, a variation or an amendment. The flow chart below provides an overview of the requirements.

A contract modification is approved when it creates or changes the enforceable rights and obligations of the parties to the contract. The approval may be written, oral or implied by customary business practices but it must be legally enforceable.

These requirements are discussed further in Chapter 7 of our Revenue Issues In-Depth publication.

How does this approach differ from existing requirements?

Change fees no longer recognised when received

Under existing IFRS, airlines generally recognise change fees as revenue when a passenger requests a change and pays the fee. These transactions, which change existing bookings, are considered as separate services.

Under the new standard, the change service is typically not considered distinct because the customer cannot benefit from it without taking the flight. Although the change service is provided in advance of the flight, the benefit from it is not provided until the customer takes the flight. As a result, the change fee is recognised as revenue together with the original ticket sale – i.e. on the date of travel.
Application of the new requirements

If an airline enters into a new agreement with an existing customer, with which it has a pre-existing contract with an unfulfilled performance obligation, then the new agreement may need to be evaluated to determine whether it is a modification of the pre-existing contract.

Some ancillary services – e.g. fast check-in and seat selection – are unlikely to be a separate performance obligation because they are not distinct – i.e. customers are not able to benefit from the services independently from the travel service (see Section 5).

Change fees are charged by airlines for making changes to the original contract, such as changes in travel date or destination. When the scope or price of a contract is changed, the change is accounted for as a modification, regardless of its form. Similarly, the ancillary service is not a separate performance obligation because the customer cannot benefit from the change independently from the travel service (see Section 3).

The following table provides examples of contract modifications, as well as how to account for these modifications.

<table>
<thead>
<tr>
<th>Contract modification</th>
<th>Example</th>
<th>How accounted for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition of a distinct good or service at an undiscounted price</td>
<td>A customer adds airport shuttle transportation service from city centre to the airport and pays the standard price; this service is offered to any customers going to the airport, regardless of whether they travel onwards or go to the airport to meet someone.</td>
<td>As a separate contract.</td>
</tr>
<tr>
<td>Addition of a distinct good or service at a price that is discounted from its stand-alone selling price</td>
<td>A customer adds lounge access at a discounted price; all remaining services provided under the original contract are distinct.</td>
<td>Termination of an existing contract and creation of a new contract.</td>
</tr>
<tr>
<td>Addition of a good or service to a contract that consists of a single, integrated performance obligation where that additional good or service is highly inter-related with the single performance obligation</td>
<td>A customer adds seat selection service or extra luggage.</td>
<td>As part of the original contract.</td>
</tr>
</tbody>
</table>
Presentation of revenue – gross vs net

Overview

Airlines often sell tickets to customers that include flight segments to be flown by another airline, or enter into contracts for transporting cargo with another airline. In these cases, an airline determines whether it acts as principal or agent in the transaction and accounts for revenue accordingly – i.e. on a gross or a net basis.

Airlines usually charge government- and airport-based passenger taxes and fees at the time of the ticket sale. Often, these are subsequently remitted to the relevant authorities. Airlines may also make discretionary fuel surcharges, which are not remitted to any authorities, and may or may not be explicitly stated in the airfare.

Therefore, it is important to analyse all relevant facts and circumstances to evaluate whether an airline is acting as principal or agent in each case.

Requirements of the new standard

Determining the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties – e.g. some sales taxes. To determine this amount, an entity considers multiple factors.

Principal vs agent consideration

When other parties are involved in providing goods or services to an entity’s customer, the entity determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself, or to arrange for them to be provided by another party – i.e. whether it is a principal or an agent. This determination is made by identifying each specified good or service promised to the customer in the contract and evaluating whether the entity obtains control of the specified good or service before it is transferred to the customer.

When another party is involved, an entity that is a principal obtains control of any one of the following:

- a good from another party that it then transfers to the customer;
- a right to a service that will be performed by another party, which gives the entity the ability to direct that party to provide the service on the entity’s behalf; or
- a good or a service from another party that it combines with other goods or services to produce the specified good or service promised to the customer.
The new standard includes the following indicators to assist an entity in evaluating whether it controls a specified good or service before it is transferred to the customer:

– inventory risk;
– discretion to establish prices for specified goods or services; and
– primary responsibility to provide specified goods or services.

These requirements are discussed further in Chapters 5.3 and 10.3 of our Revenue Issues In-Depth publication.

**How does this approach differ from existing requirements?**

**From risk and reward to transfer of control**

There is a similar principle in current IFRS that amounts collected on behalf of a third party are not accounted for as revenue. However, determining whether an airline is acting as an agent or a principal under the new standard differs from current IFRS, as a result of the shift from the risk-and-reward approach to the transfer-of-control approach. Under current IFRS, an airline is a principal in a transaction when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. The IASB noted that the indicators serve a different purpose from those in current IFRS, reflecting the overall change in approach.

**Credit risk no longer an indicator**

Credit risk for the amount receivable in a transaction is no longer an indicator when determining whether an airline is acting as principal or agent. Airlines that considered customers' credit risk in their analysis will need to reconsider their conclusions. The presentation of revenue for interline cargo transportation may change.

**Application of the new requirements**

**The specified good or service may be a right**

The specified good or service to be transferred to the customer may, in some cases, be a right to an underlying good or service that will be provided by another party. For example, a travel website may sell an airline ticket that gives the customer the right to fly on a particular airline, or an entity may provide a voucher that gives the holder the right to a meal at a specified restaurant.

In these cases, the principal vs agent assessment is analysed by focusing on who controls the right to the underlying good or service. For example, an entity may be a principal in a transaction relating to a right, such as the sale of a voucher giving the customer the right to a meal, even if another party controls and transfers the underlying good or service (the meal) to the end-customer.
An entity may be a principal in a transaction relating to a right if it has the ability to direct the use of the right to the underlying service because it has committed itself to purchase the right and has inventory risk. The entity’s ability to establish the price that the customer would pay for the right may also be a relevant indicator to consider.

No specified hierarchy for the indicators

There is no specific hierarchy for the indicators and all of them are considered in making the assessment. However, depending on the facts and circumstances, one or more indicators may be more relevant to the specific contract. Assessing the relevance of the indicators may be challenging when it is unclear whether the entity or another party bears the responsibility, or when there are shared responsibilities between the entity and another party.

For example, an entity that does not have primary responsibility for providing the specified good or service, or bears the inventory risk, may have discretion to set prices. In this case, the entity makes an overall assessment of all of the facts and circumstances. This may include assessing whether the discretion to set prices is merely a way for the entity to generate additional revenue while arranging for another entity to provide the specified goods or services, or evidence that the entity is acting as principal.

Airport charges and taxes

An airline applies judgement when assessing whether it is acting as agent or principal for airport charges and taxes in each jurisdiction, including the fuel surcharge.
Air tickets - travel vouchers

Overview

Travel vouchers are often issued to passengers as a means of compensating passengers for inconvenience caused by lost baggage, cancelled or delayed flights. The compensation could be in the form of meal or hotel vouchers, free loyalty points, free air tickets or a cash allowance. Depending on the facts and circumstances, a travel voucher may represent:

- variable consideration; or
- a customer option for additional goods and services.

Requirements of the new standard

Variable consideration

Items such as refunds, penalties, credits, vouchers or similar items may result in variable consideration. Promised consideration can also vary if it is contingent on the occurrence or non-occurrence of a future event. Variability may be explicit or implicit, arising from customary business practices, published policies or specific statements, or any other facts and circumstances that would create a valid expectation by the customer.

An entity assesses whether, and to what extent, it can include an amount of variable consideration in the transaction price at contract inception.

An entity recognises a refund liability for consideration received or receivable if it expects to refund some, or all, of the consideration to the customer.

Customer options

When an entity grants the customer an option to acquire additional goods or services, that option may be a performance obligation under the contract if:

- it provides a right that the customer would not receive without entering into that contract; and
- it gives the customer the right to acquire additional goods or services at a price that does not reflect the stand-alone selling price for those goods or services.

These requirements are discussed further in Chapters 5.3.1 and 10.4.1 of our Revenue Issues In-Depth publication.
How does this approach differ from existing requirements?

Under current IFRS, when vouchers are distributed to customers on a discretionary basis rather than as part of a sales transaction, no liability is recognised for the vouchers because there is no performance obligation. This is because the discretionary vouchers were not granted as part of a sales transaction. These vouchers are treated as discounts against revenue when the vouchers are redeemed by customers (see 4.2.440.50 of *Insights into IFRS*, 13th Edition).

Under the new standard, an airline needs to determine whether the travel vouchers are penalties for non-performance and accounted for as variable consideration, or customer options for additional goods and services and accounted for as a separate performance obligation.

Application of the new requirements

Variable consideration or optional purchases

Different outcomes and disclosure requirements can arise depending on whether an airline concludes that travel vouchers are customer options for additional goods or services or variable consideration. Travel vouchers that are options are evaluated to determine whether they include a material right. Travel vouchers that are variable consideration are factored into the initial determination of the transaction price and may lead to additional estimation and disclosure requirements. Travel vouchers cannot be expensed.

If an airline determines that travel vouchers represent variable consideration, then it reduces revenue of the corresponding tickets accordingly. If an airline determines that travel vouchers represent customer options for additional goods and services, then it defers the related amount of revenue until the goods or services are redeemed. Both approaches result in the reduction of revenue for the travel service. However, revenue for a customer option is deferred and recognised in the future, whilst no future revenue is associated with variable consideration.

An airline considers the types of vouchers that it gives to passengers and determines for each type whether it represents variable consideration or a customer option and documents its accounting policy accordingly.
Holiday packages

Overview
Airlines may sell holiday packages, including flights, hotel accommodation, car hire or restaurant or other admission tickets. These holiday packages may contain multiple separate performance obligations. For each performance obligation, an airline considers whether it is acting as principal or agent (see Section 6) and the corresponding timing of revenue recognition.

Requirements of the new standard
Timing of revenue recognition
An entity evaluates whether it transfers control of the good or service over time – if not, then it transfers control at a point in time.

Is the performance obligation satisfied over time – i.e. is one of the criteria met?

Yes
Identify an appropriate method to measure progress
Apply that method to recognise revenue over time

No
Recognise revenue at the point in time at which control of the good or service is transferred

A good or service is transferred to a customer when the customer obtains control of it. ‘Control’ refers to the customer’s ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. It also includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. Potential cash flows that are obtained either directly or indirectly – e.g. from the use, consumption, sale, or exchange of an asset – are benefits of an asset.
The new standard requires an entity to recognise revenue progressively over time when any one of the following criterion is met.

<table>
<thead>
<tr>
<th></th>
<th>Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs</td>
</tr>
<tr>
<td>2</td>
<td>The entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced</td>
</tr>
<tr>
<td>3</td>
<td>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</td>
</tr>
</tbody>
</table>

In some cases, more than one of the criteria may be met. However, if none of the criteria are met then control of the good or service transfers at a point in time.

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress towards complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output method (e.g., surveys) or input method (cost incurred). It then applies that method consistently to similar performance obligations and in similar circumstances.

The new standard includes indicators that control has transferred at a point in time.

Indicators that control has passed include a customer having...

- ... a present obligation to pay
- ... physical possession
- ... legal title
- ... risks and rewards of ownership
- ... accepted the asset

The new standard also provides specific application guidance for principal vs agent (see Section 6).

These requirements are discussed further in Chapter 5.5 of our Revenue Issues In-Depth publication.
How does this approach differ from existing requirements?

New approach for identifying when to recognise revenue over time

Construction contracts and contracts for rendering services are currently accounted for under the stage-of-completion method in accordance with IAS 11 Construction Contracts.

In contrast, the new standard uses new wording and new concepts that airlines need to apply to the specific facts and circumstances of individual performance obligations. Subtle differences in contract terms could result in different assessment outcomes – and significant differences in the timing of revenue recognition – compared with current practice.

Although many transportation services are unlikely to be affected, when analysing hotel and car hire services, airlines may reach conclusions that differ from current practice – e.g. if they act as principals for these services and account for them at a point in time – i.e. when the customer takes the outward flight – rather than over the period of the holiday.

Move away from a risk-and-reward approach

Currently, revenue from the sale of goods that are in the scope of IAS 18 is recognised based on when, amongst other criteria, the entity has transferred to the buyer the significant risks and rewards of ownership. Under this approach, which is unlike the new standard, revenue is typically recognised at the point in time at which risks and rewards pass, rather than when control transfers.

IFRIC 15 Agreements for the Construction of Real Estate introduced the notion that the criteria for recognising a sale of goods could also be met progressively over time, resulting in the recognition of revenue over time. However, this approach is not generally applied, except in the specific circumstances envisaged in IFRIC 15.

For construction contracts that are in the scope of IAS 11, and for contracts for the rendering of services that meet the overtime criteria in the new standard, revenue is recognised with reference to the stage of completion of the transaction at the reporting date – i.e. measuring the entity’s performance in satisfying its performance obligation.

The new standard applies a control-based approach (control can be transferred either over time or at a point in time) to all arrangements, regardless of transaction type or industry.
Application of the new requirements

Use of control concept to recognise revenue aligns with the accounting for assets

The new standard is a control-based model. First, an airline determines whether control of the good or service transfers to the customer over time based on the criteria in the new standard and, if it does, the pattern of that transfer. If control of the good or service transfers to the customer at a point in time, the notion of risks and rewards is retained only as an indicator of the transfer of control.

Assessing the transfer of goods or services by considering when the customer obtains control may result in different outcomes – and therefore significant differences in the timing of revenue recognition. The IASB believes that it can be difficult to judge whether the risks and rewards of ownership have been transferred to a customer, so applying a control-based model may result in more consistent decisions about the timing of revenue recognition.

The new standard extends a control-based approach to all arrangements, including service contracts. The IASB believes that goods and services are assets – even if only momentarily – when they are received and used by the customer. The new standard’s use of control to determine when a good or service is transferred to a customer is consistent with the current definitions of an asset under IFRS, which principally use control to determine when an asset is recognised or derecognised.

New conceptual basis for revenue recognition

The new standard takes a conceptually different approach to revenue recognition from current IFRS. Although the basic accounting outcomes – recognition of revenue at a point in time or over time – are similar, they may apply in different circumstances for many entities.

Example – Holiday packages

Airline B enters into a contract with Customer C for a 3-week holiday package, which includes return flights and hotel accommodation.

B concludes that the flights and the hotel accommodation are two separate performance obligations and that it acts as principal for both.

Hotel accommodation: B determines that the hotel service meets Criterion 1 – i.e. C simultaneously receives and consumes the benefits of the hotel service provided by B’s performance. Because one of the three over-time criteria is met, B recognises revenue relating to the hotel services on a straight-line basis over the 3-week holiday period.

Flight service: B determines that the flight service does not meet any of the three over-time criteria. B recognises revenue relating to the flight services at a point in time when C takes its outbound and inbound flights respectively.
## Transition approach

### Requirements of the new standard

The new standard offers the following transition options.

<table>
<thead>
<tr>
<th>Transition Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retrospective method (with optional practical expedients)</strong></td>
<td>Entities recognise the cumulative effect of applying the new standard at the start of the earliest comparative period presented. They can also elect to use any or all of four practical expedients. Two of these provide relief from applying the new standard to certain types of contracts that are completed under current GAAP. One provides relief with respect to contract modifications and another provides exemption from disclosing the amount of the transaction price allocated to the remaining performance obligations for the comparative periods presented.</td>
</tr>
<tr>
<td><strong>Cumulative effect method</strong></td>
<td>Entities recognise the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented – i.e. the comparative periods are presented in accordance with current GAAP. An entity may choose to apply the new standard to all its contracts or only to those contracts that are open under current GAAP at the date of initial application. Entities may also elect to use the practical expedient available with respect to contract modifications. For the current period, entities are required to disclose the quantitative effect and an explanation of the significant changes between the reported results under the new standard and those that would have been reported under current GAAP.</td>
</tr>
</tbody>
</table>

For detailed discussion on the transition requirements, refer to our publication [Revenue Transition Options](#).
Application of the new requirements

Retrospective or cumulative effect approach

An airline can choose to apply the new standard either from the start of the earliest comparative period presented (retrospective approach) or from the start of the current period (cumulative effect approach).

If an airline applies the new standard from 1 January 2018 and presents one year of comparative information, under the retrospective approach it would present revenue for both 2017 and 2018 in accordance with the new standard and adjust retained earnings at 1 January 2017. Under the cumulative effect approach, the airline would present only the current year, 2018, in accordance with the new standard and adjust retained earnings at 1 January 2018.

It is also important to note that the transition approach and practical expedients are applied at the entity level – i.e. they cannot be used on a contract-by-contract basis.

Completed contracts practical expedient

Under either approach, an airline can choose to apply the standard only to those contracts that are not complete at the date of transition. The new standard defines a completed contract as a contract for which the entity has transferred to the customer all the goods or services identified under IAS 11, IAS 18 and related interpretations.

If an airline has a small population of multi-year projects, then the choice of transition approach and use of the completed contracts practical expedient may result in little difference on transition, because there may be limited differences in the contracts considered in the scope of the new standard.

Contract modification practical expedient

Under the contract modifications practical expedient, an airline need not evaluate the effects of contract modifications separately before the beginning of the earliest reporting period presented.

Instead, an airline may reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented in:

- identifying the satisfied and unsatisfied performance obligations;
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

If an airline follows the cumulative effect approach, it can choose to apply this practical expedient to modifications that occur up to the start of the current period.

This practical expedient essentially allows an airline to use hindsight when assessing the effect of a modification on a contract. However, it does not exempt an airline from applying other aspects of the requirements to a contract – e.g. identifying the performance obligations in the contract and measuring the progress towards complete satisfaction of those performance obligations.
Variable consideration practical expedient

When applying the retrospective method, an airline may choose to use the transaction price at the date on which the contract was completed, rather than estimating the variable consideration amounts.

The main advantage in applying this practical expedient is that, for completed contracts, an airline need not apply the variable consideration guidance to variable amounts in the transaction price. This may result in revenue being recognised earlier than it would have been if a fully retrospective approach had been followed. For example, if a contract included a completion bonus, the airline could use the known outcome for that bonus when calculating the transaction price, rather than estimating the amount using the variable consideration guidance.

Disclosure practical expedient

Under this practical expedient, for reporting periods presented before the date of initial application, an airline need not disclose:

– the amount of the transaction price allocated to the remaining performance obligations; or
– an explanation of when the airline expects to recognise that amount as revenue.
Disclosures

Requirements of the new standard

The objective of the disclosure requirements is for an entity to 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.

Entities disclose, separately from other sources of revenue, revenue recognised from contracts with customers and any impairment losses recognised on receivables or contract assets arising from contracts with customers. If an entity elects either the practical expedient not to adjust the transaction price for a significant financing component, or the practical expedient not to capitalise costs incurred to obtain a contract, then it discloses this fact.

To meet the disclosure objective, the new standard has specific disclosure requirements in the following areas.

For further information on the disclosure requirements, refer to our Guide to annual financial statements – IFRS 15 supplement.
How does this approach differ from existing requirements?

Disclosures are significantly expanded under the new standard

Existing IFRSs include minimal specific disclosure requirements with respect to revenue. In comparison, the new standard has extensive disclosure requirements that are intended to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The new standard introduces disclosures that require information not previously needed for financial reporting. The disclosures may require information that is incremental to the data and information needed for recording revenue in the financial statements.

Application of the new requirements

All entities are affected by the new disclosure requirements to some extent. However, the additional information needed will vary depending on the relevance of the different requirements to the entity. It is important to assess the additional disclosure requirements fully.

Entities should assess whether their current systems and processes are capable of capturing, tracking, aggregating and reporting information to meet the new disclosure requirements. For many entities, this may require significant changes to existing data-gathering processes, IT systems and internal controls.

A helpful table of what’s new with respect to disclosures is included in KPMG’s Guide to annual financial statements – IFRS 15 supplement.
Further resources

High level briefing

| IFRS Blog | IFRS 15 Revenue – The reality may surprise you | First Impressions | IFRS 15 Revenue |
| Web article | New revenue standard – Introducing IFRS 15 | Briefing | Accounting for revenue is changing |

In-depth analysis

| Issues In-Depth | Revenue: IFRS & US GAAP | Guide to annual financial statements | IFRS 15 supplement |
| Transition Options | Revenue |

More information about airline accounting

IAWG Accounting Guides:

As of 15 June 2017, the IATA Industry Accounting Working Group (IAWG) in association with advisors from international accounting firms, including KPMG, has compiled a list of non-prescriptive accounting guides on the following topics.

| Revenue recognition for interline transactions | Passenger tickets – breakage and vouchers |
| Estimating stand-alone selling price of loyalty credits | Co-brand deliverables |
| Accounting for commissions and selling costs | Determination of whether loyalty status constitutes a separate deliverable |
| Accounting for passengertaxes and related fees | Co-brand arrangement adjustments for volume and overall transaction allocation |
| Accounting for change fees | Interline loyalty transactions |
| More updated information | |