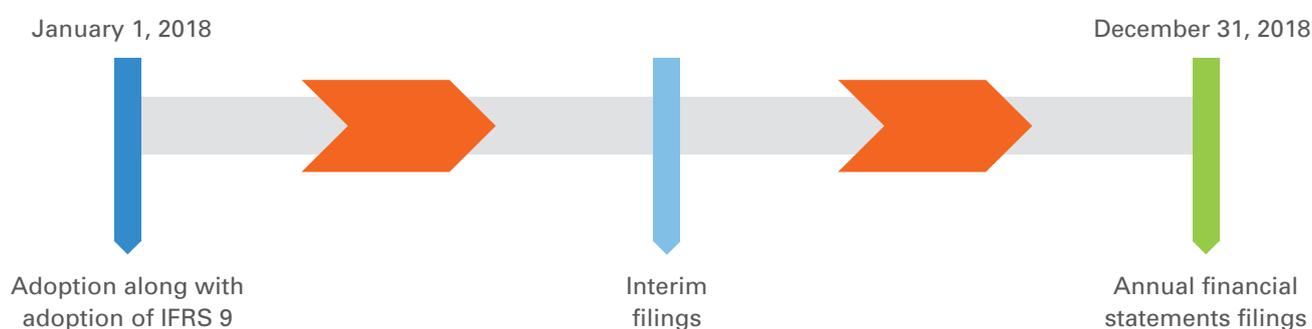


IFRS 15 IMPLEMENTATION TIMELINE

IFRS 15 “Revenue from Contracts with Customers” specifies how and when revenue is recognized and require enhanced disclosures in the financial statements. The standard provides a single, principles based, five-step model to be applied to all contracts with customers. The implementation dates for IFRS 15 are as follows:



INTRODUCTION TO IFRS 15

IFRS 15 provides accounting guidance related to revenue from customer contracts applicable to all entities and to all contracts with customers, with a few exceptions. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized by applying the following steps:

- Step 1:** Identify the contract(s) with a customer
- Step 2:** Identify the performance obligations in the contract (disaggregation of revenue into appropriate categories)
- Step 3:** Determine the transaction price
- Step 4:** Allocate the transaction price to the performance obligations in the contract
- Step 5:** Recognize revenue when (or as) the entity satisfies a performance obligation

Application of IFRS 15 will require a detailed analysis of the facts and circumstances of each individual customer contract together with the appropriate knowledge and expertise on interpreting the standard, and the exercise of professional judgment.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers, in particular, contract assets and liabilities including any assets recognized from the costs to obtain or fulfill a customer contract.

HOW SRCO CAN HELP YOU WITH THE ADOPTION

SRCO has developed a diagnostic tool to assist our clients with the adoption of these new and complex accounting standards. We work with our clients in a collaborative manner for adoption of new standards as described below:

Phase I: Gap analysis involves identification of differences between existing and new revenue recognition standards, making one-time adoption choices, and assessing the impact on business and IT processes.

Phase II: Solution development involves developing work programs, setting milestones, communicating project plan, drafting white papers, preparing financial statements, completing disclosure checklist, developing IT solutions and presenting to the Audit Committee, Board of Directors and finally coordinating regular and timely review by internal and external auditors.

Phase III: Implementation Procedures and Guidelines involves accounting policies, processes and procedures documentation, IT solutions implementation, downstream business impacts assessment, financial statement closing process modification, detailed technical review, stakeholders reporting revision, KPI revision, and finally education and orientation.

Phase IV: Post Implementation Review includes compliance with policies and procedures, and alignment of subsidiaries, associates and joint ventures to holding company's accounting policies and disclosures.

We provide regular reports on the project and change management throughout the various phases including regular meetings with various stakeholders and regular updates to senior management and the Audit Committee.

OUR EXPERIENCE

- SRCO specializes in assisting businesses in the implementation of the newly issued IFRS
- We have experience in assisting in the implementation of IFRS 15 for over 100 private and public companies in Saudi Arabia and Canada
- Our industry experience in Saudi Arabia includes entities involved in construction, retail, manufacturing, IT, SaaS, medical, pharmaceutical, hospitality and service industry
- Our IFRS lead partner, Sameer Parekh, is an acknowledged expert in the implementation of IFRS 15, having assisted a large number of entities in Canada and across the Middle East with the IFRS 15 implementation

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