

IFRS 15 – ACCOUNTING FOR VOUCHERS IN RETAIL INDUSTRY & COMPARE WITH IAS 18 AND CIRCULAR 200/2014/TT-BTC



IFRS 15 – Accounting for vouchers in retail industry

Which is the point of time for recognizing revenue?

Example: G Ltd. is a cosmetic retail chain, G also sells gift vouchers with an amount of VND 1 million for each. A customer buys this voucher to give their friend for birthday whom will use it to exchange products at G's store

Buy voucher

Voucher expire

Use voucher

When customer paid money to get this gift voucher



NOT recognize the revenue

Customer: An advance for the future delivery
G Ltd.: Contract liability



When someone used this voucher to exchange products

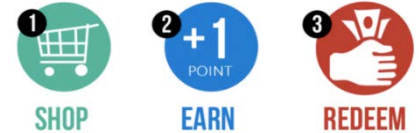


Decrease the contract liability and recognize revenue (VND 1 million)

IFRS 15 requires recognizing revenue when you satisfy a performance obligation by transferring a promised good or service (ie an asset) to a customer.


Accounting for portfolio of loyalty points to stand-alone selling price

G Ltd. has a loyalty scheme, G gives customer a free loyalty point for every VND1,000 that they spend, with each point giving a VND100 discount on future purchases.



The loyalty points can't constitute a separate contract, they must exist to connect with customers' purchases. G Ltd. need to satisfy performance obligations that are selling goods and giving a discount for customers' loyalty point on future purchases (two performance obligations in a contract).

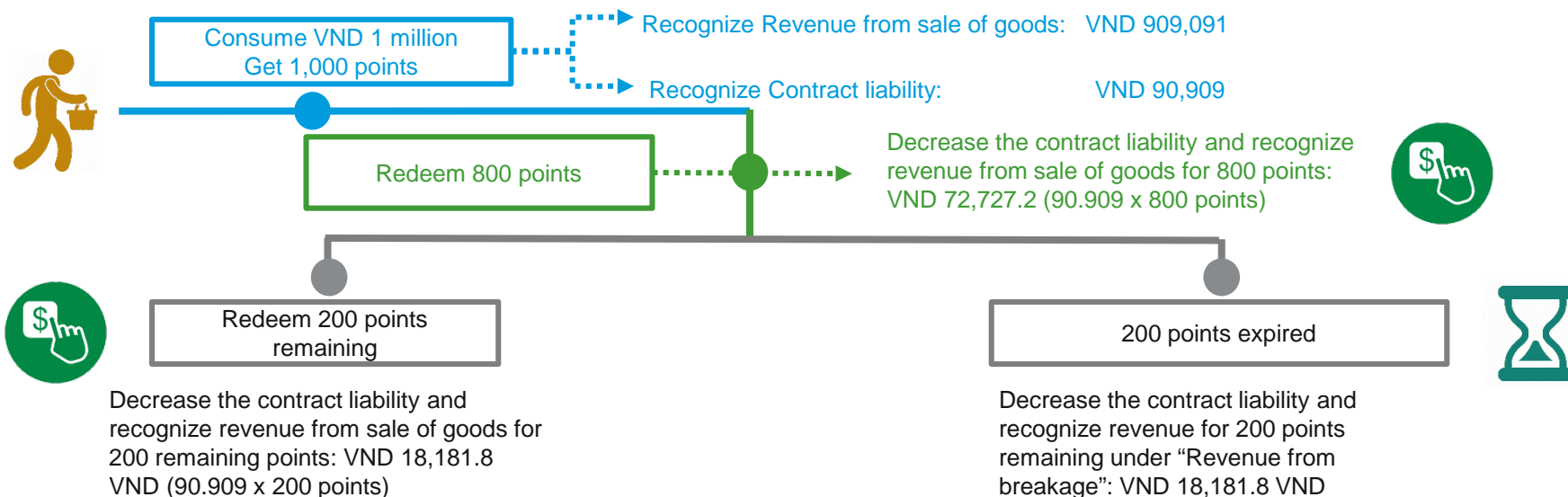
We have to split the transaction price and allocate it to the sold products and to the loyalty points in proportion to relative stand-alone selling prices.

Performance obligation	Stand-alone selling price (VND)	Allocated transaction price (VND)
Products	1,000,000	909,091 (1,000,000 * 1,000,000 / 1,100,000)
Loyalty point 	100,000 (1,000 points)	90,909 (100,000 * 1,000,000 / 1,100,000)
Total	1,100,000	1,000,000

The revenue that is recorded to every redeemed point = $90,909 / 1,000 = 90.909$.

If loyalty points is not redeemed until expired, this revenue is recorded as "Revenue from breakage".


Accounting for portfolio of loyalty points to stand-alone selling price



In fact, these entire points are not always redeemed (e.g. time-limited validity, customers do not redeem,...). The entity should consider and evaluate the rate that is highly probably the loyalty point will be redeemed.

In case of G Ltd., according to their business history in many years, the management give a rate of 80% for redeemed points – this rate is stable through recent years.


=> Allocated transaction price is calculated as follows:

Performance obligation	Stand-alone selling price (VND)	Allocated transaction price (VND)
Products	1,000,000	925,926 (1,000,000*1,000,000/1,080,000)
Loyalty point 	80,000 (800 points)	74,074 (80,000*1,000,000/1,080,000)
Total	1,080,000	1,000,000

Our journal entries were guided above. However, the revenue is recognized for each point will be VND 92.59 (74,074/1,000*80%) – Based on 800 redeemable points.

Note:
The entity should usually reevaluate the appropriation by each period.

Compare with IAS 18 and Circular 200/2014/TT-BTC (Circular 200)

Gift Vouchers	IFRS 15	IAS 18	TT 200
Recognize revenue	 <p>When customers use gift vouchers to redeem products</p>		
Accounting journal entry when selling gift vouchers	Debit Contract liabilities	Debit Advances from customer	Debit Advances from customer
Comment	<p>There is no difference from point of time of recognition of revenue. However, IFRS 15 guides to recognize in the Contract liabilities item to clearly show the performance obligation by transferring a promised good or service to customers in the future corresponding to the value that the entity received from customers. Meanwhile, IAS 18 and Circular 200 only guide general accounting in Advances from customers without separating this information in the Financial Statements</p>		
Loyalty points	IFRS 15	IAS 18	Cir 200
Recognize revenue	<p>Recognize revenue and contract liabilities (corresponding to the amount of points giving to customers) based on the transaction price allocated at the stand-alone selling price</p>	<p>Recognize revenue and deferred revenue (corresponding to the amount of points giving to customers) without any guidance on the allocation of stand-alone selling price</p>	<p>Recognize revenue based on the total amount of money receiving less the unearned revenue which is the fair value of the loyalty points for customers to discount for subsequent purchases. However, there is no guidance for calculating fair value</p>
Comment	<p>IFRS 15 guides recognizing and allocating transaction price based on stand-alone selling price, while IAS 18 does not guide as well as Circular 200 guides to recognize the fair value of each loyalty point. Therefore, IFRS 15 presents the value of recorded revenue and allocating revenue more reasonable and realistic method than IAS 18 and Circular 200 because they need more information of the business for each entity</p>		

Conclusion

IFRS 15 guides accounting and allocating for transaction price in retail industry more reasonable than previous instruction as well as Circular 200/2014/ TT-BTC.

In addition, the entity need to invest resources appropriately so that they can follow the figures and necessary information for accounting and presentation financial statements in accordance with IFRS 15 for each retail business.



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