The IFRS 15 impact on developing the accounting for revenue in telecom sector

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Abstract

In May 2014, IASB and FASB issued IFRS 15 (Revenue from Contracts with Customers) to illustrate the revenue recognition principles and to improve the revenue standard for IFRSs and U.S GAAP. It would remove inconsistencies and weaknesses in the previous revenue requirements through a more robust framework for treating revenue issues in different sectors , and improve the disclosure requirements through the more useful information provided to financial statements users. IFRS 15 is considered as one of the most important efforts between IASB and FASB for developing the accounting for revenue.

The purpose of this study is to explore the impact of IFRS15 on developing the accounting for revenue in telecom sector and its contribution on treating the revenue issues in the sector through analyzing the effects of the standard and providing clarity about its significant effects on the telecom sector. Because revenue is an important tool in measuring the success and effectiveness of any business, a complete modification of the regulations regarding it will certainly have many consequences.

Wireless and Wire-line telecom companies could face many accounting issues for revenue related to revenue recognition, measurement and disclosure that focus on determining the appropriate time and the amount of revenue to be recognized . These issues are such as the multiple elements arrangements, the mobile phone revenues, nonrefundable up-front activation or installation fees, loyalty programs and other offers, variable consideration and additional goods or services over mobile phone, accounting for interconnect arrangements, principal versus agent, bundled services, customer premise equipment , and customer options for additional goods or services.

Keywords: IFRS15; Revenue recognition; Accounting for revenue; Measuring of revenue; performance obligation ;Telecom ;Telecommunications .

1. **Introduction :**

The telecom industry has a vital role to play, it considered as the backbone of industrial and economic development. This industry has been aiding delivery of voice and data services at rapidly increasing speeds, and thus, has been revolutionized human communication.

Revenue is an important indicator to the financial statement users in assessing an entity's financial performance and position. Investors are focused on revenue recognition than any other accounting issue if the entity had a reporting problem in it's financial statements (**Colson ,et al., 2010, p.3**).

Accounting for revenue requires information to help users to understand and evaluate the revenue amount, the appropriate time to recognize and the uncertain circumstances of the entity's cash flows through the financial reports. So, the accounting issues for revenue are associated with the three stages of revenue (recognition, measurement and disclosure). There have been constant efforts from the standard setters and other parties concerned with accounting in treating the accounting issues for

revenue. These consequences have urged the researcher to examine the ability of the guidance of the new revenue standard to develop the accounting for revenue and its ability to treat the accounting issues for revenue in telecom entities.

IFRS 15 is considered as one of the most important efforts between IASB and FASB for developing the accounting for revenue.The standard product is the major joint project between the IASB and FASB that has been started in 2002.IFRS 15 present the principles for when revenue should be recognized and how it should be measured, together with related disclosures and will replace the all current revenue standards in IFRS and US. GAAP.The standard will require entities to use estimations and judgments more frequently, which in turn will require entities to include more disclosures with their financial statements. As with any significant financial change, telecom entities will need to update their policies, procedures, and internal controls to ensure effective implementation of the standard **(Grant Thornton, 2014, p. 3).**

The IFRS 15 core principle is that:

The entity will recognize its revenue to depict the transfer of the goods or services promised to the customers at the amount that reflects the consideration amount that the entity expects to be entitled in exchange for those goods or services **(IFRS 15. 2)**.To apply the IFRS 15 core principle ,these steps should be executed:

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

- **Research objectives:**

The core objective of this research is exploring the impact of IFRS15 to develop the accounting for revenue in telecom sector, to achieve this objective we must achieve the following sub objectives: Discuss the developing of the accounting for revenue in telecom entities according to international financial reporting standard no.15.

1- Illustrate the IFRS 15 impact on treating the accounting problems for revenue in telecom entities.

- **Research hypotheses:**

The research depends on the following hypotheses:

First hypothesis :IFRS15 will provide the guidance that will help to develop the accounting for revenue in telecom sector .

Second hypothesis : IFRS15 will help to treat accounting issues for revenue in telecom sector.

This paper is organized into two sections. The first section contains an implementation to the IFRS 15 guidance on the telecom entities. The second section provides a discussion of the IFRS 15 ability to treat the accounting issues for revenue in telecom entities. A conclusion is then provided to complete the paper.

2. Proposed model to implement the IFRS 15 guidance on the telecom entities.

Although revenue is the most important item financial reporting or top of the line in the telecom entity because it is used to assess the entity's financial performance, the previous guidance found in IFRS was resulted in inconsistent accounting treatment for transactions that were economically similar in telecom entities, but the current IFRS 15 requirements for the revenue recognition, measurement and disclosure provide necessary improvements to the quality and consistency of how revenue is reported and also improving comparability in the telecom entity's financial statements (Ning &et.al ,2016, p. 1676).

The telecom industry will see significant changes because of the new guidance of IFRS 15. Telecommunication entities must reevaluate all their contracts with customers to determine the effects of the new standard and how to edit its valuations and change their revenue recognition methods, internal controls and disclosures to be suitable with the new standard guidance.This Standard will impact on the telecom entities by reevaluating and changing the amount and timing of revenue recognition. The disclosure of revenue could reshape the entity's Financial Statements by making assets, liabilities and disclosures will be more to consider because it puts a major emphasis on more details, rules and disclosures.

For achieving the core principle of IFRS 15, the telecom entity must recognize revenue according to five steps. This model illustrates how the five steps of the standard applies to wireless and wireline telecom entities to determine when to recognize revenue, and at what amount.

- **Step 1: Identify the telecom contract with the customer or client.**

The model in IFRS 15 applies to each contract with a customer. A Telecom contract is an agreement between two or more parties that creates rights and obligations for the parties. These Contracts may be written, oral or implied by customary business practices, but must be enforceable and have commercial substance.

The more complex issue for telecommunication companies is determining the duration of the contract. Although telecom contracts often have a specified term, sometimes the specified term may not be enforceable. In other cases, the term may be estimated. In each contract, assessing the contract term is key to determining the contract's transaction price, which, in turn, significantly affects the allocation of that transaction price and therefore the revenue recognition for each performance obligation (e.g. good (phone) and service in a bundled arrangement) (**KPMG , 2016 ,p,19)**.

The combination between telecom contracts: Telecom. entities are required to combine two or more contracts that it enters into at, or near, the same time with the same customer or a related party of the customer and treat them as a single contract, if they meet the specified criteria. Combining telecom contracts results in a single total transaction price that is allocated to all performance obligations in the combined contract.

The modification of the telecom contracts: Telecom customers may add or remove services (e.g., increase or decrease data in a wireless plan). They frequently make changes to their services and the entity must modify the terms of their contracts by adding or removing these services. The entity must determine whether the modification creates a new contract or whether it will be treated as part of the existing contract. The Contract modifications are treated as separate contracts if these two criteria are met:

- The modification results in the addition of distinct goods or services.
- The priced are estimated at stand-alone selling prices .

If these criteria are met, the accounting for the original contract is not affected by the modification and revenue recognition for the original contract is not adjusted. Contract modifications that may create separate new contracts include services added such as global voice and messaging plans. These plans will typically meet the standard's definition of 'distinct' and be treated as separate contracts because the monthly price for those services typically reflects the stand-alone selling price of the entity. If the contracts modification involves goods or services that are not distinct from the goods and services already provided, the telecom entity will treat the contract modification as part of the original contract and adjust the revenue previously recognized to reflect the transaction price of the contract modification and measure of its effect.

- **Step 2: Identify the performance obligations in the telecom contract:**

The telecom entity may evaluate whether it promises to transfer either goods or services that are distinct, or a series of distinct goods or services to identify which promised goods or services or bundles of them would be treated as separate performance obligations. These promises might not be limited to those explicitly included in written contracts. If it promises to transfer goods or services that are not to be distinct, the entity continues to combine it with other promised goods or services until it identifies a bundle of goods or services that is distinct.

Telecom offerings typically bundle of equipment (handset) and some various services. For evaluating whether these goods and services are distinct is not dependent on whether the goods or services provided for free or on a discounted basis. Under the IFRS15, discounted or free equipment and other incentives (such as free service periods or gift cards) could be considered as distinct goods or services (performance obligations) to which revenue needs to be allocated.

- **Step 3: Determine the transaction price of the telecom contract:**

The amount of consideration that determined in the telecom contract is the amount to which the entity expects to be entitled in exchange for transfering the promised goods or services to the

customer. The transaction price excludes amounts collected on behalf of third parties such as some sales taxes or some telecom regulatory fees. It also considers variable consideration (and the constraint), consideration payable to a customer or noncash consideration.

Variable consideration (and the constraint):

The amount and timing of a portion of the transaction price could vary because of the discounts, rebates, refunds, credits, bonuses, price concessions, incentives, penalties or other similar items. Telecom entities need to analyze their contract and its business practices of offering incentives, rebates and price concessions, etc., as those may affect the transaction price and need to be estimated at the contract inception by using either the expected value method or the most likely amount method, which one is better in the prediction of the consideration.

Consideration paid or payable to a customer:

It includes the cash amount that pays by the entity to the customer, or to other parties that purchase the entity's goods or services from the customer. It also includes credits, coupons or vouchers that could be applied by the customer against the amount owed to the entity or to other parties that purchase the entity's goods or services from the customer. The entity assesses the consideration paid or payable to a customer to determine whether the amount represents a reduction of the transaction price, a payment for distinct goods or services, or a combination of them. If the fair value of the distinct good is less than its cost, the difference is consideration payable to a customer and reduces the telecom contract transaction price.

Significant financing component:

The entity will adjust the consideration amount promised for the time value of money, if the telecom contract contains the significant financing component. telecom entities may enter in multi-year contracts that are either prepaid in full or include large upfront payments and the remaining amount will pay for over time, when they offer arrangements in which a good or service is provided upfront, telecom entities will need to consider whether there is a significant financing component in the arrangement. For example, when an entity offers subsidized handset with a two-year wireless services contract or when an entity offers the customer an installment plan for the handset. The financing component recognized as interest expense (when the customer pays in advance) or interest income (when the customer pays in arrears), and presented separately from revenue from customers.

- **Step 4: Allocate the transaction price to the performance obligations in the contract:**

The telecom entity allocates the transaction price to each separate performance obligation (each distinct good or service) to its standalone selling price.A variable consideration or a discount is allocated to one or more, but not all of the performance obligations. The Telecom entity will need to consider the factors of state regulation, competition or type of customer when they determine the stand alone selling prices of their goods and services that may differ. The standalone Selling prices

also change frequently because of the competitive market factors and introduction of new technologies. So it is required from the entities to update their processes and systems to determine the standalone selling prices on a regular basis that will be considered a significant challenge for telecom entities.

When determining standalone selling prices, a telecom entity is required to use observable information, if it is available. If standalone selling prices are not directly observable, the entity will need to estimate it by using one of the three approaches based on available information. The estimation approaches include an adjusted market assessment approach, an expected cost plus a margin approach and Residual value approach.

- **Step 5: Recognize revenue when or as the entity satisfies a performance obligation.**

The telecom entity recognizes revenue when or as it satisfies each performance obligation by transferring a control of assets (good)or service promises to the customer, either at a point in time (when) or over time (as).

Generally, the telecom entity recognizes revenue from sales of equipment at a point in time, usually at contract inception, when control of the equipment (assets) transferred to the customer, and recognizes revenue from Service promises over time as the services provided. The new change in allocation methodology will often increase the amount of revenue allocated to, and accelerate revenue recognition on, the equipment, especially for subsidized wireless handsets but for the option of adding services, such as usage, result in revenue recognition only once the customer exercises the option. For example, wireless telecom entity presents a contract for the customer with both a mobile phone and network services; IFRS 15 recognizes revenue from this transaction on a basis of the entity's performance obligation. This is required from the entity to allocate the transaction price (which would be the amount that the customer pays on entering into the contract with the seller and the monthly payments for the network services) to the mobile phone and the network services on the relative standalone selling prices basis for each item performed. So, some revenue would be recognized when the handset transfers to the customer (even if the handset is marketed as 'free') and the remaining revenue would be recognized when the network services provided, where the IFRS 15 determines that the revenue recognition must describe the selling of goods (sale of mobile) and providing of services (network services) to customers. the evaluation of revenue should reflect the consideration to which the entity expects to be entitled in exchange for these goods and services, so the timing and amount of revenue recognition must be the same in accounting for these contracts regardless of payment terms (ignoring the time value of money) (McConnell, 2014, p.p 2,3).

3. **the IFRS 15 ability to treat the accounting issues for revenue in telecom entities.**

The researcher discusses how the standard will treat the accounting issues for revenue that are already exists in the wireless and wireline telecom entities, as follows:

A. **Mobile related issues such as:**

- **Multiple elements arrangements:**

Wireless telecom entities usually transfer a bundle of goods and services to the customer (e.g., wireless service and handsets). IFRS 15 requires telecom entities to identify the contract with the customer by providing multiple goods and services (sale of mobile phone and providing monthly services). It also requires telecom entities to allocate transaction prices among all performance obligations in the contract based on their relative stand-alone selling prices. The telecom entity requires to determine the stand-alone selling prices of all the components within the bundle. If the stand-alone selling price cannot be observed, the entity must estimate it under the other methods that IFRS15 determines it. These are then used to allocate the total price to the different components in the contract.

The required allocation for the transaction price could result in a change in the timing of revenue recognition (e.g., some revenue might be recognized up front). This change will affect their income statement because the amounts billed and collected by the entity monthly could be significantly different from the amount of revenue in the income statement. IAS 18 does not identify how to separately recognize each component in the contracts and how to allocate the transaction price for the multiple elements products. That's led the telecom entities to make their own judgments on applying it. So the IFRS 15 guidance could treat the vague guidance existed in IAS 18 that related to the multiple elements arrangement issue in the telecom entities by dividing the transaction to each separate performance obligation and distribute the total revenue of this transaction to each performance obligation separately according to the relative stand-alone selling price.

- **Mobile phone revenues:**

Under new guidance in IFRS 15, wireless telecom entity identifies all separate performance obligations from the contract with the customer, these being: (a) The obligation to deliver the mobile phone equipment, and (b) The obligation to deliver the mobile services .The revenue recognizes when the entity satisfies its performance obligations. Therefore, it recognizes revenue from the mobile sales when it gives it to the customer (**Aurora&Bontas , 2014, p.380).**

- **Prepaid mobile phone revenues.**

The customer commonly pays for ongoing services by purchasing cards or purchasing points from a phone, online, or by other channels such as cash machines and customer payment stations. regardless the payment arrangement with the customer, an accounting issue for revenue which the wireless entities face it is when to recognize revenue in respect of services purchased in advance.

under the IFRS15, revenue should follow performance than the timing of payment as wireless telecom entities have the obligations to provide services to the end customer. This means that

revenue must be recognized when calls made. However, practical accounting difficulties arise when the entity cannot readily track the card or other forms of usage. In many cases, based on the expected usage and the life of the card or other credits, could be acceptable.

In addition, wireless telecom entities would also consider whether it has a significant financial component (specially the contracts more than one year) and discounting for time value of money received in advance could be ensured **(KPMG,2016, p.5)**.

- **Indirect mobile phone sales channel:**

Wireless telecom entities commonly sell service contracts to customers through the indirect sales channel (i.e., dealers). The terms and conditions of arrangements with dealers vary throughout the telecom industry. Dealers purchase handsets from the manufacturer or from the wireless entity. The dealer then sells the handsets to the end customer who enters into a contract for a service provided by the wireless entity. Generally, wireless entities make payments to the dealers when they sign up a new customer. Under IFRS 15, a wireless entity will need to analyze their contracts with dealers and carefully evaluate the nature and all circumstances of an indirect channel arrangement to determine the appropriate accounting treatment for the payment made to the dealer **(EY,2015, p.25)**.

According to the standard, wireless telecom entity must determine whether payments made to a dealer representative a sale commission of the service contract (e.g., the costs arising from obtaining a contract) or a handset subsidy (e.g., the consideration paid or payable to a customer).

For example, If the dealer purchases handsets from the original equipment manufacturer (the dealer is not the customer in the arrangement), the dealer payment may represent a commission that is as a cost to obtain a contract **(EY,2017, P.11)**. If the dealer purchases handsets from the wireless entity (the dealer is a customer in the arrangement), the wireless entity needs to carefully evaluate the terms of the dealer payment to determine whether some or all of the payment represents consideration payable to a customer. In this case, the wireless entity needs to determine whether the consideration payable to the customer (or to other parties that purchase the entity's goods or services from the customer(dealers)) treats as a reduction of the transaction price and, therefore, of revenue unless such payment to the customer is in exchange for a distinct good or service **(KPMG, 2016, p.4)**.

- **Nonrefundable up-front activation or installation fees (Connection revenues):**

Those fees, such as activation or installation fees, are often required by telecom entities to set at contract inception. for a month-to-month telecom contract, the customer can renew each month without having to pay the activation or installation fee again which leads to a material right (that may differ from the activation or installation fee charged to the customer) and creates a separate performance obligation. for example, a telecom entity charging an activation fee to set a physical line to the customer's premises, in a contract including a handset and monthly services. If the customer can still use the line when changing his telecommunications provider, the line represents a

distinct service. The related activation fee will therefore be accounted for as a separate performance obligation **(Peters &Maxime, 2016 ,p.20)**.If the upfront activation fee does not represent a distinct performance obligation, it is included in the transaction price and allocated between the handset and the monthly services plan.

Telecom entity need to determine the standalone selling price to allocate the transaction price to the promised goods or services and also to the purchased options of additional products or services (e.g., international data and voice plans. or minutes or messages more than plan controls). The standard provides an alternative to estimating the standalone selling price of an option. Under this alternative, a portion of the transaction price allocates to the option by reference to the total goods or services expected to be provided to the customer (including expected renewals) and the expected consideration. it should allocate a portion of the transaction price to the material right and recognize that amount over the period of benefit of the activation or installation fee **(EY,2017, P.4)**.

- **Customer loyalty programs, Free minutes and other offers:**

Telecom entities seek to reduce customers disturb by offering retention incentives because of the costs involved in acquiring new customers is high. Telecom entities often offer free products and services as an encouragement for customers to continue into telecom contracts (e.g., free tablets, free months of service, awarded points of a set amount of minutes used) **(EY,2017, P.13)**.

Although an entity might not consider those goods or services the main items the customer contracts to receive, those goods or services pays by the customer. the entity should evaluate whether they are separate performance obligations. It would account for a customer option to acquire more goods or services (customer loyalty program or other offers) as a performance obligation if the option provides the customer with a material right. The standard provides guidance on calculating the standalone selling price of a customer option. If the stand-alone selling price that is a material right is not directly observable, in such a case the entity would need to estimate it **(KPMG, 2016, p.5)**.

The standard also allows entities to ignore promises that consider immaterial in the contract. When evaluating whether a promised good or service is immaterial, an entity should consider the relative significance of the good or service in the contract. In this case, a telecom entity needs to consider both quantitative and qualitative factors. If the entity determines that multiple goods or services are individually immaterial in a contract, it also should assess the collective significance of those goods or services before concluding it is appropriate to consider them all immaterial in a contract because those individual immaterial items could be material in the gross to the contract.

- **Variable consideration and additional goods or services over mobile phone (mobile sites, appetence):**

Telecom network service contracts often contain usage-based fees (e.g., price per gigabyte of data used). wireless telecom entities need to practice judgment in distinguishing between contracts that

include variable consideration based on a variable quantity and contracts that contain the customer option to purchase additional goods or services. This determination is important because it affects the accounting for the contract at inception and throughout the life of the contract, as well as disclosures. according to the standard, telecom entities should first identify the nature of the promises in the contract as well as the rights and obligations of the parties.

If the variable quantity of services provided (e.g., gigabytes of data) represents customer options, the wireless telecom entity would be obligated to provide the additional goods and services only when the customer exercises the option to purchase a separate service. If that option is not a material right, there is no accounting for the additional goods or services until those subsequent purchases occur. if the usage-based fee represents variable consideration, the wireless telecom entity would be presently obligated to transfer all the goods and services to the customer. Therefore, an entity would have to estimate at contract inception the variable consideration expected over the contract term and update that estimate each reporting period.

The amount and timing of a portion of the transaction price could vary, due to discounts, rebates, refunds, credits, price concessions, incentives, bonuses, penalties or other similar items. Telecom contracts often may include volume discounts or rebates that offer to customers based on a variable quantity (e.g., the use of data). Telecom entities may question whether a volume rebate or discount represents an optional purchase or variable consideration. if a discount is surely applied, the judgment requires the telecom entity to distinguish between optional purchases and variable consideration. a discount would be accounted for as a customer option to purchase (not variable consideration) when the consideration for the goods or services in the current contract is not conditional or affected by any future purchases. Telecom entities need to evaluate whether the volume rebate or discount provides the customer with an option to purchase goods or services in the future at a discount that represents a material right (and is therefore accounted for as a performance obligation). a volume rebate or discount would be accounted for as variable consideration when the final price of each good or service sold depends on the customer's total purchases subject to the rebate program. That is, the consideration is conditional in the occurrence or nonoccurrence of future events **(EY ,2017, p.9)**.

- **Interconnect arrangements:**

Both wireless and wire-line telecom operators could enter into a number of interconnect contracts with other carriers. These agreements allow them to terminate or transit traffic on their respective networks and to provide the end-to-end capability required by their customers **(KPMG, 2010, p.29)**.

- Establishing fair value.

Revenue cannot exceed the fair value of the services provided. Telecom entities need to be able to verify fair value where consideration is not received in the form of cash. In instances where there is

a significant amount of mutual interconnect business between two entities, establishing fair value could not be simple.

the standard states that the transaction price in the contract could determine at fair value when the fair value is reliably determinable. If an entity cannot estimate the fair value of the non-cash consideration, it would measure the consideration indirectly by reference to the standalone selling price of the goods or services **(IFRS15. 66&67)**. A telecom entity must estimate stand-alone selling price if it is not observable by one or more of these methods: adjusted market assessment approach; expected cost plus a margin approach and residual approach.

- Net settlement.

In industry practice is for interconnect revenues recorded gross on the basis that the parties exposed to the gross risks of the transaction. Interconnect agreements usually allow parties to settle on a net basis. some telecoms seek to further reduce their exposure to other parties by entering into arrangements that give them the legal right of offset.

In some cases, parties enter into arrangements whereby the rates and amount of goods or services transferred by each party established upfront. The substance of the transaction is that the telecom entities agree to exchange services with possibility of any net cash settlement being remote.

- Legal right of offset.

Custom and practice is for telecom operators to typically settle on a net basis. However, some operators may seek to further reduce their exposure to other parties by entering into agreements that give them the legal right to offset any balances due from the counter party against balances due to the same party. To reduce the settlement risk of the transaction is a sensible commercial objective. it would not expect that this to void the recognition policy of the gross transaction in the first place. However, ongoing consideration will be needed to make sure that the recognition policy is neither misapplied nor becomes inappropriate.

B.Fixed line related issues such as:

- **Interconnect arrangements.**
- **Principal versus agent:**

A telecom entity needs to identify the contract by providing goods or services to the customer. In this issue, an entity requires to determine whether the promises performance obligation is a principal (the goods or services Provided itself) or an agent (the goods or services provided by third-party) by evaluating the nature of its promise to the customer. This determination exists in step two when identifying the performance obligations promised to the customer in the contract.

A telecom entity is a principal and records revenue on a gross basis if it controls a promised good or service before transferring that good or service to the customer. A telecom entity is an agent and records revenue on the net amount it retains for its agency services if its role is to arrange for third-party to provide the goods or services. Because it is not always clear whether an entity controls a

specified good or service in some contracts (e.g., those involving intangible goods and services), the standard also provides indicators of when an entity may control the specified good or service as follows:

- The entity is firstly responsible for fulfilling the promise to transfer the specific good or service to the customer.
- The entity has the inventory risk before transferring the control of specified good or service to a customer or after transfer of control to the customer (e.g., if the customer has a right of return).
- The entity has discretion in establishing the price for the specified good or service.

- **Bundled services.**

Telecom entities often provide bundled products and services to the customer (such as, for contracts involving the supply of a free handset or router that combined or (bundled) with an allocation of permitted use in return for a monthly payment for a minimum period of time). They need to estimate the standalone selling prices of the goods and services to allocate the transaction price to each performance obligation.

The telecom entity often may sell goods or services at different prices to different customers. Depending on the facts and circumstances, a telecom entity may need to stratify its analysis to determine the standalone selling price for each class of customer (e.g., customers by network plan), geography and/or market. The selling price of telecom bundled goods and services is commonly less than the sum of the standalone selling prices of the individual components. Telecom entities should assess whether the discount inherent in the bundle is promotional in nature (e.g., introductory pricing for the first three months). If the discount is promotional in nature, the discount would be allocated proportionately to all separate performance obligations in the bundle.

The only requirements in the standard are that an entity maximize its use of observable inputs and apply the estimation approaches consistently. The application of IFRS 15 will result in the revenue from the contract allocated to each component (or 'performance obligation').That means, the telecom entities will record revenue and profit that is referable to the provision of the handset at the beginning of each contract. compared to the present practice, this normally means recognition of more revenue and profit on the inception of the contracts, and less revenue and profit as the contract. So the telecom entities need to make significant investments in their information systems to be able to track multiple pricing points for a single product offering. The standard also requires entities to update the standalone selling prices to reflect new products and offerings and price changes for new contracts.

- **Non refundable fees for installation or setup services.**

Majority of up front set up or installation services facilitate the customer's access to the activation, and bundled with a future period of ongoing services. Companies will need to evaluate whether these types of up-front services are separate performance obligations **(KPMG,2014, p.2).**

Some contracts in the telecom industry include non refundable up front fees. IFRS 15 requires telecom entities to determine whether an up front fee is related to the transfer of a good or service promised. In addition, the new standard notes that non-refundable up-front fees are often related to activities that requires an entity to fulfil (e.g. switching on access to the network) at or over the inception of a contract; however, those activities may not result in the transfer of a good or service to the customer. Under such circumstances, the non refundable upfront fee may represent an advance payment of future goods or services and would be recognized when the telecom entity transferring those promised goods or services to a customer. In some instance, those future promised goods or services may be provided for periods in excess of the initial contract period if the customer has the option of renewing the contract and a material right exists **(Deloitte ,2015, p.10).**

- **Customer options for additional goods or services:**

Wireline telecom entities encourage the new customers to enter into a contract by giving them many options for additional goods or services at a discount or for free (e.g., free routers, or free months of service) . If the telecom entity presents a material right to the customer when entering into the contract,the customer's option to receive additional goods or services at a discount or for free is treated as a separate performance obligation.If it is immaterial in a contract, it should first assess the collective significance of those goods or services because those individual immaterial items could be material in the aggregate to the contract.

- **Customer premise equipment:**

Telecom entities often provide customer premise equipment (CPE) such as set-top boxes and access (e.g., routers, modems) in the integrity with telecom services.

Telecom Entities first must determine whether the CPE is a leasing element or a revenue element within the scope of the revenue standard. If it is a revenue element, a telecom entity needs to determine whether it is a distinct good and therefore a separate performance obligation. If the CPE is not a distinct good, the telecom entity includes the fee charged for the asset in the total transaction price that allocated to the separate performance obligations (e.g., monthly telecom service). **(EY,2017,p.13)**

4. Conclusions:

Telecom entities facing many accounting issues for revenue that related to revenue recognition, measurement, and disclosure under the current business environment. there have been constant efforts from the standard setters and other parties concerned with accounting in treating these issues.

The five-step approach to the accounting for revenue would result in regular and harmonic revenue recognition, and thus improves the comparability characteristic of financial statements. Entities should be assessing their current systems and processes to determine the changes that they will need to make in order to comply with the new approach. For telecom sector, the new revenue standard

will have a significant impact on the entire entities, resulting in changes in how and when revenue is recognized, and will require the dependence of new systems and processes.

The researcher considered that the implementation of the new qualitative and quantitative disclosure requirements of the revenue standard is going to have a widespread impact on most organizations especially telecommunications entities because there can enter into a contract involving two or more performance obligations such as the sale of product and providing some services for a long time and also because of the variety of plans they offered and the frequency with which customers modify their plans by adding or removing services. So, the new disclosure requirement will display the revenue in the best image that enable financial statement users to understand the nature, amount, timing, uncertainty of revenue and cash flows coming from the contracts with the customers.

The implementation of the revenue standard (IFRS15) will be affected by three ways: telecom entities may reform their business practices for being more compatible with the new guidance of revenue recognition to ensure more favorable accounting outcomes, there will be costs associated with changing the accounting practices of the entities, and the telecom entities financial statements will be materially changed. It also presents a new shift to auditors. Auditors require reviewing all this new important information.

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