

Educational materials on HKFRS 15

Industry specific educational guidance on application of HKFRS 15 including:

- Real estate apartment sales
- Insurance intermediary
- Engineering and construction
- IPO sponsor fee

Real estate apartment sales

- [How the new standard affects revenue recognition in Hong Kong real estate sales before completion](#)
(APlus August 2015)
- [How to account for sales incentives and selling costs incurred on real estate apartment sales contracts](#)
(APlus June 2016)

Incremental sales commissions paid to sales staff and/or external real estate agents

Such incremental costs are costs to obtain a contract under HKFRS 15. Unless the practical expedient applies, developers should capitalize the incremental sales commissions as an asset when the commission is incurred and should recognize the asset as an expense when revenue from the related contract with the customer is recognized.

- [How the new standard affects revenue of real estate developers if significant financing component exists](#)
(APlus August 2016)

Conclusion

Taking into account customary practice within the industry, and the high uncertainty in the granting of the equitable relief of specific performance in favour of developers, it is considered that in the case of a pre-completion sales under a standard ASP contract, developers in Hong Kong do not have an enforceable right to payment for performance completed to date within the meaning of HKFRS 15.

Does a significant financing component exist?

A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. HKFRS 15.63 nevertheless provides a practical expedient that allows developers to disregard the time value of money if the period between the transfer of the goods and services and the timing of the payment is one year or less.

Insurance intermediary, engineering and construction industries

This article provides illustrative examples to help insurance intermediaries address some key issues that have arisen when applying steps 2 and 3 to typical client and agency agreements. Insurance intermediaries are insurance agents or insurance brokers. An insurance agent normally represents an insurance company and is authorized to sell the company's products. An insurance broker normally represents policyholders and may have agreements with a number of insurance companies.

- [Applying new revenue recognition requirements in the insurance intermediary industry](#)
(APlus August 2019)
- [FAQ: HKFRS 15 revenue recognition considerations in the engineering and construction industries](#)

- ❖ Q1. Will a construction contract need to be 'unbundled' into two or more components?
- ❖ Q2. How will the criteria for combining contracts change?
- ❖ Q3. How are contract modifications accounted for?
- ❖ Q4. What if a contract includes variable amounts of consideration?
- ❖ Q5. Can E&C entities continue to recognise revenue using the stage of completion method under HKAS 11?
- ❖ Q6. If revenue is required to be recognised over time, how should progress towards completion be measured?
- ❖ Q7. How to account for costs incurred that are not indicative of an entity's progress towards satisfying a performance obligation?
- ❖ Q8. Should cost associated with the bid process be capitalised, or expensed immediately?
- ❖ Q9. Should borrowing costs related to the contract be capitalised?
- ❖ Q10. What are the other considerations?



IPO sponsor fee income

- [FAQ: Recognition of IPO sponsor fee income under HKFRS 15](#)

❖ Q1. How many performance obligations are there in the sponsor contract? And what is (are) the performance obligation(s)?

❖ Q2. What is the transaction price of the contract?

❖ Q3. Should IPO sponsor fee income be recognised over time or at a point in time?

❖ Q4. If IPO sponsor fee income meets the criteria in HKFRS 15.35 to be recognised over time, what is an appropriate method for measurement of progress?

❖ Q5. Why is recognising the initial deposit and/or milestone payments in full upon receipt of cash usually not appropriate under HKFRS 15?

❖ Q6. What are some other key considerations for a sponsor?

- [Illustrative examples on IPO sponsor fee income](#)

