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Impact of Implementation of IFRS 15 on the Financial Statements of Telecommunication Company (Case Study of PT XYZ)

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***Abstract*— the purpose of this research is to analyze the impact of implementation of IFRS 15 "Revenue from Contract with Customer" on the Financial Statement of Telecommunication Company in Indonesia. The paper presents a qualitative analysis in the form of literature and case study in cellular business process in PT XYZ. This research tries to analyze the magnitude of the impact of implementation on revenue measurement, recognition, presentation, and disclosure processes in the telecommunication company and to identify changes required to anticipate the enactment of this standard. The results demonstrate that the implementation of IFRS 15 in PT XYZ will affect not only the revenue recognition and financial reporting preparation processes but will also impact and require changes to the internal control environment, information and technology system, key performance indicators and employee benefit calculation processes, and also investor relations. The implementation of IFRS 15 is not only the responsibility of the Accounting Group, but also requires good coordination and teamwork among related units in PT XYZ in carrying out the necessary changes.**

Keywords—Accounting; Convergence; IFRS 15; Revenue Recognition; Telecommunication

I. INTRODUCTION

Developments within the telecommunication industry have encouraged increased competition among telecommunication companies. Telecommunication is a very dynamic industry sector that is constantly following the development of existing technologies.

The high level of competition for customers between telephone operators and internet service providers has forced telecommunication companies to be more creative in finding sources of revenue. Telecommunication companies can now provide a wide range of services to their customers such as cellular services, fixed line telecommunication, and even online shopping services. This poses a challenge for telecommunication companies in terms of revenue recognition. Challenges are also increased along with the increasing complexity of package offers and incentives that companies use to attract customers and that sometimes involve Multiple Element Arrangement (MEA). Revenue recognition has always been a most interesting topic in relation to telecommunication companies.

Current revenue accounting standards are considered inadequate for helping investors understand and compare the company performance. This is due to inconsistencies and weaknesses in current revenue accounting standards and disclosure requirements that are also inadequate. The current weakness of the IFRS standards (IAS 18 and revenue related interpretations) is that it provides very few implementation guidelines. This results in different applications or implementations among companies in the same industry due to different considerations and interpretations.

This encourages the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to seek convergence between their accounting standards. In the future, therefore, the convergence of accounting standards is expected to increase the comparability of all financial statements globally. Their first project is to issue new standards that govern revenue recognition and accepted by both the IASB and FASB. In May 2014, IFRS 15 or ASC 606 was issued - Revenue from Contracts with Customers. IFRS 15 itself will be effective on January 1, 2018, whereas Indonesia through Institute of Indonesia Chartered Accountants will begin adopting this standard one year later, on January 1, 2019.

This study aims to quantify the impact of IFRS 15 implementation on the processes used to measure, recognize, present, and disclose revenues in telecommunication companies and to identify any changes required to be taken to anticipate the enactment of IFRS 15. In this study, the authors will conduct a case study of one of the largest operators in Indonesia, PT XYZ.

For the purpose of this study, the authors will focus the research only on the business processes of cellular services that are applicable in PT XYZ. Total revenues from the company's cellular services represent more than 70% of the total revenue of the company as a whole; in addition, the business processes are already mature ahead of other services. This research has several problem formulations as follows:

1. What is the impact of IFRS 15 on business processes, information systems, and financial reporting, particularly related to the revenue cycle of PT XYZ?
2. How does the impact of IFRS 15 apply to other processes outside the revenue process?

3. What steps can be taken by PT XYZ in anticipating the implementation of IFRS 15?

II. Literature Review

Currently, the main accounting guidelines for revenue recognition in Indonesia are governed by PSAK 23 (revised 2010) - Revenue, which is the adoption of IAS 18 (2009). The main problem in accounting for revenue is determining the right time to recognize the revenue and the amount of revenue that should be recognized. PSAK 23 (revised 2010) states that revenue is to be recognized when it is likely that future economic benefit will flow to the entity and that these benefits can be measured reliably.

Under PSAK 23 (revised 2010) paragraph 8, it is stated that the main principle for revenue measurement is that revenue shall be measured at the fair value of the consideration received or receivable. The fair value itself, according to PSAK 23 (revised 2010), is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

PSAK 23 specifies the terms of a revenue condition to be recognized only for goods, services, interest, royalty, and dividend income. For revenue disclosures in the financial statements, PSAK 23 only requires companies to disclose accounting policies used for revenue recognition, the categories for determining the amount of significant revenues, and the amount of revenues from the exchange of goods or services when included in significant revenue.

With the issuance of IFRS 15, all current revenue recognition guidelines that are contained in several accounting standards and interpretations in PSAK or IFRS will be withdrawn. IFRS 15 introduces a comprehensive revenue recognition model aimed at revenue from all types of contracts with customers unless the contract is governed by other standards. Therefore, the scope of IFRS 15 will be much wider than the current revenue standard, where IFRS 15 will replace two (2) main revenue standards and four (4) revenue-related interpretations.

Under IFRS 15, as directly stated in the standard, the objective is to establish principles that the entity must apply in providing useful information to the users of the financial statements regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from entity's contracts with customers. In fulfilling the objective, the entity shall always adhere to the principle of IFRS 15 that the company recognizes revenue to depict the transfer of the promised goods and services in an amount that reflects the consideration to which the company expects to be entitled in exchange for goods and services.

To acknowledge revenue in accordance with these objectives, IFRS 15 introduces a series of processes consisting of five steps to determine the amount and timing of when revenue should be recognized. The five steps are as follows:

1. Identify the contract with the customers.

In this step, the company is required to identify all contracts with the customer and determine whether the contract falls into the scope of IFRS 15. The contract may be in writing, verbal, or implied in certain business practices, but shall be enforceable and shall have commercial substance. One of the criteria for determining whether a contract falls under the scope is that the entity is required to assess the collectability of the customer's payment of the contract in the future. In assessing whether the collectability of the payment from the customer is most likely to be obtained, the entity needs to be concerned with the ability and intention of the customer to make the payment on the due date. In this stage, IFRS 15 also introduces criteria for determining the accounting treatment for contract modification.

2. Identify the performance obligations in the contract.

Once a contract with a customer that falls under the scope of IFRS 15 can be identified, the next step is to determine what performance obligations are within each contract. IFRS 15 provides two (2) steps in determining whether a good or service (or bundle of goods and services) within a contract is a different performance obligation, in which these two criteria must be met to state that the goods or services are distinct.

3. Determine the transaction price.

Companies must consider the terms of contract and business practices of the company when determining the transaction price. The price of a transaction is the amount of payment that an entity wishes to receive in exchange for goods or services delivered to the customer, excluding any amount earned on behalf of a third party (for example, sales tax). When determining the transaction price, an entity should consider the effects of variable payments, significant financial components, non-cash payments, and consideration payments to customers.

4. Allocate the transaction price to the performance obligations in the contract.

The purpose of allocating the transaction price is that the revenue recognized for each performance obligation may reflect the amount of payments expected to be received by the entity in lieu of the transfer of such performance obligations to the customer. Here, the IFRS 15 emphasizes the importance of using the Standalone Selling Price (SSP) as the first hierarchy for the basis of allocating the transaction price.

5. Recognize revenue when the company satisfies the performance obligations.

IFRS 15 states that the entity recognizes revenue when it has satisfied the performance obligations by transferring the promised goods or services to the customers. Performance obligations are satisfied when the customer obtains control of the asset. "Control" herein is defined as the ability to direct the use and obtain, substantially, all the benefits of the goods or services. IFRS 15 introduces two (2) revenue recognition approaches that can be used to recognize revenue, i.e., whether performance obligations are met over a period or at a point in time. In fact, this kind of revenue recognition model is not new, only IFRS 15 makes the determination of the use of the method more structured and consistent by providing guidelines for determination.

In addition, a significant change that brings by IFRS 15 that now IFRS 15 provides guidance on two types of costs the cost for obtaining contracts and the cost for fulfilling contracts. If the cost is incurred as part of the contract, then the cost should be capitalized and associated with future performance liabilities.

III. Research Method

The research method involves the qualitative analysis of primary and secondary data obtained from a case study of PT XYZ. The methods used to obtain the data are as follows:

1. Interview and observation

Primary data were obtained by conducting interviews directly with the business process owner or people who run the process directly, and also by observation of the company's current conditions. This observation also includes a review of company documents to study current operational activities.

2. Literature review

Secondary data are obtained from library studies, especially related to the accounting treatment for revenue recognition, including the applicable telecommunication regulations, current financial accounting standards. This is done as a basis for analyzing the application of revenue recognition in PT XYZ.

IV. Results and Discussion

In analyzing the impact of the implementation of IFRS 15 that may be faced by PT XYZ, reporting will be made in stages in accordance with the stages of the revenue recognition model applicable in IFRS 15:

A. Analyze the Process of Identification Contracts With a Customer in PT XYZ.

From the research results it is known that telecommunication companies have a business nature that usually manages numerous complex and diverse contracts with customers. This is because telecommunication companies have more than ten thousand customers and almost once a month they release new products or services packages, which can be an initiatives from the company itself or just as a response to competitors' new products. Currently, most of the new products are bundled with an MEA. In addition, customers are given the ease to make modifications to the existing contract by buying a new package.

Based on the above facts, the application of IFRS 15 should be viewed as an opportunity for PT XYZ to review and improve the business process of contract management from the viewpoint of both its contracting and documentation processes. It is important for the company to ensure their sales, product development, and legal groups understand the impact of IFRS 15 on all clauses contained in the contract with the customers they have made. Equally important is ensuring the system database of contract management can capture and document all the information required in conjunction with the implementation of IFRS 15 and that the information is linked to the corporate financial system, which currently uses SAP.

From the analysis of current contracts with customers made by PT XYZ in their cellular business, almost all types of contracts meet the criteria and fall within the scope of IFRS 15, except for revenue from tower leases that falls into the scope of PSAK 30.

One of the criteria to determine whether a contract falls into the scope of IFRS 15 regards the collectability of that revenue. This criterion is important for PT XYZ when taking into account the current condition where the company's level of bad debt is big enough. Based on the financial statements of PT XYZ for the year ended December 31, 2016, the provision for trade receivables is Rp 873 billion. This amount represents 24% of PT XYZ's total receivables, totaling Rp 3.580 billion as of December 31, 2016 or 3.6% of total revenues [1]. This amount is quite significant when compared with the average bad debt level from the company in the telecommunication industry that has a provisional amount for bad debts of only 2% of revenue [2]. This indicates that the internal control process undertaken by PT XYZ is currently not effective. This is also resulting from the pressure to pursue revenue targets that make sales sometimes more aggressive in finding new prospects that actually have a high risk.

PT XYZ management should improve the internal control process related to post-paid customer acceptance. This is to ensure that the uncollectible receivables from customers become insignificant and also to increase confidence in PT XYZ management that customers will pay their payable due amount. In this case, the internal control process includes improving the validation process of new customer acceptance as well as customer billing and payment procedures. This is in line with the core principle of IFRS 15 that the entity recognizes the revenue in the amount that the entity expects to receive in return for the goods or services provided to the customer. In this case, the revenue amount shall not include the amount that the entity expects will not be paid by the customer. Therefore, if this process is not properly managed, then PT XYZ must recognize revenue less than what it is now recorded.

In addition to the process of reviewing the internal control, management should also review and adjust the Key Performance Indicators (KPIs) related to the Sales and Commercial Groups. The Commercial Group will also be subject to KPIs that relate to the collectability of revenue with appropriate proportion, which raises the responsibility of the Commercial Group to ensure that all payments from the customers are collectible. Therefore, in the future, they can be more careful in choosing new customers and not only focusing on the pursuit of sales targets. In this case, the Revenue Accounting Division must coordinate with the Performance Management Division, Human Resources Group, and also relevant Commercial Divisions to determine the appropriate KPIs.

In this stage, the company must also assess whether a new transaction entered by customer, who previously already had a contract with PT XYZ, is a contract modification. The company needs to determine the appropriate accounting treatment for each of contract modification based on criteria defined in the IFRS 15. Currently, PT XYZ treats all those new transactions as new contracts separate from the previous contract. Table 1 shows the analysis conducted by the authors on the transactions modification contracts that exist in the cellular business of PT XYZ to determine the proper accounting treatment by using the stages of criteria in IFRS 15.

B. Analysis of Identification Performance Obligation in Contracts

In the second stage, after the identification of the contract with the customer, the company is required to identify the performance obligations in each of contract with the customer that fall into the scope of IFRS 15. Based on the analysis and observations made, the authors found that currently, revenues for bundled service packages are only allocated to the main services offered by the package. For example, the current allocation for the freedom combo package (one of PT XYZ's current bundled package), which offers a variety of services, is only allocated to the main services, i.e., voice, SMS, and data.

TABLE I. ANALYSIS OF CONTRACT MODIFICATION IN THE CELLULAR BUSINESS OF PT XYZ

No	Type of Contract Modification	Classified as Contract Modification?	Remaining Products and Services Distinct from Those Already Provided?	Do the Price from Additional Products and Services Represent Stand Alone Selling Price?	Recommendation Accounting Treatment Based on IFRS 15
1	Purchase of new add-on package including VAS	Yes	Yes	Yes	Treat as separate contract
2	Upgrade from main package	Yes	Yes	Yes	Treat as separate contract
3	Repurchase of add-on package that currently being used	Yes	Yes	Yes	Treat as separate contract
4	Migration from pre-paid to post-paid	Yes	Yes	Yes	Treat as separate contract
5	Add new member to family or friend account	Yes	Yes	No	Treat as new contract with termination of existing contract (Prospective)
6	Purchase for additional services at discount that offered as part of marketing program	Yes	Yes	No	Treat as new contract with termination of existing contract (Prospective)
7	Purchase additional packages using customer option that represent material rights	Yes	Yes	No	Treat as new contract with termination of existing contract (Prospective)

This will be very different when IFRS 15 is implemented because IFRS 15 requires the transaction price to be allocated to all performance obligations identified in the contract. Based on the analysis made, using the criteria in IFRS 15 to define distinct product or services, the author found that the freedom combo package type XL has seven distinct performance obligations. Therefore, revenues from the freedom combo XL should be allocated not only to the main services (voice, SMS, and data) but to all identified performance obligations. This includes allocating revenues to the Spotify Premium, Iflix, and customer options for subscriptions to Spotify Premium.

From the analysis of identifying performance obligations on the bundled handset package, it is concluded that the sale of handsets to customers on the bundled handset package is a distinct performance obligation that is separate from the service package offered. Thus, PT XYZ should also allocate the transaction price to the sales of handsets. Another case is sales of SIM cards with a credit balance to customers. Based on the analysis using the IFRS 15 criterion, it is concluded that the SIM card is not a distinct performance obligation with the services that will be provided. This is because the authors considered that the SIM card is only an enabler for the company to provide all the services to customers.

C. Analysis of Impact of IFRS 15 on the Revenue Measurement Process in PT XYZ

The next stages after identifying performance obligations is the process of determining the transaction price from the contract and the process of allocating that transaction price to each performance obligations identified. However, before allocating the transaction price, IFRS 15 requires the company to determine whether in each of the performance obligations that the company is acting as a principal or agent. IFRS 15 brings new concepts in the determination of principal vs. agent by emphasizing the presence of controls owned by the company on the products or services promised before the products or services are transferred to the customer.

Table 2 reports analysis results for the determination of principal vs. agent based on the criteria stated in IFRS 15 on the case found in PT XYZ.

TABLE II. SUMMARY OF ANALYSIS DETERMINATION PRINCIPLE VS. AGENT ON THE CASE FOUND IN PT XYZ

Product	Current Treatment	Analysis Result Based on IFRS 15	Treatment Based on IFRS 15
Spotify Premium	No revenue recognized	PT XYZ acting as an agent	Revenue should be allocated based on margin expected (net basis)
Iflix	No revenue recognized	PT XYZ acting as a principle	Allocated and recognized the revenue from providing Iflix services as a gross basis
Sales of handset in MSP program	PT XYZ currently concluded that they act as an agent, so no revenue recognized from the handset sales; they only recognized margin as other revenue	PT XYZ acting as a principle	Recognize revenue as a gross basis and also recognize handset cost in cost of services
Sales of handset in Corporate bundled handset package	PT XYZ currently already concluded that they are acting as principle and recognized the revenue from handset in gross basis	PT XYZ acting as a principle	Current treatment already aligns with IFRS 15

The most significant impact with the enactment of IFRS 15 in determining the position of PT XYZ in terms of principal vs. agent is on the MSP program transaction. Currently, PT XYZ concludes that the company position in the MSP program is as an agent by only recording the margin in the transaction as revenue. Based on the analysis using the existing criteria in IFRS 15, it is concluded that PT XYZ acts as the principal in the handset sales transactions for the MSP program. This is based on the following considerations:

1. PT XYZ is the main obligor as it has an obligation to ensure that all performance obligations promised are transferred to the customer. When the customer agrees to take the MSP package, the customer only knows that they are entering a contract with PT XYZ.
2. PT XYZ has full authority to determine the price of each package in the MSP program.
3. PT XYZ carries inventory risk for handset products that are kept in the PT XYZ gallery. However, PT XYZ does not have inventory obsolescence risk; i.e., all non-salable items will remain the risk of the handset distributor.
4. PT XYZ indirectly bears the credit risk from customers even though, based on the agreement, PT XYZ has transferred the credit risk to the bank.

TABLE III. RESULTS OF ANALYSIS TO DETERMINE METHOD OF DEFINING THE SSP FOR PT XYZ

Type of Services	Is Observable Price Available?	Appropriate Alternate Method	Explanation
Basic services (voice, SMS, data)	No	Expected cost plus margin	PT XYZ can use the basic cost for each service and adjust it with a reasonable margin expected
Value-added services	No	Expected cost plus margin	For VAS, PT XYZ has the policy to impose a 10% margin on average
Spotify	No	Adjusted market assessment	Using 10% (average margin for VAS) for market price to register the Spotify Premium. For the customer option using 50% from cost since PT XYZ also only provide 50% discount
Option Spotify	No	Adjusted market assessment	
Iflix	No	Adjusted market assessment	Using market price for subscription fee three months Iflix
Stream On	Yes	Not applicable	Using selling price for the dari data package with similar quota using the basic services tariff
Bundling for services package	Yes	Not applicable	Using price for the similar package or using the basic service tariff
Handset sales	No	Adjusted market assessment	Using market price from the handset and adjusted with the reasonable margin which the company expected
Handset insurance	No	Expected cost plus margin	Using 10% (average margin for VAS) from insurance cost that will be paid to third party

These changes in treatment will have a significant impact on PT XYZ's financial statements because PT XYZ must recognize the handset revenue from the MSP program on a gross basis and also recognize handset cost in the cost of service. Thus, the company's gross margin percentage will decrease because handset sales for MSP have a low margin.

To allocate the transaction price into performance obligations identified in the contract as a first hierarchy, the company is required to allocate using the observed SSP. Table 3 reports the results of analysis to determine the appropriate methods to be used in defining the SSP of the performance liabilities that exist in PT XYZ's cellular business.

From the analysis and simulation allocation transaction price process for the corporate bundled handset package, it is found that with the application of IFRS 15, PT XYZ will recognize smaller revenue from service packages and handset sales compared with the current accounting treatment. This is due to allocation for other performance obligations identified, which is revenue from the handset insurance services as well as the impact of a significant financing component. Based on IFRS 15, the impact from the significant financing component should be recorded as interest income. Table 4 presents an example of the allocation result for corporate bundled handset package.

Although the total impact on net income is the same, the impact of implementation of IFRS 15 will cause the revenue, gross profit, EBITDA, and EBIT from PT XYZ to be smaller. This may have an impact on the achievement of KPIs from companies or individuals within the company.

The implementation of IFRS 15 will also have a significant impact on the measurement process (transaction price allocation) on revenue from bundled service packages where the composition of the allocation of revenues from each service will change following the proportional of SSP of each performance obligation. Services that have the highest SSP will get the largest discount allocation as well. By allocating the transaction price using SSPs, it is expected that the allocation will be able to reflect the margin applied by the company for each performance obligation. Table 5 presents a sample allocation transaction price for a bundled service package (freedom combo bundled package for XL).

TABLE IV. SIMULATION RESULT FOR ALLOCATION TRANSACTION PRICE ON THE CORPORATE BUNDLED HANDSET PACKAGE

Type of Revenue	Allocation Based on IFRS 15	Current Allocation	Difference
Revenue			
Service package	2,312,851	2,336,000	(23,149)
Handset sales	2,944,602	3,400,000	(455,398)
Other (insurance)	38,548	-	38,548
Sub Total	**5,296,000**	**5,736,000**	**(440,000)**
Other Income			
Interest income	440,000	-	440,000
Total	**5,736,000**	**5,736,000**	**-**

TABLE V. EXAMPLE OF ALLOCATION TRANSACTION PRICE IN THE BUNDLED SERVICE PACKAGE FREEDOM COMBO XL

Performance Obligation	Allocation Based on IFRS 15	Current Allocation	Difference
Data quota (main , bonus, dan *stream on* Quota)	81,581	111,750	(30,169)
Voice with PT XYZ phone number	26,106	34,270	(8,164)
SMS with PT XYZ phone number	9,790	2,980	6,810
Free one-month Spotify Premium subscription fee	3,198	-	3,198
Customer option on the 50% discount for Spotify Premium subscription fee	1,599	-	1,599
Free three-month Iflix subscription	26,726	-	26,726
Total	**149,000**	**149,000**	**-**

This should be well communicated to all parties involved with product development as each service has a difference division that is responsible for the service's achievements. Therefore, adjustment of the KPIs for each related business unit may be required.

D. Analysis Impact of IFRS 15 on the Revenue Recognition Process in PT XYZ

Regarding the revenue recognition process the IFRS 15 standard clearly provides a general guideline for the company in determining when it is appropriate to recognize revenue, that is, when the company has satisfied the performance obligations promised to customers. The company must determine at the beginning whether revenue is recognized at a point in time or over a period of time.

Regarding the recognition of revenues for bundled service packages, currently the revenue is fully recognized in the period in which the customer subscribes. However with the implementation of IFRS 15, revenue must be recognized based on the nature of each contract's performance obligations. If the performance obligation is a basic service in which the revenue recognition is based on actual usage, then at the end of every month PT XYZ shall recognize revenue only from the amount that used by the customer or if the activation period of the package is due. Revenues from bundled service packages will be recognized in a more distributed manner and not only in the initial period when the customer subscribes.

Similarly, revenue from VAS is currently recognized in the period in which the customer subscribes. Under IFRS 15, VAS revenue should be recognized over the period of subscription so that the revenue from VAS can be recognized based on the number of days elapsed from the total days of subscription.

Revenue recognition for handset sales should be satisfied at a point in time or when the handset has been transferred to the customer. The current treatment in PT XYZ for revenue recognition of handset sales is considered to already conform to IFRS 15. PT XYZ already recognizes the revenue from handset sales in the corporate bundled handset program when they transfer the handset to the customer. Table 6 reports the results of an analysis to determine the proper timing of revenue recognition for revenue transactions that exist in PT XYZ's cellular business.

TABLE VI. ANALYSIS TO DETERMINE THE TIMING OF REVENUE RECOGNITION FOR TRANSACTIONS THAT EXIST IN PT XYZ'S CELLULAR BUSINESS

Type of Services	Current Revenue Recognition	Appropriate Revenue Recognition Based on IFRS 15	Method to Measure the Completion of Performance	Assessment Unit Used
Voice	Based on usage (minutes)	Satisfied overtime	Output	Actual Usage
SMS	Based on usage (number of hits)	Satisfied overtime	Output	Actual hits
Data	Based on usage (Actual Kb)	Satisfied overtime	Output	Actual Kb
Bundled Service Package	When customer subscribes to the package	Need to be defined per each type of performance obligation identified within the package		
VAS	When customer subscribes	Satisfied overtime	Output	Based on time elapsed
Spotify	No revenue to recognize	Satisfied overtime	Output	Based on time elapsed
Option Spotify	No revenue to recognize	Satisfied at a point in time	N/A	N/A
Iflix	No revenue to recognize	Satisfied overtime	Output	Based on time elapsed
Stream On	No revenue to recognize	Satisfied overtime	Output	Actual Kb
Handset sales	When the handset is transferred to the customer	Satisfied at a point in time	N/A	N/A
Merchandise	When the merchandise is transferred to the customer	Satisfied at a point in time	N/A	N/A
Revenue from package extension of active period	When the customer subscribes to the package	Satisfied at a point in time	N/A	N/A

E. Analysis Impact of IFRS 15 on the Accounting Treatment for Other Transactions in PT XYZ

IFRS 15 not only impacts on the PT XYZ's revenue measurement and recognition processes, but it can also impact on the process of recognition of costs that are related to the revenue. Based on observation, it is common for telecommunication companies to provide incentives and rewards to distributors and customers. This is solely done to increase sales and also maintain the relationship with Mitra Pengelola Cluster (MPC), outlets, frontliners, or end customers. Currently, almost all of these costs are recorded as operating expenses or, more specifically, as marketing expenses.

Later on with the enactment of IFRS 15, the company is required to reassess whether these costs are included as consideration payments to customers that should be treated as deduction of the transaction price or even considered as cost for obtaining contracts or cost for fulfilling contracts that should be capitalized.

Consideration payments to customers are costs that may affect the amount of payment received by PT XYZ such as discounts, cashback, and incentives. However, payments to customers or third parties that provide benefit to the customer can be categorized as consideration payments even though it does not affect the amount of customer payments to the company. This is if there is no identified benefit received by the company.

Table 7 reports the results of analysis on the factors that can affect the transaction price in PT XYZ's cellular business.

Under IFRS 15, there are two types of contract costs that may need to be capitalized if they meet specific criteria. This includes the cost for obtaining and fulfilling contracts. Paragraph 91 in IFRS 15 states that only incremental costs for obtaining contracts expected to be recoverable can be capitalized as a contract asset. The incremental costs of obtaining contracts are those costs that the company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. From analysis, it is concluded that only the Merchant Discount Rate meets the criteria to be capitalized.

TABLE VII. ANALYSIS ON THE FACTORS THAT CAN AFFECT THE TRANSACTION PRICE IN PT XYZ'S CELLULAR BUSINESS

Type of Transaction	Current Treatment	Treatment Based on IFRS 15
Impact of significant financing component in bundled handset package that have period more than 12 months (corporate or MSP)	All transaction prices are fully recognized as revenue	The impact of the significant financing component should be presented as interest income
Discount on products that sold to outlet/frontliner	Recognized as a discount (as revenue deduction)	Should be categorized as a consideration payable to customers and recognized as a reduction of the transaction price
Cashback to outlet/frontliner	Recognized as a discount (as revenue deduction)	Should be categorized as a consideration payable to customer and recognized as reduction of the transaction price
Incentive in the form of travel packages, gold, etc.	Recognized as a marketing expense	We concluded no identified benefit received by the company; thus, such expenses should be categorized as a consideration payable to the customer and recognized as a reduction of the transaction price
Incentive in the form of deduction payment to MPC	Recognized as a discount (as revenue deduction)	Should be categorized as a consideration payable to customer and recognized as reduction of the transaction price
Incentive in the form of MOBO balance	Recognized as a discount (as revenue deduction)	Should be categorized as a consideration payable to the customer and recognized as a reduction of the transaction price
Point in customer loyalty program	Recognized as a discount (as revenue deduction)	Should be categorized as a consideration payable to the customer and recognized as a reduction of the transaction price

The cost to fulfill a contract can be capitalized as an asset only when the cost meets the three criteria stated in paragraph 95 IFRS 15. Based on the analysis, the only cost related to fulfilling contracts in PT XZY that meet the three criteria is the cost of the SIM card. The contract asset recognized from capitalization of the SIM card cost should be amortized over an average period of a person being a customer of PT XYZ.

F. *Analysis Impact of IFRS 15 on the Revenue Presentation and Disclosure in PT XYZ's Financial Statements*

The implementation of IFRS 15 will impact the presentation in the company's financial statements and also significantly expands the scope of disclosure required. Some of presentations and disclosures that affect PT XYZ are as follows:

1. "Revenue" in the notes of PT XYZ's current financial statements is presented as gross revenue, with the discount presented separately, whereas IFRS 15 requires companies to allocate discounts to each transaction price of each performance obligation. PT XYZ should be able to separate the discount into each related performance obligation and present the revenue in an amount that reflects the consideration the company expects to receive in exchange for the products or services transferred to the customer.
2. IFRS 15 requires the company to make presentations on the contract asset and contract liabilities that arise from contractual transactions with customers. From the analysis, it is concluded that PT XYZ already recognizes contract liabilities ("unearned revenue" in the case of PT XYZ), which is in accordance with IFRS 15. What needs to be addressed by PT XYZ is how the company prepares the presentation at the contract level. PT XYZ should always document and update the list of unearned revenue based on the type of contract with the customer.
3. IFRS 15 requires the company to present assets arising from the capitalization of costs to obtain and fulfill the contract. Amortization of these capitalized assets should be presented as part of the cost of services as the costs for obtaining and fulfill the contracts are directly related to revenue.
4. Regarding the requirement to disclose disaggregated revenue of the company, the author concludes that the current disclosure of cellular revenues in the notes to the financial statements of PT XYZ is already properly disaggregated and that almost all significant value revenues are presented separately. However, in the future, PT XYZ may consider opening the presentation of revenue from handset sales. This is because handset sales have a different service nature and process. The company needs also to consider disclosing cellular revenue by post-paid and pre-paid.
5. Other requirements by IFRS 15 on disclosure that will affect the financial statements of PT XYZ are those related to qualitative information on performance obligations, unallocated transaction prices, significant assumptions, and practical

expediencies used by PT XYZ, as well as transition methods PT XYZ will employ in the implementation of IFRS.

V. CONCLUSION

The application of IFRS 15 will greatly affect telecommunication companies in general and PT XYZ specifically. Arrangements within IFRS 15 will not only affect the amount and timing of revenue recognition of PT XYZ, but also the accounting treatment for costs arising from the business process for obtaining revenue. In preparing for the presentation and disclosure, it is important for PT XYZ to immediately determine IFRS requirements applicable to the company. In this way, PT XYZ can determine what information is needed or required and will help the company determine what modifications are required to its present IT system.

The full implementation process of IFRS 15 requires a process that is not easy and requires of the allocation of considerable resources in terms of time and funding. The application of IFRS 15 cannot be solely the responsibility of Group Accounting alone: good coordination and cooperation among related units in PT XYZ are required to carry out the necessary changes.

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