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Disclosure in Accounting Standard for Revenue Recognition

Revised accounting standard for revenue recognition issued (Revised Accounting Standard 2020)

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Summary

- On October 30, 2019, the ASBJ (Accounting Standards Board of Japan) announced the "Accounting Standard for Revenue Recognition (Draft)." On March 27, 2020, a resolution was passed to publish "Accounting Standard for Revenue Recognition" (revised accounting standard 2020).
- Under the accounting standard for revenue recognition, an entity recognizes revenue generated by contracts with customers in accordance with five steps. Specifically, (1) identifying the contract with a customer, and (2) identifying performance obligations in the contract. Subsequently, (3) the transaction price pertaining to the contract is determined, and (4) the transaction price is allocated to the performance obligations identified above, and then (5) the revenue is recognized as the performance obligations is fulfilled.
- Under Revised Accounting Standard 2020, an entity discloses revenue, contractual assets, receivables, and contractual liabilities arising from contracts with customers on the income statement. In addition, the contents of major obligations to perform in major businesses of the enterprise shall be stated as notes to important accounting policies. The notes on revenue recognition shall include revenue breakdown, information on which the revenues are based, and information which helps in understanding amounts of revenues for the current and subsequent fiscal years.
- Revised Accounting Standard 2020 shall apply from the beginning of the consolidated fiscal year or the fiscal year commencing on and after April 1, 2021. However, early application is also possible, and some transitional measures are provided.

Attention

This report is a summary translation. The official document is only in Japanese.

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