APPLICABILITY OF IFRS 15 PRINCIPLES FOR THE BANKING INDUSTRY:AN ANALYSIS WITH REFERENCE TO THE CREDIT INSTITUTIONS IN ROMANIA

Denis Adrian LEVANTI
Bucharest Academy of Economic Studies, Romania
levantidenis@yahoo.com

Abstract
IFRS 15 is applicable for entities reporting in accordance with IFRS for periods beginning on or after 1 January 2018, with earlier application permitted. The Standard is the result of a joint project of IASB and FASB to develop a converged set of accounting principles for revenue recognition. It is relevant for all industries, with the most clearly observable impact for those commonly engaging in bundled contracts and long-term projects.
The purpose of this paper is to identify the areas where the new revenue guidance could potentially affect the banking industry and to analyze the impact of IFRS 15 adoption for a selected sample of credit institutions operating in the Romanian banking market. The results of the research performed indicate that the new Standard adoption had no significant impact on the annual results; however, many of the banks overlooked the applicability of IFRS 15 for the banking industry and did not analyze or disclose the impact in their annual financial statements for the year of IFRS 15 adoption.

Key words: *banking, credit institutions, disclosures, IFRS 15, revenue recognition*

JEL Classification: *G21, M41*

I. INTRODUCTION

IFRS 15 „Revenue from contracts with customers" (IFRS 15, the Standard) was issued in May 2014 and is effective for periods beginning on or after 1 January 2018, with earlier adoption permitted. The Standard superseeds accounting standards such as: IAS 11 „Construction contracts", IAS 18 „Revenue", IFRIC 13 „Customer loyalty programmes", IFRIC 15 „Agreements for the Construction of Real Estate", IFRIC 18 „Transfer of assets from customers" and SIC-31 „Revenue – barter transactions involving advertising services".

IFRS 15 is applicable to all contracts with customers, except the following:

Lease contracts in scope of IFRS 16 „Leases", or for entities that have not adopted yet IFRS 16, IAS 17 „Leases";

Insurance contracts in scope of IFRS 17 „Insurance contracts", or for entities that have not adopted yet IFRS 17, insurance contracts in scope of IFRS 4 „Insurance contracts";

Financial instruments or other contractual rights or obligations in scope of IFRS 9 „Financial instruments", IFRS 10 „Consolidated financial statements", IFRS 11 „Joint arrangements", IAS 27 „Separate financial statements" and IAS 28 „Investments in associates and joint ventures"; and

Non-monetary exchanges between entities in the same line of business to facilitate sales to current or future customers.

In 2002, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) launched a joint project with the main goal of developing a converged set of accounting principles to be applied both under the International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (US GAAP). In more details, the joint project had the following key objectives: to remove the inconsistencies and weaknesses in existing revenue requirements, to provide a more robust framework for addressing revenue issues; to improve comparability of revenue recognition practices across entities, juridictions and capital markets, to provide more useful information to users of financial statements through improved disclosure requirements and to simplify the preparation of financial statements by reducing the number of requirements to which preparers must refer (IFRS 15, para. BC3).

The fundamental general difference between the two sets of standards is that IFRS is more principle-based, while the US-GAAP is more rule-based. The convergence between the two sets of standards dealing with revenue recognition was studied in many research papers. Babington (2012) considers that huge effort has been made to seek the way of convergence between the two standards and that the joint project initiated by the regulatory bodies supported sundry difficulties. Bohusova and Nerodova (2009) identified the main differences in revenue recognition between IFRS and US GAAP. According to them, one of the most significant discrepancy is that, under US GAAP, the revenue must be achieved or at least achievable and must be acquired. Comparatively, IFRS enables to recognise revenue that can be determined faithfully if its is probable that upcoming economic benefits will flow to the entity. This idea is supported also by Lindberg and Seifert (2010), stating that IFRS demands upcoming economic benefits linked with incomes and costs reliably determined, while the US GAAP requires substantial evidence of a sale agreement, acceptable collectability of revenue, calculable prices and occurence of the transfer of goods and services.

Ryerson (2010) presented two possible approaches which were proposed to advance in the converge roadmap. He highlights the earnings approach that would lead to recognition of postponed or delayed debit and/or credits that do not fulfil the conditions to be recognised as an asset or liability and would be considered as revenue straight without concern about assets and liabilities fluctuation throughout contacts with customers.

The final IFRS 15 standard is almost fully converged with the US GAAP equivalent, the most significant differences relate to the collectability threshold for contracts, the reversal of impairment losses, interim disclosures, effective date and requirements for non-public entities.

This paper continues with the presentation of the five-step model in revenue recognition and the financial statements disclosures, followed by a discussion on the applicability of the new requirements for the banking industry. Going forward, we will present the results of the research performed on the impact of IFRS 15 adoption for the top 15 banks operating in the romanian banking sector. The last section of the paper is dedicated to the conclusions reached.

II. THE FIVE-STEP MODEL IN REVENUE RECOGNITION AND TRANSITION GUIDANCE

The revenue standard provides principles that an entity applies to report useful information about the amount, timing, and uncertainty of revenue and cash flows arising from its contracts to provide goods or services to customers. The fundamental principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of good or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer. [IFRS 15 para 2]

In order to meet the core principle, IFRS 15 adopts a five-step model, as follows:

Identify the contract(s) with a customer

The first step in applying the revenue standard is to determine if a contract exists and whether that contract is with a customer. This assessment is made on a contract by contract basis but, as a practical expedient, an entity may apply this guidance to a portfolio of similar contracts if the entity expects that the effects on the financial statements would not materially differ from applying the guidance to the individual contracts. [IFRS 15 para 4]

Therefore, an entity's management should identify whether the contract counterparty is a customer as contracts that are not concluded with customers are excluded of the revenue standard scope. According to IFRS 15 Appendix A, a customer is the party that contracts with an entity to purchase goods or services that are the output of the entity's ordinary activities, in exchange for consideration.

Furthermore, the Standard defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. A contract can be written, oral, or implied by an entity's customary benefits business practices. [IFRS 15 para 10]

The following criteria should be met before an entity accounts for a contract with a customer:

The contract has been approved and the parties are committed to perform their respective obligations;

The entity can identify each party's rights;

The entity can identify the payment terms;

The contract has commercial substances; and

It is probable that the entity will collect the consideration to which it is entitled for transferring the goods and services to the customer. [IFRS 15 para 9]

Identify the performance obligations in the contract

The second step in accounting for a contract with a customer is identifying the performance obligations.

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. At contract inception, an entity assesses the goods or services promised to a customer, and identifies each promise to transfer as either:

A good or service (or a bundle of goods or services) that is distinct; or

A series of distinct goods and services that are substantially the same and that have the same pattern of transfer to the customer. [IFRS 15 para 22]

Each distinct good or service that an entity promises to transfer is a performance obligation, which should be accounted for separately. Goods and services that are not distinct are bundled with other goods or services in the contract until a bundle of goods or services that is distinct is created.

Determine the transaction price

An entity shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. [IFRS 15 para 47]

The transaction price is the amount that an entity allocates to the performance obligations identified in the contract and, therefore, represents the amount of revenue recognized as those performance obligations are satisfied. Determining the transaction price can be straightforward, such as where a contract is for a fixed amount of consideration in return for a fixed number of goods and services. Complexities arise where a contract includes any of the following: variable consideration, a significant financing component, non-cash consideration and consideration payable to a customer. [IFRS 15 para 48]

When determining the transaction price, management should assume that the contract will be fulfilled as agreed upon, and not cancelled, renewed or modified. Also, the transaction price is not adjusted to reflect the customer's credit risk. Impairment losses relating to a customer's credit risk are measured based on the guidance in IFRS 9. [IFRS 15 para 47 and para 107]

Allocate the transaction price to performance obligations

An entity should allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. [IFRS 15 para 73]

Such allocation must be done based on the relative stand-alone selling prices of goods and services being provided to the customers. In certain situations, the allocation could be affected by variable consideration or discounts. [IFRS 15 para 74] Many contracts involve the sale of more than one good or service. Such contracts might involve the sale of multiple goods, goods followed by related services, or multiple services. The transaction price in an arrangement must be allocated to each separate performance obligation so that revenue is recorded at the right time and in the right amounts.

Recognize revenue when (or as) performance obligations are satisfied

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. [IFRS 15 para 31] Control either transfer over time or at a point in time. Management needs to determine, at contract inception, whether control of goods and services transfers to a customer over time or at a point in time. [IFRS 15 para 32]

Revenue is recognized over time if any of the following three criteria are met:

The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

The entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date. [IFRS 15 para 35]

On the contrary, a performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time are met. The assessment of whether control transfers over time or at a point in time is essential to the timing of revenue recognition. Amongst others, the following five factors should be considered when determining whether a customer has obtained control of an asset:

The entity has a present right to payment;

The customer has legal title;

The customer has physical possession;

The customer has the significant risks and rewards of ownership; and

The customer has accepted the asset. [IFRS 15 para 38]

Management needs to apply judgement to determine whether the factors collectively indicate that the customer has obtained control. This assessment should be focused primarily on the customer's perspective.

In terms of transition, entities can apply one of the two transition methods specified in IFRS 15: retrospective or modified retrospective. [IFRS 15 Appendix C para C3] In case of full retrospective method, entities adopt the revenue standard by restating all prior periods in accordance with IAS 8 „Accounting policies, changes in accounting estimates and errors". Entities electing this transition method are permitted to use any combination of the available practical expedients in the Standard. Any of the expedients used should be applied consistently to all contracts in all periods presented. In terms of disclosures in the financial statements, entities electing the full retrospective method, should disclose the effect of adopting the revenue standard on each financial statement line item, and the effect on the basic and diluted earnings per share (if applicable) for the immediately preceding reporting period. [IFRS 15 Appendix C para C6]

The second transition method, the modified retrospective approach, is intended to be simpler than the full retrospective application but it implies additional disclosure requirements in the year of adoption. Entities electing this approach will recognize the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings in the period of initial application. Comparative prior year periods would not be adjusted. [IFRS 15 Appendix C para C7]

The following disclosures in the reporting period that includes the date of initial application should be included in the financial statements:

The amount by which each financial statement line is affected in the current year as a result of applying the revenue standard as compared to the previous revenue guidance; and

A qualitative explanation of the significant changes between the reported results under the revenue standards and the previous revenue guidance. [IFRS 15 Appendix C para C8]

III. HOW DOES IFRS 15 AFFECT THE BANKING INDUSTRY?

IFRS 15 requirements will affect businesses across several industries, the most significant impact being encountered in manufacturing, retail and consumer industry, automotive, transportation and logistics, construction, pharmaceutical, communications and oil and gas. However, the effect of IFRS 15 adoption for the banking industry should not be overlooked. Banks are entering into contracts with customers providing a range of different services, such as lending, brokerage, bancassurance, investment and private banking services. These institutions should review their contracts to assess how the new Standard applies to their particular circumstances. In doing so, banks should separate the contracts with customers into two important streams, namely the contracts for financial instruments and contracts for other different services. Areas that could have a potentially significant impact in revenue guidance include credit cards and loyalty schemes, advisory contracts and bundled products.

With regards to the contracts for financial instruments, these are explicitly excluded from IFRS 15 scope. [IFRS 15 para 5]. However, as IFRS 15 para 7 specifies, some contracts include components that are in scope of the Standard and other components that are in the scope of other standards. This is the case of the contracts for financial assets, namely the lending agreements, which could be very complex and usually result in the banks obtaining several proceedings, such as interest and various types of commissions. The question that arises once with IFRS 15 adoption is which commissions should be accounted for under IFRS 9 requirements and which fall under IFRS 15 principles.

This analysis should consider the guidance provided in IFRS 9 with regards to the fees and commissions which are part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate of the financial instrument and accounted for using the effective interest rate method in IFRS 9. This standard deals with three types of fees which are included in the effective interest rate, namely:

Origination fees received by a bank relating to the creation or acquisition of a financial asset. Such fees might include compensation for activities such as evaluating the borrower’s financial condition, evaluating and recording guarantees, collateral and other security arrangement, preparing and processing documents and closing the transactions;

Commitment fees received to originate a loan, when the loan commitment is not measured at fair value through profit or loss and it is probable that the bank will enter into a specific lending arrangement; and

Origination fees paid on issuing financial liabilities measured at amortized cost. [IFRS 9 para B5.4.2]

Fees that are not an integral part of the effective interest rate for a financial instrument include:

Fees charged for servicing a loan. These are recognized as revenue as the services are provided.

Commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific loan will be made. These are recognized on a time basis over the commitment period.

Loan syndication fees received by a bank that arranges a loan; and

Investment management fees. [IFRS 9 para B5.4.3]

Other common examples of fees that are not part of the effective interest rate of a financial instrument are:

Placement fees received for arranging a loan between a borrower and an investor;

An upfront payment from a fund manager for signing up a new customer; and

Management fees paid for services such as investment advice or research activities.

Fees received which are not part of the effective interest rate are accounted for under IFRS 15. For these fees, the general model of revenue recognition applies, as explained in the previous chapter of this paper.

PwC (2017) conducted an analysis on the most common revenue streams earned by banks and assessed whether or not these are likely to be within the scope of IFRS 15. The results are depicted in the table below. The authors mention that this is not an exhaustive list of revenue streams that banks can earn and the fact that conclusions might differ depending on the specific contracts that a bank has with its customers.

Product/service	Fee/compensation received	Generally, in scope of:	
		IFRS 15	IFRS 9
Credit cards	Interchange fees	✓	
	Annual fees	✓	
	Interest		✓
	Loyalty schemes	✓	
	Balance transfer fees		✓
Brokerage fees	Trade execution	✓	
Bancassurance	Insurance commission	✓	
Credit facilities	Interest		✓
	Origination fees		✓
	Commitment fees		✓
	Early redemption fee		✓
Savings and current accounts	Interest		✓
	Account and transaction fees	✓	
Investment banking	Underwriting fees	✓	
	Advisory fees	✓	
	Syndication fees		✓
Private banking	Management fees	✓	
	Performance fees	✓	
	Administration fees	✓	
	Trade execution fees	✓	

Source: PricewaterhouseCoopers, Paper “IFRS 15 for banks”, page 2

IV. ANALYSIS METHODOLOGY, RESULTS AND DISCUSSIONS

The purpose of our research is to identify whether IFRS 15 adoption had a significant impact on the credit institutions operating in the Romanian banking market and whether these institutions complied with the disclosure requirements for the first year of adoption. The credit institutions in Romania are preparing their annual financial statements in accordance with Order 27/2010 of the National Bank of Romania, for the approval of accounting regulations of credit institutions in accordance with IFRS.

In order to achieve our research objective, we used the qualitative research method. Our sample consists of the top 15 credit institutions operating in the Romanian banking market, ranked according to the value of their net assets as at 31 December 2018. We mention the following aspects regarding the selected sample:

The banks’ ranking was extracted from the 2018 annual report of the National Bank of Romania, section “Credit institutions surveillance”. The report is available on the National Bank’s official website.

According to the National Bank of Romania’s annual report, as at 31 December 2018, a number of 27 credit institutions operated on the Romanian banking system. These are Romanian legal entities, which are required to prepare their annual financial statements in accordance with IFRS. The other 7 credit institutions operating in the market are branches of foreign credit institutions, whose annual financial statements are prepared at the head-office level, according to the national regulations from the country where they are incorporated.

Out of the top 15 credit institutions, two are branches of foreign banks, namely ING Bank N.V. Amsterdam and Citibank Europe plc. Dublin, and therefore were excluded from the scope of our analysis. As such, our sample resumes to 13 banks, which represents almost half of the number of credit institutions active in the Romanian market as at 31 December 2018.

The top 15 banks operating the Romanian banking market as at 31 December 2018, ranked upon the value of their net assets are:

Nr. Crt.	Bank	Value of total net assets (RON mil.)	Included in the sample for analysis?
1	Banca Transilvania	74,354.3	Yes
2	Banca Comercială Română	67,909.3	Yes
3	BRD Groupe Societe Generale	54,089.3	Yes
4	UniCredit Bank	41,546.5	Yes

5	Raiffeisen Bank	40,042.3	Yes
6	ING Bank N.V. Amsterdam	38,371.5	No
7	CEC Bank	29,347.8	Yes
8	Alpha Bank	16,956.9	Yes
9	OTP Bank	11,061.9	Yes
10	Garanti Bank	10,255.0	Yes
11	Citibank Europe plc. Dublin	8,025.5	No
12	Eximbank	7,200.9	Yes
13	Banca Românească	6,766.1	Yes
14	First Bank	6,749.7	Yes
15	Banca Comercială Intesa Sanpaolo	5,673.3	Yes

Source: National Bank of Romania, Annual report for 2018, page 142

In order to conduct our research, we reviewed the annual IFRS financial statements for the financial year ending as at 31 December 2018, prepared by the 13 credit institutions included in our sample. The annual IFRS financial statements are publicly available on the official website of these institutions. We have to mention that all the financial statements available on the official websites are prepared in Romanian language, except for the ones published by First Bank, which are drafted in English. Therefore, the risk of misinterpretation of the information included in the statements due to language barriers is considered to be minimum.

We chose to analyze the financial statements for 2018 as this is the first year of IFRS 15 application. Furthermore, as at the date our research, the 2019 IFRS financial statements were not yet issued for the majority of the banks. A parallel analysis between the 2019 and 2018 annual financial statements in terms of IFRS 15 impact and developments is subject to further research.

In analyzing the annual IFRS financial statements, we focused on the information regarding the transition method chosen, accounting policies, impact of the Standard’s adoption on the bank’s revenues and overall compliance with the Standard’s mandatory disclosures in the first year of adoption.

Analysis of qualitative disclosures

As a general note, we identified that the banks presented their disclosures regarding IFRS 15 adoption as part of the “Significant accounting policies” note, which includes information on the most significant accounting policies applied for the preparation of the IFRS financial statements. In more details, references to IFRS 15 related information were made as follows:

A general statement that the Standard is one of the new standards that entered in force starting with 2018 financial year;

A short presentation of the new requirements of IFRS 15, selected transition approach and accounting policies; and

Specific accounting policies for the recognition of the interest and commission income.

The overall quantitative impact on the IFRS financial statements was also presented as part of this note. Furthermore, detailed information on the components of the interest and commission income earned by the banks throughout the financial year are presented in separate notes to the financial statements, such as “Net interest income”, “Net fee and commission income” and “Other income”.

a. Transition method

Although there are several banks that disclosed information on the overall impact of IFRS 15 adoption, our analysis revealed that, out of the 13 banks included in our sample, only 3 of them mentioned specifically the selected transition approach, namely Alpha Bank, Eximbank and Banca Comercială Intesa Sanpaolo. Alpha Bank and Eximbank chose the modified retrospective approach, which implies no restatement of comparative financial information, while Banca Comercială Intesa Sanpaolo applied the full retrospective approach in accordance with IAS 8. Moreover, the latter mentioned that it did not apply any allowed practical expedients.

In terms of transition period, all the credit institutions which included disclosures on IFRS 15 mentioned that the Standard is applied starting with 1 January 2018. No early adopters were identified, despite the fact that the Standard allows it.

b. Accounting policies

Regarding the accounting policies, we observed that the manner in which the information was presented across the financial statements notes and the level of details differ from one bank to another. Some banks have notes where they only list the new standards that entered in force starting with the new financial year, details on the new requirements being providing in the note relating to the changes in the accounting policies along with the impact on the financial statements. Other banks preferred to have separate explanatory notes for the description of the new standards' requirements and the analysis carried out in order to identify the impact on the bank's business and financial statements respectively.

Irrespective of the presentation manner, our research revealed that 10 of the credit institutions included in our sample identified IFRS 15 as a new accounting standard that entered in force starting with 1 January 2018. Raiffeisen Bank, CEC Bank and First Bank are the banks which did not make any reference to IFRS 15 in their 2018 annual financial statements. Despite the fact that these institutions included in their financial statements an explanatory note regarding the new standards applied starting with 1 January 2018, none of them mentioned IFRS 15. On the contrary, all of the 3 banks identified IFRS 9 and IFRS 7 "Financial instruments: disclosures" as being newly adopted standards with significant impact on their financial statements.

Although not mentioning IFRS 15 adoption, all the 3 above-mentioned banks have a dedicated accounting policy for the recognition of income from fees and commissions. While CEC Bank's policy includes only a listing of the commission types, Raiffeisen Bank and First Bank present also the manner in which the income from the fees and commissions is recognized in accounting. However, no specific reference to IFRS 15 is made.

A different analysis revealed that the majority of the banks included a high-level summary of IFRS 15 requirements. This information was presented as a single explanatory note or statement or either together with the information describing the analysis carried out by the banks for IFRS 15 implementation. Besides the 3 banks not referencing at all the new Standard in their financial statements, little or no information was found in the statements prepared by Garanti Bank, Banca Românească and Banca Comercială Intesa Sanpaolo.

As mentioned above, the information related to IFRS 15 adoption differs across the financial statements prepared by the banks included in our analysis. For example, Banca Comercială Română described how the analysis process was carried out within the bank and also which are the most significant areas on which the bank focused in order to determine the impact of the new Standard. Banca Comercială Română identified that the most significant areas where it expected significant changes in the revenue recognition are related to contracts for credit cards, current accounts packages, bancassurance and advisory services. On the same note, Alpha Bank identified that the most affected contracts concluded by the bank relate to fees for banking transactions, asset management and loan syndications.

We have to note the fact that all the banks included in their financial statements dedicated accounting policies for the recognition of the interest income and commission income. The interest income note describes how the revenue is recognized using the effective interest method. The fee and commission income note make reference on the one hand to commissions which are part of the effective interest rate and which are accounted for using the effective interest rate method, and on the other hand to commissions which are not part of the effective interest rate, which should be accounted for using IFRS 15 principles. As with the other analysis, each bank presented different information. The majority of the banks listed the types of fees and commissions and described the revenue recognition method, making a distinction between those which are recognized at a point in time and the ones recognized over a period of time. Despite this fact, just 3 out of the 13 banks made a direct reference to IFRS 15 as the standard according to which the fee and commission revenue is recognized, namely: Banca Comercială Română, OTP Bank and Eximbank.

Based on these analyses, we can conclude that the majority of the banks complied with the qualitative disclosure requirements in IFRS 15 for the first year of adoption. The exceptions are represented by the 3 banks which did not make any reference to IFRS 15 in their 2018 annual financial statements, namely Raiffeisen Bank, CEC Bank and First Bank. From a research perspective, it is interesting to analyze whether these banks will include any IFRS 15 disclosures in their 2019 annual financial statements.

Analysis of quantitative disclosures

Our research revealed that only 6 out of the 13 banks analyzed included information regarding the IFRS 15 impact on the revenue recognition, namely: Banca Comercială Română, UniCredit Bank, Alpha Bank, Garanti Bank, Eximbank and Banca Comercială Intesa Sanpaolo. However, out of these, only Banca Comercială Română presented a quantitative impact on the revenue recognition, the other banks made only a qualitative disclosure that the new Standard had no significant impact or no impact at all in the revenue recognition.

Banca Comercială Română estimated that the new IFRS 15 requirements had an impact of below 1 million RON in revenues, which is considered to be immaterial to the financial statements. Despite presenting the quantitative impact, the Bank did not provide a qualitative explanation of the changes between the reported results under IFRS 15 and the previous revenue guidance, namely IAS 18.

The presentation of the quantitative impact of the new guidance adoption is a mandatory requirement of the Standard and more than half of the analyzed banks failed to comply with it. There might be the case that the banks overlooked the new revenue recognition guidance, considering that the Standard is less applicable to banking services. As future research directions, we propose to analyze the 2019 annual IFRS financial statements and identify whether the banks will include detailed disclosures on IFRS 15 requirements and a comparative analysis of the fee and commission income recognized under IFRS 15 and IAS 18.

V. CONCLUSION

IFRS 15 is a complex standard, introducing more prescriptive requirements than included in the previous revenue recognition guidance in IAS 18. The adoption of the new requirements may result in substantial changes to revenue recognition policies for some entities.

The impact of IFRS 15 adoption on the banking industry will depend on the banks' existing accounting policies and the nature and mix of its products. Particular attention should be paid by banks to contracts for credit cards (and embedded loyalty schemes), advisory services and bundled products. However, the revenues from fees and commissions charged as part of a loan agreement represent the second highest revenue stream in a bank after interest income. Therefore, in order to ensure the correct application of the Standard's requirements, it is essential for these institutions to continue analyzing each fee and commission charged as part of a loan agreement and determine whether they are an integral part of the effective interest rate or not.

The research conducted on the IFRS 15 adoption by the credit institutions operating in the Romanian banking market revealed that more than half of the banks included in our sample did not comply with the requirement to disclose the potential effect of the new Standard application in the annual financial statements for the year of first time adoption. This fact is a significant limitation in our research which prevents us to draw a general conclusion on the overall effect of IFRS 15 adoption on the financial results of credit institutions.

However, we mention the fact that for all the 6 banks which complied with IFRS 15 disclosure requirements and disclosed the potential effect of the new revenue guidance, the impact on the financial results is not significant. In terms of qualitative disclosures, the majority of the banks complied with the Standard's requirements, except for 3 banks which did not reference at all IFRS 15 in their annual financial statements, namely: Raiffeisen Bank, CEC Bank and First Bank.

As a general conclusion, more than half of the credit institutions included in our sample overlooked the impact of IFRS 15 applicability to their operations, fact proven by the poor information disclosed in their annual financial statements. As future research directions, we will make a comparative analysis of the IFRS 15 disclosures from the 2019 and 2018 IFRS financial statements. We will focus our analysis on the IFRS 15 impact on the financial results and developments in qualitative disclosures. Special attention will be paid to the banks that did not disclose any information on the IFRS 15 adoption in the 2018 annual financial statements.

VI. REFERENCES

1. Babington, J. (2012), U.S. GAAP Versus IFRS: Reconciling Revenue Recognition Principles in the Software Industry. Honor Theses, pp. 182.
2. Bernoully, M., Wondabio, L. (2018), Impact of implementation of IFRS 15 on the financial statements of telecommunication company (case study of PT XYZ), Faculty of Economics and Business Universitas, Indonesia, Advances in economics, business and management research, volume 89.
3. Bohusova, H., Nerudova, D. (2009), US GAAP and IFRS Convergence in the Area of Revenue Recognition, Economics and Management, pp. 12-19.
4. Deloitte (2014), IFRS industry insights: banking and securities sector, new revenue standard could impact profile of revenue and cost recognition, available online at https://www2.deloitte.com/content/dam/Deloitte/mt/Documents/audit/ifrs-15-revenue-banking-and-securities-sector.pdf.
5. Deloitte (2018), Revenue from contracts with customers, a guide to IFRS 15, available online at https://www.iasplus.com/en/publications/global/guides/a-guide-to-ifrs-15.
6. Duru, O. et al. (2017), Performance obligations for revenue from contracts with customers principle in the shipping industry, Nanyang Technological University, Nanyang, Singapore, Maritime business review, volume 2, no. 3, 2017, pp. 211-223.
7. EY (2017), Are you ready to quantify the effect of adopting IFRS 15?, available online at https://www.ey.com/Publication/vwLUAssets/IFRS_Developments,_Issue_126:_Are_you_ready_to_quantify_the_effect_of_adopting_IFRS_15/$File/Devel126-Revrec-disclosure-survey-May2017.pdf.
8. Haggenmuller, S. (2019), Revenue recognition under IFRS 15, a critical evaluation of predefined purposes and implications for improvement, University of Gloucestershire.
9. Hameed, A. et al. (2019), The impact of IFRS 15 on earnings quality in businesses such as hotels: critical evidence from the Iraqi environment, Ministry of Higher Education and Scientific Research, African Journal of Hospitality, Tourism and Leisure, volume 8(4), 2019.
10. Kasztelnik, K. (2015), The value relevance of revenue recognition under the International Financial Reporting Standards, Grand Canion University, United States, Accounting and Finance Research, volume 4, no. 3, 2015.
11. Kivioja, T. (2018), The impact of IFRS 15 on analysts' forecast accuracy, Master's Thesis Accounting, Oulu Business School.
12. Lemus, E. (2017), The new global guidance of revenue recognition in the anglo-saxon market, Albizu University, Global Journal of Management and business research: D Accounting and Auditing, volume 17, issue 2, 2017.
13. Lindberg, D., Seifert, D. L. (2010), A new paradigm of reporting. CPA Journal, 80(1), pp. 36-39.
14. Lu, H., Wang, S. (2018), Does lifting the objective-price in revenue recognition increase the value relevance of earnings and revenue?, Department of Accounting, California State University Fullerton, Asian Review of Accounting, volume 26, no. 4, pp. 545-570.
15. Mattei, G., Paoloni, N. (2019), Understanding the potential impact of IFRS 15 on the telecommunication listed companies, by the Disclosures study, Roma Tre University, Italy, International Journal of Business and Management, volume 14, no 1, 2019.
16. Mazumder, B., Purohit, K. (2018), Revenue recognition for long-term contracts under IFRS 15 – an analysis with reference to the real estate companies in Bangladesh, Indian Journal of Accounting, volume 50(2), December 2018, pp. 22-30.

17. PwC (2017), In depth – a look at the current financial reporting issues, revenue from contracts with customers, available online at https://www.pwc.com/gx/en/audit-services/ifrs/publications/ifrs-15/revenue-from-contracts-with-customers-banking.pdf.
18. Ryerson III, F. (2010), Major Changes Proposed to GAAP for Revenue Recognition. Journal of Finance & Accountancy, pp. 51-59.
19. Usurelu, V., Dutescu, A. (2018), IFRS 15 – the seventh wave of Norwalk Agreement's convergence Roadmap, The Bucharest Academy of Economic Studies, Proceedings of the 12th International Conference on Business Excellence 2018.
20. www.alphabank.ro
21. www.banca-romaneasca.ro
22. www.bancatransilvania.ro
23. www.bcr.ro
24. www.bnr.ro
25. www.brd.ro
26. www.cec.ro
27. www2.deloitte.com
28. www.eximbank.ro
29. www.ey.com
30. www.fasb.org
31. www.firstbank.ro
32. www.garantibbva.ro
33. www.iasplus.com
34. www.ifrs.org
35. www.intesasanpaolobank.ro
36. www.pwc.com
37. www.raiffeisen.ro
38. www.unicredit.ro