

## New on the Horizon: Revenue recognition for telecoms



### KPMG's telecoms practice

KPMG's team of Telecommunications experts works with some of the world's best known fixed, mobile and satellite companies to address their operational, regulatory and growth agendas. With hands-on experience across multiple industries and deep insight into consumer trends, KPMG member firms understand the complexities of this rapidly changing and highly volatile environment.

You said... that the 2010 proposals 'did not fit' telecoms. These are the revised proposals.

The IASB's and the FASB's joint revenue project continues to be a hot topic for telecoms. Although generally supportive of the Boards' initiative to develop a single revenue model, which could be applied across all industries, telecoms expressed a number of concerns in relation to the revenue model that the Boards published for comment in June 2010.<sup>1,2</sup> The revised proposals were issued in November 2011<sup>3</sup>, and many telecoms are now analysing whether their concerns were addressed.

This publication looks at the potential impact of the revised proposals on telecoms, discusses whether previous concerns expressed by telecoms have been addressed, and highlights new issues relevant to telecoms.

Telecoms' concerns	What has changed under the revised proposals?	Telecoms' concerns addressed?
<b>Accounting for individual contracts with customers</b>	Portfolio accounting would be allowed, provided that certain conditions are met; however, the approach may be challenging to apply. <b>See Step 1 below</b>	✓ / ✗
<b>Accounting for handsets</b>	No significant change in relation to the accounting outcome. Accelerated revenue recognition and disconnect between cash received and reported revenue as a result of allocating revenue to handsets based on their stand-alone selling price and the lack of a cash cap on contingent revenue ( <b>see steps 2 and 4 below</b> ). Practical difficulty may arise in applying the model to contracts with a variety of different services, and in an environment of continuous changes to contracts.	✗
<b>Accounting for subscriber acquisition costs</b>	The capitalisation of the incremental costs of obtaining a contract would be <i>required</i> based on expected benefits, unless the contract duration is one year or less. Not an accounting policy choice. <b>See Step 1 below</b>	✓ / ✗
<b>Accounting for contract modifications</b>	Revised guidance based on the nature of the modification. Practical challenges would include determining the 'unit of account', dealing with customer renewal options, applying cumulative 'catch-up' to open date contracts and using a portfolio approach. <b>See Step 2 below</b>	✓ / ✗
<b>Including credit risk in the measurement of revenue</b>	Credit risk no longer affects the measurement of revenue; however, the effects of customer credit risk, including any bad debts, would be presented as a separate item adjacent to revenue with a potential impact on industry KPIs. <b>See Step 3 below</b>	✓ / ✗

While the IASB and the FASB have addressed some of telecoms' concerns, a question remains as to whether telecoms feel that the revised proposals are clear enough to be applied consistently across the range of different service plans and other contracts entered into with customers. It will also be interesting to see whether telecoms seek to change their business practices in light of these proposals.

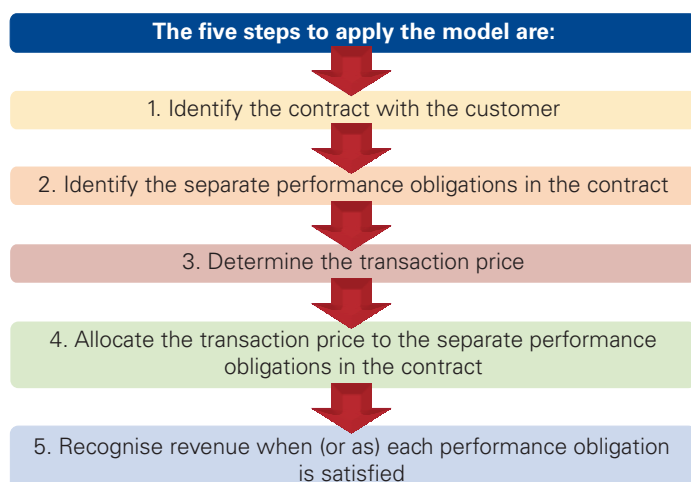
Some argue that the current revenue model used by many telecoms results in more meaningful and useful information for the users of financial statements, as it aligns revenue more closely with actual cash inflows from customers. They fear that under the proposed model there will be a disconnect between revenue and cash flow information. For example, under the revised proposals, telecoms would be required to allocate revenue to handsets and ongoing services in a bundled arrangement based on their relative stand-alone selling prices. In many cases, this would result in more revenue being allocated to the handset than under current practice, thereby accelerating revenue recognition while the timing of cash inflows remains unchanged.

Additionally, there are a number of areas in which it is still unclear how the revised revenue proposals would be applied by telecoms and what the ultimate impact would be. Apart from that, some fear that telecoms may need to invest significant amounts in new information systems to implement and apply the new revenue recognition model.

This publication focuses on the challenges facing telecoms, but for a full discussion of the revised proposals you may want to read our cross-sector publication [New on the Horizon: Revenue from contracts with customers](#).

## The five-step model for revenue recognition

The revised proposals retain the five-step model for determining when to recognise revenue, based on the core principle that revenue is recognised when or as an entity transfers control of goods and services to customers.



# 1. Identify the contract with the customer

## Will the portfolio approach help?

In response to significant concerns raised by various industries, such as telecoms, that operate with a very large number of similar contracts, the 2011 ED includes a practical expedient allowing an entity to account for a 'portfolio' of contracts rather than for individual contracts. Portfolio accounting could be applied provided that contracts have similar characteristics and an entity does not expect the result of portfolio accounting to materially differ from the accounting for individual contracts.

### KPMG observation

The portfolio approach alleviates some of the burden of accounting for individual contracts as proposed in the 2010 ED; however, its implementation and application may be a challenge. It is unclear how to define the boundaries of a portfolio in the telecoms sector and how to demonstrate that contracts have similar characteristics given the variety of services that customers can choose. For example, a telecom provides its customers with a package of services, which could include TV and broadband at a fixed monthly rate, and a telephone line at a rate based on usage. Depending on whether separate portfolios are determined for services charged at a fixed rate and for services charged based on usage (i.e. for separate performance obligations), or for the entire package, the application challenges may vary.

The high pace of change in the telecoms sector and the customer's ability to select from a wide and constantly changing variety of product and service offerings, result in a large number of customer-specific agreements, which also could cause challenges in applying the portfolio approach.

The application of the portfolio approach is closely linked with the question of what is a performance obligation for a telecom (i.e. the 'unit of account'), which is discussed under Step 2 *What is the 'unit of account'?*

## How is the contract period determined?

Similar to current revenue recognition standards, the 2011 ED is written for contracts with a finite term, which is especially evident in the guidance for performance obligations satisfied over time, the guidance for contract modifications, and the requirements to amortise the asset arising from costs to obtain and fulfil a contract.

## KPMG observation

Determining the contract period for telecoms could cause practical difficulties, especially when termination and renewal of a contract is at the customer's discretion. Additionally, significant judgement may be required at inception of a contract in order to determine if a customer has been granted a material right to renew the contract.

Telecoms may need to analyse their historic data and emerging developments in order to determine the expected contract period for revenue and cost accounting purposes. This issue could prove to be more complicated when coupled with the portfolio approach.

## 2. Identify the separate performance obligations in the contract

### What is the 'unit of account'?

Similar to the 2010 ED, the revised revenue proposals are applied to separate performance obligations.

## KPMG observation

Although it could be straightforward in some industries, the views on what constitutes a separate performance obligation in the telecoms sector could vary. For example, a two-year contract to provide broadband services could be viewed as one performance obligation satisfied over two years, or as 24 separate performance obligations satisfied on a monthly basis.

Another example is whether 'standing ready to provide access to a network' is one performance obligation for the entire duration of the telephone service contract, or whether each individual usage (e.g. calls made by a customer) are separate performance obligations when customers do not pay a fixed fee and are charged based only on their usage.

The application challenges and the accounting outcome could vary significantly depending on the unit of account. These are further discussed under *How are contract modifications accounted for?* and under Step 5 *What is the 'cap' for revenue if it is variable?*

It remains to be seen how telecoms would approach the 'unit of account' issue and what practices would emerge.

### Cost of obtaining a contract: what is capitalised?

Under the 2010 ED, the costs of obtaining a contract were expensed as incurred. In response to concerns raised by a number of constituents in various industries, including some telecoms, the 2011 ED proposed that entities capitalise the incremental costs of obtaining a contract if they are expected to be recovered, unless the contract duration is one year or less. Incremental costs are those that would not have been incurred if the contract had not been obtained. The qualifying costs of obtaining a contract would be recognised as an asset, amortised over the expected period of benefit and tested for impairment.

## KPMG observation

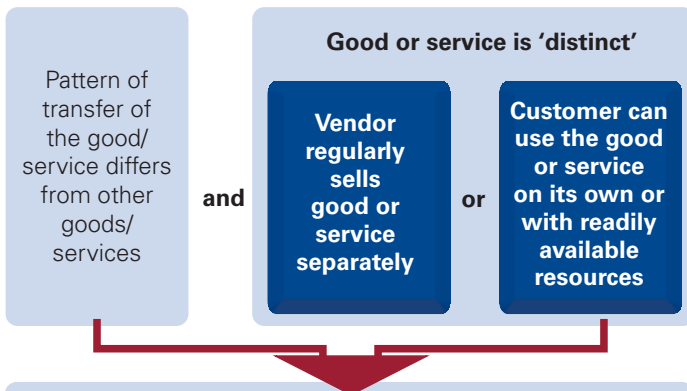
At present, there is diversity in the telecoms sector in relation to the accounting for costs of acquiring a customer or contract (generally referred to as 'subscriber acquisition costs'). Some telecoms capitalise such costs and some expense the costs as incurred. Those telecoms that currently expense all subscriber acquisition costs may have to adjust their systems in order to capitalise and amortise the incremental costs of obtaining a contract with a duration of more than one year.

Additionally, the definition of 'incremental costs of obtaining a contract' may need to be clarified to prevent diversity in practice. For example, some may consider the definition as implying that only external costs could be recognised as an asset; others may argue that commissions paid to internal sales personnel also can be capitalised.

### What are the criteria for identifying separate performance obligations?

The 2011 ED provides additional guidance on the identification of performance obligations, including the requirement to account separately for performance obligations unless they meet the conditions for bundling.

**A performance obligation is a promise (implicit or explicit) in a contract with a customer to transfer a good or service to the customer**



Account for separately unless: (1) highly inter-related and significant integration service and (2) bundle is significantly modified or customised for customer

### KPMG observation

Step 2 may have a major impact on accounting for arrangements in which handsets are bundled with mobile services. At present, the accounting for handsets varies: some telecoms treat handsets as marketing costs rather than a sale transaction and argue that selling handsets is not a specific line of business; others regard handsets as a separate deliverable, but may limit the amount of revenue to cash received upfront or to the cost of the handset, which quite often is less than its fair value.

The revised proposals generally would require handset sales to be accounted for as separate performance obligations with revenue allocated to them based on the relative stand-alone selling price of the various performance obligations under the contract. In many cases, this would accelerate the recognition of revenue compared to current practice and would de-link revenue recognition from cash received from customers. See further discussion under Step 4 *Allocate the transaction price to the separate performance obligations in the contract*.

Another related issue is accounting for an upfront loss on a handset. It is not clear from the 2011 ED how any such loss would be accounted for; for example, whether it would be acceptable to treat the loss on the handset as an incremental cost of acquiring the contract.

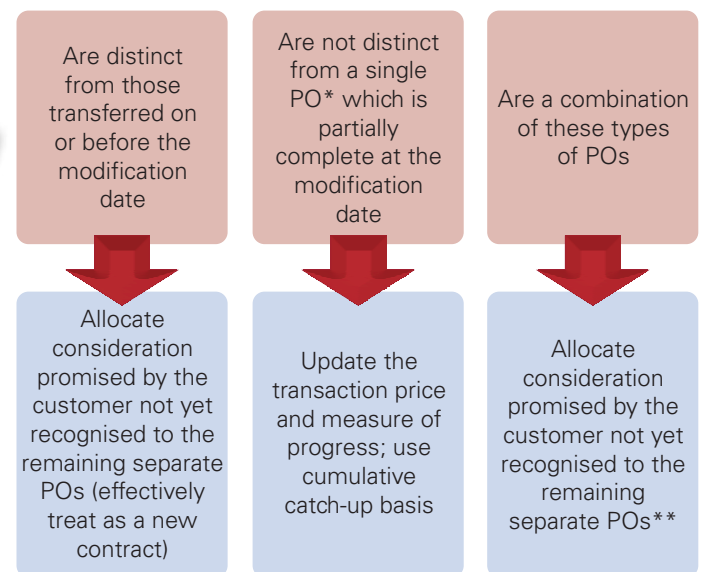
In general, telecoms will need to carefully review the various goods and services offered in their contracts to ensure that appropriate performance obligations are identified, for example delivery of a handset, connection to the network and ongoing services. This will impact the timing and the amount of revenue recognised for various performance obligations.

### How are contract modifications accounted for?

Under the 2011 ED, the accounting for contract modifications is driven by the nature of the change.

- If the modification results only in a change in the transaction price, then that change is allocated to separate performance obligations under the contract on the same basis as at contract inception; this includes allocation to satisfied performance obligations.
- If the modification adds distinct goods or services at a price that reflects their stand-alone selling prices, then the modification is accounted for as a separate contract.
- In other cases, contract modifications are accounted for as shown in this diagram.

### If the remaining goods or services:



\* Performance obligation (PO).

\*\* For a performance obligation settled over time, update the transaction price and measure of progress at the modification date.

### KPMG observation

Under current IFRS, telecoms account for price modifications prospectively, i.e. previously recognised revenue is not adjusted. The 2011 ED could result in a number of practical challenges for telecoms, since the sector is characterised by frequent changes to contracts, sometimes on a daily basis, including changes to service plans, adding or removing services and upgrading handsets.

The level of application challenges and the accounting outcome may vary depending on the unit of account. For example, if a two-year contract is viewed as one performance obligation, then modifications to the service may need to be accounted for on the cumulative catch-up basis; conversely, if the contract is viewed as 24 (or more) separate performance obligations, then many modifications may be accounted for prospectively.

### 3. Determine the transaction price

Some may argue that when new services are added as a result of a contract modification, such changes typically would result in additional performance obligations that are distinct, and therefore would be accounted for prospectively. In addition, the 2011 ED does not explicitly address scenarios in which services are removed rather than added. Some may argue that such modifications are likely to be accounted for using the cumulative catch-up method, and consider this to be operationally impracticable.

Although the 2011 ED allows portfolio accounting in some circumstances, there may be practical difficulties in combining the mechanics of portfolio accounting and contract modification accounting.

#### What methods can be used to estimate variable revenue?

The 2011 ED includes the 'most likely amount' method as an approach to estimating variable consideration in addition to the 'expected value' method.

#### KPMG observation

In general, the 2011 ED is not expected to result in a significant change in determining the variable consideration by telecoms relative to the 2010 ED. The 2010 ED would have required using the expected value method, which may be different from current practice and could be challenging to apply. Under the 2011 ED, entities would be able to choose between these two approaches. However, it is not a free choice and it would depend on whether one or the other approach better predicts the amount of consideration to which an entity expects to be entitled. The selected approach would have to be applied consistently to similar arrangements.

#### Example

Telecom T enters into a wholesale agreement with Company B to provide access to Telecom T's network. The actual rate per minute is determined based on the amount of data used in a given month, and it may vary from month to month.

Minutes	Rate
0 – 15,000	0.250
15,001 – 20,000	0.225
20,001+	0.200

Although Company B is a new client, Telecom T has similar clients of the same size, who operate in the same sector; therefore, it concludes that the expected value method would better predict the rate to be used for revenue recognition purposes. It uses its historical data for estimating Company B's utilisation of minutes at the inception of the contract.

## 4.

## Allocate the transaction price to the separate performance obligations in the contract

Minutes	Probability	Rate	Weighted rate (rounded)
0 – 15,000	80%	0.250	0.200
15,001 – 20,000	15%	0.225	0.034
20,001+	5%	0.200	0.010
Total	100%		0.244

Because Telecom T determined that the expected value method is predictive of the amount of consideration under the contract, it would apply a rate of 0.244 per minute per month. Telecom T would review its estimate on an ongoing basis, and would make adjustments if the actual usage of the network by Company B differed significantly from the original estimate.

### How are handsets accounted for?

The 2011 ED retains the requirement to allocate, at contract inception, the transaction price to separate performance obligations in proportion to their relative stand-alone selling prices. When stand-alone selling prices are not directly observable, an entity would estimate them using a suitable approach, such as the adjusted market assessment approach, expected cost plus a margin approach or, in very limited circumstances, the residual approach. While some telecoms expressed concern about the requirement to use a relative selling price allocation, the Boards decided not to provide an exemption to the sector from this requirement.

#### KPMG observation

Similar to the original proposal, the 2011 ED would have a significant impact on how telecoms allocate revenue between products and services. Those telecoms that currently account for handsets as marketing costs would need to consider the delivery of a handset as a separate performance obligation and allocate revenue to it based on its relative stand-alone selling price. Others, that currently regard the delivery of a handset as being separate from the provision of the ongoing telecom service, but limit the handset revenue to cash received or the cost of the handset, would have to reconsider the basis for allocating revenue to the handset and telecom services.

### How to account for revenue contingent on a customer's usage?

#### KPMG observation

Another challenging question is how to account for revenue contingent on a customer's usage, which is closely linked with the unit of account issue. For example, a customer enters into a two-year contract, under which it receives a free handset and is charged a fixed monthly fee for 300 minutes of local telephone calls and an additional fee for any international calls and local calls above the limit. The additional fee is contingent on the customer's usage of the connection. It is not clear from the 2011 ED whether it would be appropriate to anticipate revenue contingent on the customer's usage (i.e. from international calls and extra local minutes), and therefore consider it in the allocation process. Additionally, as noted previously, the estimate of the variable consideration and the allocation process may vary depending on the unit of account.

### How is credit risk reflected?

The transaction price is not adjusted for customer credit risk as was proposed in the 2010 ED. The 2011 ED requires that the effects of customer credit risk be presented as a line item adjacent to revenue in the statement of comprehensive income. Any impairment losses on trade receivables and on contract assets would be recorded separately from revenue but on this adjacent line (i.e. above the gross profit margin).

#### KPMG observation

The 2011 ED alleviates concerns about the originally proposed requirement to account for the original estimate of credit risk directly through revenue. Under the 2011 ED, credit risk is not included in the measure of transaction price used for recognising revenue. Many telecoms and other companies currently account for credit risk as a financing cost or record the cost as an operating expense as part of operating profit. Moving impairment losses above the gross profit margin line would affect a number of KPIs calculated by telecoms.

## Example

Telecom T offers a fixed minimum term voice and data plan to customers. A customer may purchase the plan bundled with one of two different handsets supplied by Telecom T, or purchase just the plan from Telecom T. In each case, the price of the plan is fixed but it varies depending on whether or not Telecom T provides a handset, and on the handset chosen.

The transaction price would be allocated to the performance obligations on the basis of their relative stand-alone selling prices, as follows. The time value of money is ignored for the purpose of this example.

	Scenario 1	Scenario 2	Scenario 3
Stand-alone selling price of handset	700	400	Own handset provided or it is supplied by a retailer
Cost of handset	400	100	N/A
Cash received upfront	100	100	N/A
Stand-alone selling price of ongoing services (per month)	25	25	25
Contract term (months)	24	24	24
Monthly charge	45	35	25
Total cash to which Telecom T expects to be entitled	1,180	940	600
Revenue allocated to handset	635	376	N/A
Revenue allocated to ongoing services	545	564	600

Under the 2011 ED, as the handset is delivered at inception of the contract, revenue allocated to it would be recognised at that point in time, and revenue from the ongoing services would be recognised throughout the term of the contract.

The following table compares revenues and actual cash inflows under the proposed model and under the current model used by telecoms that recognise revenue on the handset equal to the upfront cash received ('contingent revenue cap' model).

Scenario 1	Proposed model			Current 'contingent revenue cap' model		
	Y0	Y1	Y2	Y0	Y1	Y2
Revenue from handset	635	-	-	100	-	-
Revenue from services (rounded)	-	273	273	-	540	540
Cost of handset	(400)	-	-	(400)	-	-
Profit/(loss)	235	273	273	(300)	540	540
Cash flows	(300)	540	540	(300)	540	540

Scenario 2	Proposed model			Current 'contingent revenue cap' model		
	Y0	Y1	Y2	Y0	Y1	Y2
Revenue from handset	376	-	-	100	-	-
Revenue from services (rounded)	-	282	282	-	420	420
Cost of handset	(100)	-	-	(100)	-	-
Profit/(loss)	276	282	282	-	420	420
Cash flows	-	420	420	-	420	420

For Scenario 3, the accounting under the proposed model would be similar to the accounting under the current contingent revenue cap model, because the price is fixed and there is only one performance obligation.

## KPMG observation

### Disconnect between cash flows and revenues

At present, some telecoms apply the contingent revenue cap model, under which handset revenue is limited to the amount of cash received. As seen in the example above, this model results in revenue numbers aligned with cash flows. Financial statement analysts usually perform their analysis using future cash flow projections; therefore, information produced under the current model is considered by many to be useful to users of telecoms' financial statements. Under the proposed model, cumulative revenue would not equal the cash received to date when the handset is bundled with telecom services and the handset is free or discounted. Additionally, some KPIs used in the telecoms sector, such as the average service revenue per user (ARPU), which generally is calculated based on the *cash* received from a customer for telecoms service, may need to be adjusted.

### Practical difficulties

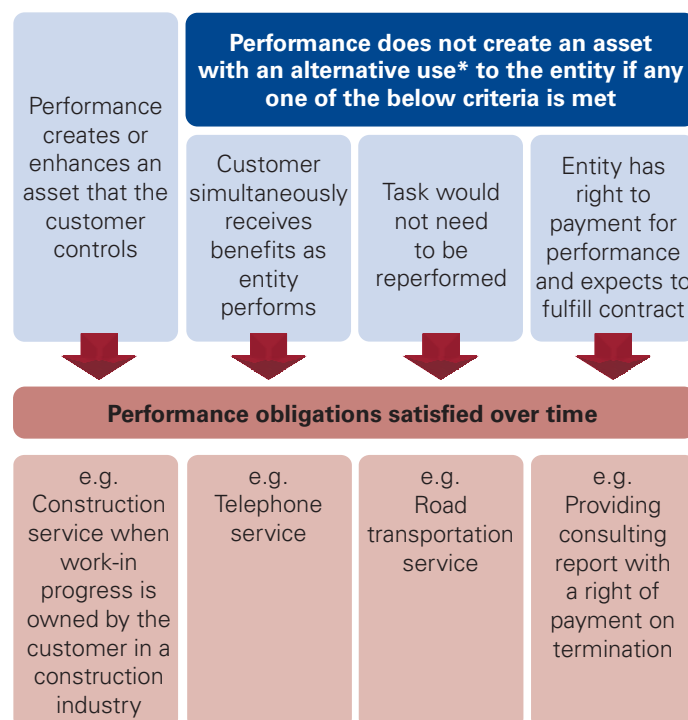
In the telecoms sector, some contracts with customers have a fixed term, some have a fixed minimum but do not set a maximum term, and some do not set any boundaries for the term. If the maximum term is not fixed and the customer has a material right to renew the contract, provided that the ongoing service is viewed as one performance obligation, then it could be difficult to estimate the total amount of consideration from the customer. This may be a challenge in accounting for contracts or portfolios of contracts with multiple deliverables, such as handsets and ongoing services. However, as noted above, the accounting may be different if performance obligations are determined on a different basis.

# 5.

## Recognise revenue when (or as) each performance obligation is satisfied

### What are the criteria for recognising revenue over time?

The 2011 ED retains the core principle that revenue is recognised when or as performance obligations are satisfied through the transfer of control of a good or service to a customer. Unlike the 2010 ED, the 2011 ED provides specific criteria to assess whether a performance obligation is satisfied over time or at a point in time.



\* An alternative use exists if the entity has an ability to direct the asset to another customer

## KPMG observation

Generally, telecoms did not express significant concerns about the originally proposed recognition requirements for revenues from ongoing network services, except that it was not clear how to apply the concept of transfer of control to services. However, some telecoms also may engage in the construction of networks, which could take several years. The 2011 ED proposes criteria for determining whether a performance obligation is satisfied over time. The criteria would result in more construction contracts being subject to the transfer over time notion than may have been the case under the 2010 ED and is likely to be more consistent with current practice.

## What is the 'cap' for revenue if it is variable?

Under the 2011 ED, the vendor estimates variable consideration to determine the transaction price. In such cases, the cumulative amount of revenue recognised to date is limited to the amount to which the vendor is *reasonably assured to be entitled to*.

### KPMG observation

Under current practice, the cumulative revenue recognised by a telecom usually is capped at the amount to which it is entitled *legally*. 'Reasonably assured' is a new threshold and there is limited guidance on how to interpret it; however, it will generally be a lower threshold than legally entitled. Some are concerned that different interpretations and practices may emerge relating to the recognition of variable consideration as revenue, thereby impacting comparability between telecoms.

Additionally, the sector is very dynamic with continuous changes to both pricing and service offerings. Although telecoms generally have extensive historic data, some argue that such data may not always be predictive of future transactions; and as such, it may not be useful for assessing the amount of revenue that the telecom is reasonably assured to be entitled to receive.

## Other changes to the proposals potentially affecting telecoms

Other changes to the revenue proposals, which could potentially impact telecoms, include the following:

Area	Revised proposals
<b>Retrospective application</b>	The 2011 ED includes several practical expedients to ease the burden of transition. For example, for contracts completed before the date of initial application an entity need not restate contracts that begin and end within the same annual reporting period.
<b>Disclosure requirements</b>	The disclosure requirements proposed in the 2011 ED are extensive and may require the tracking and recording of additional data.
<b>Onerous performance obligations</b>	The 2011 ED retains the proposal to apply the 'onerous test' at a performance obligation level rather than at a contract level. However, the scope of the onerous test is limited to performance obligations satisfied over time that are expected to be satisfied over more than one year.
<b>Accounting for warranties</b>	The 2011 ED changes the proposal for accounting for product warranties, and makes the distinction between assurance-type and service-type warranties clearer. In general, the accounting outcome may be consistent with current practice.

# Your next steps

## Getting ready

The revenue project has not been finalised and the proposals are subject to further re-deliberations by the Boards after the comment period ends in March 2012. However, telecoms may start considering the potential impact of the proposals on their financial reporting, operations, internal systems and on communication with stakeholders.

- **Portfolio approach.** Telecoms will need to review their contracts with customers and tariff plans in order to assess if they can be grouped into portfolios. It could be challenging to set the boundaries of portfolios in such a way that the results of portfolio accounting would not be materially different from accounting for individual contracts. The alternative is to apply the standard to individual subscriber contracts; however, this may require a significant investment for some telecoms who may have millions of subscribers.
- **Revenue assurance.** Many telecoms have a revenue assurance department. The processes and procedures of the revenue assurance department may need to be reviewed to adjust for changes introduced.
- **Compensation contracts with sales staff and external agents.** Commissions paid to internal sales staff and external agents would need to be revisited with the understanding that some costs would be *required* to be capitalised.
- **Training of staff.** The final standard may result in changes to current accounting practices for many telecoms, and may affect operating practices as well. The training of finance staff will be essential as parallel record-keeping may be required in the period preceding the effective date to provide for comparative figures. For example, if the new standard becomes effective from 1 January 2015, then parallel record-keeping may be required from 1 January 2014 for a calendar-year entity that reports one year of comparative financial information, and potentially for a longer period if a telecom would need to present comparative financial information for more than one year.
- **Setting expectations upfront.** The proposals are likely to accelerate revenue recognition for telecoms that bundle handsets with telecom services and to affect various KPIs used by telecoms; therefore, communications with the investor community and analysts should be considered.

## Response to the IASB

The Boards have made some changes to the proposals to address various concerns and to provide more guidance. However, telecoms may find that some areas of the proposals are still unclear. Doubts about the accounting for handset sales and the recognition of contingent revenue may remain. Telecoms now have one more chance to provide input.

The Boards have invited comments on the 2011 ED by 13 March 2012.

### References

1. Exposure Draft (ED) *Revenue from Contracts with Customers*
2. Our publication [You Said: Revenue recognition for telecoms](#)
3. Exposure Draft (ED) *Revenue from Contracts with Customers*, a revision of the June 2010 Exposure Draft *Revenue from Contracts with Customers*

# Contacts

## Global Telecoms Practice Global Chair

### Sean Collins

Communications & Media

T: +65 6597 5080

E: seanacollins@kpmg.com

## Global Telecoms Contacts

### Australia

#### Ken Reid

T: +61 (2) 9455 9006

E: kenreid@kpmg.com.au

### Canada

#### Peter Greenwood

T: +1 604 691 3187

E: pgreenwood@kpmg.ca

### France

#### Marie Guillemot

T: +33 1 55687555

E: mguillemot@kpmg.com

### Germany

#### Carsten Nölgen

T: +49 211 475-8661

E: Cnoelgen@kpmg.com

### Hong Kong & China

#### Herrman Cheung

T: +86 10 8508 5402

E: herrman.cheung@kpmg.com

### Japan

#### Hiroto Kaneko

T: +81 (3) 3548 5588

E: hirotokaneko@kpmg.com

### New Zealand

#### Brent Manning

T: +64 (4) 816 4513

E: bwmanning@kpmg.com

### Switzerland

#### Hanspeter Stocker

T: +41 44 249 33 34

E: hstocker@kpmg.com

### United Kingdom

#### John Edwards

T: +44 (0) 20 7311 2315

E: john.edwards@kpmg.co.uk

### United States

#### Paul Wissmann

T: +1 213 955 8518

E: pwissmann@kpmg.com

---

## [kpmg.com/ifrs](http://kpmg.com/ifrs)

© 2012 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Publication name: *New on the Horizon: Revenue recognition for telecoms*

Publication number: 120183

Publication date: January 2012

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG International Cooperative ("KPMG International") is a Swiss entity that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no audit or other client services. Such services are provided solely by member firms of KPMG International (including sublicensees and subsidiaries) in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind any member firm, in any manner whatsoever.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.