IJBEMP

International Journal of Business, Economics and Management Perspectives
Uluslararası İşletme, Ekonomi ve Yönetim Perspektifleri Dergisi

ISSN: 2458-8997
E-ISSN : 2458-8997
Yıl *Year* : 5
Cilt *Volume*: 4
Sayı *Issue* : 1
Haziran *June* 2020

# EVALUATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMER WITHIN THE SCOPE OF CUSTOMER LOYALTY PROGRAMS[1]

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[1] Bu çalışma 4-6 Nisan 2019 tarihlerinde İzmir'de yapılan 2. Business and Organization Research Conference kongresinde sunulmuştur. Gerekli düzenlemeler yapıldıktan sonra makale formatına getirilmiştir.

# EVALUATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMER WITHIN THE SCOPE OF CUSTOMER LOYALTY PROGRAMS

## ABSTRACT

The inadequacy of the IAS 18 Revenue Standard on a variety of issues and the failure to explain processes with complex elements caused many problems. This indicates the need for a new revenue standard. To this end, a new revenue standard IFRS 15 Revenue from Contracts with Customers was issued in collaboration with the London-based International Accounting Standards Board and the New York-based Financial Accounting Standards Board. With the publication of this standard, many standards and interpretations, including IAS 18 Revenue Standard and IFRIC 13 Customer Loyalty Programmes, have been abolished.

In this study, revenue recognition from customer loyalty programs is evaluated within the scope of old and new revenue standards. IFRS 15 has made a significant change in accounting for revenue. This change is the condition that the revenue-generating processes are contractual. Therefore, the contractual revenue principle complies with the conceptual framework. Furthermore, according to the standard, the opposite side of the contract can only be the customer. Both IFRIC 13 and IFRS 15 take into consideration the postponement of revenue in the recognition of revenue from customer loyalty programs. In other words, the gift point portion of the revenue is postponed. Deferred revenue is recognized when the gift point is used by the customer or expires. IFRS 15 Revenue from Customer Contracts includes some changes when and how much revenue is recognized for customer loyalty programs.

**Keywords:** IFRS 15 Revenue from Contracts with Customers, Customer Loyalty Programs, IFRIC 13.

# MÜŞTERİ SADAKAT PROGRAMLARI KAPSAMINDA IFRS 15 MÜŞTERİ SÖZLEŞMELERİNDEN HASILAT STANDARDININ DEĞERLENDİRİLMESİ

## ÖZ

IAS (TMS) 18 Hasılat Standardının çeşitli konularda yetersiz kalması ve karmaşık unsurlu işlemleri açıklamada başarısız olması birçok soruna neden olmuştur. Bu durum yeni bir hasılat standardına ihtiyaç duyulduğunu göstermiştir. Bu amaçla Londra merkezli Uluslararası Muhasebe Standartları Kurulu ve New York merkezli Finansal Muhasebe Standartları Kurulu'nun ortak çalışması ile yeni bir hasılat standardı olan IFRS 15 Müşteri Sözleşmelerinden Hasılat Standardı yayımlanmıştır. Bu standardın yayınlanması ile IAS (TMS) 18 Hasılat standardı ve IFRIC 13 dahil olmak üzere birçok standart ve yorumları yürürlükten kalkmıştır.

Çalışmada, müşteri sadakat programlarından doğan hasılatın muhasebeleştirilmesi eski ve yeni hasılat standartları kapsamında değerlendirilmiştir. IFRS 15 hasılatın muhasebeleştirilmesinde önemli bir değişikliğe gitmiştir. Bu değişiklik hasılat yaratıcı işlemlerin sözleşmeye dayandırılması şartıdır. Dolayısıyla sözleşmeye dayalı hasılat ilkesi kavramsal çerçeve ile uyumluluk göstermektedir. Ayrıca standarda göre sözleşmenin karşı tarafı yalnızca müşteri olabilmektedir. Hem IFRIC 13 hem de IFRS 15'de müşteri sadakat programlarından doğan hasılatın muhasebeleştirilmesinde hasılatın ertelenmesini dikkate almaktadır. Başka bir deyişle, hasılatın hediye puan kısmı ertelenir. Ertelenen hasılat, hediye puan müşteri tarafından kullanıldığında veya geçerlilik tarihi dolduğunda muhasebeleştirilir. IFRS 15 Müşteri Sözleşmelerinden Hasılat Standardı, müşteri sadakat programları açısından hasılatın ne zaman ve ne tutarda muhasebeleştirileceğine ilişkin bazı değişiklikler içermektedir.

**Anahtar Kelimeler:** IFRS 15 Müşteri Sözleşmelerinden Hasılat, Müşteri Sadakat Programları, IFRIC 13.

## 1. INTRODUCTION

The constant change in the expectations and needs of consumers has led businesses to customer-oriented strategies. Increasing competition has made customers not an object of purchase and customers has become an important component of the business. The relationship between businesses and customers has changed and the efforts of businesses to strengthen relationships with existing customers have gained importance instead of finding new customers. In line with this aim, businesses have started to implement various customer loyalty programs according to the requirements of the sector and the expectations of the customers.

Customer loyalty programs are defined as promoting customers to stay in the same brand with various awards, in other words, stopping customer loss through award-based initiatives (Banasiewicz 2005: 332). The most important objective of customer loyalty programs is to maximize the loyalty of existing customers to the business rather than new ones. Businesses aim to maintain the customer base by establishing a strong link between the brand and customers with these programs. In addition, to increase sales revenue by selling more products to existing customers is another purpose of the business (Uncles and Hammond 2003: 294). In contrast, customers cannot randomly become members of the loyalty program, it becomes a member of the loyalty program, where expected benefits are higher than expected costs. This is partly a choice directed by the appeal of the business itself (Leenheer, 2007:32-33).

O'Malley (1998: 51) lists the benefits of customer loyalty programs as follows:

- Provides brand loyalty to the customer through various incentives.

- Categorizes customers and sets separate consumption preferences for each category.

- Directs consumer behavior through reward systems.

- Provides response to customer loyalty programs of competing enterprises in the industry.

In addition to the benefits for businesses, customer loyalty programs also provide benefits for consumers. Customer loyalty programs make consumers feel privileged and think that they have a special status (Dreze and Nunes, 2008: 891). Since the financial rewards provided by the businesses increase customer satisfaction, customers are loyal to the enterprise in order to obtain such awards. The discounted or free marketing trainings and supports used in this context become an important part of the resource used by the sellers in their competitive battles in the field of marketing (Scott, 2000:42).

In the literature, there are studies which many customer loyalty programs are examined extensively, especially by marketing researchers. However, the effectiveness of customer loyalty programs is controversial. While some researchers express the positive effects of these programs, some suggest that customer loyalty programs no longer offer competitive advantage in an environment where all businesses offer similar programs, and that the final result will be equal to the initial situation because of increased marketing costs (Zhang and Breugelmans, 2012:50).

It is often costly for businesses to start and maintain a loyalty program, and it takes extensive effort to manage point records and manage rewarding. Also, once such a program comes into effect, it is often difficult to end the program without the risk of losing consumers' sympathy (Liu, 2007:20). Therefore, many businesses participate in customer loyalty programs implemented worldwide, so that the operational and administrative costs of the system can be shared.

The best-known customer loyalty programs are customer loyalty cards, customer loyalty clubs and discounts and rewards given according to sales amount. In order to increase the customer's loyalty to the brand, a free product can be provided as well as a price reduction for a specific product. Loyalty programs may vary depending on the business or the sector in which the business operates. While in some programs the gift issuer and the business in which the gift will be used have to be the same, in some programs the customer may use the gifts to obtain the product of another business. For example, with the Smiles and Miles application used in Turkish Airlines (THY), mile points can be used in various airline, hotel, car rental, insurance, health, tourism, shopping and entertainment, telecommunication, fuel and educational institutions. (https://www.turkishairlines.com/tr-int/miles-and-smiles/program-ortaklari/index.html, 2019). The complexity of customer loyalty programs has made it difficult to determine the amount and time of revenue generated. This has led to different views and practices. Different applications have made it difficult for the financial statements to be comparable and reliable and have led to the need for a common guide to ensure standardization in practices.

IFRIC reviews newly identified reporting issues that have not been addressed in the current International Financial Reporting Standards (IFRS) or where contradictory comments have arisen and resolve issues to agree on appropriate treatments (S. Chapple et al., 2008:5). In this context, Interpretation 13 explains how revenue generated through customer loyalty programs is accounted for under the IAS 18 Revenue Standard.

On the other hand, IFRS 15 Revenue from Customer Contracts Standard has been issued for the accounting periods starting after 31.12.2017. This standard has been prepared as a comprehensive revenue standard and does not include detailed information on customer loyalty programs as in IFRS Interpretation 13. With IFRS 15, all events that generate revenue between businesses and customers are combined into a single standard.

With the entry into force of IFRS 15 Revenue from Customer Contracts, the following standards and interpretations are repealed;

- IAS Construction Contracts
- IAS 18 Revenue
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC-31 Revenue—Barter Transactions Involving Advertising Services

In this study, it is aimed to examine the differences brought by IFRS 15 Revenue from Customer Contracts to customer loyalty programs under IFRIC Interpretation 13. In addition, by comparing IAS 18 Revenue standard and IFRS 15 Revenue from Customer Contracts Standard, innovations arising in accounting of revenue within the scope of customer loyalty programs have been tried to be revealed.

## 2. INTERPRETATION OF CUSTOMER LOYALTY PROGRAMS IN THE SCOPE OF IFRIC INTERPRETATION 13

Customer loyalty programs are used by businesses to promote customers to purchase products. When the customer purchases the product, the business gives the customer a gift point resulting from this purchase. In other words, the benefit to be provided to the customer under the customer loyalty program must stem from the past purchase. Discount coupons or reward points sold separately from the product without any sales to the customer are excluded from the scope of customer loyalty programs (IFRIC 13, 2008: paragraph 1).

Businesses may request that the gift points they give within the scope of customer loyalty programs be used only in their own products or they may allow the gift points to be used in another business or sector. This application can be given as an example of using the shopping points earned on the cards given to the customers by some markets. In addition, businesses may participate in the customer loyalty program of other businesses that have accepted the same program as in the above mentioned THY application (IFRIC 13, 2008: paragraph 2). Therefore, the business giving gift points and the business using the gift points may be different.

IFRIC Interpretation 13 applies to customer loyalty gift points in the following cases (IFRIC 13 Art: 1):

- A business gives gift points to its customers as part of the sales transaction (sale of goods or services) or if the business's assets are used by the customer,
- The customer can use these gift points in the future to obtain free or discounted products or services, provided that the customer gift points fulfil other requirements.

According to this interpretation, a business can measure the fair value of gift points based on the fair value at which gifts can be obtained under customer loyalty programs. The fair value of such gifts is reduced considering the following elements (IFRIC 13, 2008: UR2):

- Fair value of the gifts offered to customers who did not earn gift points from the first sale,

- Proportion of gift points that are not expected to be requested by customers,

- Risk of failure to fulfill.

If customers can choose from a group of different gifts, the fair value of the gift points reflects the fair value of the gifts determined by applying the rates determined according to the expected frequency of selection of the gifts in that group.

Before and after the release of IFRIC Comment 13, there are different applications among businesses in accounting for customer loyalty programs, but it is seen that principles are generally adopted as summarized in Table 1 (PWC, 2019: 1);

**Table 1:** Comparison of Customer Loyalty Programs Before and After IFRIC Comment 13 Accounting Implementations (https://www.pwc.com)

| | **Implementation Before TFRS Comment 13** | **Implementation After TFRS Comment 13** |
|---|---|---|
| **Income Statement Classification** | Deduction of revenue or marketing expense | Deduction of revenue |
| **Balance Sheet Classification** | Accrual/provision | Deferred revenue |
| **Measurement** | Various but generally at related cost to fulfill the obligation for the company | Fair value to the customer |
| **Recognition of the awards** | Various: at grant or at redemption | At redemption |

According to IFRS Interpretation 13, a business's obligation to provide free or discounted goods and services in the future is recognized in two ways (IFRIC 13, 2008: paragraph 4):

- Accounting for price by applying a portion of the revenue received or receivable from the sales transactions to gift points (application of paragraph 13 of IAS 18)

- Making provision for costs incurred to provide gifts (application of paragraph 19 of IAS 18)

According to IFRS Interpretation 13, customer loyalty programs are accounted for in accordance with paragraph 13 of IAS 18. Accordingly, a business recognizes gift points as a separately identifiable component of the initial sales transaction or transactions in which it is earned (IFRIC 13, 2008: paragraph 5). The fair value of the revenue received or receivable in respect of the initial sale transaction is distributed between gift points and other components of the sale. The amounts distributed to gift points are measured based on their fair value. The fair value of gift points is the amount at which these points can be sold separately.

Where gifts are provided by the business, the use of gift points and the fulfillment of the obligation to provide gifts require that the amount allocated to the gift points be recognized as revenue (IFRIC 13, 2008: paragraph 7).

In practice, it is seen that gift points can be used by customers for different periods. In this case, it is necessary to consider the amount of points used in the period when determining the amount of revenue to be accounted for in the period in which the points are used. When calculating this amount, it is necessary to take into consideration the ratio of the points used by the customers to the total points expected to be used by the customer and to deduct the amount of the total value of the gift points to the income converted as of that date (IFRIC 13, 2008: UR 2).

If gifts are provided by third parties, the business assesses whether the amount of the gift points is collected on its own account or on behalf of third parties. If the business collects the fee on behalf of third parties, it shall measure the revenue as the net amount to be kept in its own account. This net amount is the difference between the price distributed to the gift points and the amount payable to the third parties providing the gift. The business recognizes this net amount as revenue when third parties are obliged to provide gifts and are entitled to collect the gifts. Alternatively, if the customer can choose to request gifts from the business itself or from a third party, these events can only occur if the customer requests the gift from the third party (IFRIC 13, 2008: paragraph 8). Where gifts are provided by the business itself, it measures revenue as the gross amount distributed to the gift points and recognizes it as revenue when it fulfills its obligation to provide the gifts.

If the costs to be incurred for the provision of gifts are expected to exceed the sum of the amount allocated to gift points and the additional amount to be obtained at the time the customer uses the gift points, the business is economically disadvantaged. In accordance with TAS 37, the difference is accounted for as a liability. The requirement to account for such a liability may arise when the business incurs an increase in the costs incurred to obtain gift points, such as when the business revises its expectations for the number of gift points to be used (IFRIC 13, 2008: paragraph 9).

Within the scope of customer loyalty programs, there may be certain conditions or time limits that customers must comply with. For example, Hilton Hotels make essential that only real persons and only one customer be a member of the loyalty program in order to earn points (Hilton Honors, 2019). Businesses may call for a certain period or require minimum accumulation of gift points ((IFRIC 13, 2008: paragraph 2). In this context, customer loyalty programs are a contract between the parties. Since IFRIC Interpretation 13 does not have a detailed revenue account, revenue arising from customer loyalty programs is evaluated within the scope of IAS 18 Revenue standard. In other words, IFRIC Interpretation 13 has been issued for easier understanding of the IAS 18 Revenue standard.

## 3. RECOGNITION OF REVENUE UNDER THE SCOPE OF IAS 18 REVENUE STANDARD

Revenue from customer loyalty programs is assessed in accordance with IAS 18 Revenue, as is the case with other revenue from ordinary business operations. According to IAS 18 Revenue Standard, revenue is the income that arises from the ordinary operations of the business. Income is defined as economic benefits that lead to an increase in equity in the form of cash inflows, increases in assets or decreases in liabilities. IAS 18 Revenue Standard distinguishes between revenue and collections on behalf of third parties. According to the standard, revenue includes only the gross economic benefit amounts that the business receives and will receive on its behalf. The standard also sets out the following two criteria for determining the recognition time of revenue (IAS 18, 2005: Objective):

- When future economic benefits are likely to enter the business,

- When these benefits can be measured reliably.

IAS 18 Revenue Standard aims to determine the principles and rules of when and to what extent the revenue will be realized in different situations where these two criteria are met.

IAS 18 Revenue Standard is applied to account for revenue from the following three transactions and events (IAS 18, 2005: paragraph 1):

- Sales of Goods,

- Service Deliveries,

- Franchising, dividends and interest from the use of business assets by others.

Sales of goods include goods produced by the business, merchandise purchased for resale, commodities purchased by the retailer or land held for sale and other real estates (IAS 18, 2005: paragraph 3).

According to IAS 18 Revenue Standard, revenue is measured at the fair value of the price received or receivable (IAS 18, 2005: paragraph 9). The amount of revenue arising from a transaction is generally determined by an agreement between the business and the buyer or user of the asset.

Revenue is measured at the fair value of the price received or receivable, considering the commercial discounts and amount reductions applied by the business (IAS 18, 2005: paragraph 10).

There are two important provisions in IAS 18 Revenue standard regarding the recognition of a revenue as revenue. According to the first of these provisions, the principles in the standard are applied separately for each transaction. However, if a transaction has separable parts, in order to reflect the essence of the transaction, the accounting principles must be applied separately to each separable portion of the transaction. (IAS 18, 2005: paragraph 13).

According to the second provision, revenue and expenses related to the same transaction and event are accounted simultaneously in the scope of matching of revenues and expenses. It is recognized that costs, including costs incurred after product delivery, can be reliably measured under normal circumstances when other conditions are required for revenue recognition. However, if expenses cannot be measured reliably, revenue is not recognized in the financial statements (IAS 18, 2005: paragraph 19).

## 4. RECOGNITION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMER WITHIN THE SCOPE OF CUSTOMER LOYALTY PROGRAMS

The purpose of IFRS 15 is to establish the principles that a business applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer (IFRS 15, 2018: paragraph 1). With this standard, it is aimed to eliminate the uncertainties in IAS 18 Revenue standard regarding revenue accounting and to create integrity in application. The fact that the IAS 18 Revenue Standard could not provide sufficient explanations for the recognition of income, insufficient information disclosed in the footnotes of public disclosure and complex multi-element transactions, variable pricing, reimbursement rights, guarantees and licensing led to different applications of revenue and this situation caused new implementations of revenue. showed a need for a revenue standard (Grant Thornton, 2014b: 18).

After 2010, accelerating studies on the approximation of revenue standards were finalized and 15 IFRS 15 Revenue from Contracts with Customers was issued. The application of the mentioned Revenue Standard has started in the reporting period after 31 December 2017.

Businesses apply this standard to all contracts concluded with their customers, except followings: (IFRS 15, 2018: paragraph 5).

- Leasing agreements covered by IAS 17 Leases,

- Insurance contracts covered by IFRS 4 Insurance Contracts,

- Financial instruments and other contractual rights or obligations within the scope of IFRS Financial Instruments, IFRS Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures.

- Non-monetary changes to facilitate sales to customers or potential customers between businesses operating in the same business field.

IFRS 15 Revenue from Customer Contracts standard differs from IAS 18 Revenue in the following subjects (Köse and Çelikay, 2015, 20):

- Provides a strong framework covering revenues from the moment they occur,

- Increases comparability between sectors and capital markets,

- Improve the accounting of contracts with customers by requesting more detailed information to be disclosed by the business.

IFRS 15 Revenue from Customer Contracts has introduced a new model for revenue recognition. This model is a “contractual agreement” and five-stage model with the customer to determine when and how much revenue should be accounted for. These stages are;

- Determination of the contract with the customer,

- Determination of separate performance obligations in the contract,

- Determination of contract price,
- Distribution of contract price to separate performance obligations,
- Recognition of revenue when performance obligations are fulfilled.

IFRS 15 recognizes revenue generating transactions as contracts and complies with the conceptual framework since it is based on revenue. According to the standard, a contract is an agreement that creates legally enforceable rights and obligations between two or more parties. The enforcement of rights and obligations in a contract is a legal matter. Contracts may be in writing, orally or in any other manner adopted by the business in accordance with its business practices (IFRS 15, 2018: paragraph 10). Therefore, the standard revenue is based on contractual rights between the business and the customer.

For enterprises not to apply this standard to a contract, the opposite party must be the customer. The customer is the party that has contracted with the business in order to obtain the goods or services which are the outputs of the ordinary activities of the business in return for its cost. The counterparty of the contract is not considered a customer if it has entered into a contract for the purpose of participating in an activity or process (such as the development of a cooperative agreement) where, for example, the contracting parties share the risks and benefits arising from the entity's activities or processes (IFRS 15, 2018: paragraph 6).

Since IFRS 15 Revenue from Customer Contracts is a comprehensive standard for revenue recognition, it also includes the necessary applications for customer loyalty programs. Customer loyalty programs are revenue generating and serve as a contract between the customer and the business. Therefore, it ensures that the practices carried out within the scope of customer loyalty program fall within the scope of this standard.

IFRS 15 Standard specifies the sales transaction and gift points arising as part of customer loyalty programs as separate performance obligations. The performance obligations defined separately in the sales transaction may also include commitments in the business practices, published policies or special declarations of the business, which create a valid expectation that the business will transfer the goods or services to the customer at the time of entering into the contract (IFRS 15, 2018: paragraph 24). This contract is considered to be a multi-component contract according to IFRIC Interpretation 13. Therefore, the new and old legislation does not differ in this context.

In order to distribute the revenue to separate performance obligations, the companies distribute the transaction price to each performance obligation determined in the contract based on the sale price. The appropriate selling price is considered for each performance obligation (IFRS 15, 2018: paragraph 74). In IFRIC Interpretation 13, gift points within the scope of customer loyalty programs are measured at fair value (IFRIC Interpretation 13, 2008 paragraph 6). Fair value is defined as the amount that gift points can be sold separately.

Revenue from sales within the scope of customer loyalty programs must be accounted for after the distribution of revenue among the separable liabilities. In this context, the business will distribute the revenue between these components considering that there are two separate components of the sales transaction, whether it is carried out by the business or by other businesses. However, when the revenue is recognized, it is different if the business provides the goods / services to be provided against the points or provides them from a third party (Çopur, 2013: 18).

The business fulfills its performance obligation when the control of the good or service passes to the customer and takes it into the financial statements. Accordingly, as in the previous legislation, the performance obligation is accounted for when it is fulfilled (IFRS 15, 2018: paragraph 15). However, the proceeds calculated for the gift points must be postponed until the gift points are provided to the customer in return. There will be no difference in the calculation of revenue amount considering the application of IFRS Interpretation 13. However, both auditors and analysts need to be aware of the risk arising from management estimates in determining deferred income liabilities. Because the excessively conservative valuation of deferred income debt at the point of sale will be an important tool in management's hands to inflate income artificially in the future. Conversely, management may also choose to use a less conservative approach to artificially inflate the current income of the business (Sacho, 2008:81).

Goods and/or services to be given in return for gift points within the scope of customer loyalty program can be realized by other companies as well as in Turkish Airlines loyalty program. In this case, the value of the gift points will be determined in advance and this will make the accounting easier for businesses. After the business pays for the points awarded to the business that is the sponsor of the program, there will be no further obligations and the business that uses the points will request the amount of the program sponsor (Raju, 2011:875).

If the business's obligation to provide the customer with gifts for the points continues after the sale, it is assumed that the amount of the gift points is charged to their account, and the revenue is recognized in the same way as the business that provides the gifts.

In customer loyalty programs, which are implemented by large businesses as in THY, the role of the business is usually only to earn points. For example, a hotel business that is one of the partners of THY program does not take the responsibility of providing air tickets, only fulfills the function of earning points. The obligation to provide gift tickets remains on the THY. In this case, the retail hotel business is the agent of THY in the customer loyalty program and when the hotel business makes a sale, it collects the portion of the price that it will collect from the customer on behalf of THY, not on its own behalf. This is because the hotel will pay a part of the amount that it collects or will be paid to THY as the price of the air ticket. In this case, part of the amount related to the gift points is the revenue of THY which will provide the ticket. In such a case, the hotel business measures the revenue to be accounted in its own account as a net amount. This net amount is the difference between the fair value/sale price of the gift points and the amount payable to THY which provides the gift plane ticket. In other words, it is commission income (Çopur, 2013: 22).

When IFRS 15 Revenue from Customer Contracts standard and IFRIC Interpretation 13 are examined within the scope of customer loyalty programs, it is seen that there is no significant difference and only some concepts and definitions have changed. Therefore, the IFRS 15 standard and customer loyalty programs will not undergo significant changes in implementation.

## 5. CONCLUSION

In this study, the revenue arising from customer loyalty programs are compared within the scope of IFRIC Interpretation 13 and IFRS 15 Revenue from Customer Contracts standard and it is examined whether IFRS 15 causes a difference in accounting of customer loyalty programs.

Customer loyalty programs provide to its members advantages such as discounts and savings rewards that make these programs popular with consumers. In this context, in the United States, approximately 80% of all households and 90% in Canada have at least one supermarket loyalty card (Leenheer at al, 2007:31). In Turkey, almost the entire chain of grocery stores has a loyalty card and card usage is rapidly increasing among customers.

The rapid rise in customer loyalty programs among modern marketing strategies and the intensive use of different practices has prompted the International Accounting Standards Board to act. For this purpose, IFRIC Interpretation 13 has been issued to explain in detail how IAS 18 Revenue standard applies to customer loyalty programs. According to IFRIC Interpretation 13, all gifts under customer loyalty programs are recognized as a separate component of the sales transaction. Gift points are only recognized after delivery or use of the customer. In other words, gift obligations that are not yet fulfilled by the businesses are not accounted and the revenue is not reported in the financial statements, but only the liabilities that are required to be fulfilled are reported in the financial statements of the business.

The International Accounting Standards Board has issued a new revenue standard, IFRS 15, Revenue from Customer Contracts, as the existing revenue standard (IAS 18) is inadequate in practice. The new revenue standard IFRS Interpretation 13 was also repealed and incorporated. In this study, it has been examined what innovations the new revenue standard brings to customer loyalty programs in practice and it has been seen that no radical changes have been made. Therefore, it can be said that there will be no significant differences in revenue recognition in terms of customer loyalty programs.

One of the most important innovations introduced by IFRS 15 Revenue from Customer Contracts is the linking of revenue to a contract. Depending on the contract, the receivables or debts of the businesses arising from the contract may occur. In addition, the opposite party of the contract can only be the customer. The standard also adopted a five-stage model to determine when and to what amount the revenue should be accounted for. In this context, it is important to implement the model in the context of customer loyalty programs, but it is important to note on which side the obligation to follow remains in the provision of gifts during accounting.

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