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Research Article

First year's application of revised revenue recognition guidance by companies under NL-GAAP

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Abstract

This study focuses on the revenue recognition disclosure quality of a sample of 63 large Dutch legal entities applying revised DAS 221 and DAS 270 in their 2022 financial statements. A large majority of companies in our sample use a prospective method for transitioning to the revised standards, though many companies were not really transparent in disclosing the transition method used. Further, only a small portion of companies in our sample (35%) disclosed how the revisions impacted their solvency. Overall, we conclude that the effects of the amended guidance in DAS 221/270 appear to be limited in financial reporting practice and that disclosure quality varies to a large extent. Also, we recommend the DASB to add specific disclosure requirements to DAS 221

Relevance to practice

Insights are provided in the quality of revenue recognition disclosures for Dutch companies active in certain selected sectors. Attention is paid to the transition methods and effects of the first implementation of DAS 221/270 revised. Disclosure elements of the key concepts introduced by the revised standards are examined. Best practices provided give valuable examples of disclosing relevant information.

Keywords

Revenue recognition, DAS 221, DAS 270

1. Introduction

As per 1 January 2022, the revised Dutch Accounting Standards ('DAS') 221 and DAS 270 became effective. The Dutch Accounting Standards Board ('DASB') found that there was a need in practice for further guidance regarding accounting for revenue under Dutch GAAP. After a thorough assessment by the DASB, this led to the issuance of the revised standards in December 2020.

The revised standards became effective four years after the effective date of IFRS 15 (as per 1 January 2018). In this study attention is paid to the first-year application of DAS 221 and DAS 270 and it may be interesting to see what information is provided by companies applying DAS on the key concepts introduced by the revised standards. Furthermore, we intend to identify and formulate improvement areas based on a study of the first-year application of the revised standards.

This study will add to literature in several ways. In an earlier contribution (Van Duuren and Ter Hoeven 2022) we observed that companies applying DAS provided limited to no information on the expected impact of the revised standard in their 2021 financial statements when these revisions were not yet effective. In this contribution we analyze the transition effects of the revised standards for 2022 financial statements which is the first year in which the revised standards are effective. In the preparation of the revised standards the DASB specifically endeavored to limit implementation costs and provided options to simplify the implementation of the revisions

(Statement 2020-15[1]). In this regard, the DASB did not fully adopt the principles of IFRS 15. This article will show the transition effects found in the sample and the choices made by companies in the transition method to the new guidance.

Furthermore, this study provides insights in the (transition) effects of the revised standards for a variety of sectors included in the sample and examines the overall quality and informativeness of the financial statements regarding revenue recognition. Following the identification of a need for further guidance in practice as set forth above, this study examines whether users of financial statements have been informed through disclosures on how this expanded guidance affected the company.

The article is structured as follows; section 2 discusses the revised revenue recognition standards; in section 3 the sample is described, and descriptive statistics are provided; section 4 covers the empirical research; section 5 includes concluding remarks and recommendations.

2. Revenue recognition accounting

2.1. Implementation DAS 221 and 270

The DASB found that there was a need in practice for further guidance regarding accounting for revenue under Dutch GAAP. Specifically, it was considered by the DASB whether to fully adopt the principles of IFRS 15. Due to the significant implementation costs and the target group consisting of non-listed companies (among many of medium size), the DASB decided to make only specific amendments to the existing standards 221 and 270 and supplement the standards with further guidance and illustrative examples.

An important underlying conceptual basis for revenue recognition under DAS is the transfer of risks and rewards, in contrast to IFRS 15 which is based on the concept of the transfer of control. Under DAS the underlying concept of risks and rewards remains unchanged by the amendments and hence remains an important difference between IFRS and DAS. Furthermore, the DASB decided to retain two separate standards for accounting for revenue. DAS 221 provides guidance for construction contracts with customers (DAS 221) and more generic guidance on revenue recognition can be found in DAS 270 (The Income Statement), especially section 1.

As a result, the DASB added guidance based on IFRS 15 to the current chapter structure in DAS (RJ 221/270). Examples of these additions to DAS 221 and 270 are:

- the identification of distinct performance obligations and the allocation of the transaction price among those obligations;
- accounting for variable consideration and significant financing components;
- recognition of revenue arising from licenses;
- guarantees;
- agent/principal considerations;
- payments to customers;
- customer options for additional services.

Despite this extension of guidance, IFRS 15 still contains more specific guidance in certain areas like significant judgements, performance obligations, contract balances and assets recognized from the costs to obtain or fulfill contracts with customers.

It is also important to note that the DASB emphasizes that IFRS 15 is not leading in interpretation in case DAS 221/270 lacks specific guidance. In other words, it is not mandatory to fall back on IFRS 15 in case DASs contain no specific guidance. In that specific case the general 'catch all stipulation' of DAS 110.110 applies. This means specifically that the management board of the legal entity has to select a policy that provides relevant and reliable information for decisions made by the users of the financial statements.

2.2. Disclosure requirements

The revised standard 270 includes additional disclosure requirements[2] regarding key concepts introduced such as disclosures on major performance obligations, method of attribution of revenue to reporting periods – including the methodology applied to determine the degree of completion – and disaggregation of revenue to major categories.

Few additional disclosure requirements have been introduced by DAS 221. The following disclosures were added[3]:

- Disclosure of capitalized costs of obtaining a construction contract;
- Disclosure of contingent income and expenses related to contracts with customers, whereby DAS 221 refers to the disclosure requirements in DAS 252 Provisions.

As we pointed out in our earlier study (Van Duuren and Ter Hoeven 2022) it is remarkable that the revised standard 221 does not mandate disclosures on the newly introduced concepts as set forth above. Particularly, this is remarkable because construction companies frequently enter into long duration contracts, which may involve multiple performance obligations (such as construction and maintenance) and, hence, are definitely affected by the key concepts introduced. We further reiterate and elaborate on this observation as part of our concluding remarks and recommendations.

In our empirical research in section 4 of this study we will elaborate on how companies implemented the newly introduced disclosures in their 2022 financial statements. With respect to the construction companies included in the sample – which have to apply DAS 221 including its disclosure requirements – we assess to what extent information is provided in accordance with the DAS 270 disclosure requirements as well. Despite the fact that DAS

221 does not mandate specific disclosure requirements of key concepts introduced by the revised standard (as is required in DAS 270), we do believe it would be best practice if such information is provided.

We further note that generally the disclosure requirements of IFRS 15 are more extensive compared with DAS 270. Particularly, IFRS requires more disclosures on significant judgements applied in the application of IFRS 15. No such disclosure requirements were added to the revised DAS standard which means that the overarching general disclosure requirements of DAS 110.129 on estimates and judgements are still applicable. However, these disclosure requirements are perhaps less emphasized or too generic (Van Duuren and Ter Hoeven 2022).

2.3. Transitional provisions

As explained in section 2.1, the implementation costs and the target group have been drivers of the DASB to not fully adopt the principles of IFRS 15. In order to further simplify implementation and minimize implementation costs a wide variety of transitional provisions were permitted. The transitional provisions of DAS 221 and DAS 270 allowed for the following three options[4]:

- Prospective application. This means that the revisions only apply to contracts entered into or modified after the beginning of the financial period in which the revised standard was first applied[5];
- Partially retrospective. This means that the revisions only apply to contracts entered into or modified as from a date specified by the company itself preceding January 1, 2022. This effectively provides companies the practical ability to re-assess contractual arrangements for a limited previous period but not having to re-assess contracts from an infinite past[6];
- Fully retrospective. This means companies will have to determine the cumulative effect of applying the revisions as of the beginning of the first comparative period presented and restate the comparative figures in the year of adoption of the revised standard. Long term contracts should be re-assessed as if the new guidance had always been applicable. This method is the most burdensome in terms of transition efforts to be made by the company, especially in the case of contracts closed long time before the start of the comparative period.

It is interesting to note that based on the stipulations of DAS 140 a change in accounting policies should generally be adopted fully retrospectively. Regarding DAS 221/270, the DASB has specifically chosen to also allow for a prospective or partially retrospective application option, albeit a fully retrospective application remains preferable. Our initial expectation would be that most of the companies have opted for the more 'simplified' prospective application option. This will be further analyzed in our empirical research.

With regard to the revisions in presentation and disclosure requirements, these may not be applied prospectively (or partially retrospective). This means that companies should apply these revisions (fully) retrospectively in the 2022 financial statements. Furthermore, several specific disclosure requirements apply to the transitional provisions adopted. Next to the disclosure of the transitional option applied, companies should provide additional disclosures (in accordance with DAS 140) in case of a retrospective application of the revised standards. These disclosures mainly relate to understanding the effects of the revisions on the comparative figures including the cumulative effects at the start of the comparative period.

Furthermore, since IFRS 15 became effective in 2018 the DAS allowed the application of the IFRS 15 principles for companies applying DAS by means of a so-called carve-in option. The carve-in option remains applicable under the revised standards 221 and 270. Noteworthy, in the sample selection process as described in section 3, we identified five companies which applied this carve-in option of IFRS 15.

3. Sample

The sample of this study consists of Dutch companies within the industries:

- construction;
- industrial activities;
- information and communication; and
- extraction of minerals.

The sample was determined based on public information derived from the Dutch Chamber of Commerce. Based on chamber of commerce industry denotations we identified companies within any of the aforementioned industries. We consider the revised standards of particular relevance for the selected industries because it is expected that companies within these industries are most affected by the key concepts introduced by the revised standards. Specifically, companies within the industries selected are expected to frequently enter into long duration contracts, contracts with multiple goods and services being provided and/or result in uncertainties in the transaction price of the contract (variable consideration).

We arrived at the final population through several consecutive steps. As a first step, companies within the selected industries with revenues exceeding € 200 million were selected. This resulted in an initial population of 710 companies. Next, we removed (consecutively):

- 110 companies due to financial statements not prepared in accordance with DAS;
- 379 companies for which the 2022 financial statement were not (yet) available as per the date of data collection[7];
- 42 companies which had a period-start date prior to

the effective date of the revised standards;

- 26 companies which had a group relationship with other companies in the sample;
- 5 companies due to the application of the IFRS 15 carve-in option;
- 66 companies due to them being exempted from publishing financial statements as a consequence of application of section 2:403 Civil Code.

This resulted in a population of 82 companies. Based on a subsequent screening of the financial statements another 19 companies were removed which had multiple industry denotations and their activities predominantly fell within an industry outside the selected industries for this research. Further details on the companies excluded from the sample are provided in Appendix 2. This resulted in a final population of 63 companies[8].

Table 1 and Table 2 depict the descriptive statistics of the financial statements included in our sample.

provisions are adopted and the financial effects on equity, results and individual line items.

As evidenced in Table 3 most of the population (60%) disclosed the change in accounting policy in their financial statements. Only one company (Nijs & Zonen Holding B.V.) in the population early adopted the revisions in the 2021 financial statements. In our earlier contribution (Van Duuren and Ter Hoeven 2022) we identified the early adoption by Nijs & Zonen Holding B.V. as a best practice. In this study a more extensive sample (n = 63) was selected and it is notable that no other early adopters were identified. One other company within the information and technology industry (by reference to the revised presentation requirements) updated its balance sheet presentation in its 2021 financial statements. This company did not early adopt the revised standards in its 2021 financial statements but did anticipate on the revised presentations by already presenting the work in progress position on a gross basis in its 2021 financial statement. In fact, the

Table 1. Revenue figures of population per industry.

Revenues (× €1.000)	Construction	Industry	Extraction of minerals	Information and technology	Total
Average	603,358,569	1,186,998,772	16.062.824,265	322,728,000	1,849,472,492
Min	215,884,102	202,240,000	812,780,400	214,531,000	202,240,000
Max	2,284,919,000	8,972,400,000	35,500,600,000	440,560,000	35,500,600,000
Stand. Deviation	590,874,446	1,713,140,817	17,242,558,765	113,322,117	5,428,961,467
N	26	30	4	3	63

Table 2. Balance sheet figures of population per industry.

Balance sheet (× €1.000)	Construction	Industry	Extraction of minerals	Information and technology	Total
Average	392,293,246	739,818,527	10,257,096,295	210,445,667	1,175,458,768
Min	39,236,583	48,947,086	3,256,818,940	115,411,000	39,236,583
Max	3,038,957,000	4,567,400,000	16,034,300,000	343,431,000	16,034,300,000
Stand. Deviation	628,890,126	982,959,781	6,669,877,896	118,652,728	2,911,978,782
N	26	30	4	3	63

Albeit the companies included in the final population vary in size (and complexity), all companies fall in the scope of the large entity ('grote rechtspersonen') accounting regime and have to comply with applicable Dutch GAAP for large entities.

4. Empirical research

4.1. Disclosure of change in accounting policies

In this section we discuss the disclosures of the changes in accounting policy for DAS 221 and DAS 270 in the 2022 financial statements. First of all, we analyzed whether companies disclosed the change in accounting policies following the application of DAS 221/270 revised. Several specific disclosure requirements apply to changes in accounting policies. This includes the disclosure of the change in accounting policies and how policies differ from previous policies and which transitional

presentation of work in progress position on a gross basis is the recommended presentation under the superseded standard 221. However, most of the companies opted for the presentation of net contract asset and contract liability at the portfolio level, which was a presentation alternative also allowed by the superseded standards. This is further discussed in section 4.4.1.

Surprisingly, for 25 companies no information was found in the financial statements regarding the change in accounting policies of DAS 221 and/or DAS 270. From these companies, 10 companies specifically stated that the accounting policies did not change compared to the preceding year. We find this a remarkable observation because although the impact of the revisions may not be material, we would expect companies to make (at least) reference to the revised standards in their financial statements.

As a general observation, we noted that companies tend to focus on presentation differences in explaining the changes in accounting policies regarding DAS 221 and 270. Also, companies frequently refer to changes in DAS

221 and 270 as 'presentation changes' solely. This general observation is supported by the impact of the change in accounting policy disclosed by the companies in our sample. Table 4 depicts the impact disclosed on equity and/or results. The majority of the population either did not provide information on the impact on equity and/or results (59%) or disclosed there has been no impact on equity and/or results (40%). None of the companies disclosed such an impact. Furthermore, we determined that from the 38 companies which did disclose the change in accounting policy (Table 3), 21 companies also provided quantitative information on the impact of the retrospective application of the changes in presentation (Table 4).

In line with the finding that none of the companies disclosed an impact on equity and/or results, we observed that in none of the independent auditors' reports the change in accounting policy is addressed.[9] The significant majority of the auditors (86%) did identify a fraud risk regarding the revenue recognition (and/or valuation of work in progress) in line with a presumptive fraud risk on revenue recognition in accordance with Dutch and International Standards on Auditing.[10]

Table 3. Disclosure of change in accounting policy.

	N	%
Change in accounting policy disclosed	38	60
Change in accounting policy not (clearly) disclosed	25	40
Early adopted	1	2
Not early adopted	62	98

Table 4. Disclosure of impact of revised standards.

	N	%
Impact on equity, results and/or individual accounts		
Disclosed 'no impact'	25	40
Impact disclosed	0	0
Impact not disclosed	37	59
Early adopted	1	2
Total	63	100
Presentation impact		
Quantitative impact revisions in presentation disclosed	21	33
Quantitative impact revisions not disclosed	41	65
Early adopted	1	2
Total	63	100

A best practice disclosure is identified for TBI Holdings B.V. which provided detailed and elaborate disclosure on the changes in accounting policies and how this affected the 2022 (and 2021) financial figures (Figure 1). Furthermore, the effects of the revised presentation requirements for the comparing period are disclosed in a clear manner (quantitatively and in tabular form). In respect of this best practice example, it should be noted that TBI holdings B.V. is the largest company (in terms of revenue) included in the sample within the construction industry. This adds to the general observation that larger companies tend to provide (much) more elaborate and detailed disclosures on the change in accounting policies. It may be argued that with increased size also complexity and societal relevance increases which may drive improved disclosures. Furthermore, literature generally supports the relationship between size and disclosure quality (e.g. Archambault and Archambault 2003). Alternatively, it should be noted that all companies within the population are large entities ('grote rechtspersonen') and therewith undeniable of (societal) relevance. Hence it remains remarkable to observe significant differentiation in the quality and extent of disclosure information provided.

Another example which positively stood out was found in the financial statements of JOH.MOURIK&CO-HOLDING (Figure 2) which provided clear structure in their disclosure of the changes in accounting policy. The company clearly distinguished between the prospective application of the revised standards and the impact of the revised presentations which should be applied retrospectively. Furthermore, the company, consistent with TBI Holdings B.V., provided further information on how the retrospective application of the revised balance sheet presentation affected solvency. This topic is further addressed in section 4.4.1.

4.2. Transitional provisions

In this section we discuss the transitional provisions adopted by companies. As set forth in section 2 of this research, three transitional options for application can be applied (prospective, partially retrospective and fully retrospective). Interestingly, the majority (40) of the companies did not (clearly) disclose the transitional provisions adopted. An explanation may be that – besides any impact of the revisions in presentation and disclosure requirements which should be applied retrospectively – the revised standard did not have a significant impact and hence the transitional provisions are not (clearly) disclosed.

The results (Table 5) show that the majority of the companies which did disclose the transitional provisions, applied the prospective application of the revised standards. This means that the revisions only apply to contracts entered into or modified after the beginning of the financial period in which the revised standard was first applied. This may also be an explanation of the lack of impact on equity and/or results accounts as outlined in Table 4. In this respect we note that only by applying a retrospective application of the revised standard, companies are required to provide information on the effects on equity, results and individual line items of the change in

Table 5. Transitional provisions.

	N	%
Early adopted	1	2
Prospective application	17	27
Partially retrospective	0	0
Fully retrospective	5	8
Transitional provisions not (clearly) disclosed	40	63
Total	63	100

Figure 1. Best practice TBI (2022), p 109–110.

System change

The Council for Annual Reporting (RJ) has published new guidelines in respect of revenue recognition. The reason for these changes is the need in practice for further regulations regarding how revenue should be recognised when complying with the stipulations of Title 9 Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting. Changes have been introduced in RJ 270 'The profit and loss account' (recognition of revenue from goods and services) and RJ 221 'Work in progress' (revenue from construction project assignments from third parties).

The guidelines already require, in a general sense, that the criteria for recognising revenue must be applied to the separately-identifiable components of a transaction in order to reflect the economic reality. The RJ noted that this provision was dealt with differently in practice and has now included more specific guidelines for identifying individual components. These are referred to as 'performance obligations'. With these more specific provisions the RJ aims to bring the reporting of agreements with separately identifiable performance obligations more n line with the economic reality. In addition, according to the RJ, this promotes the unambiguous application in practice and thereby contributes towards the mutual comparability of the financial statements of different companies.

These changes to the guidelines are applicable for financial years that start on or after 1 January 2022, which is why they have been incorporated in these financial statements. TBI Holdings B.V. has chosen to only apply the changes related to revenue recognition to agreements entered into or amended on or after the beginning of the financial year in which these changes are first applied (the prospective method). Reliably estimating the influence of these system changes on subsequent years is not possible.

The changes related to the presentation and explanation may not be processed prospectively and have, therefore, been adjusted in the comparative figures.
The concerns the following changes

- Presentation of work in progress in the profit and loss account:
  Previously it was specified that until a project was completed revenue from that project was presented in the profit and loss account as net revenue or as a change in work in progress. This option has expired. The RJ has now decided that revenue from work in progress must be recognised as net revenue in the profit and loss account.
- Presentation of work in progress in the balance sheet:
  Previously the guidelines offered the possibility of presenting the balance of all work in progress as one total in the balance sheet. This is no longer acceptable. If the balance of an uncompleted project:
  - Shows a debit position, the net amount is treated as an asset; and if it
  - Shows a credit position, the net amount is treated as a liability.

The impact of the presentation of the work in progress in the profit and loss account is as follows:

accounting policies. In case the prospective application of the revised standards is applied, companies are not required to provide information on the effects on equity, results and individual line items for the financial year 2022.

Furthermore, no companies were identified which applied the partial retrospective transitional provisions. We note that several companies specifically disclosed that the effects of the revised standards were applied retrospectively with (specific) reference to the changes in presentation. For the purpose of the empirical research these companies were denoted as 'transitional provisions not (clearly) disclosed' if no information was provided on the transitional provisions adopted other than those regarding the changes in presentation. Four companies were identified making reference to a retrospective application. None of these companies disclosed an impact on equity and/or results.

As indicated before, only one company (Nijs & Zonen Holding B.V.) early adopted DAS 221/270.

4.3. Accounting policies and disclosures on key concepts introduced by DAS 221 and DAS 270

In this section we discuss how the revisions of DAS 221/270 have been reflected in the accounting policies and how disclosures were affected in the first year of application. First of all, we examine to what extent companies updated their accounting policies to reflect the revised concepts and additional guidance introduced by the revised standards. Next, we test the compliance with the additional disclosure requirements introduced by DAS 221/270.

In our empirical analysis we specifically analyzed whether companies updated their accounting policies and disclosure notes by comparing the information against the same accounting policies and disclosure notes in the financial statements of the previous year. Less than half of the companies (38%) updated their accounting policies in their 2022 financial statements to reflect the key concepts

Figure 2. Best practice JOH. MOURIK&COHOLDING (2022), p 17–18 (for translation: see Appendix 3).

Stelselwijziging RJ 221 en RJ 270

Voor boekjaren startend op of na 1 januari 2022 is er sprake van wijzigingen in RJ 270 "De winst-en-verliesrekening" (opbrengstverantwoording van goederen en diensten) en RJ 221 "Onderhanden projecten" (opbrengstverantwoording van constructieprojecten in opdracht van derden). De wijzigingen in de verslaggevingsrichtlijnen verlangen verwerking in de jaarrekening 2022 en kwalificeren daarom als een stelselwijziging.

De richtlijnen inzake in RJ 270 "De winst-en-verliesrekening" (opbrengstverantwoording van goederen en diensten) en RJ 221 "Onderhanden projecten" (opbrengstverantwoording van constructieprojecten in opdracht van derden) vereisen in algemene zin dat de criteria voor de verwerking van opbrengsten moeten worden toegepast op afzonderlijk te identificeren componenten van een transactie, om zo de economische realiteit weer te geven. De RJ constateerde dat in de praktijk verschillend met deze bepaling werd omgegaan en heeft nu meer specifieke bepalingen opgenomen voor het identificeren van afzonderlijke componenten. Deze worden aangeduid als "prestatieverplichtingen". Met deze meer specifieke bepalingen beoogt de RJ de verslaggeving van overeenkomsten met afzonderlijk te identificeren prestatieverplichtingen meer in lijn te brengen met de economische realiteit. Daarnaast bevordert dit volgens de RJ de eenduidige toepassing in de praktijk en draagt daarmee bij aan de onderlinge vergelijkbaarheid van jaarrekeningen van verschillende ondernemingen.

De vennootschap heeft ervoor gekozen om wijzigingen die toezien op de verwerking van opbrengsten alleen toe te passen op overeenkomsten aangegaan of gewijzigd op of na het begin van het boekjaar waarin deze wijzigingen voor het eerst worden toegepast (de prospectieve methode).
Het is niet mogelijk om de invloed van deze stelselwijziging op volgende boekjaren betrouwbaar te schatten. De stelselwijzigingen hebben geen invloed op het resultaat en het eigen vermogen van het huidige boekjaar.

De wijzigingen die betrekking hebben op de presentatie en toelichting mogen niet prospectief verwerkt worden, waardoor de vergelijkende cijfers zijn aangepast. Dit betreft de volgende wijzigingen:

- Presentatie van onderhanden projecten in de balans:
  De richtlijnen boden de mogelijkheid om het saldo van alle onderhanden projecten als een totaal post in de balans te presenteren. Dit is niet langer aanvaardbaar. Indien het saldo van een onderhanden project:
  - Een debetstand (financieringstekort) vertoont, wordt het nettobedrag aan de activazijde van de balans gepresenteerd; en
  - Een creditstand (financieringsoverschot) vertoont, wordt het nettobedrag de passivazijde gepresenteerd.

De impact van de aangepaste presentatie van de onderhanden projecten in de balans is als volgt:

	2021 – nieuwe grondslagen	2021 – oude grondslagen
Debetzijde "Onderhanden projecten"	23.574.000	-
Creditzijde "Onderhanden projecten"	45.491.000	21.917.000
Balanstotaal	377.076.000	353.502.000
Solvabiliteit	49,2%	52,4%

introduced by the revised standards. Furthermore, only a small portion of the population (20%) updated their disclosure notes. An explanation may be that companies already provided relevant disclosure information in their 2021 financial statements in line with the revised disclosure requirement for the 2022 financial statements and hence did not had to update their disclosure notes. As set forth in Table 7, this may be true for the disclosure of the amount of revenue recognized for each major category or revenue which is disclosed by 81% of the population. However, for other disclosures mandated by the revised standard many companies have not (properly) updated their accounting policies and disclosure notes.

The disclosure of Nutreco B.V. provides a good practice disclosure of the revised accounting policies adopted (Figure 4). Nutreco B.V. described the accounting policies along the five-step model of DAS 270. Furthermore, the information included in the accounting policy is relatively (compared to other companies in our sample) tailored to the specific company.

Table 6. Revision of accounting policies.*

	Accounting policies		Disclosure notes	
	N	%	N	%
Updated with key concepts introduced by DAS 221/270	23	38	12	20
Not updated with key concepts introduced by DAS 221/270	38	62	49	80
Total	61	100	61	100

* One company early adopted the revised standards in their 2021 financial statements and for one company no financial statements was available for the comparative period. This resulted in a final population of 61.

DAS 270 requires additional disclosures on key concepts introduced by the revised standard. However, no similar disclosure requirements were introduced for construction contracts (DAS 221). As mentioned earlier, we consider the additional disclosure requirements of DAS 270 (regarding key concepts introduced) to be equally relevant for construction companies. Hence, as part of our empirical research we tested the compliance with the

Figure 3. Best practice SHV Holdings B.V. (2022), p 61.

Changes in accounting principles

In preparation of the 2022 financial statements, the Group has changed its accounting policies and principles as applied in relation to (1) revenue recognition, (2) off-setting of projects in progress and (3) the identification and subsequent recognition and measurement of onerous contacts.

In relation to revenue recognition, the Group has applied the revised provisions of DAS 270 *Income statement*. In the transition to the revised provisions of DAS 270, the Group elected to make use of the transitional provisions and to apply the revised provisions of DAS 270 prospectively, except for the changes regarding presentation and disclosure, and only to contracts entered into or modified on or after 1 January 2022. Comparative information is not restated following the use of these transitional provisions. Reference is made to page 80 for the detailed accounting policies and principles applied in relation to revenue recognition.

The Group has adopted the revised guidance within DAS 221 'Construction contracts' in relation to the presentation of projects in progress. As a result, the Group no longer applies the option to present projects in progress in aggregate. Projects in progress are now presented in the balance sheet based on whether the underlying construction contract represents an overdraft amount from the client (a debit balance) or an amount owed to the client (if a credit balance). The impact to the comparative information amounts to € 88.8 million (simultaneously increasing both projects in progress and current liabilities in comparison with the amount of € 0.1 million earlier presented for projects in progress).

The Group has adopted the clarifying guidance within DAS 252 in relation to the identification of onerous contracts and subsequent recognition and measurement thereof based on the estimated unavoidable costs of the contract in comparison with the expected economic benefits of those. The adoption of the clarifying guidance within DAS 252 did not result in material re-assessments of the previously recognized provisions for onerous contracts and as a result, comparative information is not restated.

Figure 4. Best practice Nutreco B.V. (2022), p 27.

19. Revenue recognition

19.1 Sale of goods

In line with RJ 270, the five-step model is applied:

- Contract: the company usually recognizes revenue at the level of separate contracts.
- Performance obligations: the performance obligations consist of sale of feed and livestock (swine and chicken). These revenues are recognized at a point in time for which estimates are required for the allocation of conditional rebates and discounts to the periods.
- Transaction price: when determining the transaction price, the company takes into account variable fees (such as trade discounts and volume rebates), major financing components and payments to buyers of goods
- Allocation: the company estimates the amount of variable compensation as part of the total compensation and applies the prudence principle in doing so. If it is probable that discounts or volume rebates will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.
- Recognition: revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Freight costs recharged to the buyer are included in revenue.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

DAS 270 disclosure requirements for the full population (including construction companies). In Table 7 we subsequently disaggregated the results to a population with and without construction companies.

The empirical analysis reveals that most of the companies in our sample did not provide specific information on which performance obligations are typically identified. As benchmark for our empirical analysis, we distinguished between companies which specifically disclosed the identification of performance obligations, and companies which provided only generic description of accounting policies related to goods and/or services provided. Approximately 33% of the companies specifically addressed the identification of performance obligations (including specific considerations) in their financial statements. 32% of the companies provided information per type of performance obligation on the method of attribution of revenue to the reporting period, including the method for determining the degree of completion of (service) contracts. In particular companies within the industries extraction of materials and technology positively stood out, though it should be noted that the population size for these industries is limited.

An explanation for the disappointing results for companies within the industry sector may be that companies do not identify more than one performance obligation in their contracts. Possibly this is also affected by a wide variety of companies which fall within this industry sector. We noted also that companies provide information on different type of goods sold and/or services rendered while not specifically addressing the separate performance obligations. The results for companies within the construction industry are disappointing with only 23% providing detailed information on the nature of major performance indications. Especially because we expect particularly for this industry the identification of performance obligations to be relevant. As set forth above, no specific disclosure requirements on key concepts introduced by the revised standards were added for DAS 221. Consistent with our expectations, relatively fewer observations were identified for construction companies compared to companies within other industries. On a more positive note, various construction companies were identified which did

Table 7. Additional disclosure requirements DAS 221/270 per industry.

	Construction		Industry		Extraction of minerals		Technology		Total population		
	N	As percentage from industry (N = 26)	N	As percentage from industry (N = 30)	N	As percentage from industry (N = 4)	N	As percentage from industry (N = 3)	N	N	%
Nature of major performance obligation (DAS 270.601)	6	23%	10	33%	3	75%	2	67%	21	63	33%
Per major type of performance obligation, the method of attribution of revenue to the reporting periods, including the method for determining the degree of completion of service contracts (DAS 270.601)	6	23%	9	30%	3	75%	2	67%	20	63	32%
The amount of each major category of revenue recognized in the profit and loss account in the period, including: revenue from the sale of goods; revenue from the provision of services; revenue from licenses (DAS 270.601)	21	81%	24	80%	4	100%	3	100%	51	63	81%
The amount included in major revenue categories relating to the exchange of goods or services (DAS 270.601)	0	0%	0	0%	0	0%	0	0%	0	63	0%
The total of capitalized costs of obtaining a (construction) contract (DAS 270.601/DAS 221.418)	2	8%	0	0%	1	25%	1	33%	3	63	5%
Contingent income and expenses related to contracts with customers in accordance with DAS 252 Provisions (DAS 221.419)	0	0%	N/A	N/A	N/A	N/A	N/A	N/A	0	26	0%

provide relevant disclosures on key concepts introduced by the standards. In our view, the observation that (some) construction companies effectively did provide relevant disclosures in line with DAS 270 adds to the ambiguity on which information should be disclosed for construction companies within the scope of DAS 221.

The vast majority of the companies (81%) provides (detailed) information on each major category of revenue recognized. No exchange transactions were identified, and the disclosure of capitalized contract costs is rare (5%). Furthermore, no specific disclosures on contingent income and expenses related to contracts with customers were identified.

The financial statements of Conclusion B.V. (Figure 5) provides a best practice disclosure.[11] As part of the accounting policy the company clearly described the different performance obligations identified including considerations in this respect. The revenue disclosure note provides further details on the revenues recognized per performance obligations including further disaggregation to different type of categories.

4.4. Presentation requirements

4.4.1 Balance sheet presentations and solvency

In this section we provide an analysis of the revisions in the balance sheet presentation of DAS 221. Under the revised standard 221 companies are no longer allowed to net all construction contracts and present the total netted amount in a single asset or a single liability account. This means that companies that applied this net presentation option, might face a potentially significant impact on the presented balance sheet figures. As part of our study we specifically focused on whether companies provided additional disclosures on how the revised presentation requirements affect key financial performance metrics relevant to the company. The most profound financial performance metrics impacted are likely solvency metrics and hence solvency metrics form the primary focus area of this study. The revised presentation requirements are expected to result in a significant deterioration of solvency metrics which would also merit the attention of users of the financial statements.

Furthermore, we investigated whether companies included further information in their financial statements about the impact of the changes in presentation requirements on loan covenants. As a significant deterioration of solvency metrics is expected it is interesting to understand how this may affect financial covenants and whether covenants are renegotiated or that the new presentation changes are ignored (covenants remain under former DAS 221, also indicated as covenants under ‘frozen GAAP’). Despite DAS does not mandate specific disclosures on solvency metrics or covenants[12], we consider it best practice to reference to the impact of the revised presentation requirements on solvency metrics and covenants.

In our empirical analysis we focused solely on companies within the construction industry as it is expected that these companies have significant contract assets and

Figure 5. Best practice Conclusion B.V. (2022), p 59–60; p 78–80 (for translation: see Appendix 4).

Prestatieverplichtingen

Opbrengsten worden verwerkt per afzonderlijke prestatieverplichting. De aard van de belangrijke prestatieverplichtingen en de methode van toerekening van opbrengsten aan verslagperioden waaronder de wijze van vastlegging van de mate van voltooiing van opdrachten tot dienstverlening is hieronder beschreven voor iedere prestatieverplichting.

Toelichting bij de verschillende prestatieverplichtingen

Consultancy

Dienstverlening op basis van consultancy behelst de inzet van medewerkers. De type dienstverlening wordt gekenmerkt door een inspanningsverplichting waarbij de opbrengst wordt verwerkt op basis van de gerealiseerde uren (nacalculatie) die zijn verricht in de desbetreffende periode, vermenigvuldigd met het afgesproken tarief per uur.

Projecten

Dienstverlening op basis van projecten behelst een resultaatverplichting waarbij vooraf de aanneemsom en het productresultaat zijn overeengekomen. Indien het resultaat van een transactie aangaande het verlenen van een dienst betrouwbaar kan worden geschat en ontvangst van de opbrengst waarschijnlijk is, worden de opbrengsten en kosten met betrekking tot die dienst verwerkt naar rato van de verrichte prestaties volgens de percentage-of-completion methode. De estimate-to-completion wordt bepaald als percentage van de kosten die zijn gemaakt tot aan een bepaalde datumbeoordeling en een betrouwbare schatting van de totale kosten om het project ten uitvoer te brengen. Indien de uitkomsten van een contract niet betrouwbaar kan worden bepaald, worden de contractuele opbrengsten slechts opgenomen voor zover de contractkosten naar alle waarschijnlijkheid verhaalbaar zullen zijn. Als het waarschijnlijk is dat de totale projectkosten de totale projectopbrengsten zullen overschrijden, wordt een voorziening voor een verlieslatend contract gevormd en worden de verwachte verliezen onmiddellijk in de winst-en-verliesrekening verwerkt.

Managed Services

Dienstverlening op basis van managed services betreft het in beheer nemen van specifiek overeengekomen bedrijfsprocessen van een klant voor een overeengekomen termijn. De opbrengst wordt verwerkt op basis van de in het contract opgenomen tariefstelling en de mate waarin de diensten zijn verricht voor de desbetreffende periode. De geleverde dienstverlening kan zowel een vast als variabel element bevatten. Doorleveringen van licenties of hardware kunnen deel uitmaken van een managed services contract. Deze doorleveringen vinden plaats via het principaal model, aangezien de groep economische risico draagt ten aanzien van deze leveringen. Doorleveringen van licenties of hardware worden in de afzonderlijke desbetreffende prestatieverplichtingen gepresenteerd.

Licenties

Dienstverlening op basis van licenties bevat het recht dat een klant gebruik kan maken van software en de levering van hardware op basis van een contractuele overeenkomst. De opbrengst wordt verwerkt op basis van de in het contract opgenomen tariefstelling en de mate van gebruik in de desbetreffende periode.
Indien de toezegging om een licentie te verlenen een afzonderlijke prestatieverplichting is, bepaalt de groep of de aard van de licentie de verkoop van een goed of het verlenen van een dienst betreft. Indien de aard van de toezegging eruit bestaat dat een recht wordt verleend om gebruik te maken van het intellectuele eigendom van de groep zoals dat bestaat op het moment waarop de licentie wordt verleend, classificeert dit als een goed. De opbrengsten uit de licentie worden in dat geval verwerkt als verkoop van een goed. Indien de aard van de toezegging eruit bestaat dat een recht wordt verleend om toegang te hebben tot het intellectuele eigendom van de groep zoals dat tijdens de hele duur van de licentie bestaat, classificeert dit als een dienst. De opbrengsten uit de licentie worden dan verwerkt als het verlenen van een dienst.

Opbrengsten uit licenties op basis van gerealiseerde verkopen of gebruik worden verwerkt op het moment dat de verkoop aan de afnemer plaatsvindt of naarmate het gebruik door de afnemer plaatsvindt, rekening houdend met de mate waarin de prestatieverplichting is vervuld.

De belangrijkste prestatieverplichtingen zijn ingedeeld in business units op basis van goederen en diensten. Voor de interne besturing wordt onderscheid gemaakt in onderstaande categorieën. De omzet per categorie is als volgt:

		2022 EUR 1.000	2021 EUR 1.000
Consultancy	Diensten	113.971	92.908
Managed Services		143.358	135.551
Hardware	*Goederen*	*11.937*	*10.537*
Overig	*Diensten*	*131.421*	*125.014*
Projecten	Diensten	139.216	91.373
Licenties		24.914	18.413
Gebruik	*Goederen*	*6.567*	*4.262*
Toegang	*Diensten*	*18.347*	*14.151*
Overig		19.101	8.656
Hardware	*Goederen*	*0*	*0*
Overig niet-hardware	*Diensten*	*19.101*	*8.656*
Netto omzet		**440.560**	**346.901**

Consultancy

Totale omzet/opbrengsten uit Consultancy (diensten) is in 2022 € 113.971 duizend. Er bevindt zich geen ruil van diensten in de categorie Consultancy.

Managed Services

Totale omzet/opbrengsten uit Managed Services (diensten) is in 2022 € 143.358 duizend. In deze prestatieverplichting bevind zich ook hardware, welke goederen zijn. Deze zijn apart gemeten en zijn voor 2022 € 11.937 duizend. Het restant is Managed Services (diensten). Er bevindt zich geen ruil van diensten in de categorie Managed Services.

contract liability positions and hence are most significantly impacted by the revised presentation requirements. This reduced the population to 26 companies. The results (Table 8) show that less than half of the companies (35%) disclosed how the revisions impacted their solvency. Furthermore, none – except for one company – gave an explanation on the effects of the revisions in presentation on bank covenant calculations. This finding is consistent with earlier observations of Backhuijs and Mertens (2013) that generally limited information on covenants is provided by companies. We deem these results disappointing as merely all of the companies in the population are affected by the revised balance sheet presentation and the majority (23) of the companies studied hold external financing. Based on information included in the annual report, including available information in the directors' report or auditors' opinion, we determined 21 companies have covenant agreements in place in relation to their financing arrangements. For most of the companies it remained unclear whether the covenant agreements included specific solvency metrics.

Nijs & Zonen Holding B.V. early adopted the revised standards in their 2021 financial statements. In both their 2021 and 2022 financial statements the company details how the revised presentation requirements affected their solvency (see Figure 6 for 2022 financial statement disclosure).[13] In addition, the company explained that solvency metrics as part of their financing agreements were renegotiated with the loan provider.

Table 8. Disclosure of impact on solvency and bank covenants.

	N	% of population (N = 26)
Impact on solvency disclosed (including quantification)	9	35
Impact on solvency not disclosed	17	65
Effects on bank covenants disclosed	1	4
Effects on bank covenants not disclosed	25	96

We further analyzed the effect of the revised presentation requirements on equity-ratio and debt-to-equity ratio for the financial year 2022. We compared the ratio's based on the revised standard 221 in the financial statement 2022 with a calculated (Pro-forma) ratio if contract asset and contract liabilities position would have been netted which was allowed under the superseded standard 221. For the purpose of this comparison, we note the vast majority (25 of the 26 companies) of the construction companies studied applied the option provided under the superseded standard 221 to net contract asset and contract liability balances at the portfolio level. This observation is similar to our earlier study (Van Duuren and Ter Hoeven 2022) in which 19 of the 20 companies disclosed a net work in progress position.[14]

Figure 6. Best practice Nijs & Zonen B.V. (2022), p 6 (for translation: see Appendix 5).

De wijziging, Richtlijnen voor de Jaarverslaggeving (RJ) 221, die met ingang van 2022 dient plaats te vinden, hebben wij in onze jaarverslaggeving over 2021 al verwerkt. Hierin is bepaald dat de post Onderhanden werken en projecten niet meer mag worden gesaldeerd (debet/credit). Dit leidt tot een hoger balanstotaal en derhalve een lager solvabiliteitspercentage. Ter verduidelijking van het effect op de solvabiliteit is zowel het percentage met als zonder toepassing van de nieuwe Richtlijn vermeld. Op grond van de analyse van de effecten (balanstotaal) hebben wij de solvabiliteitsdoelstelling van 30 procent bijgesteld naar 25 procent bij gewijzigde verslaggeving.
Over het effect hiervan hebben wij onze financiële partners (banken, verzekeraars, borginstellingen) al in 2021 geïnformeerd. Tevens hebben wij in 2022 onze kredietlimiet structureel op een hoger niveau van € 10 miljoen vastgelegd, als gevolg van de toegenomen productieomvang. De geaccordeerde solvabiliteitseis van 25% bij toepassing van de nieuwe verslaggevingsregels sluit aan bij onze eigen interne doelstellingen en wordt bepaald op basis van de jaarrekening van M.J. de Nijs en Zonen BV.

Table 9 illustrates the impact of the revised presentation requirements of DAS 221 on two solvency ratio metrics. On average the equity-ratio calculated based on the 2022 financial statements is 10 percentage points lower than the ratio would have been based on a Pro-forma calculation if work in progress positions would have been netted. The debit-to-equity number would have been 0.57 points lower. Possibly, companies have agreed 'frozen GAAP' provisions as part of their financing arrangements. Following our earlier contribution (Van Duuren and Ter Hoeven 2022) we reiterate that also the use of 'Frozen GAAP' terms may in future result in practical challenges because financial information based on outdated accounting standards needs to be prepared for covenant testing purposes. Particularly for companies which prospectively applied the revised standards, the treatment under the revised standards may diverge in future from the superseded standards (e.g. due to identification of multiple performance obligations or additional guidance on variable considerations).

Table 9. Impact on solvency.

Solvency ratio metric (n = 26)	DAS 221 Revised (average)	DAS 221 Pro-forma (average)	Delta (average)
Equity-ratio*	32%	42%	10%
Debt-to-equity ratio**	3.83	3.26	0.57

* Calculated by total equity divided by total assets.
** Calculated by total debt divided by total equity.

4.4.2. Profit and loss presentations

In this section we provide an analysis of the revised presentation of construction contracts in the profit and loss account. Under the superseded standard 221 companies were permitted to present revenues of construction contracts as a separate line-item 'change in work in progress and construction contracts' as long as the project is in progress and model of presentation by category[15] is applied. For the construction companies within our sample, we investigated which companies adopted the option to present revenues as 'change in work in progress and construction contracts' in their 2021 financial statements and therefore updated the presentation in the 2022 financial statements.

Table 10 depicts the companies which changed their presentation for financial year 2022. In accordance with the requirements in the revised standard 221 all companies presented revenues from construction contracts as 'net turnover'. 12 companies (46%) changed their presentation in the 2022 financial statements. This evidences the fact that all companies have taken the revised DAS 221 guidance into account. The sometimes disappointing results presented in this study relating to the quality of disclosures cannot be explained by assuming that companies were simply not aware of the changes in DAS 221.

Table 10. Presentation of construction contracts in the profit and loss account.

	2021		2022	
	N	%	N	%
Presentation as 'net turnover'	14	54	26	100
Presentation as 'change in work in progress on construction contracts'	12	46	0	0
Total	26	26	26	100

5. Conclusion

This study provides insights in the effects of the revised standards 221 and 270 for the first year of application. Most companies opted for the prospective application of the revised standards, an option which was provided by the DASB and which can be considered a 'simplified' method for transitioning. Consequential to the preference for the prospective application, none of the companies reported an impact on equity and/or results following the change in accounting policies. Our study also revealed that many companies did not (clearly) disclose the transitional provisions adopted and the majority of the companies did not update its accounting policies and disclosure notes to key concepts introduced by the revised standards. We find these results disappointing.

We found that 40% of the companies in our sample did not make any disclosures on the change in accounting policies as a result of the new guidance. Furthermore, we noted that 10 companies specifically disclosed that the accounting policies did not change compared to the preceding year. We find this result somewhat surprising because, although the impact of the changes in accounting policies may not be material, we would expect companies to make reference to the revised standards in their financial statements.

As a general observation, we noted that companies tend to focus on presentation differences in explaining the changes in accounting policies regarding DAS 221 and 270. Also, companies frequently refer to changes in DAS 221 and 270 as 'presentation changes' solely. This general observation is supported by the impact of the change in accounting policy disclosed by the companies in our sample. Table 4 depicts the impact disclosed on equity and/or results. The majority of the population either did not provide information on the impact on equity and/or results (59%) or disclosed there has been no impact on equity and/or results (40%). None of the companies disclosed such an impact. Furthermore, we determined that from the 38 companies which did disclose the change in accounting policy (Table 3), 21 companies also provided quantitative information on the impact of the retrospective application of the changes in presentation (Table 4).

This study further added to practice by analyzing the impact of the revised balance sheet presentation requirements on solvency metrics. Based on pro-forma calculations we observed that key solvency metrics were (significantly) impacted for financial year 2022. Specifically, equity-ratio reduced with 10 percentage points to 32% and debt-to-equity ratio increased with 0.57 point to 3.83. A disappointing observation was made regarding the disclosure of the effects of the reduced solvency metrics on financing arrangements, which was only disclosed by one company. Consequently, our recommendations are twofold for companies with loan covenants. Firstly, we urge companies with so-called frozen GAAP provisions in loan agreements to carefully consider the availability of financial figures based on superseded standards, specifically when the prospective application was applied. Secondly, for companies bound to loan covenants not based on frozen GAAP provisions, it is recommended to renegotiate solvency metrics with the loan provider.

Our results show that the disclosure quality regarding revenue recognition under the revised standards is mixed with a significant variation between companies. In line with our earlier observations (Van Duuren and Ter Hoeven 2022) we point out that no specific disclosure requirements are mandated in the revised standard 221 regarding key concepts (such as the identification of performance obligations and variable considerations) introduced by the standard. In our opinion, the lack of such disclosure requirements may result in ambiguity on what information should be disclosed. Our results show that relatively (to other industries) fewer construction companies provided information on key concepts introduced by the revised standards. On a much more positive note, albeit no specific disclosures are mandated by DAS 221, various construction companies were identified which provided good practice disclosures regarding the identification of performance obligations including judgements and considerations made in the process of identifying multiple performance obligations. On a concluding note, we recommend the DASB to add specific disclosures requirement to DAS 221 or add specific references to the disclosure requirements in DAS 270.

In our first contribution regarding revenue recognition disclosures in 2020 (Van Duuren and Ter Hoeven 2020) we commented on the disclosure quality by IFRS issuers. One of the main observations from that study is that revenue disclosures tend to be more generic (rather than more company specific) and there is room for improvement with respect to the informativeness of the disclosures. This observation links to the somewhat disappointing results of this study on themes such as the disclosure of the nature of major performance obligations and the disclosure of company specific accounting policies including judgements. Another similarity between the studies is that the disclosure quality in both populations (IFRS and DAS) showed significant differences in reporting quality between companies. Also in this study, we have highlighted various companies (including construction companies) which provided useful and relevant best practice disclosures.

Finally, with this study and by means of the best practices identified, we intend to encourage efforts of providing meaningful and relevant disclosures regarding revenue recognition.

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Notes

1. RJ-Uiting 2020-15; RJ-Uiting 2020-15: Ten geleide bij Richtlijnen 221, 270, B5 en B13 (aangepast 2021).
2. DAS 270.601.
3. DAS 221.418 and DAS 221.419.
4. Based on DAS 221.6 and DAS 270.7.
5. Hence, this option allows to grandfather the current accounting for contracts that were already closed before 1 January 2022.
6. I.e. a company can choose to apply DAS 221/270 revised for contracts with customers that are agreed upon at or after any date prior to 1 January 2022 if it applies DAS 221/270 for the first time in its 2022 annual report or at or after any date prior to 1 January 2021 if it early adopted DAS 221/270 in its 2021 annual report.
7. We applied a cutoff date of 14 July 2023.

8. We observed that few companies within the final population have one or more industry denotations within the selected industries but the activities as explained in their annual report align to a limited extent to these industry denotations. For objectivity reasons, we chose not to exclude these companies from the population.
9. It should be noted that companies in the population are not required to report on key audit matters and hence no information is found in (most of) the independent auditors' report on these matters.
10. NV COS/ISA 240.27.
11. For sake of brevity, only portions of relevant disclosures were included in the study.
12. No specific disclosure requirements on covenants or solvency apply. However, based on the general provisions of section 2:362.1 DCC companies the financial statements should provide sufficient information to understand the solvency and liquidity of the entity.
13. We note the information provided by Nijs & Zonen Holding B.V. is provided as part of the directors' report.
14. We further note that the vast majority of the population investigated in our 2022 study is also included in this study further supporting the validity of this comparison.
15. I.e. 'by category' models E or I of the Decree Model Financial Statements ('Besluit Modellen Jaarrekening').

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Appendix 1. Population

Table A1. Population.

Company	Year
A. Hak Groep B.V.	2022
Aan de Stegge Verenigde Bedrijven B.V.	2022
Ace Innovation Holding B.V.	2022
AFAS Holding B.V.	2022
ANDUS GROUP B.V.	2022
Aviko Holding B.V.	2022
Berghege Heerkens Bouwgroep B.V.	2022
Bolsius International B.V.	2022
Bostik Benelux B.V.	2022
Bouwbedrijf L. v.d. Ven B.V.	2022
Breman Topholding B.V.	2022
Conclusion B.V.	2022
Coöperatie Koninklijke Agrifirm U.A.	2022
Coöperatie Koninklijke Cosun U.A.	2022
Damen Shipyards Group N.V.	2022/2023
De Vries en Verburg Groep B.V.	2022
Den Hartogh Holding B.V.	2022
Dura Vermeer Groep N.V.	2022
EDGE Real Estate B.V.	2022
Eiffage Energiesystemen B.V.	2022
Eriks B.V.	2022
Faber Beheer B.V.	2022
Galp Energia E&P B.V.	2022
GasTerra B.V.	2022
GreenChem Holding B.V.	2022
Heesen Yachts Builders B.V.	2022
Hendrix Genetics B.V.	2022
Heupink & Bloemen Tabak B.V.	2022
Hoppenbrouwers Techniek B.V.	2022
Imago Beheer B.V.	2022
Inalfa Roof Systems Group B.V.	2022
Interface Europe B.V.	2022

Company	Year
Janssen De Jong Groep B.V.	2022
Joh. Mourik & Co. Holding B.V.	2022
Koninklijke Kuijpers B.V.	2022
Koninklijke Smilde B.V.	2022
M.J. de Nijs en Zonen Holding B.V.	2022
Merck Sharp & Dohme B.V.	2022
Nijhuis-Rijssen B.V.	2022
NTS Group B.V.	2022
Nutreco N.V.	2022
Olympus Holding B.V.	2022
Paramelt RMC B.V.	2022
Plukon Food Group B.V.	2022
Pluspetrol Resources Corporation B.V.	2022
PV-Holding B.V.	2022
Remeha Group B.V.	2022
SHV Holdings N.V.	2022
Simac Techniek N.V.	2022
Swinkels Family Brewers N.V.	2022
TBI Holdings B.V.	2022
Topholding Voergroep Zuid B.V.	2022
Trebbe Holding B.V.	2022
Trespa International B.V.	2022
Van Dorp installatiebedrijven B.V.	2022
Van Gelder Groep B.V.	2022
Van Leeuwen Buizen Groep B.V.	2022
Van Nieuwpoort Groep B.V.	2022
Van Oord N.V.	2022
Van Wijnen Groep B.V.	2022
VB Groep B.V.	2022
VORM Holding B.V.	2022
Wigema B.V.	2022

Appendix 2. Companies removed from population

Table A2. Companies removed from population.

Company	Main activities
Columbus 1492 B.V.	Wholesale and retail activities (SBI 45-47)
Combilo International B.V.	Wholesale and retail activities (SBI 45-47)
Copaco Nederland B.V.	Wholesale and retail activities (SBI 45-47)
DeltaMilk	Wholesale and retail activities (SBI 45-47)
DKG Holding B.V.	Wholesale and retail activities (SBI 45-47)
Farm Dairy Holding B.V.	Wholesale and retail activities (SBI 45-47)
Hyundai Motor Netherlands B.V.	Wholesale and retail activities (SBI 45-47)
Interfood Holding B.V.	Wholesale and retail activities (SBI 45-47)
Kia Nederland B.V.	Wholesale and retail activities (SBI 45-47)
Mitsubishi Motors Europe B.V.	Wholesale and retail activities (SBI 45-47)
ONE-Dyas B.V.	Financial institution (SBI 64)
Paridaans en Liebregts B.V.	Wholesale and retail activities (SBI 45-47)
ProRail B.V.	Transport (SBI 49)
Stichting Etherreclame (Ster)	Non-profit public company
Stichting PME pensioenfonds	Pension fund (SBI 65)
Stichting Ymere	Non-profit public company
Van Ballegooijen Foods B.V.	Wholesale and retail activities (SBI 45-47)
Vleesgroothandel gebrs. Zandbergen B.V.	Wholesale and retail activities (SBI 45-47)
Wuppermann Staal Nederland B.V.	Wholesale and retail activities (SBI 45-47)

Appendix 3. Translation of Figure 2 (done by authors)

Change in accounting policy DAS 221 and DAS 270

For financial years starting on or after January 1, 2022, the revised standards DAS 270 "The profit and loss account" (recognition of revenue from goods and services) and DAS 221 "Construction contracts" (recognition of revenue from construction projects on behalf of third parties) are effective.

The requirements in DAS 270 "The profit and loss account" (recognition of revenue from goods and services) and DAS 270 "Construction contracts" (recognition of revenue from construction projects commissioned by third parties) generally require that the criteria for the recognition of revenue must be applied to separately identifiable components of a transaction, in order to reflect economic reality. The DASB found that different practices were applied and now included more specific policies for identifying individual components. These are referred to as "performance obligations". With these more specific policies, the DASB aims that accounting for contracts with multiple performance obligations better reflect economic reality. In addition, according to the DAS, this promotes unambiguous application in practice and thus contributes to the comparability of financial statements of different companies.

The company has chosen to apply changes that govern the recognition of revenues only to contracts entered into or amended on or after the beginning of the financial year in which these changes are first applied (the prospective method).

It is not possible to reliably estimate the influence of this change in accounting policy on subsequent accounting periods. The change in accounting policy did not affect the result and equity for the current financial year.

The revised presentation and disclosure requirements may not be applied prospectively, as a result of which the comparative figures have been adjusted. This concerns the following changes:

- Presentation of work in progress in the balance sheet: The superseded policies offered the option of presenting the balance of all projects in progress as a total item in the balance sheet. This is no longer accepted. If the balance of a project in progress:
  - is a debit balance (financing deficit), the net amount will be on presented as debit on the balance sheet; and
  - is a credit balance (financing surplus), the net amount is presented as a liability.

The impact of the adjusted presentation of the work in progress in the balance sheet is as follows:

	2021 – revised policies	2022 – superseded policies
Debit work in progress	23.574.000	-
Credit work in progress	45.491.000	21.917.000
Balance sheet total	377.076.000	353.502.000
Solvability	49,2%	52,4%

Appendix 4. Translation of Figure 5 (done by authors)

Performance obligations

Revenue is recognized per separate performance obligation. The nature of major performance obligations and the method of attribution of revenue to the reporting periods, including the method for determination method of the degree of completion of service orders is described below for each performance obligations.

Explanation per separate performance obligations

Consultancy

Consultancy services constitutes the deployment of employees. The services are characterized by best-efforts obligations from which the proceeds are recognized based on the basis of hours realized (subsequent calculation) in a period, multiplied by an agreed hourly rate.

Projects

Services regarding projects relates to performance obligations to which the transaction price and output have been agreed. When the project result can be reliably estimated and receipt of the proceeds is probable, income and expenses regarding the project are recognized proportionate to the activities performed based on the percentage-of-completion method. The estimate to complete is determined based on the cost incurred and a reliable estimate of the total expected project costs. If the result cannot be reliably estimated, revenue is only recognized to the extent that project costs are highly likely to be recovered. If it is probable that the project costs will exceed the total projects' revenue, an onerous contract provision is recognized and expected losses are immediately recognized in the profit and loss account.

Managed services

Manage services relates to the management of specifically agreed business processes of a customer for an agreed period. The proceeds are recognized based on contractually agreed rates and the extent to which the services have been rendered for the relevant period. The service rendered can contain both fixed and variable components. Redelivery of licenses or hardware can be part of a managed services contract. These redeliveries are based on a principal model, because the Group bears the economic risk regarding these deliveries. Redeliveries of licenses or hardware are separate performance obligations.

Licenses

Services regarding licenses includes the right to use software by a customer and the supply of hardware on the basis of a contractual agreement. The proceeds are recognized based on the rates included in the contract and the extent of use in the respective period. If the commitment to grant a license is a separate performance obligation, the group determines whether the nature of the license is a sale of a good or the rendering of a service. If the nature of the commitment consists of granting a right to use the group's intellectual property as it exists when the license is granted, the license qualifies as a good. In that case, the revenue from the license is processed as the sale of a good. If the nature of the commitment consists of granting a right to use the group's intellectual property as it exists throughout the license periods, the license qualified as a service. The revenue from the license is then recognized as the rendering of a service.

Revenues from licenses based on sales or use is recognized use is recognized at the time of the sale or at time of the use, considering the extent to which the performance obligation has been fulfilled.

The major performance obligations are disaggregated in business units of goods and service. For internal management purposes the below categories are distinguished. The revenue per category is as follows:

		2022 EUR 1.000	2021 EUR 1.000
Consultancy	Services	113.971	92.908
Managed Services		143.358	135.551
Hardware	Goods	11.397	10.537
Other	Services	131.421	125.014
Projects	Goods	139.216	91.373
Licences		24.914	18.413
Use	Goods	6.567	4.262
Access	Service	18.347	14.151
Other		19.101	8.656
Hardware	Goods	0	0
Other non-hardware	Services	19.101	8.656
Net revenue		440.560	346.901

Consultancy

Total revenue from Consultancy (services) in 2022 is €113.971 thousand. No revenues from exchange of services are included in the category Managed services.

Managed services

Total revenue from Managed services (services) in 2022 is €143.358 thousand. This performance obligation includes hardware which are goods. These are separately calculated for 2022 and amount to € 11.937. The remainder relates to Managed Services (services). No revenues from exchange of services are included in the category Managed services.

Appendix 5. Translation of Figure 6 (done by authors)

We have already adopted the revised standard 221, which requires to be adopted as from 2022, in our 2021 financial statements. The revisions stipulate that the account Work in progress may no longer be offset (debit/credit). This leads to an increased balance sheet total and therefore a lower solvency percentage. To clarify the effect on solvency, both the percentage with and without application of the revised standard are stated. Based on the analysis of the effects (balance sheet total), we have adjusted the solvency target from 30 percent to 25 percent applying the revised standard.

We have informed our financial partners (banks, insurers, surety institutions) about the effect of this in 2021. We have also structurally set our credit limit at a higher level of € 10 million in 2022, as a result of the increased volume of production. The approved solvency requirement of 25% by application of the revised reporting standards is consistent with our own internal objectives and is determined on the basis of the financial statement of M.J. de Nijs en Zonen B.V.