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International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

Comment on the Exposure Draft "Revenue from Contracts with Customers"

Dear Sir/Madam

Thanks for the opportunity to comment on the Exposure Draft "Revenue from Contracts with Customers."

Measurement of revenue Question 5—Collectibility

Do you agree that the the customer's credit risk should affect how much revenue an entity recognises when it satisfies a performance obligation rather than whether the entity recognises revenue?

Comment

I do not agree. Customer's credit risk should not affect measurement of revenue. It should affect measurement of receivable as provision for bad debts.

The basis is as follows.

- 1. If an entity feels uneasy about customer's credit risk, it dose not enter into contract with such customer and dose not transfer good or service, that is, when the entity satisfies a performance obligation the entity is sure that it will receive full amount of promised consideration. Therefore, at this time, adjustment of this amount is unnecessary. Collectobility after satisfaction of performance obligation should affect measurement of receivable rather than revenue.
- 2. Explanation and example 20 in paragraph B79 would be irrational.
- (1) In practice it is impossible that an entity assesses credit risk of specific customer by percentage. Alternatively an entity estimates, on the basis of its experience, a proportion of bad debts to total receivables of all customers.
- (2) Credit risk of specific customer is its own risk and independent of characteristics of contracts. Therefore 10 per cent is inappropriate figure to assess crdit risk of

specific customer.

- (3) Probability-weighted amount (CU900) is meaningless figure. In the case of example 20 the entity will receive CU100, CU0, or some of CU100. Probability of a chance that the entity will receive CU900 is unknown.
- 3. Arguments in paragraph BC97—BC98(a)(b)(c) would be inappropriate for credit risk of specific customer. As stated before, when the entity satisfies a performance obligation the entity is sure that it will receive full amount of promised consideration. Therefore an entity assessment of collectibility related with customer's credit risk could not affect whether the entity recognises revenue.
- 4. Explanation in paragraph 36 disregards difference between customser's credit risk and factors listed in paragraph 39. These are different to each other.

As for factors listed in paragraph 39 (for example, volatility in the market) these factors cause amount of transaction price uncertainty at the time when an entity satisfies a performance obligation. Therefore to estimate the amount of transaction price is required.

With regard to customer's credit risk amount of transaction price is fixed at that time. Therefore estimation is not required.

Question 6—The time value of money Comment

I do not agree with proposal in paragraph 44 and 45. The time value of money should not affect the amount of consideration even if the contract includes a material financing component.

Financial statements should represent actual performance of entity as the result of management decisions rather than economic feature based on assumption.

In the case of example 22 in paragraph B84 the actual amount which the entity receives is CU8,000. CU8,800 is hypothetical amount. To represent such hypothetical revenue misleads users and obscures stewardship of management.

Yours faithfully

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