



10 November 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

Dear Sir David

Thank you for the opportunity to comment on the recent exposure draft issued by the International Accounting Standards Board ("IASB") titled 'Revenue from Contracts with Customers' ("the Exposure Draft").

It was good to meet you at the G100 dinner during your recent visit to Australia and to discuss key financial reporting issues impacting our Group. Further to our discussion, I would like to document two significant concerns with the Exposure Draft.

1) Allocating the transaction price - Customer Loyalty Programmes.

We note that IFRIC 13 allows two different methods to determine the allocation of revenue between award credits and other revenue (such as passenger revenue or marketing revenue).

The method in IFRIC 13, BC14(a) allocates an amount to the award credit equal to its fair value (irrespective of the fair values of the other components) and the remaining revenue to other performance obligations.

This *residual allocation* method has not been included in the Exposure Draft.

Paragraph 50 of the Exposure Draft requires an entity to 'allocate the transaction price to all separate performance obligations in proportion to the stand-alone selling price of the good or service underlying each of those performance obligations at contract inception (i.e. on a relative stand-alone selling price basis)'.

The application of this paragraph to a Customer Loyalty Programme is illustrated in Example 26 of the Application Guidance (Appendix B). In this example, the stand-alone selling price of the points and the products are estimated separately and the transaction price is allocated to the separate performance obligations on a relative (proportional) stand-alone selling price basis.

Paragraph 50 of the Exposure Draft therefore specifically precludes the *residual allocation* method currently allowed by IFRIC 13, BC14(a).



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We understand from various discussions we have had with you and other IASB Board members and staff that the removal of the *residual allocation* method was not intended.

We therefore request that the final Revenue standard allows both allocation methods currently included in IFRIC 13.

2) Application Guidance – Measuring the Fair Value of Award Credits

In addition, IFRIC 13 includes useful Application Guidance in relation to measuring the Fair Value of Award Credits. Given the clarity and consistency that this Guidance provided, we ask that this Application Guidance be included in the final Revenue standard.

We are happy to discuss these issues further if you wish.

Yours sincerely



Tino La Spina
Deputy Chief Financial Officer
Qantas Airways Limited