

International Accounting Standards Board (IASB), 30 Cannon Street , London EC4M 6XH.

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The Institute of Certified
Public Accountants in Ireland

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Chief Executive: Eamonn Siggins

To whom it may concern,

The Institute of Certified Public Accountants in Ireland welcomes the opportunity to comment on:

"Revenue Contracts with Customers"

Question 1:

Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognises revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

We agree with the proposals contained in paragraph 35 in relation to recognition of revenue in both cases i.e. when a performance creates or enhances an asset or in the cases where an asset is not created as outlined in paragraph 35 (b).

However, paragraph 36 prescribes conditions for evaluating whether an asset has an alternative use to an entity. The issue under discussion is Revenue Recognition by the performer of an obligation. We fail to see why we should consider alternative uses to the receiving entity of the asset at least in this part of the standard or whether this should be raised in the standard at all.

Question 2:

Paragraphs 68 and 69 state that an entity would apply IFRS 9 (or IAS 39, if the entity has not yet adopted IFRS 9) or ASC Topic 310 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

We would like more clarification on the requirements as stated in paragraph 68 "An entity shall similarly account for the effects if a customer's credit risk on a contract basis".

In cases where an entity enters into numerous contracts on a daily basis e.g. selling on credit, does this propose that the customer's credit worthiness mist be continually reassessed? We feel that guidelines are required here.

In relation to paragraph 69, we agree that the receivable amount and the amount measured as revenue should be displayed as a separate line item but only of material and if it is in the interest of users of the financial statements.

Question 3: Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognises to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled.

Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognise for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

We agree with the proposed treatment.

Question 4: For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognise a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If

not, what alternative scope do you recommend and why?

We agree with the proposed treatment.

Question 5: The boards propose to amend IAS 34 and ASC Topic 270 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial reports.* The disclosures that would be required (if material) are:

- The disaggregation of revenue (paragraphs 114 and 115)
- A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)
- An analysis of the entity's remaining performance obligations (paragraphs 119-121)
- Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)
- A tabular reconciliation of the movements of the assets recognised from the costs to obtain or fulfil a contract with a customer (paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial reports? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users

of having that information and the costs to entities to prepare and audit that information. If you think that

the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial reports.

While we agree with enhanced disclosure we are of the view that the level of disclosure proposed in the ED for interim financial reporting is excessive and will have cost implications. We agree will the inclusion of the disaggregation of revenue however in a more limited format than that proposed at 114 and 115. We also agree with the information on onerous performance obligations. We are of the view that the costs associated with the other disclosures proposed in the ED would out-way the benefits to be derived from disclosing.

Question 6: For the transfer of a non-financial asset that is not an output of an entity's ordinary activities (for example, property, plant and equipment within the scope of IAS 16 or IAS 40, or ASC Topic 360), the boards propose amending other standards to require that an entity apply

- (a) the proposed requirements on control to determine when to derecognise the asset, and
- (b) the proposed measurement requirements to determine the amount of gain or loss to recognise upon derecognition of the asset.*

Do you agree that an entity should apply the proposed control and measurement requirements to account for the transfer of non-financial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

We agree that an entity should apply the proposed control and measurement requirements to account for the transfer of non-financial assets that are not an output of an entity's ordinary activities.

The Institute of Certified Public Accountants would be happy to discuss the above with you.

Yours sincerely,

Noel Browne Chairperson, Financial Reporting Sub - Committee