CHARLES A. MCDONOUGH Vice President and Controller

March 13, 2012

Technical Director File Reference No. 2011-230 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856- 5116

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

Dear Sir or Madam:

Proposed Accounting Standards Update (Revised) Revenue from Contracts with Customers

Thank you for the opportunity to provide comments on the revised Exposure Draft, Revenue from Contracts with Customers. The World Bank commends the Boards for their commitment to due process in re-exposing the proposals before finalizing this pronouncement. Issuing a revised Exposure Draft has necessarily delayed the completion of the MOU projects, but was in our view an essential step in building consensus around the far-reaching proposals for the recognition of revenue.

Our detailed responses to the specific matters for comment are attached.

Please let me know if you would like any additional information.

Sincerely,

Charles A. McDonough

REVISED EXPOSURE DRAFT: REVENUE FROM CONTRACTS WITH CUSTOMERS

Questions for respondents

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 recognizes 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 proposal.

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 agree with the proposal to account for amounts considered uncollectible upon initial recognition of the receivable. However, in our view the difference between the amount of the receivable and the corresponding amount of revenue should be recognized as an expense, rather than as an adjustment to revenue.

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 recognizes 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 recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

→ We agree with the proposal. We suggest that the Boards simplify the wording "...reasonably assured to be entitled...." as it is likely to prove difficult to translate. A construction using 'probable' would be easier to understand.

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 recognize 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 proposal. However, in our view the onerous test should be performed at the contract level, rather than at the level of individual performance obligations. We believe that many business organize contracts with customers in such a way that losses on certain performance obligations are compensated for by gains on others – in other words, some performance obligations are run as 'loss leaders' in the interest of gaining or retaining more lucrative business opportunities. In our view, the proposal to require the accounting for onerous contracts to be done at the performance obligation level will result in considerable additional preparation costs, while not necessarily resulting in more relevant information for users.

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 recognized from the costs to obtain or fulfill 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.

→ We do not believe that the proposed disclosures in interim financial reports achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. We would suggest that paragraphs 123 and 128 (tabular reconciliations of (i) onerous liabilities and (ii) assets recognized from costs to obtain/fulfill a contract) be excluded from the interim disclosures.

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 derecognize the asset, and (b) the proposed measurement requirements to determine the amount of gain or loss to recognize 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 with the proposal.