

February 29, 2012

IFRS Foundation/IASB  
30 Cannon Street  
London EC4M 6XH  
Company No: FC023235

Dear members of the International Accounting Standards Board,

As the president of Korean Accounting Association, I appreciate the opportunity to comment on the Exposure Draft of Revenue from Contracts with Customers.

Although I agree with most of the Exposure Draft, I do have some recommendations to propose on paragraph 35(b). Attached please find my comments on it.

Should you have any questions to further clarify any of my comments, please do not hesitate to contact me.

Sincerely yours,

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Lee, Jong-Cheon  
President  
Korean Accounting Association

**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?

I recommend deleting some parts of Paragraph 35 which is redundant with paragraphs 31 and 32. Specifically, paragraphs 35(a) and 35(b)(i) refer to the circumstances where a customer already has the control of the asset. Therefore, if paragraphs 35(a) or 35(b)(i) is met, an entity must recognize revenue no matter whether the performance obligation is satisfied over time or at a point in time. Considering the fact that paragraph 35(a) and paragraph 35(b)(i) overlaps with paragraphs 31 and 32, paragraph 35 should be revised as follows.

35 An entity transfers control of a good or service over time and, hence, satisfies a performance obligation and recognises revenue over time if the entity's performance does not create an asset with an alternative use to the entity (see paragraph 36) and all of the following criteria are met:

- (i) another entity would not need to substantially re-perform the work the entity has completed to date if that other entity were to fulfil the remaining obligation to the customer. In evaluating this criterion, the entity shall presume that another entity fulfilling the remainder of the contract would not have the benefit of any asset (for example, work in progress) presently controlled by the entity. In addition, an entity shall disregard potential limitations (contractual or practical) that would prevent it from transferring a remaining performance obligation to another entity.
- (ii) the entity has a right to payment for performance completed to date and it expects to fulfill the contract as promised. The right to payment for performance completed to date does not need to be for a fixed amount. However, the entity must be entitled to an amount that is intended to at least compensate the entity for performance completed to date even if the customer can terminate the contract for reasons other than the entity's failure to perform as promised. Compensation for performance completed to date includes payment that approximates the selling price of the goods or services transferred to date (for example, recovery of the entity's costs plus a reasonable profit margin) rather than compensation for only the entity's potential loss of profit if the contract is terminated.