The World Bank

CHARLES A. MCDONOUGH  
Vice President and Controller

October 22, 2010

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116  
USA

Re: IASB's Exposure Draft ED/2010/6 Revenue from Contracts with Customers, and  
FASB’s Proposed Accounting Standards Update Revenue from Contracts with Customers

Dear Sir/Madam,

The World Bank is pleased to have an opportunity to provide comments on the exposure draft on Revenue from Contracts with Customers. Overall, we support the joint effort by the IASB and the FASB to clarify the principles for recognizing revenue and to develop a common revenue standard for US GAAP and IFRS. We believe this will improve both sets of standards as well as the comparability, and transparency of financial statements. The following are our comments on the proposed changes.

Measurement of Revenue: While we are in agreement with overall guidance on measurement of revenue, as well as its principles-based approach, we believe this guidance introduces a high level of subjectivity and is likely to have a significant impact on the operations and accounting functions for certain types of entities. For example, in situations where transaction prices are not readily available, entities will be required to estimate such prices, and if these prices are not estimable, will have to forgo revenue recognition until such time as these prices are estimable. It may be worthwhile in certain instances to provide more interpretative guidance to assist entities with the implementation of this new
guidance. It would also be important to allow sufficient time for implementation of this new guidance.

We agree that the transaction price should reflect the customer's credit risk, however the guidance relating to the treatment of subsequent changes in the transaction price which are as a result of changes in the credit risk of customers, should be more explicitly reflected in the main body of the standard. This additional information is currently included in the Basis for Conclusions section of the proposal.

**Performance Obligations:** We agree with the approach of identifying performance obligations, and note that this concept is similar to the current guidance on revenue recognition for arrangements with multiple deliverables. We also support the decision to allocate the transaction price to the performance obligation proportionally, based on the stand alone selling prices. This treatment is consistent with existing revenue recognition guidance under US GAAP, and we believe best reflects the margins for each performance obligation.

**Definition of a contract:** While we understand the rationale for not adopting a single definition of a contract, we believe that clarification should be added to the proposed revenue recognition guidance which emphasizes that the definition provided is for revenue recognition purposes and is not applicable to other areas of the accounting literature.

Thank you, again, for the opportunity to comment on this exposure draft.

Sincerely,

Charles A. McDonough
Vice President and Controller