International Accounting Standards Board (the Board)
30 Cannon Street
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United Kingdom

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

8 March 2012
Dear Sir,

Feedback on Exposure draft Revenue from Contracts with Customers

We are privileged to respond to your invitation to comment on the above Exposure Draft.

We appreciate the efforts that Financial Accounting Standards Board makes to set a comprehensive, principle-based revenue recognition accounting model and are confident that such an accounting standard can be applied across different industries with complex transactions.

Our feedback and views are set out in the Appendix to this letter.

Kindly contact Mr ZHANG, BaiXiang of PetroChina Company Limited, Finance Department at +86 10 5998 6890 in relation to any questions you may have on the contents of this letter. Email: zhangbx@petrochina.com.cn

Yours sincerely
Mr Zhou Ming Chun
Chief Financial Officer
PetroChina Company Limited
**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?

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<th>Our views</th>
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<td>We, in principle, agree with this proposal. However, we are concerned entities when different entities across different industries transfer the control right of one product or service, varying measurement methods may be applied to determine progress of fulfillment of performance obligation and this will inadvertently lead to incomparability of revenue recognised.</td>
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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?

Our views

We disagree with this proposal. We believe that initial recognition of revenue and subsequent adjustments to revenue recognised (due to a customer’s deteriorating credit risks) are distinct accounting matters to be considered separately. Further the proposed disclosure makes it difficult for financial statement users to distinguish between adjustments to revenue recognised that arise due to a customer’s credit risk assessment in a current period or preceding periods. As a result, this proposal could mislead financial statement users and affect their ability to properly understand the revenue that should be recognised by an entity in the current period especially when the impairment of trade receivables related to prior periods. From our point of view, when there is impairment in trade receivables, it is more reasonable to recognise the impairment as operating expense.
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?

Our views

We agree with this proposal.
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?

Our views

We disagree with this proposal. We believe that an onerous contract does not result in a present obligation to recognise a future economic outflow as such an onerous contract does not meet the definition of a liability at the inception of the contract.
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 and 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.

Our views

We disagree with this proposal. Paragraph 16A of IAS 34, only lists nine required disclosure matters and paragraph 15 requires disclosure of matters significant to the financial statements. We believe the disclosure requirements of IAS 34 already meet the cost-benefit principle and the proposed disclosures will deviate from such an established principle for interim reporting as defined in IAS 34. When there are significant changes to revenue recognition in an interim period and this affects the ability of users of interim financial statements to understand the financial information, we believe such disclosures is currently already required under IAS 34 and there is no need for an explicit disclosure requirement as proposed to be included in the revenue recognition standard.

In addition, we disagree with proposed disclosure requirements in relation to revenue-related contracts as these are overly detailed and may result in entities inadvertently breaking confidential and commercially sensitive information. Further, the proposed disclosure requirements do not necessary to provide useful information to the users of financial statements.
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?

Our views

We disagree with this proposal. We believe that IAS 16 and IAS 40 already contain measurement methods appropriate for income recognition of such other than ordinary activities of an entity and these measurement methods are in substance broadly similar to that in the proposed revenue recognition model. Additionally, where the disposal of property, plant and equipment that are not part of an entity’s ordinary scope of activities, the measurement to be applied should wholly aligned with revenue recognition for ordinary activities of the entity.