From: ICPAR
To: IASB
Subject: EXPOSURE DRAFT REVENUE FROM CONTRACTS WITH CUSTOMERS

Dear Sirs,

We congratulate the IASB for the great work that is going on proposed amendments to International Financial Reporting Standards (IFRSs) as part of its annual improvements project. These amendments meet the enhanced criteria for the improvement and streamlined way of dealing efficiently with amendments to IFRSs. We believe this is a timely initiative and we support it.

We hereby submit our comments as below:

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

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 do not agree with the proposal and provide the following alternative:
The risk that exists that some customers may not pay their debts (credit risk) has to be taken care of in the usual accounting procedures under prudence concept i.e cautious. In case of possibility of loss or liability, it has to be recognized immediately whether certain or not, while in case of possibility of income or asset it should not be recognized until when certain of its receipt.

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

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

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)
• A tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)

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)

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 agree with all this disclosures and support the concern of balance between the benefits to users of having that information and the costs to entities to prepare and audit that information within that interim period.

In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may provide less information at interim dates.

In our view the disclosure that an entity should provide is,

*The disaggregation of revenue (paragraphs 114 and 115)*

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

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