April 30, 2012

Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Mr. Chairman,

Invitation to comment – Exposure Draft Revenue from Contracts with Customers

We, Federation of Accounting Profession in Thailand, are pleased to respond to the Exposure Draft (ED) Revenue from Contracts with Customers. Our responses to the specific questions are set out in the appendix to this cover letter.

We appreciate and support the Boards’ intentions to develop a converged revenue recognition standard for both IFRS and US GAAP and a single model for across different industries. We welcome the concept that entity recognizes its revenue reflecting the satisfaction of performance obligations to customers at an amount the entity expects to be entitled and received. We understand that the proposal also provides guidance on certain areas that existing standards do not cover such as incremental costs of obtaining a contract. While the Boards have made a significant progress in the development of a revised proposal, we would like to propose the Boards consider a few significant concerns before the proposed standard is officially issued and applied in practice.

If you have further questions concerning the responses, please contact the undersigned at the contact detail provided.

Yours faithfully

[Signature]

Pichai Chunnavajira  
President  
Federation of Accounting Professions of Thailand  
Bangkok, Thailand

Encl: Specific questions to the Exposure Draft – Revenue from Contracts with Customers

cc. Chairman, Accounting Standard-Setting Committee of Thailand  
Chairman, Subcommittee on Monitoring of International Financial Reporting Standards
Specific questions to the Exposure Draft – Revenue from Contracts with Customers

**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 generally agree with the proposal and the mentioned criteria in paragraph 35 and 36. However, for the criteria to be interpreted and applied consistently, we would appreciate if the standard would include illustrative example on how to determine the transfers of control of a goods or service over time for different types of revenue that arises from contracts with customers in various industries e.g. real estate, banking and financial services.

**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 generally agree with the proposal. However, in consideration of some industries’ experience with a rather small expected uncollectible amount (e.g. less than few percentages to the gross revenue), the mandate disclosure of separate line item adjacent to the revenue in the face of profit and loss account would not necessarily provide meaningful to the financial statement users. We, therefore, believe that this should be flexibly provided as a disclosure either at the face of profit or loss account or as disclosed information in the note to financial statements optionally.

In addition, as provided in paragraph 69, the proposal requires any addition or reversal of the receivable impairment (“change in the measurement of an impairment”) to be presented as part of the line item adjacent to revenue. We have a concern on this accounting for impairment losses subsequent to initial recognition of receivable that while initial receivable impairment measurement has a direct relationship with the revenue recognised in that period, the subsequent impairment measurement has no connection with current period’s revenue. They, however, apparently sit next to each other (or as we proposed in the previous paragraph that it is optionally presented in a net basis with gross revenue and accompanying disclosure of the component in the notes to financial statements). This may not give meaningful information for the users, especially in the case that the subsequent impairment adjustment is considered significant.

**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 with the proposed constraint for determining the amount of consideration to which an entity would be entitled to in case that it is variable.

**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 have a couple of concerns with the proposed performance obligation onerous test as follow:

1) The scoping of application of the onerous test is limited to only any performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year. This would create a different application to different obligations merely because of the expected duration of the obligation whether it is longer than one year or not. We concern that this is open to manipulation and abuse. In addition, this would create inconsistency problem with the onerous contract test in IAS 37.

2) We propose that the onerous test should apply at the contract level to be consistent with IAS 37. In many cases, the bundle of performance obligations arrangement is structured only to meet the business objectives and it is the way how the market would want to purchase the goods and services. It is high likely that one of the bundle performance obligations is priced at loss or no profit margin. It could be seen as misleading to the users if the contract is expected to be profitable, while the financial statements demonstrate the loss at the performance obligation level.

**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 believe that the requirement for that all the above mentioned information to be disclosed may be unnecessary since we believe that interim disclosures should provide meaningful information to financial statement users, at a reasonable cost, regarding the significant changes of entity’s financial information from the latest annual financial report which is in line with IAS 34’s disclosure objective. We, thus, do not believe the analysis and reconciliation requirements particularly in paragraphs 119-123 and 128 are necessary to meet this objective.

In addition, in consideration of the practical effects on reporting entities, especially the interim reporting deadline, in some jurisdictions, the interim reporting is required to be produced and published within 45 days from the end of interim period. We are concerned that with the given time constraint, it would not provide sufficient time for an entity to compile the proposed 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 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 with the proposal to apply the control and measurement guidance for the transfer of non-financial assets. We would appreciate to provide conclusive comment on the specific proposed amended standards, when officially drafted by the Boards.