

From  
Vinod Kothari ([vinod@vinodkothari.com](mailto:vinod@vinodkothari.com))  
[www.vinodkothari.com](http://www.vinodkothari.com)  
Vinod Kothari Consultants P Ltd  
India

To

International Accounting Standards Board

Sirs

**Comment on ED of Revenue Recognition on Contracts with Customers**

I have the following quick submissions to make

1. The title of the Standard does not properly reflect the contents. The title gives an impression that the standard is applicable only where there is a “contract” for prolonged term with a customer. This is not the case as the standard generally lays down the obligations of the seller on account of performance, the contingency or uncertainty about the price for sale, and defers recognition of revenue based on the contingency of the price. Hence, you may consider changing the caption appropriately. A suggested caption may – Revenue Recognition in case of Continuing Performance Obligations or other Uncertainties in the Transaction Price, etc.
2. In para 43, reference has been made to collectibility risk on account of credit of the customer. Credit is not the only risk that affects the collectibility of sale consideration. There are, in fact, increasing instances of sales of goods where the buyer pays consideration based on the value of the goods – for example, pay-per-use contracts or revenue sharing contracts. In such cases, the standard should lay down rules for determination of “expected value” of the transaction price.
3. There is an increasing complexity of practices inherent in sale of goods – suppliers are coming closer to the business models of their customers, and in the present-day practices of sales, suppliers perceive themselves as partners in the business of their customers. In the various instances given in the Guidance appendix, I am not sure if pay-per-use sales are covered – it is an important variant. In addition, instead of or in addition to addressing specific examples, the standard should set broad principles applicable in case of variety of selling practices that would continue to emerge over time

Thanks

Yours truly,

VINOD KOTHARI