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International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116 United States of America

[Via website posting: director@fasb.org]

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Comment letter on the IASB and FASB Exposure Draft: Revenue from Contracts with Customers

Dear Sir/Madam,

We thank you for providing us the opportunity to respond on your Exposure Draft (ED): Revenue from Contracts with Customers. However, as preparers, the comment period coincided with our year-end financial reporting calendar. This means that this comment letter is not as comprehensive as we had liked it to be.

Overall, we agree with the boards' objectives and support a single revenue recognition model that provides clearer and more consistent guidance. We also support the boards' efforts to respond to concerns raised by constituents on the original exposure draft, and specifically commend the boards for listening to the concerns previously raised by us with respect to the "contingent cap" alternative method of constraining revenue recognition suggested by some respondents (primarily telecom operators) to the original ED.

There are, however, areas where the concepts could be more clearly articulated, might be challenging to apply, or do not appear cost-beneficial.

Disclosures (Question 5)

We believe that the proposed interim disclosures are inconsistent with the principle that interim reporting should reflect only significant changes since the last annual reporting period. The principles in IAS 34 should be considered to determine the extent of revenue disclosures for interim financial statements.

We also believe that the proposal requires too many disclosures in both interim and annual financial statements, and there is a risk that useful information will be obscured due to the volume of disclosures that would be required.



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Consequently, we recommend the boards to remove or at least to simplify and reduce the disclosure requirements proposed for the amended IAS 34. We believe that the objective of these disclosures is unclear; that some of them duplicate segment disclosures; and we do not believe that they provide decision-useful information balancing the burden put on preparers. Many preparers could be required to develop systems to capture the information solely for the purpose of these disclosures.

In his alternative view on the exposure draft, Mr Engström states that he "believes that it is inappropriate to require such disclosures in interim financial reports without undertaking a holistic review of IAS 34" (AV3). We support this statement but referring to our concerns raised in a previous comment letter:

"In fact, it is our view that this and other recently issued proposals increase disclosure complexity to the extent that preparers will have to seek alternative ways of presenting the information in the financial statements to their investors; large funds as well as small private shareholders. This may lead to a diminishing rationale and value of IFRSs;"

we would like to see a common holistic review of the disclosure requirements in all IFRSs.

Presentation of revenue / Consideration that might be uncollectible (Question 2)

We acknowledge the boards' decision not to reconsider the definition of revenue in this project. We are concerned, however, that the proposals could create confusion about the composition of revenue. We suggest the boards clarify how preparers should present revenue from contracts with customers and revenue from other sources.

We agree with the proposal to apply IFRS 9 to account for consideration that might be uncollectible, but suggest the boards to reconsider the requirement to present the impact of credit risk on the face of the income statement in a line item adjacent to revenue. We believe that this requirement is too prescriptive without providing additional benefit and strongly recommend that the boards allow preparers to present such information in the notes.

Additional matters

Allocation of the transaction price – We agree with allocating the transaction price to separate performance obligations based on their relative stand-alone selling prices. We also agree with the use of the residual approach in circumstances when the stand-alone selling price of a performance obligation is 'highly variable' or 'uncertain.' We have concerns, however, that the residual approach could be confused with the residual method that has been used in some situations historically to allocate transaction price.

We suggest the boards clarify that the residual approach is a means of estimating the stand-alone selling price, so that discounts are appropriately allocated. The approach should only be used when other methods are not available. We believe that this can be made clearer by for example moving the description of the residual approach to a separate paragraph,

Interaction with the proposed leasing standard and effective date – We strongly believe that the revenue standard and the leasing standard are closely related and in order for preparers and users to understand the reasons behind any significant differences in the accounting models, we urge the boards not to release the revenue standard until all outstanding issues with regards to the leasing standard are clarified. Consequently, we favor a common effective date for the two standards.





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Principal vs. agent considerations – We appreciate the boards' intent to provide guidance for determining whether an entity is acting as a principal or agent. However, we believe that tension exists between paragraphs B17, B18 and B19. Paragraph B17 is derived from the transfer of control principle while the indicators in paragraph B18 are based on risks and rewards and largely consistent with current guidance. Paragraph B19 also emphasizes the obligation to fulfill over the other indicators in paragraph B18 and the principle in B17. We recommend that the boards consider whether they intended to change current practice.

Should you wish to discuss the contents of this comment letter, please do not hesitate to contact Göran Nilsson, Head of IFRS and Compliance development, at goran.nilsson@teliasonera.com.

Best regards,

[Original signed by]

Christian Luiga

Senior Vice President, Head of Corporate Control