



**The Institute of  
Chartered Accountants  
of Pakistan**

**HEAD OFFICE**

March 13, 2012

The Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M6XH  
United Kingdom  
[commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Subject: Exposure Draft ED/2011/6 'Revenue from Contracts with Customers'

Dear Sir,

The Institute of Chartered Accountants of Pakistan welcomes the opportunity to offer comments on the above mentioned exposure draft.

Enclosed please find comments on the ED: 'Investment Entities' for your kind consideration.

Regards

Haroon Tabraze

Director Technical  
Technical Services Department

**(Established under the Chartered Accountants Ordinance, 1961-X of 1961)**

### Question 1

Paragraphs 35 and 36 (*Performance obligations satisfied over time*) 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?

### ICAP Response

We agree with the proposal however, we suggest adding more implementation guidance in this area specifically addressing related party contracts (paragraph 17), and contracts involving bundled goods or services deemed to represent multiple performance obligations under paragraphs 23 through 30.

### Question 2

Paragraphs 68 and 69 (*Collectability*) 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?

### ICAP Response

Yes, we agree with the proposal that an entity should apply IFRS 9 to account for amounts of promised consideration that the entity assesses to be uncollectible because of customer's credit risk and it should be presented as a separate line item adjacent to the revenue line item.

### Question 3

Paragraph 81 (*Constraining the cumulative amount of revenue recognized*) 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?

### ICAP Response

We agree with the criteria in proposal for recognition and non-recognition of variable revenue.

### 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?

## ICAP Response

We do not agree with the proposed requirement that onerous test should be performed on individual performance obligation. We are concerned that the proposed guidance might not reflect the underlying economics of transactions in a number of situations, particularly where an individual performance obligation is not profitable but the overall contract is profitable.

We believe that onerous test, if required should only be performed at a contract level, and that it should cover all contracts with customers (and not only performance obligations that an entity satisfies over time).

## 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 fulfil 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.

## ICAP Response

In our view, the requirements for disclosures in interim financial reports appear to be very detailed which may not be necessary for interim financial reports. Therefore, we suggest that it should be reduced and be in line with the existing disclosure requirements of IAS 34.

## 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?

## ICAP Response

We agree with the Board's proposition to amend other standards for transfer of non-financial assets which is not an output of an entity because definition of control provided in ED is comprehensive and clear as compared to existing requirements in other standards for derecognition. This way, there will also be consistency of principles among the standards.