



Mr. Hans Hoogervorst, Chairman
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Re: File Reference No. 2011-230, Exposure Draft - Revenue from Contracts with Customers

Madrid, 13 March 2010

Dear Sir/Madam,

We appreciate the opportunity to comment on the proposals set out in the exposure draft of the Revised Proposed Accounting Standards Update, "Revenue from contracts with customers", issued November 14, 2011, on behalf of SEOPAN. Please, find enclosed as Appendix our answers to the specific questions in the exposure draft.

SEOPAN (Asociación de Empresas Constructoras de Ámbito Nacional) is a grouping of some of the main Spanish construction companies and its members are worldwide leaders in the transport infrastructure concessions industry.

Do not hesitate to contact us for any additional information or explanation regarding our response or other aspects of the Revised ED.

Yours sincerely,

Carlos Gasca
SEOPAN



Appendix: Responses to the questions asked in the ED

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?*

Response: We agree with the criteria outlined in paragraphs 35 and 36.

Question 2: *Paragraphs 68 and 69 state that an entity would apply Topic 310 (or IFRS 9, if applicable) 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?*

Response: No, we do not agree. Currently the allowance for bad debt is treated as an impairment of the accounts receivables (IAS 39).

Additionally, information about credit risk is readily available to investors from Company's IFRS 7 disclosures.

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 recognizes 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 recognize for satisfied performance obligations? If not, what alternative constraint do you recommend and why?*

Response: We agree with constraining revenue to amounts that the entity believes it is reasonably assured to be entitled.

We agree that, according to paragraph 83, the presence of any one of the indicators in paragraph 82 does not necessarily mean that an entity's experience is not predictive but a transaction has to be considered in its entirety.



Measurement of revenue (paragraphs 34-53)

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 recognize 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?*

Response: We believe that the onerous test might be more appropriately performed at the contract level. This would avoid the situation where an individual performance obligation is onerous, but the contract as a whole is still profitable.

Question 5: *The Boards propose to amend Topic 270 and IAS 34 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial statements. The disclosures that would be required (if material) are:*

- 1. The disaggregation of revenue (paragraphs 114–116)*
- 2. A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)*
- 3. An analysis of the entity's remaining performance obligations (paragraphs 119–121)*
- 4. 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)*
- 5. 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 statements? 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 statements.

Response: No, we do not agree that an entity should be required to provide each of those disclosures in its interim financial reports. The proposed disclosure requirements are substantially more extensive and detailed than the existing requirements. The inclusion of the detailed qualitative disclosure requirements will increase the size of disclosures. Therefore there should be a careful selection of disclosures that provide the most significant information. From our point of view, the disaggregation of revenue could be important enough to be part of interim financial reporting.



The reason for our rejection of additional new interim disclosures is based on the fact that financial statements for interim periods and financial statements for annual periods reporting have different objectives.

In our opinion IAS 34 currently keeps a sensible balance between the need to provide decision-useful information in interim periods and the costs to preparers. The increase of additional specific disclosure requirements could also negatively affect the timeliness of interim financial reporting. As IAS 34 already applies to interim financial statements, we hold this guidance together with IAS 1 to be enough.

Moreover, we are also very concerned about the introduction of an extended array of additional disclosure requirements for annual reporting. This especially applies but is not limited to the tabular reconciliations. The implementation of disclosures that are not based on internal reports creates significant costs for preparers of financial statements. This is even more burdensome because the users of financial statements do not receive more decision-useful information if management itself does not consider these issues to be of great importance.

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?*

Response: Yes. We believe the application of the proposed guidance to non financial transactions would be beneficial to users and preparers.

However, we think the whole issue needs to be evaluated more thoroughly through a separate project before implementing the proposed standards amendment.