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Dear Sir

Revenue Recognition – A European Contribution

Ernst & Young is pleased to respond to the European Financial Reporting Advisory Group (EFRAG), Deutsches Rechnungslegungs Standards Committee (DRSC) and Conseil National de la Comptabilité (CNC) Discussion Paper on 'Revenue Recognition – A European Contribution' as part of the Proactive Accounting Activities in Europe (PAAinE) initiative.

We believe that the Discussion Paper has provided a useful platform to launch the debate on revenue recognition in Europe. Further, we believe that it is important that the European standard setters contribute to the debate on accounting issues. Preparing the Discussion Paper early on in the debate on revenue recognition, will provide helpful input into the project being carried out by the International Accounting Standards Board (IASB).

The Discussion Paper provides interesting thought leadership on a number of issues that the IASB are currently grappling with on revenue recognition. However, we believe that it would have been more appropriate had the Discussion Paper focused on the models and ideas the IASB are discussing, even if only to compare them to the models developed in the Discussion Paper. Such a discussion would have ensured that the paper provided relevant information to assist the IASB in its current project on revenue recognition and potentially to assist the IASB's constituents in formulating their views on the discussion paper that the IASB is expected to publish on revenue recognition in the near future. We recommend that this should be one of the objectives of the PAAinE initiative and future projects should take full account of and relate directly to the IASB's current work.

We also believe the Discussion Paper should consider the measurement of revenue, as it is one of the major issues the IASB is currently attempting to resolve. The IASB discussions focus on two models, one based on a customer consideration notion of measurement and the other based on a fair value notion. Ignoring this significant part of the revenue recognition debate has meant that the paper is too narrow in its focus. As a consequence, the Discussion Paper has not created as much impact as it might have done.

In the light of our overall comments, we have not responded to the specific questions raised in the Discussion Paper. We believe the best way for us to proceed is to respond in detail to the IASB's discussion paper, when it is issued early in 2008.

In summary, in writing this letter we should like to acknowledge and support the efforts that the PAAinE initiative is making in promoting accounting discussion and debate in Europe.

Should you wish to discuss any aspect of this letter, please contact Leo van der Tas on 020 79513152.

Yours faithfully

Ernst & Young