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Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302
Date : Amsterdam, March 8, 2012
Re : **Comment on Exposure Draft Revenue from Contracts with Customers.**

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter on IASB's Exposure Draft (ED) Revenue from Contracts with Customers.

Below we summarize our main concerns regarding the ED and provide you with a summary of our comments to your draft responses on the most important issues.

In our opinion your fundamental criticism on the principles of the previous ED should be repeated in your comments as this has not been resolved in the ED.

We will include in our letter the following: "We do not support the approach of developing a new standard on revenue recognition". We regret that the ED has been issued without completing the conceptual debate of what revenue should represent. Without a proper understanding of what revenue should represent it is difficult or maybe even impossible to develop a clear model with unambiguous principles for revenue recognition. The present ED underlines this, unfortunately.

Moreover, without such a conceptual debate we are not convinced of the necessity to develop a new standard on revenue recognition. Although we acknowledge that there are some contradictions in IAS 18 and 11 and that there might be some practical application issues in applying IAS 18 and IAS 11, mainly regarding multiple element accounting, we believe that those issues can be resolved by improving these standards. Therefore, as long as the necessity for a new standard has not been underpinned by a conceptual debate, we believe that efforts

at improving accounting for revenue should be directed at improving IAS 18 and IAS 11 themselves.”

In our comment letter to the IASB we will further emphasize that our general responses as and responses to the specific questions of the IASB are solely for the case that the IASB will issue a standard in accordance with the principles of the ED and should not be interpreted as support for those proposals.

Considering the above, one additional comment we would suggest you to make to IASB is:

- Some principles, even when considering the respective guidance, are unclear in how to apply in practice. In particular the principles and guidance regarding price allocation and onerous performance obligation. In our opinion, any standard should be based on principles that are crystal clear and - where this is not the case - any vagueness of a principle should not be compensated by additional guidance;

Our responses to your specific questions are included in appendix A.

For your convenience, we have included our comment letter to the IASB regarding Revenue from contracts with customers in appendix B

Of course we would be happy to discuss our reaction with you.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a loop at the bottom left, and a long horizontal stroke that curves upwards at the right end.

Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix A: Responses DASB to the specific questions to constituents regarding Exposure draft – Revenue from contracts with customers

Appendix B: Comment letter IASB

Appendix A: Responses DASB to the specific questions to constituents regarding Exposure draft – Revenue from contracts with customers

Question to constituents regarding the presentation of uncollectible amount

EFRAG is asking constituents for their views on the following:

- (a) In which standard(s) do you think guidance for impairment of conditional and unconditional rights to consideration should be provided?**
- (b) Should specific guidance be developed for how to present uncollectible amounts or should the general guidance of IAS 1 be applied?**
- (c) If you think specific guidance should be provided:**
 - (i) Should this guidance be included in the standard on revenue recognition or in IAS 1?**
 - (ii) How should uncollectible amounts be presented in the statement of comprehensive income initially?**
 - (iii) How should subsequent changes in the estimates of uncollectible amounts be presented in the statement of comprehensive income?**

Answer DASB:

We are not convinced that presenting expected uncollectible revenue as a separate line item adjacent to the revenue line would provide most meaningful information. We expect that on the date of revenue recognition, companies would not expect a material uncollectible amount due to credit losses, otherwise they would not pursue the sale. A change in the expectation of the uncollectible amounts would also be accounted for in this separate line, but does not have a direct relation to the revenue recorded in that period. We believe that amending the disclosure requirements in IFRS 7, by amending paragraph 36 and 37 to specifically disclose the impairment recognized for uncollectible receivable, would avoid the separate line item, but still provide investors with the information they are looking for.

DASB understands the choice of the IASB to refer to IFRS 9 (or IAS 39, if the entity has not yet adopted IFRS 9) and believe the conceptual conflict of the result on contract assets with IAS 1 and IFRS 9 is not very relevant for users of the financial statements. We therefore agree that the guidance refers to IFRS 9 and that the general guidance of IAS 1 for presentation, and IFRS 7 for disclosure, is applied.

Question to constituents regarding time value of money

Do you think a practical expedient regarding the time value of money should be included in the ED (see paragraphs 10 - 13 above)? If so, what should be included in its scope?

Answer DASB:

The DASB does not think that a practical expedient regarding the time value of money should be included in the ED. The general materiality criteria could be applied by companies.

Questions to constituents regarding right of return

Are you concerned that in practice it will often be difficult to distinguish between the different situations listed in paragraph 25 above where a customer has not irrevocably taken control of assets provided by the entity?

Answer DASB:

The change from recognising revenue when risk and rewards are transferred to transfer of control will result in different timing of revenue recognition. Without specific guidance the 3 different situations seem similar from a risk and reward perspective, but from a control perspective are very different. The contractual agreements and business practice may result in a difficulty of applying the principle in practice.

Do you think the three situations listed in paragraph 25 above differ economically? If so, how and in what circumstances would it be important to distinguish between the three circumstances?

Answer DASB:

From a control perspective the three situations differ. The decision to recognize revenue upon transfer of control determines the difference in revenue recognition in the three situations. The criteria for distinguishing are described in the application guidance.

Do you think there are situations where a customer has a significant economic incentive in exercising a return right, but the transaction should not be accounted for as a lease?

Answer DASB:

We are not aware of any situation.

How do you think the three situations listed in paragraph 25 above should be accounted for?

Answer DASB:

We think that the three situations should be accounted for as proposed in the ED.

- Right of return (recognize revenue and estimate return)
- Sale subject to customer acceptance (defer revenue until control is transferred, which is upon acceptance)
- Repurchase agreement (recognize as separate performance obligation, if material)

Question to constituents regarding disclosure

EFRAG would welcome comments regarding the usefulness and the cost of preparing the disclosures required by the ED and an assessment of whether an acceptable trade-off between costs and benefits is met.

Answer DASA:

We have concerns regarding the extent of proposed disclosures and we continue to urge the Boards to field test the proposed disclosures with preparers and users in different industries to make sure the proposed disclosures provide decision useful information that can be prepared at a cost that does not outweigh the benefits achieved.

Regarding interim disclosures, we believe the proposals are particularly excessive and unnecessary.

We believe interim disclosures should provide financial statement users meaningful information, at a reasonable cost, regarding the most significant changes in an entity's financial results since the entity's most recent annual report. Regarding revenue, consistent with the disclosure objectives currently described in IAS 34, we think the objective of interim disclosures should be to supplement the annual disclosures with information about the effects of significant new contracts entered into during the interim period, as well as significant changes in judgment or estimates for existing contracts. We do not believe the reconciliation requirements in paragraphs 117 and 128-129 or the disclosures of performance obligations or onerous performance obligations in paragraphs 118-123 are necessary to meet this objective.

Question to constituents regarding early adoption

EFRAG has discussed whether early adoption should be allowed for existing IFRS reporters. Permitting early adoption by existing IFRS reporters would reduce comparability between companies, but it would allow them to move to the improved standard sooner.

Do you think early application of the new standard on revenue recognition should be allowed for entities already reporting under IFRS?

Answer DASA:

No, we do not think that early application of the new standard on revenue recognition should be allowed due to the reduced comparability and the expectation that probably only entities that will be able to report higher revenue will early adopt.

Questions to constituents regarding other concerns

Do you share the concern expressed by some in relation to the boundaries of a contract (see paragraphs 52 to 54 above)?

Answer DASB:

We are not aware of any examples in practice regarding the boundaries of a contract.

Do you have additional concerns in relation to the clarity of the requirements and to whether the proposed requirements can be applied in a way that effectively communicates to users of financial statements the economic substance of an entity's contracts with customers? If so, could you describe in details the issue and the reason for your concern?

Answer DASB:

We believe that some principles, even when considering the respective guidance, are unclear in how to apply in practice. In particular the principles and guidance regarding price allocation and onerous performance obligation. In our opinion, any standard should be based on principles that are crystal clear and - where this is not the case - any vagueness of a principle should not be compensated by additional guidance.

**Appendix B:
Comment letter IASB**



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Our ref: IASB-418D
Date : Amsterdam, March 8th 2012
Direct dial: Tel.: 003120 3010391
Re : Comment on Exposure Draft Revenue from Contracts with Customers

Dear members of the International Accounting Standards Board,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on the Exposure Draft Revenue from Contracts with Customers issued by the IASB on 14 November 2011 ('ED').

Although, the DASB appreciates the IASB's decision to re-expose the proposals, as said before, we do not support the approach of developing a new standard on revenue recognition without completing the conceptual debate of what revenue should represent. Without a proper understanding of what revenue should represent it is difficult or maybe even impossible to develop a clear model with unambiguous principles for revenue recognition. The present ED underlines this again, unfortunately.

Moreover, without such a conceptual debate we are not convinced of the necessity to develop a new standard on revenue recognition. Although we acknowledge that there are some contradictions in IAS 18 and 11 and that there might be some practical application issues in applying IAS 18 and IAS 11, mainly regarding multiple element accounting, we believe that those issues can be resolved by improving these standards. Therefore, as long as the necessity for a new standard has not been underpinned by a conceptual debate, we believe that efforts at improving accounting for revenue should be directed at improving IAS 18 and IAS 11 themselves. The weakness of IAS 18 and IAS 11 in that revenue recognition may differ depending on the accounting standard applied, is very likely to continue due to the broad

criteria in paragraph 35(b) in the ED. We believe that with slight modifications to agreements with customers, companies can arrange a certain revenue recognition of individually traceable goods.

Therefore we emphasize that our general responses and responses to the specific questions in the ED, as included in appendix A, are solely for the case that the IASB will issue a standard in accordance with the principles of the ED and should not be interpreted as support for a standard with similar content as the ED. EFRAG has issued a draft comment letter with a summary of their main comments. In general we agree with 'EFRAGs' views' and therefore refer to EFRAGs' comment letter and have included EFRAG's comment letter in appendix B.

Of course we would be happy to discuss our reaction with you.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a loop at the bottom left, and a long horizontal stroke extending to the right with a small upward curve at the end.

Hans de Munnik
Chairman Dutch Accounting Standards Board