



BASB Comment Letter to IFRIC Draft Interpretation D20 Customer Loyalty Programmes

The BASB welcomes IFRIC draft Interpretation D20 Customer Loyalty Programmes. The BASB believes that the accounting treatment proposed by IFRIC (§5) will avoid overstatement of recognized revenue and will enhance a true of fair view of an entity financial statements.

The BASB agrees with IFRIC's proposal to apply §13 of IAS 18 and account for Award Credits as a separately identifiable component, dealing with the recognition and measurement of free or discounted goods in a customer loyalty programmes. The BASB nevertheless recommends IFRIC to keep the distinction made in Basis for Conclusions 6. In particular we prefer an accounting treatment that depends on the nature of the Customer Loyalty Programme as explained in the third view in the Basis of the Conclusions.

In short, Award Credits should be recognized as marketing expenses if they are redeemable for goods and services not supplied by the entity in the course of its ordinary activities for which a provision, is to be set up in accordance with IAS 37, for these undelivered services or delivery of goods at the reporting date..

Award credits are regarded as a separate component of the initial sales transaction if they are redeemable for goods or services supplied by the entity in the course of ordinary activities. Income should be recognized when the free or discounted goods or services have been delivered to the customer in accordance with IAS 18 and deferred revenue is to be recognized as part of the accounting of the initial sale when free or other goods are still to be delivered at the reporting date

The BASB recommends IFRIC to explain more in detail §11 of IFRIC D20 regarding the creation of customer relationship intangible assets as this issue is a recurring issue when dealing with customer relationships. BASB is in favour of being able to recognize an intangible asset for this kind of investments in customers. However, more guidance is needed in respect of defining when such costs can be considered as an intangible and on what basis this intangible has to be amortized. BASB believes that when individual large amounts are involved which are directly linked to a specific customer campaign, such an investment is to be treated as an intangible asset. The amortization period is preferably to be defined as the period during which benefits are expected to be earned from this investment. Such an accounting treatment would not be allowed when small individual amounts are involved which can not be linked to a specific customer relationship or campaign.



BELGIAN ACCOUNTING STANDARDS BOARD (CBN-CNC) – COMMENTS

Regarding the effective date and transition of IFRIC D20, the BASB recommends to PERMIT **earlier** application and **retrospective** application if practicable and the transition method used to be explained in the disclosures.