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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. It does not represent an official position of the IFRIC. IFRIC positions are set out in Interpretations.

Note: These notes are based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: January 2006, London

Project: Customer Loyalty Cards/Programmes (Agenda Paper 8)

1. At its November session, the IFRIC required the staff to draw up a draft Interpretation on loyalty cards/programmes.
2. The IFRIC identified two main issues with regard to loyalty cards/programmes:
 - identify circumstances which determine when to apply paragraph 13 or paragraph 19 of IAS 18, and
 - when paragraph 13 is to be applied, determine how to measure the amount of revenue which is to be postponed.
3. In the current proposal, the staff has:
 - made the minor drafting comments that were requested by the IFRIC on the sections of the Interpretation dealing with the background, the scope and the identified issues,
 - drawn up the basis for conclusions according to the discussions at former meetings, and
 - proposed tentative solutions to the two issues the Interpretation deals with:

- on the issue of when to apply paragraphs 13 or 19, it is proposed that loyalty cards/programs should be considered as multiple sales arrangements and give rise to deferral of revenue. Only when the proposed goods or services are outside the scope of the activity of the company is it proposed that paragraph 19 be applied. In this case, the free or discounted goods or services provided as rewards for participation in the loyalty plan do not contribute at all to the revenue of the company in the normal course of its business. They should not contribute either to its deferral. In such instances, the goods and services granted as part as the programme have to be considered as sales incentives and be accounted for as such;
 - on the issue of measurement, the staff has provided guidance on the fair value of the goods or services, notably by identifying current practices that would not be allowed any more under the proposed Interpretation.
4. As the latter two points have not been discussed by the IFRIC yet, it is proposed that the discussion of the January session focuses on these issues.