

AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

Singapore 11-12 January 2012

Agenda ref 3C-appendix 4

Correspondence with EFRAG: Revenue Recognition and Hedge Accounting

The IFRS Foundation promotes the adoption of IFRSs and is the oversight body of the IASB

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International Accounting Standards Board
Attn. Hans Hoogervorst
30 Cannon Street
London EC4M 6XH
United Kingdom

Brussels, 15 December 2011

Dear Hans,

Re: Comment period on the Exposure Draft *Revenue from Contracts with Customers* and Review Draft on *General Hedge Accounting*

On behalf of the European Reporting Advisory Group (EFRAG), I am writing to request that the comment period on the Exposure Draft *Revenue from Contracts with Customers* (the ED) be extended by 60 days and that the comment period on the Review Draft on *General Hedge Accounting* is set such that constituents have three months – outside their year-end closing period – to respond to you and to participate in a field-test.

Comment deadline on IASB exposure draft Revenue from Contracts with Customers

EFRAG supports your decision to re-expose the proposals on revenue recognition because of the importance of the revenue number in the financial reporting of all entities and the need to avoid any unintended consequences arising from the final standard.

EFRAG has initiated a European field-test of the proposals to assist the IASB in the development of the revenue recognition standard and to identify the consequences of the proposals. This field-test is carried out in co-operation with European National Standard Setters and in co-ordination with IASB staff.

At the time the field-test was launched, the expectation was that the ED would be issued in September 2011, which would have given entities four months to participate in the field-test and to submit their comment letters to the IASB. However, with the ED published in November 2011, the comment period overlaps with constituents' year-end financial closing and the preparation of their annual financial reports. As a result of these competing priorities many constituents are unable to dedicate much time to understanding the ED and assess the impact of the proposals in the opening two months of 2012. The effective comment period is therefore drastically reduced.

This short effective comment period has the potential to adversely affect the quality of the input obtained through the field-test and the overall rate of participation in the field-test and subsequent workshops. EFRAG is therefore concerned that the IASB would not meet its (and EFRAG's) objective of avoiding unintended consequences arising from the final standard.

For these reasons, EFRAG believes that the comment period should be extended by 60 days in order to facilitate participation in field-tests and commenting activities for all companies for the benefit of the resulting standard.

Comment period on the IASB review draft on general hedge accounting

The forthcoming review draft on general hedge accounting is expected to be published in the coming month. As EFRAG is considering to organise a field-test that considers the operationality of those proposals, we would like to request the IASB to set the comment period such that constituents have three months – outside their year-end closing period – to respond to you and to participate in a field-test.

If you wish to discuss this issue further, please do not hesitate to contact Rasmus Sommer or me.

Yours sincerely,

Françoise Flores

EFRAG, Chairman

Cc: Leslie F. Seidman, Chairman, FASB

Ms. Françoise Flores
EFRAG Chairman
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22 December 2011

Dear Françoise

Thank you for your letter of 15 December 2011 requesting an extension of the comment period for the revised exposure draft *Revenue from Contracts with Customers* and an extended period for the fatal flaw review of the additions to IFRS 9 for *Hedge Accounting*.

Revenue recognition

After discussing your request with my fellow Board members and with members of the Financial Accounting Standards Board (FASB), I remain of the view that the boards' joint decision to expose the revised revenue proposals for a period of 120 days is appropriate.

When the boards originally completed their redeliberations in June 2011, they noted that their decisions had not resulted in fundamental changes to the proposals that were initially exposed in June 2010. Nevertheless, the boards decided to re-expose their proposals because of the importance of the revenue number to financial reporting. In reaching that decision, the boards did not intend to 're-open' all of their proposals for further comment. Instead, the focus of the re-exposure is to seek confirmation that the drafting of the proposals is clear, complete and does not cause unintended consequences, as well as to seek feedback on some specific revisions to the proposals. The FASB originally considered a 60-day comment period, but agreed to the longer period at our request. The exposure draft has only six questions, reflecting the focus of the review.

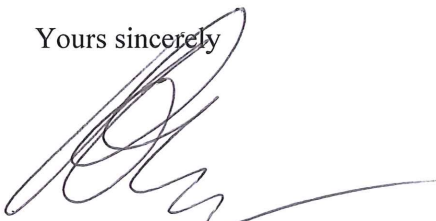
In the light of the objectives for the re-exposure, I remain convinced that a 120-day comment period is sufficient to allow our constituents to provide us with high quality input on our proposals. The exposure draft should contain few surprises. In addition, EFRAG staff have had access to our fatal flaw review drafts and Basis for Conclusions since about August of this year, which should have helped you to plan for any field testing.

As with any project, it will take time to go through all of the comment letters we receive. We would not reject a comment letter from EFRAG if it arrived after 13 March, provided that we receive it in time for it to be included in our redeliberations.

Hedge accounting

As you note, we are making a pre-ballot draft of the hedge accounting amendments to IFRS 9 available on our website early in 2012. You have requested that we set a 'comment period' of three months 'outside their year-end closing period'. Because this is an extended, and public, fatal flaw review, there will not be a set comment period. However, we have stated that the draft would be available for at least 90 days. Our previously stated plans seem to be broadly consistent with your request.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Hans Hoogervorst

IASB Chairman