

17 May 2011

Sir David Tweedie
Chairman
The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear David

Revenue Recognition project

As part of its regular monitoring of major IASB projects the Financial Reporting Standards Board (FRSB) has identified two related issues regarding recent tentative decisions on the revenue recognition project that it would like to comment on. Both issues relate to impairment losses on contracts with customers. We regard the revenue recognition project as a critical project and believe that the final standard will benefit from careful analysis of these issues.

In March the Boards tentatively decided that “The entity should recognise an allowance for any expected impairment loss on contracts with customers. The corresponding amount in profit and loss should be presented as a separate line item adjacent to revenue ie as contra revenue” (as reported in the Update on the IASB / FASB Revenue Recognition Project, 29 March, 2011).

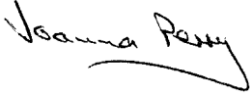
We disagree with this tentative decision. We see no reason to treat impairment losses on revenue receivables differently to impairment losses on other receivables. We consider that an impairment loss (or a subsequent change to an allowance for impairment) arising on contracts with customers is an expense and should be separately presented as an expense in the statement of comprehensive income. We note that the Boards intend to discuss the interaction between the revenue and impairment models in future meetings and encourage you to reconsider this matter.

Revenue receivable from contracts with customers would appear to fall within the scope of the proposed Revenue standard as well as IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*. The treatment of receivables under the existing standards is not the same as that being proposed in the revenue project. This issue will need to be addressed prior to the Standard being finalised.

The FRSB considers that the Boards’ recent tentative decisions on this project have resulted in quite different proposals to those that were exposed in June 2010. We strongly encourage the IASB to re-expose its revised proposals.

If you have any queries or require clarification of any matters in this letter, please contact me or Joanne Scott (joanne.scott@nzica.com).

Yours sincerely

A handwritten signature in black ink that reads "Joanna Perry". The signature is written in a cursive style with a long, sweeping underline.

Joanna Perry
Chairman – Financial Reporting Standards Board
Email: joannaperry@xtra.co.nz

New Zealand Institute of Chartered Accountants
P: +64-4-474 7840, F: +64-4-499 8033
Tower Building, 50 Customhouse Quay
PO Box 11342, Wellington 6142, New Zealand