25 April 2012
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam,

Re: Revenue from Contracts with Customers

On behalf of the Polish Accounting Standards Committee (ASC), I am writing to comment on the revised exposure draft, *Revenue from Contracts with Customers* issued by the IASB on 14 November 2011 (the „ED").

The ASC welcomes the decision to re-open the common IASB and FASB project on Revenue which explains the principles of revenue recognition and lays down the model of revenue recognition based on a separate contract. We note that several significant changes to the original proposal from 2010 have been made which can be implemented in practice without major difficulties.

However, the introduced changes did not remove the major concern regarding the concept of control, the transfer of which constitutes the main principle underpinning the revenue recognition model. This concept of control and its transfer is not precise in particular in relation to the service contracts. Similar concern can be raised in relation to the core of the meaning of "revenue". Is seems necessary to clarify these doubts on the basis of the Conceptual Framework of financial reporting.

Question 1
Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognises revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

The ASC agrees with the proposed requirements.

Question 2
Paragraphs 68 and 69 state that an entity would apply IFRS 9 (or IAS 39, if the entity has not yet adopted IFRS 9) or ASC Topic 310 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

The ASC does not support the proposal. In our opinion the standard on revenue should encompass the requirements concerning value adjustments relating to trade receivables and contract assets which are in line with the principles laid down in IFRS 9 but at the same time are easier to apply. Moreover the value adjustments concerning assets should

not be considered as adjusting (making more real) the amount of income due to the following reasons:

a) **influencing the inflow of receivables does not result from the entity's performance in the area of sales development; instead it reflects the entity's effectiveness in collecting receivables;**

b) **the initial value adjustment relating to receivables may be subject to subsequent changes determining accordingly the static amount of receivables for the balance sheet. Amounts of uncollectible receivables in a given period do not have to be and often are not connected with the revenue made in the same period. Therefore it does not seem reasonable that the information about amounts of uncollectible receivables is integrated with the information on revenue made in a given period. It does not mean that this information cannot be presented in a separate line item in the profit or loss account.**

Question 3

Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognises to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognise for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

The ASC agrees with the proposed requirements.

Question 4

For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognise a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

The ASC does not support this proposal. In our view the onerous test should be carried out not on the performance obligation level but on the contract level. The onerous test should concern all contracts with customers with a presumptive exemption of contracts whose commencement and completion takes place in the same reporting period.

Question 5

The boards propose to amend IAS 34 and ASC Topic 270 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial reports. The disclosures that would be required (if material) are:

(a) The disaggregation of revenue (paragraphs 114 and 115);

(b) A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117);

(c) An analysis of the entity's remaining performance obligations (paragraphs 119–121);

(d) Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123);

(e) A tabular reconciliation of the movements of the assets recognised from the costs to obtain or fulfil a contract with a customer (paragraph 128).

Do you agree that an entity should be required to provide each of those disclosures in its interim financial reports? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial reports.

The ASC does not agree with the presented proposal. The Committee is concerned that the requirements to disclose each item of information described in points (a) to (d) are not justified in the light of the scope of requirements laid down in IAS 34. IAS 34 requires that the entity includes in its interim financial report the explanation of the events and transactions, which are material for the understanding of the changes in the financial position and entity's performance, which have taken place since the end of the last annual reporting period. Information disclosed about these events and transactions is an update of respective financial information presented in the last annual financial statement. Paragraph 15B of IAS 34 contains a list of 13 events and transactions, which should be mandatorily disclosed if they are material. This is not a closed list. Paragraph 16A contains a list of other disclosures. Requirements laid down in IAS 34 relating to disclosures in the interim financial report seem to sufficiently respond to the information needs of the users of financial statements at the same time maintaining the balance between the preparers' cost and users' benefits.

Question 6

For the transfer of a non-financial asset that is not an output of an entity's ordinary activities (for example, property, plant and equipment within the scope of IAS 16 or IAS 40, or ASC Topic 360), the boards propose amending other standards to require that an entity apply (a) the proposed requirements on control to determine when to derecognise the asset, and (b) the proposed measurement requirements to determine the amount of gain or loss to recognise upon derecognition of the asset. Do you agree that an entity should apply the

proposed control and measurement requirements to account for the transfer of non-financial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

The ASC agrees with the proposed requirements. This proposal is consistent with the current IAS approach.

Kind regards,

Joanna Dadacz

Chair of the Polish ASC