



Australian Government
Australian Accounting
Standards Board

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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans

Effective date and early application of the new Revenue Standard

I am writing to express strong concern about the IASB's tentative decisions in February 2013 to:

- (a) defer the effective date of the new Revenue Standard until annual reporting periods beginning on or after 1 January 2017; and
- (b) prohibit early application of that new Standard.

Given that the new Revenue Standard would represent an improvement in financial reporting, it is unacceptable for entities to have to wait, in our case, till 30 June 2018 to make those improvements. Adopting the new Revenue Standard would seem unlikely to involve implementation challenges that would warrant depriving users of more relevant information for so long. Although constituents in some industries argue they need the longer period, the AASB is not convinced of this. The changes have been signalled for a considerable period by the IASB through its due process to date.

The tentative decision to prohibit early application of the new Revenue Standard represents a fundamental departure from the general approach to early application in IFRSs and creates a worrying precedent for future Standards. The general approach of IFRSs permitting early application reflects a principle that, in view of new/revised Standards representing an improvement in financial reporting, the improved information should be available to users as soon as possible.

Permitting early application of Standards has served the IASB well. It has facilitated adoption of Standards in an assimilated way, with earlier adopters identifying issues and their advisers sharing with others lessons learned in the process of adoption.

The AASB is not troubled by the potential for a lack of comparability during transition periods, and sees transitional arrangements as a strategic approach to bringing about needed improvements in financial reporting. Undue emphasis on comparability would stymie improvements in financial reporting. If IASB members are concerned about a potential lack of comparability during the long transition period for the Revenue Standard, that concern could be ameliorated by specifying an earlier effective date.

The AASB observes that a potential lack of comparability would seem likely with other future Standards that potentially create far greater transition challenges for preparers and thus seem likely to receive at least as long a transition period (e.g., Insurance Contracts). That is, prohibiting early application of the new Revenue Standard would suggest a policy shift for IFRSs generally – one the AASB would not support – which should only be made after conducting a thorough due process.

The above-mentioned tentative decisions of the IASB would exacerbate difficulties for jurisdictions with concerns about IFRIC 15 *Agreements for the Construction of Real Estate* – concerns that have already delayed full adoption of IFRSs in some jurisdictions within Asia-Oceania. Those tentative decisions would also create a serious problem for Australia, where the first annual reporting period beginning on or after 1 January 2017 would end on 30 June 2018 – more than five years from today. The AASB wishes to urgently replace its extant Standard on revenue of not-for-profit entities (AASB 1004 *Contributions*) with a Standard for not-for-profit entities that incorporates the new IFRS on Revenue and adds guidance on applying the IFRS in a not-for-profit entity context. It would be difficult for the AASB to justify permitting early application of the Revenue Standard for not-for-profit entities only.

In relation to permitting early application of the new Revenue Standard, we support and commend the IASB staff's analysis and recommendation in Agenda Paper 7A for the IASB's March 2013 meeting entitled *Revenue Recognition: Early application of the revenue standard*.

For these reasons, we urge the IASB to reverse its tentative decisions regarding the effective date and early application of the new Revenue Standard.

If you have any questions regarding this letter, please do not hesitate to contact Jim Paul (jpaul@asb.gov.au) or myself.

Yours sincerely,

A handwritten signature in black ink, reading "K.M. Stevenson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kevin M. Stevenson
Chairman and CEO