



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	13 October 2010
<b>From:</b>	<b>Jessica Lion</b>	<b>Agenda Item:</b>	3.1
<b>Subject:</b>	<b>ED/2010/6 <i>Revenue from Contracts with Customers</i></b>	<b>File:</b>	

## Action

Discuss and provide comments on the draft AASB submission in relation to the IASB Exposure Draft *Revenue from Contracts with Customer* with a view to finalising the AASB submission, and provide feedback to staff on the issues raised in this memo.

## Background

Comments to the IASB on ED/2010/6 are due on 22 October. However, due to the significance of these proposals, AASB staff requested an extension from the IASB to 29 October, to allow the Board to review and discuss the attached comment letter one final time.

### *Sub-committee review*

The attached comment letter has been reviewed by AASB sub-committee members. During this review staff received mixed feedback on the response to Question 11, and hence staff would like feedback from the Board on this question specifically.

Another area where staff received mixed feedback from the sub-committee is in terms of applying the notion of credit risk and failed sales to a single contract (assuming that these proposals proceed as currently drafted). For example, if the level of bad debts or latent defects within an entity is generally 10%, should this 10% be applied to the estimation of credit risk or selling a defective good when measuring revenue for a single contract. Some members felt that it is clear that this should be the case and hence there is no issue. Staff have therefore removed comments from the comment letter, that stated that unit of account is an issue.

## *Other issues*

One issue staff have not included in the comment letter, but which has been consistently raised, is the poor quality of these proposals generally. This is in terms of how these proposals have been expressed (many constituents have taken a lot of time to try and understand these proposals as the principles are unclear, only to be told in IASB forums that they have misunderstood the proposals), and the structure and language of the proposals. Staff would like feedback as to whether such a comment should be included in our comment letter.

## *Comment letters received on ED 198 Revenue from Contracts with Customers*

The AASB has received several comment letters from constituents. Staff had previously held meetings with many of these constituents, and hence their comments should already be reflected in the comment letter. Due to the late arrival of many of these letters, no compilation of these responses has been performed, but staff will raise at the meeting any significant issues included in these submissions, that they think have not been adequately dealt with in the attached comment letter.

## **Attachments**

Agenda Paper 3.2 – AASB Draft submission to IASB for ED/2010/6

Agenda Papers 3.3 – Submissions received by the AASB in response to ED 198