

31 March 2008

The Project Manager
International Financial Reporting Interpretations Committee
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Via 'Open to Comment' page: www.iasb.org

Dear Sir / Madam

IFRIC Draft Interpretation D24 *Customer Contributions*

Thank you for the opportunity to comment on IFRIC Draft Interpretation D24 *Customer Contributions* (proposed Interpretation). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) are professional membership bodies representing professional accountants in Australia. We represent over 160,000 members who work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

CPA Australia and the Institute have jointly considered the proposed Interpretation. We do not support the proposed Interpretation with its focus on requiring like accounting for all customer contributions within its scope, regardless of differences in substance.

CPA Australia and the Institute consider it important that like customer contributions are subject to like accounting treatment. Further, we understand there exists an unacceptable level of diversity in the accounting treatment of like customer contributions. Were the proposed Interpretation established on the principle of "like customer contributions, like accounting treatment", in principle, we would support it. However, we understand the proposed Interpretation is requiring like accounting for all customer contributions within its scope. We consider this focus on the form of the transaction is not appropriate. Instead, we consider that the focus should be on the substance of the transaction – an approach that would be consistent with like customer contributions receiving like accounting treatment.

CPA Australia and the Institute note that paragraphs 6 & 7 of AASB Interpretation 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network* require the recipient of the contributions to recognise the contribution as revenue when the recipient extends or modifies the network consistent with the terms of the contribution. We note that this accounting treatment appears to be different from that which would be required by proposed Interpretation. Paragraph 17 of Interpretation 1017 states "The recipient entity also recognises a liability until the network is extended or modified as required, since the entity will have to return the contributed assets to the developer or customer to the extent that the required extension or modification is not completed." In contrast, the proposed Interpretation would seem to require the recognition of revenue to be deferred to a later time, being, "...the period over which the entity has an obligation to continue to provide access to a supply of goods or services using the contributed asset." (paragraph 16). Interpretation 1017 contains no linkage of the revenue recognition to the period of access, since the nature of a price regulated network is such that the entities receiving such contributions are prohibited from applying differential pricing policies to customers/developers who have made a contribution to obtain access to the network.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au

CPA Australia and the Institute consider the proposed Interpretation is sometimes inappropriately co-mingling the customer contribution transaction with another transaction, that is, the on-going payment required for continuing access to the supply of goods or services. We do not think the approach of the proposed Interpretation will always be consistent with enabling the entity to report the substance of the customer contribution transaction. Accordingly, we think it would be useful for the proposed Interpretation to include indicators to enable an entity to determine the timing for which a contributed resource would qualify for revenue recognition.

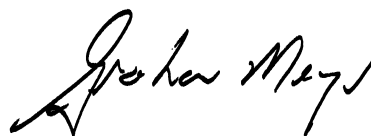
Some of our members have indicated to us that the diversity in accounting treatment extends to other types of customer contributions (ie. customer contributions outside of the scope of the proposed Interpretation). Those members have suggested to us that the scope of the proposed Interpretation be broadened so that it would apply to the connection fee to access services to a network (eg. internet services) and the upfront joining fee to a mutual entity. We encourage the IFRIC to consider broadening the scope of the proposed Interpretation.

If you have any queries on our comments, please contact Dr Mark Shying, CPA Australia's Financial Reporting and Governance Senior Policy Adviser via email at mark.shying@cpaaustralia.com.au or Kerry Hicks, the Institute's Head of Reporting via email at kerry.hicks@charteredaccountants.com.au.

Yours sincerely



Geoff Rankin
Chief Executive Officer
CPA Australia Ltd
Australia



Graham Meyer
Chief Executive Officer
The Institute of Chartered Accountants in

cc: M Shying
K Hicks

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au