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Direct dial : Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302
Date : Amsterdam, 3 June 2009
Re : Comment on Draft Comment letter on Discussion Paper "Preliminary views on Revenue Recognition in Contracts with Customers"

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your draft comment letter on IASB's Exposure Draft 10 Consolidated Financial Statements.

On the whole, we concur with the contents of your draft comment letter, except we have some hesitations on the issue of day-one-revenue. Also we explicitly concur with the model of revenue recognition as described in appendix 2 of your draft comment letter. In our comment letter to the IASB we will state that overall we share the points of view and remarks of EFRAG as described in your draft comment letter, indicating our hesitations on the issue of day-one-revenue.

Concerning this issue in general we are not convinced that measurement of the performance obligations in contracts with customers at the initial transaction price will always lead to economic relevant information. Although with hesitation we nevertheless believe that in some situations at contract inception an asset is likely to exist and therefore revenue could be recognized. This is because there could be situations in which entering into a contract can lead to a revenue because concluding the contract can be considered as an activity. Based on the assets / liability approach it can be argued that, when certain conditions are met, entering into a contract leads to a contract asset that is higher than the remaining performance obligations. Therefore in principal we support the exit price approach for the reasons set out in paragraphs 5.15 and 5.16 of the DP. This approach typically can be appropriate when concluding the contract is the most substantive part of the transaction(costs) and/or the costs of fulfillment of the performance obligations are rather insignificant. So day-one-revenue might be appropriate in cases where the transaction price is substantively higher than the fair value / exit price of the performance obligations.

Therefore we believe that in those situations revenue could be recognized.

Initial measurement of the performance obligations should not be at transaction price, but at fair value / exit price. This also could solve the mismatch that may occur when direct selling costs (such as commissions paid to a third party for obtaining a contract) are recognized as expenses as incurred, which may not be in the same period as that in which the related revenue is recognized.

We understand the concerns of the board with an approach that allows recognition at contract inception as stated in DP 5.17 onward (uncomfortability with the pattern of revenue recognition, complexity and risk of error). Our hesitation for measurement at fair value / exit price mainly is because we are not sure whether this value can be measured reliably. For this reason we believe that before any revenue could be recognized at contract inception, an entity clearly should be able to demonstrate that:

- the fair value / exit price of the performance obligations is substantively lower than the transaction price; and
- the fair value / exit price can be measured reliably.

Therefore we propose to consider a rebuttable assumption of initial measurement at transaction price. A standard should contain sufficient and well described guidance on how to measure the fair value / exit price reliably.

Of course we would be happy to discuss our reaction with you.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

Hans de Munnik
Chairman Dutch Accounting Standards Board