

D20 Comment Letters
International Accounting Standards
Board
30 Cannon Street, London EC4M 6XH,
United Kingdom
commentletters@iasb.org

6 November 2006

22.7/1/1

Dear Sir,

RE: IFRIC D20 CUSTOMER LOYALTY PROGRAMMES

In response to your consultation on the above referenced draft interpretation, UNICE would like to offer the following remarks.

UNICE supports IFRIC's initiative to issue an interpretation on how to account for customer loyalty programmes. These programmes are widespread and there are different analyses being made of transactions having similar economic impact, as described in the draft basis for conclusions. However we have several concerns on the consensus reached by IFRIC.

Our first concern lies in the loose definition of the scope of the interpretation. In our view customer loyalty programmes should be more closely defined in order to avoid that the interpretation be regarded as encompassing all types of multiple deliverable sale transactions. Indeed credits being granted at the time of the initial sale to be potentially redeemed later may be read as being a description of form. Customer loyalty programmes feature public offers, part of the entity's pricing policy, which are made available to any customer who buys from the entity. This particular feature should, in our view, help to restrict the scope of the interpretation.

We also believe that goods and services which may be delivered at the time award credits are redeemed and that are not marketable separately should and not be seen as deliverables and therefore be scoped out.

We however do not fully support IFRIC's consensus on how customer loyalty programmes should be accounted for. UNICE believes that **revenue should be recognised only when goods and services which belong to the core activities of the entity are being provided**. For example, airline companies sell flight tickets, and not pieces of luggage. Revenue remains a useful indicator for users of financial statements if it is meant to reflect sales volumes which are sensitive to the economic parameters of the sector(s) in which the entity operates. We therefore support the third alternative described in BC6. We note that the IFRIC has not included in its basis for conclusions any argument for rejecting this third view. From our perspective, this third