**INVITATION TO COMMENT ON THE COSTS AND BENEFITS OF IFRIC 13 *Customer Loyalty Programmes***

**Comments should be sent to** **commentletter@efrag.org** **or uploaded onto the EFRAG website at** [**www.efrag.org**](http://www.efrag.org) **by 14 April 2008**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the endorsement of IFRIC 13 *Customer Loyalty Programmes* (IFRIC 13). In order to do that, EFRAG has been carrying out a technical assessment of IFRIC 13 against the criteria for endorsement set out in Regulation (EC) No 1606/2002 and is now carrying out a separate assessment of the costs and benefits that would arise from its implementation in the EU.

A brief summary of IFRIC 13 is set out in Appendix 1.

Although EFRAG has not yet finalised its technical assessment of IFRIC 13, its near-final conclusion is that IFRIC 13 is not contrary to the true and fair principle and that it meets the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning in reaching this near-final view is explained in Appendix 2.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record unless the respondent requests confidentiality. EFRAG is a transparent organisation and will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1. Please provide the following details about yourself:
2. Your name or, if you are responding on behalf of an organisation or company, its name:

*Accounting Standards Board (UK)*

1. Are you/Is your organisation or company a:

□ Preparer □ User *X* Other (please specify) *Standard-setter*

1. Please provide a short description of your activity/ the general activity of your organisation or company:

 *The main role of the ASB is to issue accounting standards. The ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB) both in order to influence the development of international standards and in order to ensure that its standards are developed with due regard to international developments.*

1. Country where you/your organisation or company is located:

*United Kingdom*

1. Contact details including e-mail address:

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*Technical Director*

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*E-mail :* *d.loweth@frc-asb.org.uk*

1. EFRAG is carrying out an assessment of the costs and benefits that will arise for preparers and for users to implement IFRIC 13, both in year one and in subsequent years. Some initial work has been carried out and the need for further consultation with individual entities has been identified. The results of the initial assessment are set out in Appendix 3. To summarise,

EFRAG believes that IFRIC 13 will involve preparers and users in incurring different levels of cost depending upon how closely entities’ current approach is to that required by IFRIC 13. EFRAG believes, in particular, that the adoption of IFRIC 13 will:

1. involve all preparers incurring some year-one costs—in order to read, understand and implement the new requirements retrospectively—but those costs will be not be significant except as described at (b) below (Appendix 3 paragraphs 2 to 6);
2. involve some of those preparers that currently use the cost-provisioning approach incurring significant costs to modify or create appropriate systems in year one (Appendix 3 paragraph 5);
3. involve many preparers incurring incremental ongoing costs, although those costs will not be significant (Appendix 3 paragraph 7); and
4. involve users incurring only insignificant incremental year-one, and no incremental ongoing, costs (Appendix 3 paragraph 8).

Do you agree with this assessment?

**Yes** ~~No~~

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be (ie a description of the type(s) of cost involved, and an indication of what you estimate the costs to be). Please also tell us the turnover of your company to enable to give us a basis for judging the significance of the costs.

It has been suggested that the adoption of IFRIC 13 will require companies who currently apply the cost-provisioning approach to accounting for award credits to adjust their key performance indicators to reflect the IFRIC 13 approach.

Do you believe that this will result in significant incremental costs for your company?

Yes No **N/A**

If you do, please explain broadly what you believe the costs involved will be. Please include figures for your estimate of the costs, and also the turnover of your company to give us a basis for judging the significance of the costs.

1. EFRAG believes (as explained in Appendix 3 paragraph 9) that, when the overall position of preparers and users is taken into account, the benefits that will arise from implementing IFRIC 13 will exceed the costs involved.

Do you agree with this assessment?

**Yes** ~~No~~

If you do not, please explain why you do not and what you think the implications should be for EFRAG’s endorsement advice?

1. EFRAG is not aware of any factors other than those mentioned in appendices 2 and 3 that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRIC 13.

Do you agree that there are no other factors?

**Yes** ~~No~~

If you do not, please explain why you do not and what you think the implications should be for EFRAG’s endorsement advice?

1. EFRAG’s near-final technical assessment of IFRIC 13 is that it is not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning in reaching this near-final view is set out in Appendix 2.

Do you agree with this assessment?

**Yes** ~~No~~

If you do not agree, it is presumably because you have a significant concern about IFRIC 13 when judged against the technical criteria. Please would you explain what that concern is, why you have it now (at this late stage in the process) but did not have it earlier, and what you think the implications should be for EFRAG’s endorsement advice.