



REDOVISNINGSRÅDET

D20 Comment Letters
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Re: IFRIC Draft Interpretation D20 Customer Loyalty Programmes

Dear Sir/Madam,

The Swedish Emerging Issues Task Force would like to submit the following comments on the Draft Interpretation, D20 Customer Loyalty Programmes.

The issues addressed in this [draft] Interpretation are:

- (a) whether the entity's obligation to provide free or discounted goods or services should be recognised and measured by (i) allocating some of the consideration received or receivable from the initial sales transaction to the award credits and deferring the recognition of revenue (i.e. applying paragraph 13 of IAS 18), or (ii) providing for the estimated future costs of supplying the goods or services (applying paragraph 19 of IAS 18); and
- (b) if consideration is allocated to the award credits, how much should be allocated to them, and when it should be recognised as revenue.

IAS 18, para 13, explains that a single transaction may contain separately identifiable components. When this is the case each component should be recognized in order to reflect the substance of the transaction. According to IFRIC customer loyalty programmes are an example of such a component, the fair value of which can be determined with sufficient reliability to be recognized separately.

We agree that there are presently two methods to account for these programmes. One method is to recognize an expense at the time of the initial sale in accordance with IAS 37 and IAS 18 para 19. The other method would be to allocate some of the consideration received from the customer to the awards credits and recognise a liability that would be recognised as revenue based on to the pattern in which the credits are redeemed.



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IASB and FASB have an ongoing project addressing revenue recognition. It may well be that a standard based on the present thinking of the Boards will require a separate recognition of more components than is presently the case. The outcome of the revenue recognition project is, however, still uncertain.

Until the IASB and FASB have made a deeper study of this and other similar accounting issues we believe that an entity's obligation to provide free or discounted goods or services under customer loyalty programmes should be recognized as an expense at the time of the initial sale and measured in accordance with IAS 37 (i.e. cost/provision approach under IAS 18 para 19). Our view is based on that we are not yet convinced that credits awarded by an entity under a customer loyalty programme are separately identifiable components of revenue that can be measured reliably. Consequently, we are looking forward to how IASB and FASB will address this and similar issues in the revenue recognition project.

Stockholm 10 November 2006

THE SWEDISH EMERGING ISSUES TASK FORCE

Dennis Svensson
Managing director