



## **Revenue from Contracts with Customers January 2012**

**COMMENTS TO THE IASB AND THE AcSB  
MUST BE RECEIVED BY  
MARCH 13, 2012**

This Exposure Draft of proposed International Financial Reporting Standards reflects proposals made by the IASB that the AcSB intends to adopt as Canadian generally accepted accounting principles.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs, and if they express disagreement with the Exposure Draft, they clearly explain the problem and include a suggested alternative supported by specific reasoning. All comments received by the AcSB will be available on the web site shortly after the comment deadline. The request for confidentiality must be stated explicitly within the response.

**To be considered, comments to the AcSB must be received by March 13, 2012, addressed to:**

**Peter Martin, CA  
Director, Accounting Standards  
Accounting Standards Board  
277 Wellington Street West  
Toronto, Ontario M5V 3H2**

A PDF [response form](#) has been posted with this document to assist you in submitting your comments to the AcSB. Alternatively, you may send comments by e-mail (in Word format), to: [ed.accounting@cica.ca](mailto:ed.accounting@cica.ca)

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## Highlights

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to incorporate into Part I of the CICA Handbook – Accounting a new standard, “Revenue from Contracts with Customers.”

### IASB Exposure Draft

The International Accounting Standards Board (IASB) recently issued an Exposure Draft, “[Revenue from Contracts with Customers](#),” that is available on the IASB website at [www.ifrs.org](http://www.ifrs.org). The IASB intends to replace IAS 11 *Construction Contracts* and IAS 18 *Revenue* with a new IFRS. The IASB’s Exposure Draft includes several illustrative examples and a Basis for Conclusions that are not part of this Exposure Draft but may provide useful information to stakeholders. The IASB has also published a “Snapshot” [summary](#) of its proposals, presented a [webcast](#) and hosted a [podcast](#) on this topic.

### Summary and effect analysis

Applying the proposals in the Exposure Draft would improve the comparability of reported revenue for entities in many industries. The timing of revenue recognized from contracts with a number of discrete performance obligations (multiple-element arrangements) and long-term construction contracts may change from current practice. The criteria for identifying performance obligations differ from those used to identify separate elements in existing standards, but the proposals would result in the treatment of construction projects as a single performance obligation satisfied over the construction period. Unlike the 2010 proposal, the amount of revenue recognized would not be adjusted for any expected credit losses; credit losses would be deducted from revenue on a separate line directly below revenue. Accounting for warranties is not expected to change from current practices. The proposed standard would require an entity to evaluate whether the costs to complete a performance obligation that is to be satisfied over time exceed the remaining revenue expected and recognize a loss when such a contract becomes onerous. Many entities would be required to provide more extensive disclosures than required by existing standards and the proposed standard prescribes interim as well as annual disclosures.

### Comments requested

The AcSB encourages Canadian stakeholders to respond to the IASB on its Exposure Draft. Specific questions on which the IASB would like input are provided in the Invitation to Comment in its Exposure Draft. The AcSB requests that comment letters be sent directly to the IASB with a copy to the AcSB.

The AcSB would like input from Canadian respondents on the following additional question regarding the proposed new standard.

The proposed standard has been developed by the IASB for application by entities around the world. Assuming the Exposure Draft proposals are approved by the IASB, do you believe that there are aspects of the proposed standard that make some or all of it inappropriate for Canadian entities, even though it is appropriate for entities in the rest of the world? If so, please specify which aspects and what circumstances make the accounting requirements proposed in the Exposure Draft inappropriate for Canadian entities.

Responses to this additional question should be sent directly to the AcSB.

For your convenience, a PDF response form has been posted with this document that can be downloaded [here](#). You can save the form, both during and after its completion, for future reference. Alternatively, written comments may be submitted by e-mail (Word format preferred) to: [ed.accounting@cica.ca](mailto:ed.accounting@cica.ca).

The deadline for responding to the IASB on its Exposure Draft is March 13, 2012. Responses to the AcSB on the additional question set out above are due on the same date.