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15 February 2012

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Hong Kong Institute of Certified Public Accountants,
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Dear Mr Ong,

**Invitation to comment on IASB Exposure Draft
(ED/2011/6) – Revenue from Contracts with Customers**

Thank you for your letter of 15 December 2011 inviting the Audit Commission to comment on the captioned subject.

We appreciate the efforts made by the International Accounting Standards Board and the US Financial Accounting Standards Board to develop a common revenue standard for International Financial Reporting Standards and US generally accepted accounting principles. This is an important step towards achieving the goal of developing a single set of high-quality global accounting standards.

Specifically, we agree with the proposals that:

- (a) an entity transfers control of a good or service over time and, hence, satisfies a performance obligation and recognises revenue over time if at least one of the two criteria stated in paragraph 35 (a) and (b) of the Exposure Draft is met;
- (b) revenue should be measured at the amount to which the entity expects to be entitled and that concerns about collectibility should be addressed by requiring that:
 - (i) the contract with a customer should have commercial substance; and
 - (ii) any impairment losses should be presented as a separate line item adjacent to the revenue line;
- (c) if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognises to date should not exceed the amount to which the entity is reasonably assured to be entitled; and

- (d) for a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, the entity should recognise a liability and a corresponding expense if the performance obligation is onerous.

Yours sincerely,



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for Director of Audit