



**15 September 2006**

**To: Members of the Hong Kong Institute of CPAs  
All other interested parties**

**INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE  
(IFRIC) DRAFT INTERPRETATION D20 CUSTOMER LOYALTY PROGRAMMES**

The International Financial Reporting Interpretations Committee's (IFRIC) has issued Draft Interpretation D20 *Customer Loyalty Programmes* for consultation.

The IFRIC's Draft Interpretation and the related press release have been posted on the website of the Hong Kong Institute of CPAs (Institute) at [www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php](http://www.hkicpa.org.hk/professionaltechnical/accounting/exposedraft/content.php) which can also be found on-line at: [www.iasb.org](http://www.iasb.org).

The draft Interpretation addresses accounting by entities that grant their customers 'points', 'air miles' or other award credits when the customers buy goods or services. Specifically, it addresses how such entities should recognise and measure their obligations to provide free or discounted goods or services if and when the customers redeem the award credits.

The Draft Interpretation proposes that entities should allocate some of the proceeds of the first sale to the award credits and defer recognition of this amount of revenue until they have fulfilled their obligations to supply the free or discounted goods or services.

The Institute's Financial Reporting Standards Committee (FRSC) invites comments on the IFRIC Draft Interpretation from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in it. Comments should be supported by specific reasoning and should preferably be submitted in written form.

To allow your comments on the IFRIC Draft Interpretation to be considered and included in the Institute's responses to the IFRIC, comments are invited by **9 October 2006**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.