



29 June 2010

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF REVENUE  
FROM CONTRACTS WITH CUSTOMERS**

***Comments to be received by 8 October 2010***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The proposal would create a single revenue recognition standard for International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP) that would be applied across various industries and capital markets.

The publication of this joint proposal represents a significant step forward toward global convergence in one of the most important and pervasive areas in financial reporting. The proposed standard would replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. In US GAAP, it would supersede most of the guidance on revenue recognition in Topic 605 of the *FASB Accounting Standards Codification*.

The core principle of the draft standard is that an entity should recognise revenue from contracts with customers when it transfers goods or services to the customer in the amount of consideration the entity receives, or expects to receive, from the customer. The proposed standard would improve both IFRSs and US GAAP by:

- removing inconsistencies in existing requirements;
- providing a more robust framework for addressing revenue recognition issues;
- improving comparability across companies, industries and capital markets;
- requiring enhanced disclosure; and
- clarifying the accounting for contract costs.

In developing the proposals, the boards considered more than 220 comment letters received on their discussion paper, *Preliminary Views Revenue Recognition in Contracts with Customers*, in addition to feedback received from interested parties through an extensive outreach programme, including workshops with preparers. The boards will undertake further outreach activities during the exposure draft's comment period to ensure that the views of all interested parties are taken into consideration when finalising the standard.

In accordance with the Institute's Convergence Due Process, comments are invited from any interested party. The FRSC would like to hear from both those who do agree and those who do not agree with the proposals contained in the IASB Exposure Draft.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IASB Exposure Draft to be considered, they are requested to be received by the Institute on or before **8 October 2010**.



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

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.