

Ms Susan Cospér
Technical Director
Financial Accounting Standards
Board – FASB
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
USA

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3 July 2015

Dear Madam,

Re: Comment Letter on Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing

We are pleased to take this opportunity to respond to the exposure draft on Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing (the proposed Topic 606 Update).

BUSINESSEUROPE is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.

BUSINESSEUROPE promotes policies that contribute to the removal of obstacles of cross-border business integration, to the reduction of administrative burdens and to adoption of international standards where needed.

In the area of accounting, BUSINESSEUROPE seeks to ensure a set of International Financial Reporting Standards (IFRS), which meet the needs of European stakeholders, in particular by supporting the work and structure of EFRAG and improving the governance of the International Accounting Standards Board (IASB). In this context, we called on international standard-setters to use an evidence-based approach to standard setting, to have a stakeholder dialogue that takes the views of preparers into account and to use results of field testing and effect analysis when adopting standards. BUSINESSEUROPE also seeks mutual recognition between EU rules and US and other sets of non-EU rules in the area of company law and accounting.



Although we note that the FASB expects that the proposed amendments would maintain or enhance the convergence that was achieved with the issuance of Update 2014-09 and IFRS 15 by reducing the risk of significant diversity in practice, we are concerned that, on the contrary, certain proposals will lead to divergence in practice.

An illustration of one such potential divergence is the proposal (paragraph 606-10-25-18A) to provide an election for US entities to account for shipping and handling as an activity to fulfil a promise to transfer a good if the shipping and handling activities are performed after a customer has obtained control of a good. As a corollary to this, the proposal creates an explicit rule for US entities that if the shipping and handling activities are performed before the customer obtains control of the good, then the shipping and handling activities are not promises to the customer, but are rather fulfillment activities. We do not judge whether proposed rule and policy election would be a simplification in practice, but we think that they do represent a clear difference from the current text of the guidance, which requires analysis according to the principles of the standard, and determination and treatment with due regard for materiality. This proposal therefore creates, in our view, a risk of divergence in principle between the application of the guidance by US entities and entities using IFRS.

Accounting for Revenue is an important aspect of financial reporting and the convergence created by the new common guidance was very welcome. We do not believe that it is helpful to create the risk of divergence at this stage by amending the common guidance to introduce new rules or practical expedients, and therefore respectfully urge the FASB to work with the IASB to eliminate such differences.

We remain at your disposal to discuss the issues that we have raised.

Yours sincerely,

Jérôme P. Chauvin
Deputy Director General