



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS

IN ENGLAND AND WALES

14 April 2008

Our ref: ICAEW Rep 48/08

Mr Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
13-14 Avenue des Arts
B-1210 Brussels

By email: commentletter@efrag.org

Dear Stig

ENDORSEMENT OF IFRIC 13 CUSTOMER LOYALTY PROGRAMMES

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to respond to EFRAG's Invitation to Comment on the Costs and Benefits of IFRIC 13 *Customer Loyalty Programmes*, published by EFRAG in March 2008.

Our responses to the relevant questions raised by EFRAG are attached as an appendix to this letter.

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We are satisfied that:

- (a) the benefits to be derived from applying IFRIC 13 will exceed any costs involved; and
- (b) IFRIC 13 meets the criteria for endorsement by the EU.

We therefore fully support endorsement.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

Desmond Wright
Senior Manager, Corporate Reporting
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**INVITATION TO COMMENT ON THE COSTS AND BENEFITS OF IFRIC 13
Customer Loyalty Programmes**

1 Please provide the following details about yourself:

- (a) **Your name or, if you are responding on behalf of an organisation or company, its name:**

The Institute of Chartered Accountants in England and Wales

- (b) **Are you/Is your organisation or company a:**

Preparer User Other (please specify)

Other - Professional body

- (c) **Please provide a short description of your activity/ the general activity of your organisation or company:**

See covering letter.

- (d) **Country where you/your organisation or company is located:**

United Kingdom

- (e) **Contact details including e-mail address:**

See covering letter. desmond.wright@icaew.com

2 EFRAG is carrying out an assessment of the costs and benefits that will arise for preparers and for users to implement IFRIC 13, both in year one and in subsequent years. Some initial work has been carried out and the need for further consultation with individual entities has been identified. The results of the initial assessment are set out in Appendix 3. To summarise,

EFRAG believes that IFRIC 13 will involve preparers and users in incurring different levels of cost depending upon how closely entities' current approach is to that required by IFRIC 13. EFRAG believes, in particular, that the adoption of IFRIC 13 will:

- (a) **involve all preparers incurring some year-one costs—in order to read, understand and implement the new requirements retrospectively—but those costs will not be significant except as described at (b) below (Appendix 3 paragraphs 2 to 6);**
- (b) **involve some of those preparers that currently use the cost-provisioning approach incurring significant costs to modify or create appropriate systems in year one (Appendix 3 paragraph 5);**
- (c) **involve many preparers incurring incremental ongoing costs, although those costs will not be significant (Appendix 3 paragraph 7); and**

- (d) involve users incurring only insignificant incremental year-one, and no incremental ongoing, costs (Appendix 3 paragraph 8).

Do you agree with this assessment?

Yes.

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be (ie a description of the type(s) of cost involved, and an indication of what you estimate the costs to be). Please also tell us the turnover of your company to enable to give us a basis for judging the significance of the costs.

NA.

- 3 It has been suggested that the adoption of IFRIC 13 will require companies who currently apply the cost-provisioning approach to accounting for award credits to adjust their key performance indicators to reflect the IFRIC 13 approach.**

Do you believe that this will result in significant incremental costs for your company?

No.

If you do, please explain broadly what you believe the costs involved will be. Please include figures for your estimate of the costs, and also the turnover of your company to give us a basis for judging the significance of the costs.

NA.

- 4. EFRAG believes (as explained in Appendix 3 paragraph 9) that, when the overall position of preparers and users is taken into account, the benefits that will arise from implementing IFRIC 13 will exceed the costs involved.**

Do you agree with this assessment?

Yes.

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

NA.

- 5. EFRAG is not aware of any factors other than those mentioned in appendices 2 and 3 that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRIC 13.**

Do you agree that there are no other factors?

Yes

If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

NA.

- 6. EFRAG's near-final technical assessment of IFRIC 13 is that it is not contrary to the true and fair principle and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning in reaching this near-final view is set out in Appendix 2.**

Do you agree with this assessment?

Yes.

If you do not agree, it is presumably because you have a significant concern about IFRIC 13 when judged against the technical criteria. Please would you explain what that concern is, why you have it now (at this late stage in the process) but did not have it earlier, and what you think the implications should be for EFRAG's endorsement advice.

NA.

Email: desmond.wright@icaew.com

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