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Mr Wayne Upton
Chairman, IFRS Interpretations Committee
IFRS Foundation
30 Cannon Street
London EC4M 6XH
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Our ref **MV/288**
Contact **Mark Vaessen**

19 January 2016

Dear Mr Upton

Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration*

We appreciate the opportunity to comment on the draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration* ('the draft interpretation'). We have consulted within the KPMG network in respect of this letter, which represents the views of the international network of KPMG member firms.

We welcome and support the efforts of the IFRS Interpretations Committee ('the Committee') to provide guidance on which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency in circumstances in which consideration is received or paid in advance of recognising the related asset, expense or income (or part of it). This will help reduce the current diversity in practice.

In particular, we agree with the proposed scope which ensures that there is no conflict if existing requirements in other IFRSs require a different measurement from that proposed in the draft interpretation. However, we believe that the description of the scope exclusion in paragraph 5(b) of the draft interpretation could be refined to clarify that the consideration referred to in the clause 'if that consideration is measured in the foreign currency' means the consideration referred to in paragraph 4. This would make the scope clearer when that consideration relates only to a part of an asset, expense or income item.

We also agree with the proposed consensus, because it is consistent with the notion that purchases and sales are exchange transactions and that payment and transfer of goods or services are inherently interdependent.

We also support the proposed transition requirements because full retrospective application on transition may be burdensome.



Other comments

- A key objective of the draft interpretation is to provide guidance about which exchange rate (or rates) to use when reporting revenue in cases in which the customer makes a non-refundable foreign-currency payment in advance. However, the draft interpretation does not explain what exchange rate(s) should be used to identify and report a significant financing component (nor the revenue related to that component) as described in IFRS 15.60-65. We recommend that the Committee deliberate this question and consider providing guidance to further reduce possibly diversity in practice.

- In paragraph BC35 of the Basis for Conclusions, we recommend replacing the phrase ‘or previously reported financial statements’ with ‘or previously reported amounts included in comparative information’ to clarify that the IASB is not commenting on the potential adjustment of previously issued financial statements but rather on the comparative information included in the financial statements of the period in which the final interpretation is adopted.

Please contact Mark Vaessen or Chris Spall on +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Copy: Reinhard Dotzlaw, KPMG LLP (Canada)