

19 January 2016

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**Comment Letter on the Draft IFRIC Interpretation on Foreign Currency Transactions and Advance Consideration**

Dear Sir/Madam,

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 60 Swiss groups, including most of the country's major industrial and commercial enterprises. We very much welcome the opportunity to provide comments to this Draft Interpretation.

Our detailed response (in the appendix) has been prepared in conjunction with our member companies.

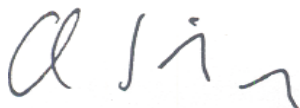
You will see that whilst we support the decision of the IFRIC to address this topic, we are nevertheless concerned about the practical implication of the proposed Interpretation on financial computer systems. We therefore suggest that it is expressly stated that the proposed amendments are only required in an entity's financial reporting systems when such advance considerations are frequent and where the impact is assessed as often being material.

Our detailed response (in the appendix) has been prepared in conjunction with our member companies.

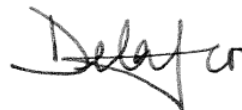
Yours sincerely

**SwissHoldings**

Federation of Industrial and Service Groups in Switzerland



Christian Stiefel  
CEO



Denise Laufer  
Senior Policy Manager

cc SH Board

## APPENDIX

### ANSWERS TO SPECIFIC QUESTION IN INVITATION TO COMMENT

#### Question 1 – Scope

*The draft Interpretation addresses how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in accordance with paragraphs 21–22 of IAS 21. Foreign currency transactions that are within the scope of the draft Interpretation are described in paragraphs 4–6 of the draft Interpretation.*

*Do you agree with the scope proposed in the draft Interpretation? If not, what do you propose and why?*

We agree with the proposed scope of this draft Interpretation.

#### Question 2 – Consensus

*The consensus in the draft Interpretation provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income (or part of it) on initial recognition that relates to, and is recognised on the de-recognition of, a non-monetary prepayment asset or a non-monetary deferred income liability (see paragraphs 8–11). The basis for the consensus is explained in paragraphs BC22–BC33. This includes the Interpretations Committee’s consideration of the interaction of the draft Interpretation and the presentation in profit or loss of exchange differences arising on monetary items in accordance with paragraphs 28–29 of IAS 21 (see paragraphs BC32–BC33).*

*Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?*

We support the decision of IFRIC to provide guidance on this topic

However, we have reservations about the implications that the proposed solution will have on the systems required to record the various items included in the scope of the amendments.

Most computer systems take as a transaction date the date when goods and services are delivered. As a result, usually any foreign currency invoice will be recorded in the functional currency of the entity at a rate which is either the rate of exchange at the time of recording the transaction or at a rate that is considered to be an acceptable estimate of this rate.

The requirement to use a rate of exchange linked to a prior receipt or payment related to the transaction will add significant complexity and costs in ensuring that related computer systems are compliant with this new requirement.

We consider that the final Interpretation needs to address these practical challenges. It should introduce practical expedients for entities where there are few receipts or payments ahead of delivering the goods or services. It should explicitly state that in these situations it is acceptable to use the date of delivering the goods or service as the transaction date as long as there is a subsequent assessment of the materiality of the financial impact of using the exchange rate related to any advance receipts or payments.

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**Question 3 – Transition**

*On initial application, entities would apply the proposed Interpretation either:*

- (a) retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or*
- (b) prospectively to all foreign currency assets, expenses and income in the scope of the proposed Interpretation initially recognised on or after:*
  - i. the beginning of the reporting period in which an entity first applies the proposed Interpretation; or*
  - ii. the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which an entity first applies the proposed Interpretation.*

*Do you agree with the proposed transition requirements? If not, what do you propose.*

We would prefer that only prospective adoption was allowed although can support the proposed text as it does not preclude the prospective approach.

We also suggest that the mandatory effective date be fixed to be at least 12 months after publication, to provide time to implement the changes to computer systems mentioned above.

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