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Mr Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom
Email: commentletters@ifrs.org

15 January 2016

Re: Draft IFRIC Interpretation DI/2015/2 – Foreign Currency Transactions and Advance Consideration

Dear Mr Upton,

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IFRS Interpretations Committee's Draft IFRIC Interpretation DI/2015/2 *Foreign Currency Transactions and Advance Consideration* ('the DI').

We welcome the guidance proposed in the DI, as it will reduce current diversity in practice when accounting for foreign currency transactions in which consideration is received or paid in advance of the recognition of the related asset, expense or income, provided that the final Interpretation is sufficiently clear about the distinction between 'monetary' and 'non-monetary' in such cases.

Our comments and detailed responses to the questions set out in the Invitation to Comment section of the DI are detailed hereafter.

We would be pleased to respond to any questions the Interpretations Committee or its staff may have about any of our comments.

Please do not hesitate to contact me or Joelle Moughanni at +44 207 601 1080.

Sincerely,

Robert Dohrer
Global Leader - Quality and Risk
RSM International

<u>Question 1—Scope</u>

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 overall with the scope proposed in the DI. However, we are concerned that one of the key characteristics of the circumstances in which the DI applies is not explicitly addressed: when is a prepayment asset or deferred income liability a 'non-monetary' item? In our opinion, without further clarity on the meaning of 'non-monetary' prepayment assets and deferred income liabilities, diversity in practice will most likely continue to exist.

<u>Question 2—Consensus</u>

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 derecognition 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 agree with the consensus proposed in the DI.

<u>Question 3—Transition</u>

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 and why?

Although we are generally in favour of retrospective application of new and amended requirements in accordance with IAS 8 (in the name of enhanced comparability), we agree with the Interpretations Committee that, in the present case, full retrospective application on transition may be burdensome and its cost may outweigh the benefits to users. Thus, we agree with providing the option of a prospective application, but we did not find in the Basis for Conclusions on the DI any rationale behind the choice of dates provided for the prospective application.

Consequently, we recommend that entities are given the choice between a retrospective application (paragraph A2(a) of the DI) and a prospective application from the beginning of the reporting period in which the final Interpretation is first applied (paragraph A2(b)(i) of the DI); paragraph A2(b)(ii) should not be retained.

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