

31<sup>st</sup> October 2006

The Chairman  
International Financial Reporting Interpretation Committee (IFRIC)  
30 Cannon Street  
LONDON EC4M 6XH  
UNITED KINGDOM

Dear Sir,

**IFRIC DRAFT INTERPRETATIONS D19 and D20**

The Malaysian Accounting Standards Board (MASB) appreciates the opportunity to offer its views on the following 2 IFRIC Draft Interpretations:

- (i) D19: IAS 19 - The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements; and
- (ii) D20: Customer Loyalty Programmes.

We support the issuance of an IFRIC Interpretation to clarify the interaction between statutory or contractual minimum funding requirements and the requirements of IAS 19 Employee Benefits.

Having reviewed D19, we have no comment on the proposal in that draft Interpretation.

Customer Loyalty Programmes (CLP) are popular amongst larger corporations in Malaysia and introduced predominantly as a marketing tool.

Having reviewed IFRIC D20 and assessing the practices of corporations offering such loyalty programmes in Malaysia, we disagree with the proposed accounting treatment with regard to CLP. Instead, we support the alternative view that an entity should apply the provision in paragraph 19 of IAS 18 Revenue in accounting for the credit awards under the CLP. Customer loyalty programmes are part of marketing tools, and therefore should be treated as a marketing expense. An entity therefore should recognise its obligation under the CLP as an expense at the time of the initial sale and measured by reference to the amount required to settle it in accordance with IAS 37 Provisions, Contingent Liabilities

and Contingent Assets. In other words, an entity should provide for the estimated future costs of supplying the goods or services provided under the award credit rather than allocating the consideration from the sales to the award credits and deferring the recognition of revenue.

Should you require further information, please contact Dr. Nordin, the technical director of MASB, via e-mail at [nordin@masb.org.my](mailto:nordin@masb.org.my).

Yours sincerely,

Dato' Zainal Abidin Putih  
*Chairman*