



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

March 11, 2019

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Mr. Hoogervorst,

Response on IFRS Standards Exposure Draft ED/2018/2 Onerous Contracts — Cost of Fulfilling a Contract Proposed amendments to IAS 37

The Thailand Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to respond on *IFRS Standards Exposure Draft ED/2018/2 Onerous Contracts — Cost of Fulfilling a Contract Proposed amendments to IAS 37*. Overall, we agree that the cost of fulfilling a contract shall comprise the costs that relate directly to the contract as well as agree to the proposed example of such costs with some comments.

Please find our responses to the specific survey raised in *IFRS Standards Exposure Draft ED/2018/2 Onerous Contracts — Cost of Fulfilling a Contract Proposed amendments to IAS 37* in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Thailand Federation of Accounting Professions of Thailand.

The Thailand Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Somchai Supattarakul
Chairman of Thai Accounting Standards Board
Thailand Federation of Accounting Professions
Bangkok, Thailand



IFRS Standards Exposure Draft ED/2018/2 Onerous Contracts — Cost of Fulfilling a Contract Proposed amendments to IAS 37

Questions for respondents

Question 1

The Board proposes to specify in paragraph 68 of IAS 37 that the cost of fulfilling a contract comprises the costs that relate directly to the contract (rather than only the incremental costs of the contract). The reasons for the Board’s decisions are explained in paragraphs BC16–BC28.

Do you agree that paragraph 68 of IAS 37 should specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract? If not, why not, and what alternative do you propose?

TFAC: We support the amendment that the “directly related cost approach” is applied when determining the cost of fulfilling a contract, rather than the “incremental cost approach”, because the former approach will capture all necessary costs that would require the entity to incur to fulfil a contract when consider whether or not such contract is onerous under IAS 37. Also, the amendment will help to reduce the diversity in practice in determining the cost of fulfilling a contract.

Question 2

The Board proposes to add paragraphs 68A–68B which would list costs that do, and do not, relate directly to a contract.

Do you have any comments on the items listed?

Are there other examples that you think the Board should consider adding to those paragraphs? If so, please provide those examples.

TFAC: We support the IASB’s proposal to include the examples of the costs that relate directly to a contract and we have no comments on the items listed, except for item (c) allocation of costs. Since there is no clear description or guidance on what are the appropriate basis for such cost allocation, for example historical normal capacity, expected future projects/unit of productions etc., we would appreciate that IASB will consider to add this aspect to clarify the manner on how to derive item (c).

Question 3

Do you have any other comments on the proposed amendments?

TFAC: None.