

June 2017

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Dear Member

CIRCULAR 9/2006 - TRANSACTIONS GIVING RISE TO ADJUSTMENTS TO REVENUE/PURCHASES

Circular 9/2006 previously included guidance on the recognition of financing elements. However, subsequent to the publication of Circular 9/2006, the IFRS Interpretations Committee (Interpretations Committee) debated financing elements contained within transactions for both revenue and purchases under the current accounting standards (IAS 2 – *Inventories* and IAS 18 – *Revenue*). The Interpretations Committee’s debates have often referred to the guidance provided in IFRS 15 – *Revenue from Contracts with Customers* in debating the treatment of current standards and guidance, which therefore allows an analogy to be drawn between the guidance contained in IFRS 15 and the existing standards.

Circular 2/2017 – *Determining Revenue/Purchases as a result of financing components* considers these developments and updates the previous guidance contained in Circular 09/2006 relating to financing elements of revenue and purchases. Circular 2/2017 repeals the guidance in Circular 09/2006 dealing with extended payment terms (paragraphs 23-30), however the other guidance included in Circular 9/2006 is still considered relevant and will remain in this Circular.

Entities that have applied IFRS 15 should not apply the remaining guidance provided in Circular 9/2006 in relation to revenue, but should only apply the guidance contained in IFRS 15.

Yours sincerely

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