

June 2017

Ref: #616760

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

Zimkita Mabindla CA (SA) Senior Executive: Corporate Reporting Bongeka Nodada CA (SA) Project Director: Financial Reporting

NPO-020-050 VAT No. 4570104366

17 Fricker Road, Illovo, Sandton, Johannesburg, 2196 POSTAL ADDRESS Private Bag X32, Northlands, 2116

TEL +27 11 621 6600 FAX +27 11 622 3321 CALL CENTRE 08610 SAICA (72422) EMAIL saica@saica.co.za WEB saica.co.za | accountancysa.org.za Member of the International Federation of Accountants (IFAC), Pan African Federation of Accountants (PAFA), Global Accounting Alliance (GAA), Chartered Accountants Worldwide (CAW) and Investors in People. Proudly South African.