

## CUSTOMER LOYALTY PROGRAMMES: IFRIC 13

### Definition

**Customer loyalty programs** are used by entities to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (i.e. points). The customer can redeem the points for awards such as free or discounted goods or services

### Scope

This Interpretation applies to customer loyalty award credits (points) that:

- an **entity grants to its customers as part of a sales transaction**, i.e. a sale of goods, rendering of services or use by a customer of entity assets; and
- the customers can redeem in the future for **free or discounted goods or services**

### Accounting for customer loyalty programs

- An entity applies the concept of multiple deliverables (from IAS 18) and accounts for the customer loyalty points as a separately identifiable component of the sale
- The fair value of the consideration received or receivable from the sale is **allocated between**:
  - **the award credits (points)** and
  - **the other components of the sale**
- The consideration allocated to the award credits (points) shall be **measured by reference to their fair value**, i.e. the amount for which the award credits could be sold separately
- recognise the consideration allocated to award credits as revenue **when award credits (points) are redeemed** and it fulfils its obligations to supply awards
- The **amount** of revenue recognised shall be based on the **number of award credits (points) that have been redeemed in exchange for awards, relative to the total number expected to be redeemed**

### Comparison to ASPE

- Under ASPE no specific guidance on customer loyalty program; however, based on the concept of multiple deliverables, it will likely be accounted for similarly