

What:	Airline Guide
When:	July 2008
Why:	Follow Up Discussion on <i>Frequent Flyer Programs and Regional Revenue Recognition for Planned Major Maintenance</i>

June 25, 2008

To the Accounting Standards Executive Committee

In connection with AcSEC's project to revise the Airline Guide, the Airline Task Force would like to discuss with you the following sections at the upcoming July 2008 AcSEC meeting:

- Frequent Flyer Programs

In response to numerous comments received on the Airline Guide Exposure Draft requesting expanded guidance on the deferred revenue method, the Airline Guide Task Force developed such guidance. AcSEC discussed this guidance at its May 2008 meeting and suggested a number of revisions and clarifications. Attached is the Frequent Flyer Programs section which was revised to address AcSEC comments. It was also revised to make it internally consistent on terminology and organization. Attached are two files – a clean one and a DV Comparison file that shows changes that were made to the draft reviewed by AcSEC in May to arrive at the current draft (see the Legend at the end of this document for explanation of how changes are marked).

- Regional Revenue Recognition for Planned Major Maintenance Activities

At its June 12, 2008 meeting, the EITF decided to discontinue discussing Issue No. 08-2, "Lessor Revenue Recognition for Maintenance Services," and to remove it from the EITF agenda. However, when discussing this Issue at its March 2008 meeting, the EITF reached a tentative conclusion that revenue related to maintenance services should be recognized into income as those services are performed utilizing a proportional performance method that is determined to be the most appropriate method under the circumstances (View B). Furthermore, the EITF was not supportive of View C which provided for straight-line recognition of the minimum maintenance payments over the lease term. (See attached "EITF 08-2 for 6-12-08 meeting".)

The Airline Task Force believes that View C is consistent with FAS 13 approach described in the Guide which would allow an airline to default to straight-line without requiring any analysis of when the maintenance service is being provided or when the performance occurs (see par. 9.44 in the attached "Regional Revenue

Recognition for Planned Major Maintenance Activities” section.) The Airline Task Force is not supportive of FAS 13 approach either and would like remove it from the Guide.

The Airline Task Force would also like to replace the FTB 90-1 approach- with the proportional performance method as described in the attached EITF Issue Summary (those approaches are believed to be consistent). The Guide would indicate that the EITF deliberated this Issue and even though it did not reach final consensus, it was supportive of the proportional performance method. The Airline Task Force understands that under the proportional performance method revenue may be recognized on a straight-line basis but only if the performance is deemed to be the maintaining of the leased asset, such that it is in working order and clean (as discussed in paragraph 46 and an example in Exhibit 08-2A of the attached EITF Issue Summary).

The Airline Task Force would like to get AcSEC’s views prior to revising the Guide.

Representatives of the Task Force and I look forward to discussing the project with you.

Regards,

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