

30 Cannon Street, London EC4M 6XH, United Kingdom
Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411
Email: iasb@iasb.org Website: www.iasb.org

**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: 2 November 2006, London

Project: Review of published tentative agenda decisions

Subject: IAS 38 *Intangible Assets* – Classification and accounting for SIM cards (Agenda Paper 7(xv))

Tentative agenda decision published in September-2006 IFRIC Update

The IFRIC received a request for an Interpretation as to whether a mobile phone operator should account for a Subscriber Identity Module (or 'SIM card') as an intangible asset in accordance with IAS 38 or as inventory in accordance with IAS 2.

The IFRIC noted that the accounting for SIM cards before their delivery to customers or after connecting these customers to the network using such SIM cards is unlikely to be of practical or widespread relevance as the amounts involved are unlikely to be significant.

The IFRIC also noted that the accounting for SIM cards which have been delivered to customers is part of the question of which costs incurred by a mobile phone operator entering into a contract with a customer qualify for recognition as subscriber acquisition costs. The IFRIC had previously considered the treatment of subscriber acquisition costs in the telecommunications industry and, in March 2006, declined to take the issue onto its agenda.

The IFRIC therefore considered that the question of how SIM cards should be accounted for was a part of the issue that it had declined to take onto its agenda in March 2006. [The IFRIC reaffirmed] its March 2006 decision that the issue should not be taken onto its agenda.

Deloitte

Deloitte Touche Tohmatsu
Mill House
1 Little New Street
London EC4A 3TR
United Kingdom

Tel: National +44 20 7036 5000
Direct Telephone: +44 20 7007 0907
Direct Fax: +44 20 7007 0158
www.deloitte.com
www.ingplus.com

20 October 2006

Robert Garnett, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom

Email: ifric@iasb.org

Dear Bob,

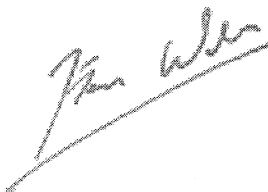
Proposed rejection wording: *IAS 38 Intangible Assets* – Classification and accounting for SIM cards

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the September 2006 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for an interpretation of classification and accounting for SIM cards.

We support the IFRIC's decision not to take this item to the agenda for Interpretations. The proposed wording states that accounting for SIM cards, before delivery to customers or after connecting these customers to the network, is unlikely to be of practical and widespread relevance as the amounts involved are unlikely to be significant. It also states that accounting for SIM cards which have been delivered to customers is part of a question on subscriber acquisition costs that IFRIC declined to take on their agenda in March 2006. We agree with the IFRIC's statement that amounts involved are unlikely to be significant. We believe it would be an inappropriate allocation of staff resources to address this issue.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0)20 7007 0907.

Sincerely,



Ken Wild
Global IFRS Leader

cc: Allan Cook, IFRIC