



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: September 2007, London

Project: Review of tentative agenda decision published in July
IFRIC Update
IAS 18 *Revenue Recognition* - Guidance on identifying
agency relationships (Agenda Paper 7A)

Tentative agenda decision published in July 2007 IFRIC Update

The IFRIC received a request for an interpretation of how IAS 18 *Revenue* paragraph 8 should be applied to situations in which an entity employs another entity to meet the requirements of a customer under a sales contract. The request questioned whether there is a need for more general interpretative guidance in this area.

The IFRIC noted that IAS 18 specifies the accounting for agency relationships. Paragraph 8 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.' Paragraphs 6 and 18(d) of the Appendix to IAS 18 refer to the substance of the transaction to identify whether the entity is acting as agent or principal.

The IFRIC acknowledged that no detailed guidance was given in IFRSs on identifying agency relationships. However, the IFRIC believed that:

- determining whether an entity is acting as an agent depends on facts and circumstances and that judgement is required;
- any guidance beyond that given in IAS 18 would be more in the nature of implementation guidance than an Interpretation.

For these reasons the IFRIC [decided] not to develop an Interpretation and to remove this item from its agenda. In doing so, the IFRIC noted that this issue has widespread and practical relevance and that some constituents might not be aware of the existing guidance that has been issued in some jurisdictions.

For these reasons, the IFRIC asked the staff to develop guidance that might be recommended to the Board for inclusion in the Appendix to IAS 18.

Comment [s1]: In the final agenda decision, these two sentences will be deleted.