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**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: January 2008, London

**Project: D21 Real Estate Sales – Comment letter analysis
Cover paper (Agenda Paper 2A)**

1. In July 2007, the IFRIC published for public comment the draft Interpretation D21 *Real Estate Sales*. In response to its proposals, the IFRIC received 51 comment letters.
2. The draft Interpretation aims to provide guidance on determining whether a real estate sale agreement entered into before construction is complete should be regarded as a construction contract within the scope of IAS 11 or an agreement for the sale of goods within the scope of IAS 18. It also provides guidance on applying IAS 18 when the real estate agreement should be regarded as a sale of goods (completed real estate).
3. Most respondents to D21 supported the IFRIC's conclusion that it should develop an Interpretation on this issue. However, nearly all respondents expressed concern with some aspects of the proposals, mainly whether the Interpretation should be applied by analogy to other industries than real estate.

4. At this meeting, the staff intend to consider the concerns raised by respondents relating to the narrow scope of real estate sales. If the IFRIC reaches consensus on these concerns as they relate to real estate sales at this meeting, at the March meeting the staff will present papers dealing with the scope of the interpretation, effective date and transition issues.
5. For the purpose of this January meeting, the staff present the following four papers:
 - Agenda paper 2B - Meaning of the term construction contract;
 - Agenda paper 2C - Other clarifications on applying IAS 11 or IAS 18;
 - Agenda paper 2D - Applying IAS 18;
 - Agenda paper 2E - Draft Interpretation.
6. In agenda paper 2E, the staff prepared a new draft Interpretation to illustrate the drafting changes proposed in agenda papers 2B, 2C and 2D. Agenda paper 2E is available in a clean version and in a version with changes highlighted. In the version with changes highlighted, it is possible to read the original text of D21 together with the drafting changes suggested by the staff.
7. In agenda papers 2B, 2C and 2D, the staff refer to both the original version of D21 and to the proposed new draft. For example:
 - A reference is to paragraph 9 of D21: refer to this paragraph in D21 as published (can be seen in agenda paper 2E ignoring the changes highlighted);
 - A reference is to paragraphs 7-10 of agenda paper 2E: refer to paragraphs 7-10 in agenda paper 2E with changes highlighted (D21 as amended) or in the clean version of agenda paper 2E.