



**30 Cannon Street, London EC4M 6XH, United Kingdom**  
**Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411**  
**E-mail: [iasb@iasb.org](mailto:iasb@iasb.org) Website: [www.iasb.org](http://www.iasb.org)**

**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

### **INFORMATION FOR OBSERVERS**

**Board Meeting:** November 2008, London

**Project:** IFRIC

**Subject:** Transition and Effective Date of IFRIC Interpretation 15  
Agreements for the Construction of Real Estate (Agenda paper 2)

---

1. This agenda item asks the Board whether it wants to change the transition provisions or effective date of IFRIC 15.

#### **Background**

2. Those Board members who attended the presentation on IFRIC activities at the World Standard Setters meeting in September will recall that in the question and answer session several questions were raised regarding the effective date and transition provisions of IFRIC 15.
3. The IFRIC considered both the transition requirements and effective date as part of finalising the Interpretation at its meeting in May 2008.

4. As reported in *IFRIC Update*, the IFRIC believed that the main change in practice expected as a result of the Interpretation would be a shift from recognition of revenue using the percentage of completion method to recognition of revenue on completion. The IFRIC concluded that, in accordance with the general principle of IAS 8, the Interpretation should be applied retrospectively if possible.
5. To apply the Interpretation retrospectively an entity would need to identify when revenue had been recognised on a project using the percentage of completion method and when the project had actually been delivered to the purchaser. The IFRIC expected that entities would already have this information and would not need to make any new estimates. Consequently, IFRIC 15 is to be applied retrospectively.
6. The IFRIC also considered how much lead time entities would need to apply the Interpretation. The normal policy is to make an Interpretation effective 3 months after it is published. In this case, the IFRIC decided that a six-month lead time would be sufficient based on its assessment of the information requirements for entities that would need to change their accounting policies. Therefore it recommended to the Board that IFRIC 15 be effective for annual periods beginning on or after 1 January 2009.
7. At its meeting in June the Board agreed with the IFRIC's conclusions on both these questions and approved IFRIC 15 for issue. The Interpretation was published on 2 July 2008.

**Staff analysis**

8. Since the WSS meeting, we have received two letters requesting a reconsideration of the transition and effective date of IFRIC 15. They are attached as Appendices to this agenda paper.
9. One is from the Confederation of Swedish Enterprise. They have submitted their comment letter on EFRAG's assessment of D21. The comments relative to transition and effective date are in response to question 5. They proposed that the

- Interpretation be effective prospectively to agreements entered into on or after 1 January 2010. This same effective date was proposed if retrospective application was required.
10. The other letter is from the Accounting Standards Council of Singapore. It proposes that the Interpretation not be applied retrospectively. It also requests a delay in the effective date to 1 July 2009.
  11. The staff does not support requests from constituents to change the application of IFRIC 15 from retrospective to prospective. The staff agrees with the IFRIC's conclusion that comparability of revenue from one period to the next is very important to users of the financial statements. Also, retrospective application is the preferred alternative in IAS 18 when it is practically achievable. The staff agrees with the IFRIC's assessment that retrospective application is not onerous in this case.
  12. The staff does not have a recommendation on the requests to change the effective date of the Interpretation but has the following comments. If the Board were to delay the effective date to annual periods commencing on or after 1 July 2009 as suggested by the ASC of Singapore, it is effectively a one year delay for calendar year companies. The existing effective date provided a transition period longer than the IFRIC's normal three months from the date of publication. For entities with quarterly interim reporting requirements, the earliest that the prior period amounts could be required would be April 2009.

### **Questions for the Board**

13. Does the Board wish to amend the transition requirement for IFRIC 15? If so, what transition does the Board prefer?
14. Does the Board wish to amend the effective date of IFRIC 15? If so, what effective date does the Board want to specify?