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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: September 2008, London
Project: Accounting for Trailing Commission (Agenda Paper 4B)

Introduction

1. In July 2008, the IFRIC published a tentative agenda decision not to take onto its agenda a project to provide guidance on how an entity should account for on-going commission arrangements, referred to as trailing commissions.
2. Two comment letters were received.
3. Both comment letters agree with the IFRIC's tentative decision not to add the issue to its agenda and that it can be difficult to determine whether an arrangement requires the entity receiving the trail commission to provide any future services. However, both letters also note that the decision does not address the question raised in the original submission – the accounting when it is certain that no future service is required.

Staff Analysis

4. The staff notes that one of the letters suggests that the final agenda decision should state that the arrangement should be accounted for in accordance with IAS 39. This was the view supported by the staff in the agenda paper on this

issue for the July meeting. However, at that meeting the IFRIC did not reach agreement on that question and directed the staff to draft the tentative agenda decision that was published for comment.

5. The staff does not believe that the IFRIC will reach agreement on the appropriate accounting in this situation on a timely basis given the discussion in July and its previous consideration of up front fees.

Staff Recommendation

6. Therefore the staff recommends that the agenda decision be finalised as published for comment. The wording is reproduced in Appendix A.

Question for the IFRIC

7. Does the IFRIC agree with the staff recommendation?