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Ms Tricia O'Malley
IFRIC Co-ordinator
International Accounting Standards Board
30 Cannon Street
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27 March 2009

Dear Ms O'Malley

Tentative agenda decision: IAS 38 Intangible Assets – Accounting for sales costs

We are responding to your invitation to comment on the above Tentative Agenda Decision, published in the March 2009 edition of IFRIC Update, on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the Tentative Agenda Decision. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We agree with the IFRIC that no standard, including but not limited to the specific standards mentioned in the agenda decision, would permit an entity to capitalise costs incurred in <u>attempting</u> to obtain customer contracts. However, under narrow circumstances, incremental costs that are directly attributable to securing a specifically identifiable customer contract may be capitalised if they are recoverable. We believe that the wording included in the Agenda Decision should also specify the nature of the asset that is recognised through capitalising these costs and under what specific standard. Please refer to our proposed wording below:

> The IFRIC noted that selling costs cannot be capitalised <u>as part of inventory</u> if the real estate units are considered to be inventory in accordance with IAS 2 *Inventory*. Similarly, these costs cannot be capitalised as property, plant and equipment unless they are directly attributable to preparing the asset to be used. The IFRIC also noted that paragraph 20 of IAS 11 *Construction Contracts* excludes selling costs from contract costs even if the specific construction project were within the scope of IAS 11. However, the IFRIC noted that other standards conclude that some direct and incremental costs recoverable as a result of obtaining a specifically identifiable contract with a customer may be capitalised in narrow circumstances. <u>Direct and incremental costs related to the successful acquisition of a specific identifiable contract may represent an identifiable intangible asset arising from contractual or other legal rights in accordance with paragraphs 12(b) and 16 of IAS 38 *Intangible Assets*; subject to the probability of future economic benefits and the entity's ability to control the asset.</u> (None of those standards permit an entity to capitalise costs incurred in attempting to obtain customer contracts.) Because the accounting for such costs varies depending on specific facts and circumstances, the IFRIC noted that it is not possible to reach a conclusion on the appropriate accounting for broad categories of initial selling and marketing expenses in all circumstances.

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We suggest that the IFRIC consider our proposed wording above before the Agenda Decision is finalised. If you have any questions in relation to this letter please do not hesitate to contact Mary Dolson (020 7804 2930).

Yours sincerely

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