

STAFF PAPER

November 2011

IFRS Interpretations Committee Meeting

Project	IFRIC 15 <i>Agreements for the Construction of Real Estate</i>		
Paper topic	Continuous transfer to the customer		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in IFRIC *Update*. The approval of a final Interpretation by the Board is reported in IASB *Update*.

Appendix C:**Text of the submission referred to in Paragraph 9 of Agenda Paper 5A****The text was rendered anonymous**

International Financial Reporting Standards
Interpretations Committee
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

21 July 2011

For the attention of: Michael Stewart

Dear Committee Members,

IFRIC 15: Agreements for the Construction of Real Estate

We are pleased to respond to the recent deliberations by the IFRS Interpretations Committee ("the Committee") of IFRIC 15, in particular the meaning of "continuous transfer". In May 2011 the IFRIC Update stated that the Committee decided 'to defer further discussion on this matter until the criteria for the determination of the transfer of goods and services are finalised as part of the revenue recognition project.' On June 15th, 2011 the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (collectively the Boards) decided to re-expose their proposals for the new revenue recognition standard. The IASB now only expects to issue a new standard in 2012.

The interpretation of IFRIC 15, in particular under what circumstances continuous transfer takes place, is an urgent issue in many countries. We are concerned that the revised timing of the Boards' revenue recognition project, as well as the fact that the new model will be different from the current model in IAS 18 *Revenue*, may therefore not necessarily provide the guidance the Committee is seeking on the interpretation of the concept of continuous transfer. This would leave preparers without guidance for the current reporting period (as well as future reporting periods until the new standard becomes effective). We therefore urge the Committee to continue its deliberations as soon as possible.

In particular, we believe that the Committee should be able to address two limited and specific issues that will assist preparers to interpret the current requirements of IFRIC 15. These are:

1. Do protective rights provided by a government, or other authority, to the buyer in the case of an off-the-plan real estate arrangement constitute a transfer of control from the seller to the buyer?
2. Under the proposed new model, the Boards have tentatively decided that the entitlement to consideration is an indicator of a performance obligation satisfied over time. Would such an entitlement to consideration satisfy the notion of continuous transfer in IFRIC 15? For example, an off-the-plan real estate arrangement may stipulate that the seller retains the buyer's deposit in the event that the buyer decides not to proceed with the transfer. Other than the retention of the deposit, the seller would have no other right to further payments for performance obligations fulfilled. Does this mean that the seller has no entitlement to consideration and hence this would not constitute a transfer of control from the seller to the buyer?

Yours faithfully