



STAFF PAPER

June 2020

IFRS® Interpretations Committee meeting

Project	Player Transfer Payments (IAS 38)		
Paper topic	Comment letters on tentative agenda decision		
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Introduction

1. In November 2019, the IFRS Interpretations Committee (Committee) published a tentative agenda decision in response to a submission asking whether a football club recognises a transfer payment received as revenue applying IFRS 15 *Revenue from Contracts with Customers* or, instead, recognises the gain or loss arising from the derecognition of an intangible asset in profit or loss applying IAS 38 *Intangible Assets*.
2. In the fact pattern described in the submission:
 - (a) a football club (entity) transfers a player to another club (receiving club). When the entity recruited the player, the entity registered the player in an electronic transfer system. Registration means the player is prohibited from playing for another club, and requires the registering club to have an employment contract with the player that prevents the player from leaving the club without mutual agreement. Together the employment contract and registration in the electronic transfer system are referred to as a ‘registration right’.
 - (b) the entity had recognised costs incurred to obtain the registration right as an intangible asset applying IAS 38. The entity uses and develops the player through participation in matches, and then potentially transfers the player to

another club. The entity views the development and transfer of players as part of its ordinary activities.

- (c) the entity and the receiving club enter into a transfer agreement under which the entity receives a transfer payment from the receiving club. The transfer payment compensates the entity for releasing the player from the employment contract. The registration in the electronic transfer system is not transferred to the receiving club but, legally, is extinguished when the receiving club registers the player and obtains a new right.
 - (d) the entity derecognises its intangible asset upon the receiving club registering the player in the electronic transfer system.
3. In considering the question, the Committee noted that the entity had classified the registration right as an intangible asset applying IAS 38. Accordingly, the Committee concluded that, in the fact pattern described in the submission, the entity recognises the transfer payment received as part of the gain or loss arising from the derecognition of the registration right applying paragraph 113 of IAS 38.
 4. The Committee also observed that it is conceivable that circumstances exist in which registration rights associated with some players meet the definition of inventories in IAS 2 *Inventories*. In those circumstances, the entity would apply IFRS 15 in accounting for the transfer payment received.
 5. In addition, the Committee discussed:
 - (a) the presentation of cash receipts from transfer payments in an entity's statement of cash flows; and
 - (b) the disclosure of accounting policies for the classification of registration rights and the recognition of transfer payments received applying IAS 1 *Presentation of Financial Statements*.
 6. The objective of this paper is to:
 - (a) analyse the comments on the tentative agenda decision; and
 - (b) ask the Committee whether it agrees with our recommendation to finalise the agenda decision.

7. There are two appendices to this paper:
 - (a) Appendix A—Proposed wording of the agenda decision; and
 - (b) Appendix B—Comment letters.

Comment letter summary

8. We received 18 comment letters by the comment letter deadline. All comments received, including any late comment letters, are available on our [website](#)¹. This agenda paper includes analysis of only the comment letters received by the comment letter deadline, which are reproduced in Appendix B to this paper.
9. Eight respondents (the Accounting Standards Committee of Germany (ASCG), Bridge Advisory Pty Ltd, David Hardidge, the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI), the Malaysian Accounting Standards Board (MASB), Md. Mazedul Islam, Shady Fouad Mehelba and the Universidad de Chile) agree with the Committee’s analysis of the requirements in IFRS Standards. Two of these respondents (the ASCG and Shady Fouad Mehelba) suggest the Committee consider amending IFRS Standards.
10. Five respondents (the Autorité des Normes Comptables (ANC), Deloitte, Mazars, PwC and Union of European Football Associations (UEFA)) agree with the Committee’s analysis of the requirements in IAS 38 regarding the disposal of intangible assets, but express concerns about an entity classifying registration rights as inventory.
11. Two respondents (Olympique Lyonnais Groupe (OL Groupe) and Saudi Organisation for Certified Public Accountants (SOCPA)) disagree with the Committee’s technical analysis. Those respondents say, in the fact pattern in the submission, the entity can recognise revenue applying IFRS 15 even though it classifies the registration right as an intangible asset applying IAS 38. Sultan Muhammad Kakar says, in the fact pattern

¹ At the date of posting this agenda paper, there were no late comment letters.

in the submission, the entity should classify the registration right as inventory and recognise revenue applying IFRS 15 when the right is sold.

12. Some respondents (ANC, EY, PwC and SOCPA) suggest the Committee recommend amending IAS 38 to include an exception to the derecognition requirements, similar to that in paragraph 68A of IAS 16 *Property, Plant and Equipment*.
13. Some respondents suggest the Committee clarify particular aspects of the tentative agenda decision—for example, EY suggests the Committee clarify why paragraph 68A of IAS 16 is not relevant in the fact pattern in the submission.
14. Further details about the matters raised by respondents, together with our analysis, are presented below.

Staff analysis

Classification of the registration right as inventory

Respondents' comments

15. Eight respondents (ANC, David Hardidge, Deloitte, Mazars, OL Groupe, PwC, UEFA and the Universidad de Chile) raise concerns about the tentative agenda decision, and in particular the Committee's observation that it is conceivable that circumstances exist in which registration rights associated with some players meet the definition of inventories. Those respondents say:
 - (a) discussing a fact pattern in which an entity classifies a registration right as inventory goes beyond the fact pattern in the submission;
 - (b) if the Committee decides to discuss the possibility of an entity classifying registration rights as inventory, then there are a number of questions that the Committee should also address to provide helpful and informative material. This would include, for example:
 - (i) how, on initial recognition, an entity determines whether a registration right is inventory or an intangible asset—such an assessment would need to be made on a player-by-player

basis; however a football club does not know on initial recognition which players will eventually be transferred before their contract ends;

- (ii) how an entity measures an inventory asset on initial recognition—for example, how an entity accounts for any variable consideration paid to acquire the registration right;
 - (iii) subsequent measurement—for example, how to determine (1) the net realisable value of the inventory, or (2) the development costs to include as part of the cost of the inventory; and
 - (iv) whether it is possible to transfer a registration right between inventory and intangible assets.
- (c) football clubs currently do not report registration rights as inventory; therefore addressing it in an agenda decision could create differences in reporting practice.
16. Some respondents also question whether a registration right could meet the definition of inventories in IAS 2. For example, PwC questions whether the registration right:
- (a) is ‘sold’, and therefore whether the registration right is ‘an asset that is held for sale in the ordinary course of business’ as described in IAS 2’s definition of inventories; and
 - (b) is inventory if third-party approval is required to sell the right.

Staff analysis

Can a registration right be classified as inventory?

17. The Committee observed that, for an entity whose ordinary activities include the development and transfer of players, it is conceivable that circumstances exist in which registration rights associated with some players meet the definition of inventories.
18. As discussed in paragraphs 42–47 of [Agenda Paper 6](#) to the Committee’s November 2019 meeting, in our view the registration right associated with some players could meet the definition of inventories if (a) the club expects to develop and transfer the

player before the end of the employment contract, and (b) the development and transfer of players is part of the club’s ordinary activities.

19. Paragraphs 37–41 of [Agenda Paper 6](#) to the Committee’s November 2019 meeting discussed whether the registration right is disposed of or sold. In our view, the action the entity is required to take in transferring the player—which results in derecognising the registration right in exchange for consideration—is the entity disposing of or selling the registration right.
20. In the fact pattern submitted, mutual agreement between the entity and the transferred player is necessary for the transfer to take place. Nonetheless, the registration right could meet the following description that is part of IAS 2’s definition of inventories—‘in the process of development for...sale [in the ordinary course of business]’—as long as the entity intends to sell the right. In addition, the fact that a third party may need to approve the sale of an asset before it is completed does not, alone, result in that asset failing to meet the definition of inventories. For example, we note other items of inventory may require third-party approval before sale (for example, the sale of military equipment to particular countries may require such approval but that equipment could nonetheless be inventory for an entity that sells military equipment in the ordinary course of business).

[Why did the tentative agenda decision include reference to inventory?](#)

21. As mentioned in paragraph 15(a) above, some respondents say including a section in the tentative agenda decision about the classification of a registration right as inventory goes beyond the question in the submission.
22. We acknowledge that the submission outlined a fact pattern in which an entity classifies registration rights as an intangible asset applying IAS 38, and not as inventory. However, the submitter asked the following question:

The question arises as to whether presentation of the gross transfer payments as revenue is acceptable in the light of the specific business model of our club.

23. Accordingly, discussing the circumstances in which recognition of the transfer payment received as revenue is required by IFRS Standards (ie when an entity

classifies a registration right as inventory) directly responds to the question in the submission. Therefore, in our view it was appropriate to include a discussion of inventory in the tentative agenda decision.

Should the agenda decision address the possibility of classifying a registration right as inventory?

24. Although addressing the circumstances in which an entity could classify a registration right as inventory could assist in responding to the question in the submission, some respondents have questioned whether the Committee should do so.
25. The tentative agenda decision noted that whether a registration right meets the definition of inventories (and thus whether it is acquired for development and sale in the ordinary course of business) requires an assessment of the facts and circumstances. The tentative agenda decision included no further explanation as to how an entity might make that assessment. We note that the main objective of the tentative agenda decision was to explain, in the fact pattern in the submission, the recognition of transfer payments received in the entity's statement of profit or loss.
26. As mentioned in paragraph 15(b), if the agenda decision includes a discussion about the classification of registration rights as inventory, respondents highlight a number of matters they suggest the Committee clarify about the application of IAS 2 to those rights. Including such information, in our view, would go beyond an agenda decision responding to a question about how an entity recognises income from the sale of a registration right in its statement of profit or loss.
27. In addition, and importantly the matters highlighted (including, for example, how to assess whether a registration right is inventory, how to account for variable consideration, and whether and when inventory might be transferred to intangible assets) would require judgement considering the particular facts and circumstances. It would be difficult—if not impossible—for the Committee to provide information addressing those matters in an agenda decision, ie within the boundaries of not adding or changing IFRS requirements.
28. Feedback on the tentative agenda decision also indicates that football clubs do not classify registration rights as inventory (UEFA noted that it is unaware of any

European clubs that do). Respondents say including a discussion about inventory may create differences in reporting practice, unless the Committee also provides information on how an entity applies IAS 2 to player registration rights. The feedback therefore suggests that including a discussion about inventory in the agenda decision is likely to give rise to more questions than answers. We note that the objective of including explanatory material in an agenda decision is to improve consistency in the application of IFRS Standards.

Staff conclusion

29. For the reasons outlined in paragraphs 24–28, we recommend deleting references to IAS 2 from the tentative agenda decision. We therefore recommend deleting the section of the tentative agenda decision titled ‘Is there a circumstance in which the entity would recognise the transfer payment received as revenue applying IFRS 15’, and related wording included within the section titled ‘Statement of cash flows’. If the Committee agrees with our recommendation to delete references to IAS 2, we then see little reason to include the section on disclosures and have also recommended deleting that section. These recommended changes are reflected in our proposed agenda decision in Appendix A.

Recognition of revenue applying IFRS 15

Respondents’ comments

30. SOCPA says, in its view, an entity can apply the principle in paragraph 68A of IAS 16 to the disposal of intangible assets if the entity’s ordinary activities include using, developing and subsequently selling the intangible assets. Paragraph 68A of IAS 16 states:

However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 5 [Non-

current Assets Held for Sale and Discontinued Operations] does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.

31. As a consequence, SOCPA says an entity applying IAS 38 to player registration rights can transfer those rights to inventory and, on the sale of those rights, recognise revenue applying IFRS 15.
32. OL Groupe also includes reference to paragraph 68A of IAS 16 in its letter.
33. David Hardidge and EY say the Committee should state explicitly why it is not possible to apply paragraph 68A of IAS 16 and reclassify the registration right to inventory at the time of player transfer.

Staff analysis

34. We continue to agree with the Committee's analysis that an entity cannot apply paragraph 68A of IAS 16 to the fact pattern in the submission. This is because IAS 38 contains derecognition requirements that specifically apply on disposal of an intangible asset. In other words, the circumstances in which an entity applies IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to determine an accounting policy do not exist—there is an IFRS Standard that specifically applies to the transaction.
35. Paragraph 68A is written as an exception to the general derecognition requirements in paragraph 68 of IAS 16, which are mirrored in paragraph 113 of IAS 38. We therefore see no basis on which to apply those requirements in paragraph 68A to the fact pattern in the submission.
36. The tentative agenda decision explains that the derecognition requirements in paragraph 113 of IAS 38 are applicable to the fact pattern submitted. Accordingly, in our view the tentative agenda decision already explains with sufficient clarity which IFRS requirements are applicable to that fact pattern. We consider it unnecessary to explain why an exception in another Standard—that is, the exception in paragraph 68A of IAS 16—does not apply to the fact pattern in the submission. Accordingly, we recommend no change to the agenda decision in this respect.

Amendments to IFRS Standards

Respondents' comments

37. Four respondents (ANC, EY, PwC and SOCPA) suggest the Committee consider an amendment to IAS 38 to introduce a requirement similar to that in paragraph 68A of IAS 16. Such an amendment would provide an exception to the general derecognition requirements in paragraph 113 of IAS 38 for the disposal of intangible assets that, after being used by the entity for a period of time, are sold to customers in the ordinary course of business. Such an amendment would require an entity to transfer those intangible assets to inventory when they are held for sale in the ordinary course of business—the entity would then recognise any proceeds received on that sale as revenue applying IFRS 15.
38. EY and PwC say such an amendment would be likely to be applicable to entities in industries other than football—for example, life sciences, media and entertainment, and pharmaceuticals.
39. The ASCG says the submission highlights that the Board should revisit and possibly revise some aspects of IAS 38, in particular in the light of an increasing number and variety of arrangements involving intangible assets.
40. Shady Fouad Mehelba suggests an amendment to clarify which Standard—IAS 2 or IAS 38—applies to player registration rights.

Staff analysis

41. The Board started work on its 2020 Agenda Consultation in September 2019. As part of this process the Board has sought feedback from its advisory bodies and the Committee to identify possible projects to include in a Request for Information to be published for public comment. The process has identified intangible assets as a potential topic for the Board to consider in the coming years. However, to date those consulted have not identified the transfer of intangible assets to inventories as an aspect of IAS 38 for the Board to consider. Although some respondents to the tentative agenda decision suggest the matter is more widespread than the football

industry, at this stage we have insufficient information to assess whether those transactions are common.

42. The football club in the submission has explained why it views the recognition of revenue from the sale of registration rights as providing the most useful information to investors about its business model. We would anticipate that there are other entities and industries that would also view the recognition of revenue from the sale of items of property, plant and equipment or intangible assets as providing useful information about their respective businesses. As mentioned above, paragraph 68A of IAS 16 includes an exception to IAS 16’s derecognition requirements in this respect. However, that exception applies only in one particular situation—when an entity holds items of property, plant and equipment for rental to others and then subsequently sells those items in the ordinary course of business. If the Board were to undertake a project regarding the transfer of intangible assets to inventories when they are held for sale in the ordinary course of business, we would also suggest including the disposal of items of property, plant and equipment within the scope of such a project.
43. In the light of the information available at the moment, we recommend that the Committee not refer the matter to the Board. However, we will share the comment letters suggesting amendments to IFRS Standards with the staff engaged in the Board’s 2020 Agenda Consultation so that the Board might consider these comments as part of that consultation. Stakeholders will also have an opportunity to provide input to the Board in providing comments on the Board’s Request for Information.

Other comments

44. The following table summarises respondents’ other comments together with our analysis and conclusions.

Respondents’ comments	Staff analysis and conclusions
<i>1. Clarification of the fact pattern in the submission</i>	<i>We recommend no change to the tentative agenda decision in this respect.</i>

<p>Bridge Advisory Pty Ltd and GAAP Advisory Private Limited suggest clarifying why the registration right meets the definition of an intangible asset.</p> <p>Sultan Muhammad Kakar says the entity should classify the registration right as inventory and apply IFRS 15 to the transfer payment received because the registration right is an intangible asset held for sale, which is excluded from the scope of IAS 38.</p>	<p>Paragraphs 19–33 of Agenda Paper 6 to the Committee’s November 2019 meeting explained why the registration right meets the definition of an intangible asset.</p> <p>The fact pattern in the submission assumes the entity classifies the registration right as an intangible asset. It would therefore go beyond the scope of the agenda decision to explain the fact pattern in the submission.</p>
<p>2. <i>Other drafting suggestions</i></p> <p>Deloitte suggests editorial amendments to more faithfully describe the fact pattern.</p>	<p><i>We recommend some editorial changes to the fact pattern in the agenda decision to add clarity. Appendix A includes our recommended changes.</i></p>

Staff recommendation

45. On the basis of our analysis, we recommend finalising the agenda decision as published in IFRIC Update in November 2019, with the changes recommended in paragraph 29 of this paper. Appendix A sets out the proposed wording of the final agenda decision.

Question for the Committee

Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 45 of this paper?

Appendix A—Proposed wording of the agenda decision

- A1. We propose the following wording for the final agenda decision (new text is underlined, and deleted text is struck through).

Player Transfer Payments (IAS 38 *Intangible Assets*)

The Committee received a request about the recognition of player transfer payments received. In the fact pattern described in the request:

- a. a football club (entity) transfers a player to another club (receiving club). When the entity recruited the player, the entity registered the player in an electronic transfer system. Registration means the player is prohibited from playing for another club, and requires the registering club to have an employment contract with the player that prevents the player from leaving the club without mutual agreement. Together the employment contract and registration in the electronic transfer system are referred to as a ‘registration right’.
- b. the entity had recognised costs incurred to obtain the registration right as an intangible asset applying IAS 38. As part of its ordinary activities, the ~~The~~ entity uses and develops the player through participation in matches, and then potentially transfers the player to another club. ~~The entity views the development and transfer of players as part of its ordinary activities.~~
- c. the entity and the receiving club enter into a transfer agreement under which the entity receives a transfer payment from the receiving club. The transfer payment compensates the entity for releasing the player from the employment contract before the contract ends. The registration in the electronic transfer system is not transferred to the receiving club but, legally, is extinguished when the receiving club registers the player and obtains a new right.
- d. the entity derecognises its intangible asset upon the receiving club registering the player in the electronic transfer system.

The request asked whether the entity recognises the transfer payment received as revenue applying IFRS 15 *Revenue from Contracts with Customers* or, instead, recognises the gain

or loss arising from the derecognition of the intangible asset in profit or loss applying IAS 38.

Recognition of transfer payment received

In the fact pattern described in the request, the entity classified the registration right as an intangible asset applying IAS 38. Accordingly, the entity applies the derecognition requirements in IAS 38 on derecognition of that right.

Paragraph 113 of IAS 38 states that ‘the gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised...Gains shall not be classified as revenue’. Applying that paragraph, the entity recognises in profit or loss, but not as revenue, the difference between the net disposal proceeds and the carrying amount of the registration right.

Does the transfer payment represent disposal proceeds?

The transfer payment arises from the transfer agreement, which requires the entity to release the player from the employment contract. The entity is therefore required to undertake some action for the right to be extinguished; the right does not expire or dissipate. Accordingly, the transfer payment compensates the entity for its action in disposing of the registration right and, thus, is part of the net disposal proceeds described in paragraph 113 of IAS 38.

The Committee concluded that, in the fact pattern described in the request, the entity recognises the transfer payment received as part of the gain or loss arising from the derecognition of the registration right applying paragraph 113 of IAS 38. In the fact pattern described in the request (in which the entity ~~recognises~~ classifies the registration right as an intangible asset), the entity does not recognise the transfer payment received, or any gain arising, as revenue applying IFRS 15.

~~Is there a circumstance in which the entity would recognise the transfer payment received as revenue applying IFRS 15?~~

~~Paragraph 2 of IAS 2 Inventories requires an entity to apply IAS 2 to intangible assets that meet the definition of inventories. In the fact pattern described in the request, the entity has~~

~~concluded that the registration right does not meet the definition of inventories and, accordingly, has applied IAS 38 in accounting for that right.~~

~~If the registration right were to meet the definition of inventories, the entity would apply IAS 2 in accounting for the right and, on disposal, apply the derecognition requirements of that Standard. Paragraph 34 of IAS 2 states that ‘when inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised’. Had the entity classified the registration right as inventories, the entity would apply IFRS 15 in accounting for the transfer payment received (as long as the transfer agreement were within the scope of IFRS 15).~~

~~Paragraph 6 of IAS 2 defines inventories as ‘assets: (a) held for sale in the ordinary course of business; (b) in the process of production for such sale; or (c) in the form of materials or supplies to be consumed in the production process or in the rendering of services’. IAS 40 Investment Property also specifies that inventories include property in the process of construction or development for sale in the ordinary course of business.~~

~~The Committee observed that, for an entity whose ordinary activities include the development and transfer of players, it is conceivable that circumstances exist in which registration rights associated with some players meet the definition of inventories. In applying that definition, on initial recognition such an entity would consider whether the registration right is acquired for development and sale in the ordinary course of business. The Committee noted that whether a registration right meets the definition of inventories requires an assessment of the facts and circumstances.~~

Statement of cash flows

~~IAS 7 *Statement of Cash Flows* lists cash receipts from sales of intangibles as an example of cash flows arising from investing activities. IAS 7 also lists cash receipts from revenue as examples of cash flows arising from operating activities.~~

~~Accordingly, in the fact pattern described in the request, the an entity presents cash receipts from transfer payments:~~

- ~~a. as part of investing activities, if it had recognised the registration right as an intangible asset; or~~

b. ~~as part of operating activities if it had recognised the registration right as inventories and the transfer payment received as revenue.~~

~~Disclosure of accounting policies~~

~~Paragraphs 117 and 122 of IAS 1 Presentation of Financial Statements require an entity to disclose significant accounting policies, and the judgements management has made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. The Committee observed that, for a football club, such disclosures are likely to include accounting policies in relation to the classification of registration rights and the recognition of transfer payments received.~~

The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine the recognition of player transfer payments received. Consequently, the Committee [decided] not to add the matter to its standard-setting agenda.

Appendix B—Comment letters

International Accounting Standards Board
7 Westferry Circus,
Canary Wharf,
London E14 4HD, UK.

RE: Tentative Agenda Decision—Player Transfer Payments (IAS 38)

Dear Sir/Madam

I am writing in regard to the tentative agenda decision detailed above.

I commend the committee for their diligence in addressing this matter in a timely and effective manner. The logic displayed in the aforementioned document is of value and should be considered as correct.

I was however am wondering if more clarity can be provided around the scenario. Is the commenting on players that are transferred to the club and for which a new transfer out of the club is made or are is the committee talking about players that have been developed by the club.

If the purpose is the former, then one may argue that the definitions contained in IAS38 may be satisfied. The problematic issue here is regards the definitions on control and future economic benefits given the uncertainties in professional sport to satisfy initial recognition.

Thankyou for considering this letter.

Yours Sincerely,

Damian Bridge

Player Transfer Standard

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Yes, I agree with the Board. Since the standard covers the total accounting system.

But since the category doesn't meet with the other accounting systems and it creates difficulty to recognize the assets or revenues I recommend to consider it as new standard.

However the answer of questions are:

Question A) :Does the transfer payment represent disposal proceeds?

Recommend: Yes with contract agreement.

Question B)Is there a circumstance in which the entity would recognise the transfer payment received as revenue applying IFRS 15?

Recommend:Yes the following :

1. When the player joined "A"Club with contract. Monthly payment will be recognized as Expenses and treated in Profit & Loss Account.

Journal:

Player's Salary

To, Bank/Cash

2) Development Expenses:

Intangible Asset

To, Bank/Cash

When the transfer took place to B Company:

Journal into A company account:

Bank/Cash

To, Sale
(against contract salary)
Bank/Cash
To, capital Gain
To, Intangible Assets

Comments on Tentative Agenda Decision on Player Transfer Payments

1. Our comments are on the following:
 - a. Recognition as intangible asset
 - b. Measurement on conversion of intangible asset to inventory
2. The agenda decision assumes that the recognition of the registration fees as intangible asset is proper and addresses whether the derecognition results in revenue or gain / loss. In our view, the issue is whether the recognition of intangible asset is proper. The agenda decision must dwell upon recognition.
3. Paragraph 15 of IAS 38 states as under:

“An entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits expected from it, and it also meets the other parts of the definition.”
4. Paragraph 15 suggests that human resource, howsoever skilled, is unlikely to meet the definition of an intangible asset. In the given case, by registering a player, the club gets the right to use that player for a defined period of time for earning revenues from matches. If this provides control, then the expenses for recruiting staff must also be intangible asset. Therefore, the agenda decision must dwell upon how the club can be said to have obtained control by registering a human resource and why the same does not apply for recruitment of employees. In case of employment contract also, the employee could be prevented from leaving for a defined period of time. In such a case, whether the expenses incurred for recruiting such staff satisfies the definition of intangible asset. Except for the issue of control, the given case is a very simple one which does not warrant IFRS Interpretations Committee to contribute its time.
5. Once an asset is recognised as intangible asset, derecognition follows by itself unless the entity starts to hold the asset for sale in the normal course of business. The agenda decision is silent on how an entity accounts for an intangible asset that is subsequently held for sale in the ordinary course of business. Whether the measurement of the asset on conversion to inventory is at lower of original cost and net realisable value or the lower of carrying amount and net realisable value or simply the carrying amount becomes deemed cost. Also, if there prevails an active market for transfer, the entity could have revalued the intangible asset. In that case, would the measurement be different from the cost model. Whether the revaluation reserve is transferred to retained earnings on conversion to inventory or on sale of inventory.



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Berlin, 14 January 2020

Dear Sue,

IFRS IC's tentative agenda decisions in its November 2019 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decisions taken by the IFRS Interpretations Committee (IFRS IC) and published in the November 2019 *IFRIC Update*.

Whilst we agree with the technical conclusions of the **tentative agenda decision on IAS 38**, we deem the line of argument of gross vs. net presentation and the relation to IAS 2 or IFRS 15 to have much broader relevance beyond the specific issue discussed (especially as regards arrangements concerning the development and use of intellectual property). Although we agree with the Committee's application of the current standard to the specific fact pattern, we are concerned that the accounting treatment may not be the most decision-useful and, hence, most appropriate in other scenarios. Against the background of an increasing number and variety of arrangements over intangibles, and irrespective of the appropriate conclusion on the issue discussed, we believe that the agenda item request highlights again that IAS 38 deserves being revisited and possibly revised.

~~Further, we also agree with the conclusions of the **tentative agenda decision on IAS 12**. However, we suggest making clearer why the Committee believes that a "capital gains tax" undoubtedly falls in the scope of IAS 12 – as is presumed in the respective Agenda Paper. As this is an important element in the IFRS IC's tentative decision, we suggest clarifying this point explicitly in the final wording of the agenda decision.~~

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

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President:
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Prof. Dr. Sven Morich

January 23, 2020

IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Colleagues,

The Saudi Organization for Certified Public Accountants (SOCPA) appreciates the efforts of the IFRS Interpretations Committee (Committee) and welcomes the opportunity to comment on the *Tentative Agenda Decision—Player Transfer Payments (IAS 38)*.

We disagree with the Committee conclusion that the principles and requirements in IFRS Standards provide an adequate basis for the entity to determine the recognition of player transfer payments received.

According to the fact pattern described in the request, "*The entity uses and develops the player through participation in matches, and then potentially transfers the player to another club. The entity views the development and transfer of players as part of its ordinary activities.*" From the fact pattern described in the request, the entity has two purposes of acquiring the registration right: use, development and transfer, all of which are in the course of ordinary business. In such case, IAS 38 is short in describing this situation.

According to IAS 8, an entity shall, among other things, refer to, and consider the applicability of the requirements in IFRSs dealing with similar and related issues in the absence of an IFRS that specifically applies to a transaction, other event or condition. Therefore, we would like to bring to your attention the requirement in IAS 16 for a similar situation (rent and sell the same asset in the course of an entity's ordinary activities):

68A ..., an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. IFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.

The basis for conclusion behind adding paragraph 68A to IAS 16, as stated in paragraphs BC35A-BC35F, applies perfectly to the player registration rights for use, development and transfer in the course of an entity's ordinary activities. We replicate here the same conclusion reached by the Board regarding adding paragraph 68A to IAS 16. That is, we view that entities whose ordinary activities include using, developing and subsequently selling the same intangible assets should recognise revenue from both using and selling the assets. The presentation of gross selling revenue, rather than a net gain or loss on the sale of the assets, would better reflect the ordinary activities of such entities.

Unlike assets subject to IAS 16, the entity that uses and develops the player through participation in matches with the intent for transfer would enhance the value of the registration right for sale of such right as another course of the entity's ordinary activities. This fact supports our view that the principle stated in paragraph 68A of IAS 16 would apply to entities whose ordinary activities include using, developing and subsequently selling the same intangible assets.

Accordingly, our recommendation to the Committee is to consider raising the issue to the Board for a limited amendment to IAS 38 to be in line with the principle stated in IAS 16 where there are more than one purpose of acquiring an intangible asset in the course of the entity's ordinary activities. The suggested amendment will align requirements of IAS 38 with those of IAS 16, which will enhance similarity of cross cutting issues among IFRSs and consequently enhance the faithful representation of these transactions.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

ترامته



Dr. Ahmad Almeghames
Secretary General



الرقم : صائر/2020/24766

التاريخ : 28/05/1441

الموافق : 2020-01-23



24766

Dear (Sir(s) /madam(s)):

First, I would like to thank committee for giving opportunity to comment on decision regard the inquiry,

I agree that IFRSs' (IAS 38 & IFRS 15)principles and requirements are adequate in light of circumstances of aforementioned query, that has to be considered in context with assumptions that asset was appropriately in scope and recognize criteria of applicable IFRS (IAS 38 Par 2-7 & Par.18 , 21-23) .

It was concluded by the club that asset is within IAS 38 scope, so if that was presumed to be appropriate , in accordance to the circumstances and in context to Par 113 , no need for any addition or modification

But due to language of inquiry, I found that the issue is surround scope of two standards (IAS 2 and IAS 38) and determination of which is applicable if deliberated with other comments and more analysis to the transaction considering the unique of club business activities will improve IFRSs in whatever decision the committee concluded finally . So that I have some concerns if we exclusively view this in light of sale and derecognition criteria that relate to each standard rather than focusing on appropriateness of standard scope . Consequently, reaching to conclusion based on limitedly responding to which is appropriate gain or revenues may not be the most relevant to issue to clarify the query in best of public interest even beyond inquirer's stated fact and circumstances.(i.e the inquiry regard recognition which mean whether scope of IFRS adequately include the case or not)

So that, If question is intended about Scope due to confusion arose surrounding circumstances between IAS 38 And IAS 2 and seller club seeks determination whether Asset within IAS 38, and that most probably what can be concluded from inquiry as committee analysis in the response leaded to consider it as gain or revenues alternatives . In that case, future deliberation in conjunction with other comments may have to be considered in light of determination of recognition criteria in conformity with the appropriate IFRS's scope. That will be always after determine whether the scope of applicable standard, which include such right in agreement of registration, was considered in IFRSs. Accordingly and for that purpose, I proposed such modifications for your kind consideration, collectively with other comments, this may improve in future project in such area

In consequence, modification may be suggested for those entities having contractual defined rights that indicate circumstances for those businesses activity having both rights, right to use Asset' service & right of sale the asset. In addition, these both rights may be exist and represent the probable economic benefits since inception and recognition of an asset so that (IAS 38, Par.17) lacks indication for such cases. In consequences, assessment by clubs, for which is relevant right, standing alone, will be the best use. IFRS 15 has not considered those such type of contractual right in its scope when referred to partially considered contract shared with other standards in Par.7. Although right of registration is contractual defined separated and controllable with economic benefits. This registration right affected by Asset in which is in substance not contractual rights ,but The human underlying biological resource (the player) is improved and subject to age's changes that affect assessment of rights and using applicable measurement criteria .

This was not considered in scope of any other standards, in this context the lacking of underlying of asset's evaluation, subsequent development and derecognition criteria for such unit of account with multiple rights, this may create mismatch. When subsequently the player is sold while development cost was recognized within previous reporting periods while player's used if IAS 38|(par.113) was applied , while benefiting club in service provided , is not feature of inventory . That assessment for

such rights, neither's IAS 38 nor is IAs 2 Scope clarified. In light of lacking of criteria for this unique asset, diversity may lead to be treated as either intangible or inventory.

The basis for such exceptional conclusion is based on the inquirer's indication that club's intent since inception is to develop and to potentially sell the player (both are determined criteria in date of acquisition). In reference to IFRSs, (IAS 2 , Par. 6) it does not include this criteria which includes developing while use and sell based on assessment of probability(certainty) of economic benefits because such registration's rights produces benefits while being developed . Take in consideration that IAS 38 Par 17 did not include assessment of use and sale's economic benefits since recognition to be recognized as intangible. In addition, for the club, this sale may not instantly occurred. This issue may have under circumstances indicated lacking of criteria described in both standards IAS 38 and IAS 2 to be considered for determination of scope of such registration's right which also may affect IFRS 15's application as consequence

Thanks & Regards

Shady Fouad Mehelba

CPA California board of accountancy

ESAA- Egypt

Professional standards Technical esearcher

Registered chartered accountant –Egypt No 17899

Comment and basis of opinion

I agree that IFRSs' principles and requirements are adequate in light of circumstances of aforementioned query. However, it may be so confusing in the inquiry to link the proceeds of net payment received in conjunction with determination of the applicable IFRS for revenue recognition. As It is so clear that revenue recognition criteria stated in IAS 38 Par .112 and the net proceed as stated in committee response relate to measurement in the subsequent paragraph in the standard.

The case is surround scope of two standards so that I have concerns if we exclusively view it in light of sale and derecognition only even if seller club determines that Asset within IAS 38 , the response to inquirer should be seen in light of applicable recognition and measurement in accordance to appropriate scopa .

Under IAS 38, Using same criteria to differentiate of inventory and intangible , committee referred to in the response using (Par.113), If entity received payment before 31 December and the derecognition criteria occurred later when risk and rewards completely transferred that no right remained in hand of seller club . in conjunction with the point 3 in the case in which the club surrenders all rights while adequate consideration if it was considered inventory , analysis of performance obligation concept would have different suggestion in same case based on IFRS 15

In accordance to IFRS 15 . Par 5-8 , the scope of IFRS 15 precluded from its scope specific types of contract. in context of IFRS 15's objective , Par.6 it requires to have contract with counterparty as customer be involved .in addition , in Same previous paragraph customer was defined as party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. In the case, the inquirer indicated that transfers of player occurred after development, after usage in matches, then benefits are generated of registration right in ordinary course of activities .after satisfying of this condition then Selling is potential. It is known that the selling of right of use was not precluded from IFRS 16 unless to extent of lease under IFRS 16

Such transfer agreement need to be assessed whether either fully within IFRS 15 or IAS 38, and due to development phase of player while being used and generate usage's economic benefits, benefits partially relate to use and in part to right of sale. In addition, in light of the significance of received benefits in each phase by seller club, the intent of club should be considered and scope is determined (this may be similar features to biological assets).

when that intangible carry both right of use of player and right of sale that make it ,under some circumstances , more likely to sell rather than to use or preferred to be used rather than to sell based on future player's performance . The asset response to development is essential for determination and decision of IFRS's scope, consequently decision will affect significantly the benefits of each right attached of such asset and Club's decision. In addition, then it is concluded that as a unit of account, benefits will be essentially different due to different characteristics of right of sale and right of use while development , this may request assessment of separation of both rights relat to same account unit and with different benefits . (Conceptual framework of financial reporting, authorized march 2018 , Ref. Par. 4.51(c) , Par.4.11 – unit of account)

If the committee, think this project is sophisticated and may be deliberated in future in considerations with other intended changes or modifications in IFRS . It may be suggested to refer only in IFRS 15 to initial assessment whether contract benefits are expected from sale of right to customer or getting service benefits from such intangible in conjunction with using criteria stated in IAS 38 Par. 17

IAS 38 Par.17 clarifies that economic benefits which will be flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity revenues from sale of right of use. This may need to be assessed whether the case is in conformity with entity's intention to obtain that benefit and whether player developed or not during matches for the potential sale. There might be assumptions to be used in assessment that balance such judgement in applying paragraphs (IAS 2 , Par.6 · IAS 38 ,Par .17) to determine whether applying IFRS 15 is applicable. The need for this assessment to support use of IAS 2 and consequently recognize sale as revenues, in accordance with IFRS 15, in so far as right embodied within these hybrid features of unit of account 's use and sale of asset will represent economic benefits from sale rather than usage in ordinary activities.

The modification required:

IFRS 15 ,Par.7 after modification

"7. A contract with a customer may be partially within the scope of this Standard and partially within the scope of other Standards listed in paragraph 5.

(a) If the other Standards specify how to separate and/or initially measure one or more parts of the contract, then an entity shall first apply the separation and/or measurement requirements in those Standards. An entity shall exclude from the transaction price the amount of the part (or parts) of the contract that are initially measured in accordance with other Standards and shall apply paragraphs 73–86 to allocate the amount of the transaction price that remains (if any) to each performance obligation within the scope of this Standard and to any other parts of the contract identified by paragraph 7(b).

(b) If the other Standards do not specify how to separate and/or initially measure one or more parts of the contract, then the entity shall apply this Standard to separate and/or initially measure the part (or parts) of the contract

(c) in case of those Asset acquired matching Scope's criteria (IAS 38 , Par 2-7) and for which contractual right assessed in accordance with IAS 38 Par 17.1 , if satisfied criteria of those contractual service rights acquired for potential significant benefits from right of sale of the underlying asset . They would be accounted for under this standard to the extent of theses assessed contractual rights that represent inventory in accordance with IAs 2, Par.6"

IAS 38, Par.17 after modification

17 . The future economic benefits flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues.

"17.1 In some type of assets, Future economic benefits may be flowed from right to use and right of sale attached to asset, in which case an entity has to assess whether its acquisition was intended

potentially for sale of right of service of underlying Asset. This probably occurred when Benefits From revenues of sale will be significant if compared to benefits from using of such asset. For that purpose, entity must assess as at contract date the significance of each right based on probability and magnitude of expected economic benefits expected to flow of each right to determine whether it satisfies criteria of IAS 2, Par.2 or intangible asset as defined by IAS 38 ,Par 9-16 .”

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

7 February 2020

Dear IFRS Interpretations Committee members,

Tentative Agenda Decision - Player Transfer Payments (IAS 38 *Intangible Assets*)

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the above tentative agenda decision of the IFRS Interpretations Committee (the Committee) published in the November 2019 *IFRIC Update*.

The Committee discussed the question whether, upon sale, "... an entity recognises the transfer payment received as revenue applying IFRS 15 *Revenue from Contracts with Customers* or, instead, recognises the gain or loss arising from the derecognition of the intangible asset in profit or loss applying IAS 38."

We understand the Committee's interpretation in the tentative agenda decision (TAD) of the standards as they are currently drafted. However, we believe the Committee should state explicitly why it is not possible to analogise to paragraph 68A of IAS 16 *Property, Plant and Equipment* or paragraph 57 of IAS 40 *Investment Property* (in accordance with paragraphs 10 - 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). Paragraph 68A of IAS 16 acknowledges that an entity may, in the course of its ordinary business, routinely sell items of property, plant and equipment that it has held for rental to others. We believe that such mixed business models exist not only for tangible assets, but also for intangible assets, for example, in the football, pharmaceutical, life sciences, and media and entertainment industries.

More generally, we believe that the Committee should refer the broader issue of 'mixed business models' in the context of intangible assets to the Board. We specifically recommend the Board to consider amending IAS 38 either as part of its Annual Improvements process or as a limited scope amendment to introduce guidance, similar to paragraph 68A of IAS 16 and paragraph 57 of IAS 40, that addresses the accounting by entities that routinely sell intangible assets (e.g., football players, licences, digital content, media, films etc.) in the course of their ordinary activities that are held for own use. We believe that such an approach would provide useful information and properly reflect the nature of the business activities of such entities.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +31 88 407 5035.

Yours faithfully

Ernst + Young Global Limited



AUTORITÉ DES NORMES COMPTABLES

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Mel patrick.de-cambourg@anc.gouv.fr

Chairman

PDC N° 7

Paris, 7 February 2020

Mrs Sue Lloyd

IFRS Interpretation Committee Chair

7 Westferry Circus, Canary Wharf

London, E14 4HD

United-Kingdom

December 2019 – IFRS-IC Tentative Agenda Decision on IFRS 15 and IAS 38: Presentation of Player Transfer Payments

Dear Mrs Lloyd, *Dear Sue,*

I am writing on behalf of the Autorité des normes comptables (ANC) to express our views on the IFRS-IC tentative agenda decision published in the November 2019 Update, regarding IFRS 15 and IAS 38: Presentation of Player Transfer Payments.

While we agree on many aspects of the analysis (existence of an intangible asset, presentation of the transfer payment received when such an asset is sold), some questions remain, especially regarding the possible recognition of the right paid as inventory and its consequences, which are according to us not fully addressed by the tentative agenda decision. This letter sets out the most critical issues identified by interested stakeholders involved in ANC's due process. They relate to the possibility of recognising registration right as inventory (Part 1) and its subsequent measurement (Part 2).

We are of the opinion that the final agenda decision should not include any reference to the possibility of recognising transfer payment as inventory. This question does not appear to be relevant, as the fact pattern limits itself to the possibility of recognising the gain or loss arising from derecognition of an intangible asset when applying IFRS 15.

Should it nonetheless be decided to address the possibility of recognising the transfer payment as inventory, it would be strongly advised to contemplate a standard-setting process as to properly tackle the issues under review in this letter (Part 3).

Part 1: Identifying a registration right

The tentative agenda decision specifies that, if the ordinary activities of a club include the development and transfer of players, the corresponding registration right could meet the definition of an inventory. According to the wording of the agenda decision, we understand that this determination would occur on a player-by-player basis, provided that evidence of the existence of such a business model could have been provided at the club level. This position raises difficult implementation questions.

First, this decision is bound to be mostly based on a judgement call, due to the frequent changes in the prospective use of a particular player, depending on his individual performance as well as his inclusion within a team. As underlined by our constituents, the underlying rationale could be frail and therefore difficult to assess, be it by the club itself or by its auditors. This could potentially impair the relevance of the club's financial statements.

It could be argued that these difficulties are the same as those encountered in other contexts (investment properties held for sale for example), but we would like to underline that they could be even more prevalent in a business where the decision to sell the right owned on a player could be construed as a question of opportunity rather than the result of a decision taken years before. For example, in the car rental business, the business model relies on the systematic sale of the fleet after a relatively short period of time, so as to renew the vehicles. By contrast, the business model of football clubs is much more fluid and difficult to characterise at individual player's level, even if the transfer of rights can represent a sizable portion of their total income for some of them. The difficulty would be all the more daunting in practice, as this assessment has to be made on a player-by-player basis. If this line of reasoning is nevertheless retained in the final decision, it would appear necessary that some guidance be provided as to how to assess the business model that should be applied to an individual player.

Part 2: Subsequent measurement of inventory

Should the Committee decide to proceed with the possibility to classify the transfer right as inventory, some remaining aspects ought to be clarified, especially regarding its subsequent valuation. More precisely, two different aspects should be dealt with: the use of the inventory prior to its selling on the one hand, the accounting treatment of expenses during the training period on the other.

First of all, the players will contribute to the revenue of the club during the course of its development, be it from ticket sales, media rights or even competition prize money. Even if the intention to sell the right on the players underlies all this process, it remains that the accounting performance of the club will be driven by the accounting policy: whereas a right recognised under IAS 38 will affect the performance through its amortisation, no cost would be accounted for against the revenue stream if the same right is considered as inventory. This difference in accounting treatment does not appear to be underpinned by any convincing facts and circumstances, other than an expected transfer of the right, which consequences will not affect the periods prior to its occurrence.

Secondly, on a related but different basis, we are of the opinion that the question of the accounting treatment of expenses related to this player during the development period should also be dealt with. The costs of his development are incurred in order to maintain or increase the value of the right acquired, and thus generate a profit when the player is sold. Therefore, the right to transfer the player should be considered as part of an "inventory in the process of production for sale in the ordinary course of business". As underlined in the tentative agenda decision, the fact that the asset is in the process of development for sale in the ordinary course of business is indeed a key condition to its meeting the definition of inventory (as in IAS 40.9(a) for example). In this case, the cost of conversion ought to be included in the cost of the right (IAS 2.12). According to IAS 2.10, the cost of inventories shall indeed "comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition." Therefore, it follows that the costs pertaining to the development of the player's performance (salaries, production overheads...) should be considered as part of the cost of inventory, alongside the initial cost of purchase.

Part 3: Rationale for a standard-setting process

The analysis provided in the agenda paper underlines both the limited scope of IAS 16.68A (assets held for rental prior to their sale) and the lack of basis on which to apply the requirements pertaining to IAS 16 in the context of IAS 38. Even though we concur with this analysis, we are of the opinion that introducing a dual model of derecognition in IAS 38 could have its merits. It could appear as a convincing way to allow for the proper recognition of the two different income streams identified in the fact pattern submitted to be recognised, without having to classify the player transfer payment as inventory at inception, with all the difficulties that such an accounting choice is bound to imply (see Part 1 and Part 2).

Moreover, the rationale behind the accounting for the transfer right of a player could be similar to other intangible rights. As the consequences of the tentative agenda decision on those transactions have not been fully explored, a standard-setting process would allow more time and extensive outreach to properly assess potential side effects of the accounting treatment as envisioned.

Please do not hesitate to contact us should you want to discuss any aspect of our comment letter.

Yours sincerely,

Kind regards.

Patrick de Cambourg

Patrick de CAMBOURG

Date: February 11, 2020

Ms Sue Lloyd,
Chair, IFRS Interpretations Committee,
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Ms Sue,

Subject: Comments of the Institute of Chartered Accountants of India (the ICAI) on Tentative Agenda Decision (TAD) issued by IFRS Interpretations Committee on Presentation of Player Transfer Payments (IFRS 15 and IAS 38)

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (the ICAI) welcomes the opportunity to comment on above referred Tentative Agenda Decision of IFRS Interpretations Committee.

We agree with the conclusions in the TAD with regard to accounting treatment of player transfer payments received by a football club (Selling Club) on transferring a player to another football club. The conclusion clarifies that:

- a. If Selling Club accounts for the registration right as an intangible asset, it should recognise the transfer payments as part of gain or loss on disposal of the intangible asset applying IAS 38, *Intangible Assets*.
- b. Depending on Selling Club's particular circumstances, Selling Club might classify the registration right for some players as inventory and if so classified, on transfer of the player to another club it would apply IFRS 15 on accounting for transfer payment received.

On the basis of the fact pattern in the submission, we are of the view that since the Selling Club views the development and transfer of players as a part of its ordinary activities, it appears to be in the nature of inventory. Therefore, the TAD will, in our considered opinion, be useful if the same primarily focuses on giving clarity on whether that view of the club is appropriate.

With kind regards,

CA. M.P. Vijay Kumar
Chairman
Accounting Standards Board
Institute of Chartered Accountants of India

International Financial Reporting Standards Interpretations Committee
30 Cannon Street London E14 4HD,
London, UK.

Project: Tentative Agenda Decision—Player Transfer Payments (IAS 38)

Dear Interpretations Committee members;

This is regarding a request whether the entity recognises the transfer payment received as revenue applying IFRS 15 Revenue from Contracts with Customers or, instead, recognises the gain or loss arising from the derecognition of the intangible asset in profit or loss applying IAS 38.

The data in fact pattern will lead us to different judgement because there are some points and further explanation that need to be included in fact pattern. However, I will share my personal understanding.

Registration right has the embodied economic benefit in itself and eventually will lead to potential benefit to the Entity (football club). This characteristic help us to consider the registration right under assets, but now question is under what standard do we need to record in Statement of Financial Position.

Under IAS 38, if we are recording as intangible asset the initial fact pattern supports this recording, but when it comes to the Entity views, they are considering the development and transfer of players as part of its ordinary activities. The Entity views suggest us to record the *registration right* under IAS 2.

Further to support the registration right recording under IAS 2, IAS 38 (3-a);

“intangible assets held by entity for sale in the ordinary course of business (see IAS 2 Inventories)”

Based on the available fact pattern and above analysis the transfer payment received will be considered under IFRS 15.

Thanks.

Yours Sincerely

Sultan Muhammad Kakar.

Mrs Sue Lloyd

IFRS Interpretations Committee

Columbus Building,
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

Paris, 12 February 2020

Tentative Agenda Decisions – IFRIC Update November 2019

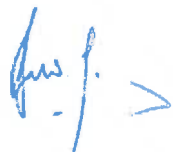
Dear Sue,

MAZARS is pleased to comment on the various IFRS Interpretations Committee Tentative Agenda Decisions published in the November 2019 IFRIC Update.

We have gathered all our comments as appendices to this letter, which can be read separately and are meant to be self-explanatory.

Should you have any questions regarding our comments on the tentative agenda decisions, please do not hesitate to contact Michel Barbet-Massin (+33 1 49 97 62 27) or Edouard Fossat (+33 1 49 97 65 92).

Yours faithfully



Michel Barbet-Massin



Edouard Fossat

Financial Reporting Advisory

Appendix 1

Player Transfer Payments (IAS 38)

<https://www.ifrs.org/projects/work-plan/player-transfer-payments/comment-letters-projects/tad-presentation-of-player-transfer-payments/>

We agree with the first part of the tentative agenda decision which presents the Committee's answer in relation with the fact pattern described in the request submitted to the Committee. Indeed, if an entity recognises costs incurred to obtain a 'registration right' as an intangible asset applying IAS 38 (which we understand is the most common presentation in the statement of financial position, if not the only one), that entity shall recognise the net gain or loss arising from the derecognition of such intangible asset in profit or loss applying IAS 38 (within a line comprising disposals of intangible assets). Paragraph 113 of IAS 38 clearly states that such amount cannot be presented as revenue. It could also be added that the intangible asset represented by the registration right may meet the criteria to be classified as held for sale in accordance with IFRS 5. In such case, the presentation and measurement principles of that standard shall apply to the registration right.

In addition, we note that IAS 16 includes specific provisions in §68A to transfer to inventories items of PP&E that are initially held for rental and then sold in the ordinary course of business. In that situation, the sale proceeds are recognised as revenue according to IFRS 15.

We agree with the Committee not to make any analogy with IAS 16.68A: IAS 16 does not apply to registration rights, IAS 38 does. Besides the business model to which IAS 16.68A applies is sufficiently narrowly described to prevent any extension of its scope by analogy.

Having said that, we are concerned with the second part of the tentative agenda decision which considers situations where the registration right would be presented as inventories in accordance with IAS 2.

Even if there might exist situations where the registration rights meet the definition of inventories, we fail to identify precisely the facts and circumstances that would trigger such a classification, and we fear that opening that door as the tentative agenda decision does could lead to abuses, or at least diversity.

In addition, we are convinced that the classification of registration rights as inventories raises other accounting issues that need to be considered further before the Interpretations Committee explicitly opens this classification alternative:

- How to account for the salary paid to the player during the ‘development’ period: ‘developing’ a player requires that the player actually plays in the team and receives compensation. Should the payments made to the player be capitalized as costs of developing the inventory?
- How to reconcile the classification as inventory and the fact that it generally won’t be in the club’s control whether to sell a registration right? The player has defined term employment or service contract with the club and is usually able to prevent the sale of his own registration right. This means the club cannot sell the player’s registration right until the player agrees to be sold, which seems to be inconsistent with the definition of inventory.

Besides, we question the relevance of the financial information resulting from the classification of the registration rights relating to some players as inventories. Obviously not all the players are bought with the objective of development and sale with a profit. If an entity were to classify some registration rights as intangible assets and others as inventories, depending on its intentions or on its story with a given player, we believe it would obscure the financial statements of the entity making them less relevant to users by presenting identical transactions in different line items both in the statement of profit or loss and the statement of cash-flows.

We strongly believe that recognising all registration rights as intangible assets leads to the most useful financial information, at it leads to:

- presenting a net gain or loss in profit or loss which is a useful information in order to understand whether a football club earns or loses money on player transfers;
- presenting cash receipts from transfer payments as part of investing activities in the statement of cash flows which enables users to understand whether the entity buys more players than it actually sells (in value).

That presentation in the statement of profit or loss and in the statement of cash flows should also apply to the sale of registration rights that a club did not pay for (players who have signed their first professional contract with the club or who joined the club at the expiry of their previous contractual commitment).

We therefore recommend the Committee to simply answer the question raised in the submission, which is how to present in the statement of profit or loss the transfer payments received by the entity when the registration rights are classified as intangible assets. The additional developments in the tentative agenda decision regarding a classification alternative should be abandoned.

14 February 2020

Ms. Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Ms. Lloyd

IFRS Interpretations Committee Tentative Agenda Decisions

The Malaysian Accounting Standards Board (MASB) welcomes the opportunity to provide comments on the following Tentative Agenda Decisions:

- Player Transfer Payments (IAS 38 *Intangible Assets*) – Agenda Paper 6
- Multiple Tax Consequences of Recovering an Asset (IAS 12 *Income Taxes*) – Agenda Paper 7

We agree with the Interpretations Committee's reasons set out in the respective Tentative Agenda Decisions for not adding these items onto its agenda.

With regard to Agenda Paper 7, we further recommend that the final Agenda Decision includes a reminder that all relevant applicable local jurisdictional tax requirements must be carefully considered in arriving at the appropriate accounting treatment.

If you need further clarification, please contact the undersigned by email at beeleng@masb.org.my or at +603 2273 3100.

Thank you.

Yours sincerely,


TAN BEE LENG
Executive Director

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

14 February 2020

Dear IFRS Interpretations Committee members,

Tentative Agenda Decision - Player Transfer Payments (IAS 38 Intangible Assets)

OL Groupe takes the opportunity to share its view on the above tentative agenda decision of the IFRS Interpretations Committee (the Committee) published in the November 2019 IFRIC Update.

The Committee discussed the way an entity should recognise revenues arising from player transfer payment, applying whether *IFRS 15 Revenue from Contracts with Customers* or *IAS 38*. We understand that “the Committee concluded that, in the fact pattern described in the request, the entity recognises the transfer payment received as part of the gain or loss arising from the derecognition of the registration right applying paragraph 113 of *IAS 38*.”

We understand the interpretation of the Committee in the Tentative Agenda Decision. However, we would like to draw the Committee’s attention to a different interpretation suggested by paragraph 68A of *IAS 16 Property, Plant and Equipment*, stating that “an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue in accordance with *IFRS 15 Revenue from Contracts with Customers*.” Similarly, we consider player transfer as part of a professional football club’s routine activities. Such an interpretation tends to be in accordance with the observation made by the Committee, stating that “it is conceivable that circumstances exist in which registration rights associated with some players meet the definition of inventories”.

Still, we would like to underline the practical difficulties of this approach. In order to maintain the quality of Financial Statements, it would be necessary to perform a player-by-player analysis. But a football club cannot determine precisely, while issuing its financial statements, which players will actually be transferred to another entity.

In addition, a player, even about to be transferred, still contributes to the revenues of the club, from tickets sales, media rights or even competition prize money, which seems closer to the definition of intangible assets than inventories.

Last, as not all players are held for sale during the financial year, the outcome of the approach proposed by the Committee would be to show players rights in both Fixed Assets and Inventories in the Financial statements: this dual approach may obscure the understanding of the Financial statements.

For all these reasons, we believe that considering players rights as Fixed Assets would be more consistent for the readers of Financial statements.

These considerations do not question the recognition of revenues arising from player transfer according to *IFRS 15* previously described. Furthermore, we believe that it is also in accordance with the “Faithful Representation” objective stated in the *IFRS Conceptual Framework*. Indeed, such a presentation would

show player transfer as an ordinary activity of the club. On the contrary, a presentation in accordance of paragraph 113 of IAS 38 may suggest a non-current nature of such revenues and therefore distort the interpretation of the club's financial statements.

To summarize, we believe that the above approach would better reflect the nature of the business activities of football clubs. This approach has been agreed by the French Market Authority (Autorité des Marchés Financiers) over the past years for our own Financial statements.

We are at your disposal if you need to discuss the contents of this letter.

Yours sincerely,

OL Groupe

PO Box 1411
Beenleigh QLD 4207
14 February 2020

Ms Sue Lloyd
Chair IFRS Interpretations Committee
International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Online submission: <https://www.ifrs.org/projects/work-plan/player-transfer-payments/>

Dear Sue

Tentative agenda decision - Player Transfer Payments (IAS 38)

I am pleased to make this submission on the above Tentative Agenda Decision (TAD) relating to Player Transfer Payments (IAS 38)

I have extensive experience in accounting advice on International Financial Reporting Standards across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises). I also have some commercial, standard setting and academic experience.

Intangible asset assessment

I agree with the TAD's assessment that the disposal of a player registration payment classified as an intangible asset must be disclosed on a net basis, even if there was an intention to sell the asset in the future.

I note that the staff paper and the related committee discussions considered the application (or not) of the exemption in IAS 16 for PPE held for rental and disposal. Those discussions missed the major underlying issue that before the amendment, there was a business model to use and then sell the PPE, and yet the items were not classified as inventory and disposals had to be recognised on a net basis. An amendment to IAS 16 was required in order to get gross presentation of disposals. Consequently, I believe that the business model for inventory cannot be used by analogy, and standard setting is required to get gross presentation for disposal of player payments.

The TAD should explain why using the IAS 16 exemption by analogy is not applicable.

Inventory assessment

I agree that the TAD should include discussion on the application of the inventory standard. However, I believe that there needs to be a more detailed discussion on why the inventory standard is very unlikely to be applicable.

The TAD refers to that it is 'conceivable' that IAS 2 may be applicable. I believe a better explanation would refer to rarely, very rarely, or extremely rarely or some similar term. I believe that these terms would better express the unlikelihood of IAS 2 applying, and have less risk of confusion in translation from English.

The TAD should include an explanation similar to paragraph 52 of the staff paper that an asset used in the operations of the entity does not meet the definition of inventory. This is consistent with the situation of the rental PPE that required standard setting amendments.

I believe that even in the extreme example of a player being developed, but not used as part of the matches and generating match revenue, would not meet the definition of inventory. This is because the player would still presumably train with the other players, developing their skills, and therefore would still be part of the operations of the entity/

Future standard setting

I believe that future standard setting should not be recommended based on the submission. I also believe that having gross presentation would reduce information to users, as the cost of the player payment would be hidden in COGS, affecting any meaningful gross margin calculations.

Any future standard setting would need to consider other intangibles that have a dual business model of use and sale, for example patents.

Dual business models also exist for investments and financial instruments, which are held for income and then sale, where there does not seem to be a demand for gross presentation.

Yours sincerely,

David Hardidge

<https://www.linkedin.com/in/davidhardidge/>



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Columbus Building
7 Westferry Circus
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London
E14 4HD

14 February 2020

Dear Sir/Madam

Tentative agenda decision – Presentation of transfer payments (IFRS 15 and IAS 38)

We are commenting on the above tentative agenda decision, published in the December 2019 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 that commented on the agenda decision. “PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Presentation of transfer fees received

The request received by the Committee addressed the presentation of player transfer fees received.

We agree with the tentative agenda decision that the gain on derecognising the player registration rights described in the fact pattern and classified as intangible assets is recognised in profit or loss, and that the proceeds are not presented as revenue.

However, we are concerned that the tentative agenda decision goes on to address the presentation of registration rights on the balance sheet, which is an issue not raised in the submission. We believe that the discussion of balance sheet presentation in the tentative agenda decision might cause uncertainty about the accounting for intangible assets that are both used in the business and sold, and lead to diversity in practice. We suggest that the Committee either limit the agenda decision to the question raised in the submission or, if it believes it should address questions beyond those in the submission, consider standard setting rather than an agenda decision. We explore our concerns in more detail in the rest of this letter.

Presentation of registration rights

The tentative agenda decision addresses the circumstances in which transfer payments received might be presented as revenue. This question was not raised in the submission. We agree with the Committee that presentation in the income statement might differ, depending on how the asset being derecognised was presented on the balance sheet. We also agree that proceeds from the sale of inventory are presented as revenue. However, we are concerned that the agenda decision suggests that some player registration rights might be presented as inventory without:

- explaining the basis on which registration rights might meet the definition of inventory; or

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- addressing the accounting consequences for player registration rights and other intangible assets of applying the inventory model in IAS 2, 'Inventories', to an asset that is being used in the entity's business to generate revenue and simultaneously being held for sale.

We are concerned that the tentative agenda decision might cause uncertainty about the accounting for other intangible assets that are both used and then sold. It might also cause diversity in practice in the way that an inventory model is applied to an asset that is also being used in the entity's business. We suggest that the Committee reconsider these aspects of the tentative agenda decision.

There are other industries in which intangible assets might be held for use in an entity's business (for example, by licensing intellectual property to third parties) and then subsequently sold in the ordinary course of business. Entities in the entertainment and media and pharmaceutical industries might use and sell intangible assets. The need to determine how to present such intangible assets on the balance sheet is therefore likely to be more widespread than player registration rights.

We have explained below that there are challenges in both classifying and applying an inventory model to an intangible asset that is simultaneously being used in the business and held for sale. These challenges apply to player registration rights and other intangible assets that are used and then sold. For these reasons, we do not believe that this agenda decision is an appropriate way to address the issue of when transfer fees received might be presented as revenue.

We suggest that the Committee limit the agenda decision to the question in the submission and not address whether there are circumstances in which player registration rights might be presented as inventory. If the Committee believes that it should address the accounting for intangible assets that are both used and then sold in the ordinary course of business, we suggest that it adopt a different approach and address the presentation of such intangible assets more broadly. If the Committee decides to adopt a broader approach, we suggest that it consider whether to recommend an amendment to IAS 38, 'Intangible assets', similar to the amendment made to paragraph 68A of IAS 16, 'Property, plant and equipment', in connection with assets held for lease and subsequent sale. In our view, an amendment to IAS 38 would better address the issues described in the submission and the accounting for all intangible assets held for use and then sale.

Challenges with applying an inventory model to player registration rights

We note the Committee's tentative conclusion that clubs might have two portfolios of assets and might therefore classify registration rights as inventory or intangible assets, depending on the circumstances.

However, the Committee has not explained in the tentative agenda decision how player registration rights would satisfy the definition of inventory in IAS 2. Inventory is defined as "*an asset that is held for sale in the ordinary course of business*". The player registration rights described in the submission are extinguished when a player is transferred, but those rights are not sold. We agree that the asset is derecognised when the rights are extinguished, but we are not convinced that they are sold. We also note that the consent of the player is required before the club can conclude a transfer agreement with another club, and that this consent is substantive. The agenda decision does not explain how an asset can be held for sale, and therefore within the scope of IAS 2, if third party permission is required for the transaction, because the entity cannot freely elect to sell the asset.



If the Committee decides to proceed with the agenda decision, we suggest that the tentative decision should be revised to explain in more detail how the registration rights might meet the definition of inventory.

There are several issues arising from the tentative conclusion that are not addressed directly in the standards or in the tentative agenda decision. These arise largely from:

- the tension that is created when an item of inventory is an integral part of an entity's revenue-generating assets (for example, a player currently in the first team that the club intends to sell in the future); and
- the challenges involved in determining the club's intentions in connection with individual players, given the uncertainties created by injuries, manager preference, and performance.

These issues include:

- the criteria that should be used to separate registration rights into separate portfolios, and how an entity should determine when an asset should be transferred between portfolios;
- how transfers between inventory and intangible assets should be accounted for;
- how an entity should account for the initial cost, including any variable consideration, of acquiring a registration, and the costs of developing a player's skills while that player is an integral part of the club's revenue generation; and
- how net realisable value of an individual registration right should be assessed – we note that registration rights presented as intangible assets would typically be tested for impairment as part of a cash-generating unit.

We understand that these issues are not relevant to the question in the submission. However, the Committee has already expanded the scope of the question by considering a different fact pattern in which the registration rights might be classified as inventory. If the Committee decides to go ahead with the agenda decision, we suggest that it should be expanded to address the issues that arise if the registration rights are presented as inventory.

If you have any questions in relation to this letter, please do not hesitate to contact Henry Daubeney, PwC Global Chief Accountant and Head of Reporting (+ 44 7841 569635), or Tony de Bell (+44 771 554 6441).

Yours sincerely

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers



IFRS Interpretations Committee
7 Westferry Circus, Canary Wharf
London E14M 4HD
United Kingdom

Your reference	Your correspondence of	Our reference	Date
		IFRIC-TAD IAS38	14 February 2020

Comments on Tentative Agenda Decision – Player Transfer Payments (IAS 38)

Dear Madam, Dear Sir,

UEFA is pleased to respond to the IFRS Interpretation Committee's publication of the tentative agenda decision in respect of the "Presentation of Player Transfer Payments" (IAS 38 Intangible Assets).

UEFA is the governing body of European football and the umbrella organisation for 55 national associations across Europe. Our activities include the organisation of club competitions (e.g. UEFA Champions League and UEFA Europa League) each season for over 230 participant clubs as well as the promotion of quality standards and good governance in European football. Since 2006 UEFA has prepared an annual report analysing the financial results and position of football clubs playing in top-division in each respective UEFA's member associations. The 11th edition of the "European Club Footballing Landscape report" covering the finances of more than 700 top-division clubs was released in January 2020. As illustrated, UEFA has been monitoring for several years European club football and is particularly interested in financial reporting matters that have an impact on football clubs' finances. In the early 2000s, UEFA introduced a regulatory framework through the UEFA Club Licencing rules and, later, through the UEFA Financial Fair Play regulations with a dedicated section about financial requirements.

There are a variety of financial reporting frameworks used by football clubs across the breadth of UEFA's 55 member associations. In order to be comparable, clubs must meet the accounting principles as set out in Annex VII in the *UEFA Club Licencing and Financial Fair Regulations* (Edition 2018) available on request or via www.uefa.com :

"[...] Annex VII A(1): Financial statements as defined in Articles 47 and 48 must be based on the accounting standards required by local legislation for incorporated companies – either the applicable financial reporting framework of the relevant country, the International Financial Reporting Standards or the International Financial Reporting Standard for Small and Medium-sized Entities – regardless of the legal structure of the licence applicant.

Annex VII C(1): Licence applicants that capitalise the costs of acquiring a player's registration as an intangible asset must apply certain minimum accounting requirements as described in paragraph 3 of this part C.

Annex VII C(2): If a licence applicant has an accounting policy to expense the costs of acquiring a player's registration rather than capitalise them as an intangible asset, and this is permitted under their national accounting practice, it must apply the minimum accounting requirements set out below.[...]"

If a club's financial statements do not meet the above accounting requirements relating to player transfer transactions, the club must prepare supplementary information for UEFA. The majority of top football clubs account for the costs of players' registrations as intangible assets and only a minority of them expense those costs immediately in the income statement. For instance, for the financial year ended in 2018, the capitalisation and amortisation method was applied in the annual financial statements of:

- 100% of the top one hundred football clubs (by revenue);
- 66% of the 500 football clubs with employee benefits expenses above € 1m; and
- almost all clubs in 18 of the top 20 UEFA's member associations (by aggregate clubs' revenue).

The UEFA regulatory framework has encouraged a high level of consistency in the football industry regarding the clubs' accounting for the transfer of players' registrations.

UEFA welcomes the tentative agenda decision confirming that the net disposal proceeds from the intangible assets must be presented as a gain or loss (and not as revenue) and the related cash flow must be reflected as part of the investing activities.

However, UEFA is not aware of any European football club accounting for player's registrations as inventories and is concerned about this new accounting treatment because:

- (i) it does not recognise the realities of how the football industry works, such that the idea of players' registrations being treated as inventories is impractical and inappropriate; and
- (ii) it would reduce consistency of accounting treatment amongst football clubs, with negative consequences for the comparability of clubs' income statement and balance sheet position.

We develop further the reasons for the above points:

A. It is impractical and inappropriate for players' registrations to be treated as inventories

The future transfer value, if any, of a player is not certain at the inception date of the acquisition and the plans of a football club can change due to a wide range of factors. These factors cannot be assessed with certainty at the date of the initial acquisition of a player's registration and any estimate as to players' registration costs being treated as inventory is highly volatile and speculative. Such classification can arguably not be reasonably estimated given it is dependent on a lot of factors and uncertainties as outlined below:

- no matter what a club's reasons for acquiring a player's registration, players are part of a global squad, they are coached and trained together with other players. There is no difference in the "use of the assets" (players) however same/similar transactions could be classified differently in the balance sheet and income statement.

- a club's reasons for acquiring a player's registration and their future intentions can change over time due a combination of factors in respect of the player, such as the player's technical progress, quality of performances in matches, fitness, injuries and/or attitude. A newly acquired player will have to adapt to his new environment and continue to improve in this new context.
- a club's original intentions can also change over time due a combination of factors in respect of the club, such as a change in the club's ownership/decision-makers, a change in the manager/head coach/other staff influencing the club's player retention and sporting decisions. Different people can have different opinions about the quality and prospects of a player. There are significant uncertainties.
- each player is unique and there are a unique set of circumstances surrounding each player's transfer involving the player, the agents, the selling-club and the buying-club.
- a club may temporarily transfer (loan out) a player to another club and receive some compensation from the other club. As a result, the player will be involved in the activities of the other club.
- a club is not free to sell/transfer a player's registration to another club. For example, there are rules limiting when a transfer can take place. Furthermore, a transfer must have the mutual consent of the player, and there must be another club willing to acquire the player's registration and proposing an employment contract which is acceptable for the player. Furthermore, a player is a person who may get injured, perform poorly, display a bad attitude and/or be advised by other people (e.g. family members, agents).
- a player's registration held by a club could terminate for reasons other than the player being transferred to another club. For example, if player stays until the end of his employment contract, then he becomes a 'free-agent' and can freely sign for another club. A player can also retire from professional football due to age, injury or lifestyle choice.
- a player's activities at a club involve more than just being held for future sale/transfer. A player will be involved alongside other players in being coached and trained, will play in matches for a club's team (e.g. first team, reserve team, under 23 team, under 18 team), and will be carrying out other activities such as a club's promotional and community activities.

B. Consistency of accounting treatment for football players registration

Based on its long experience of analysing football clubs' financial statements, UEFA has noted a high level of consistency in the accounting for football player's registration costs recognised as intangible assets and amortised over the duration of the contract.

Whilst the tentative agenda decision notes the option of treating registration costs as inventories, it does not set out the circumstances for application. We are concerned that the idea of accounting for these player's registration as inventory would bring inconsistency in the presentation and recognition of such transactions as outlined below:

- for example, a club may acquire two new players 'registration and account differently for the related costs (one as inventory and one as intangible asset) on the basis of a highly subjective

judgment made at the beginning of the contract. However, it must be noted that there is no significant difference in the daily activities of those players (in the “use of the asset”) that will both train and play for the club. This situation may create an incentive for clubs since a player’s registration reported as intangible asset will be amortised whereas the one recognised as inventory will not.

- a club may decide, during the same reporting period or between two financial reporting periods, to move a player registration from inventory to intangible assets or vice versa.
- a club also coaches, trains and develops its own talent (so-called “home-grown” players) for whom there was no acquisition cost. Therefore, there could be potential unintended consequences with regard to the accounting of costs related to such home-grown players, such as technical staff expenses, rental/maintenance of training facilities, medical costs and accommodation/transport expenses.

UEFA therefore believes that too much judgement is left to the preparers of the accounts with the risk that there will be inconsistencies of accounting treatment:

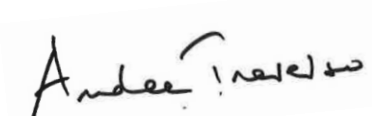
- of players at the same club;
- of a player at the same club but in different reporting periods;
- of a player at his current club and the same player at his former club;
- of players at different clubs, even in same/equivalent circumstances.

Consequently, this will limit considerably the comparability of transactions in respect of players’ registrations in the football industry.

For all the reasons expressed above, UEFA has serious concerns about the impracticalities and potential unintended consequences that the proposed option to recognise the players’ registration costs as inventories could have on the financial reporting in the football industry.

Should you have any questions concerning our comments, we remain at your disposal.

Yours faithfully,



U E F A

Andrea Traverso

Director Financial Sustainability & Research

Mrs Sue Lloyd

IFRS Interpretations Committee

Columbus Building
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Santiago, February 14th 2020

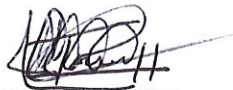
Tentative Agenda Decisions – IFRIC Update November 2019

Dear Sue

Universidad de Chile's IFRS Technical Committee is pleased to comment on Tentative Agenda Decisions published in the November 2019 IFRIC Update.

You'll find our comments on Appendices A and B attached to this letter.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Leonardo Torres', with a long horizontal stroke extending to the right.

Leonardo Torres
President
Universidad de Chile's IFRS Technical Committee

Appendix A

Player Transfer Payment (IAS 38)

We accept that the registration rights could be treated as intangible assets and that the derecognition of said assets generates losses or gains at the time of disposal. With respect to the possibility of treating registration rights as an inventory, it is necessary to specify under what circumstances that would be possible, since both possibilities (application of IFRS 15 or IAS 2 alternatively) could create ambiguity spaces.

14 February 2020

Sue Lloyd
Chair
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United Kingdom
E14 4HD

Dear Ms Lloyd

Tentative agenda decision – Presentation of Player Transfer Payments (IAS 38 Intangible Assets)

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the November 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on the presentation of the transfer payment received by an entity in exchange for releasing a player from an employment contract, when the costs to obtain the registration rights had been recognised as an intangible asset.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

However, we are concerned that the discussion under the header "Is there a circumstance in which the entity would recognise the transfer payment received as revenue applying IFRS 15" may introduce diversity in practice in the presentation of player registration rights as intangible assets vs inventory where it does not currently exist. We understand that the outreach performed by the IFRIC staff, as reported in Agenda Paper 6, has not identified instances of entities accounting for the costs incurred to obtain players as inventories. The tentative agenda decision raises the possibility that in certain circumstances the presentation as inventories may be appropriate without specifying in what circumstances this may be the case. The discussion under this header appears the result of a lack of clarity in the fact pattern presented potentially raising questions on the classification of the player registration rights.

We believe that it would be useful to clarify the fact pattern presented consistently with the description provided in the submission by amending item b. as follows.

"the entity had recognised costs incurred to obtain the registration right as an intangible asset applying IAS 38. The entity uses the player for matches, develops the player alongside other players, and then potentially transfers the player to another club (if the player consents to the transfer and subject to regulations governing the transfer of players). The entity views the ~~development and~~ transfer of players as part of its ordinary activities, along with match operations, merchandising, advertising and TV market."

We believe that this description would more faithfully describe the fact pattern in the submission where the transfer of players (and the derecognition of player registration rights) is one of the activities undertaken by the entity as opposed to the principal reason why the registration rights were obtained in the first place.

Having clarified the fact pattern, it appears that most of the discussion under the header "Is there a circumstance in which the entity would recognise the transfer payment received as revenue applying IFRS

15" becomes unnecessary and could either be eliminated or limited to a reminder that because the player registration rights are classified as an intangible asset under IAS 38 in the fact pattern presented, it is IAS 38 that applies to the proceeds related to the derecognition of the asset.

As an additional editorial point, we suggest adding the following words (underlined) in the second sentence under the header "Does the transfer payment represent disposal proceeds" to more faithfully describe the fact pattern

"The entity is therefore required to undertake some action for the right to be extinguished prior to maturity of the player contract; the right does not expire or dissipate."

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'V. Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS Leader