



Ref: 22.7/1/1

International Accounting Standards Board
30 Cannon St.
LONDON, EC4M 6XH

13 June 2008

Dear Sir or Madam,

RE: INTERPRETATION ON REVENUE RECOGNITION IN REAL ESTATE CONTRACTS

Before the IASB approves IFRIC interpretation on revenue recognition in real estate contracts, BUSINESSEUROPE would like to express again its deep concerns about the consensus reached in the interpretation.

In its letter of comments to the IFRIC, BUSINESSEUROPE had emphasised that the issue had far reaching potential consequences on how to recognise revenue in compliance with IFRS beyond the real estate industry. In our view IFRIC contributions to IFRS should ensure that no divergence in practice arises or that clarifications are made to ease the understanding and implementation of some requirements. We very much appreciate the work the IFRIC carries out to that purpose.

We do not support however the IFRIC introducing new concepts as is done in the final interpretation on revenue recognition in real estate contracts. Indeed we see the introduction of the "continuous transfer of risks or rewards" concept as pre-empting the conclusions that could be derived from the IASB – FASB joint project on Revenue Recognition. That concept was first proposed to be introduced as a clarification of IAS 11; it now sits as part of IAS 18 in the final interpretation. The mere fact that the IFRIC can bounce a concept from one standard to the other shows that the final conclusions are not interpreting existing standards; rather it creates new requirements.

As a result we believe that the IFRIC should not issue the final interpretation. The main reasons for rejecting it are as follows:

- 1- Defining when an entity should recognise revenue is part of the IASB – FASB revenue recognition project. Continuous transfer of the deliverables to the customer appears to be a key concept in the draft discussion paper the two

Boards are in the course of finalising. We do not believe that concept should be implemented to a type of contract at present, before it is fully discussed as part of the IASB due process.

- 2- The introduction of that new concept is not supported by any impact assessment of how it may – or should – be applied in practice. The significance of how revenue is reported makes such an analysis necessary.
- 3- A new concept introduced as part of an interpretation results in a new revenue recognition model being a requirement in the accounting of some contracts while remaining an option for other contracts having the same economic characteristics. We do not think that this is appropriate.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,



Jérôme P. Chauvin
Director
Legal Affairs Department
Internal Market Department