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EFRAG  
Attn. EFRAG Technical Expert Group  
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Our ref : AdK  
Date : Amsterdam, 4 October 2007  
Re : Comment on IFRIC D21 Real Estate Sales

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standard Board (DASB) appreciates the opportunity to respond to your draft comment on IFRIC D21 Real Estate Sales.

The different views within EFRAG on determining the applicable standard, either IAS 11 or IAS 18, illustrates that D21 does not succeed in clarifying the underlying issue. We believe that the problem is only shifted to the interpretation of buyer's specification, which is equally ambiguous and vague as the term 'specifically negotiated'. We concur with your view that the notion of continual delivery does not coincide with the notion of buyer's specification.

We believe that the problem that D21 addresses cannot be solved by an interpretation by IFRIC. We concur with your remark that the key to getting the interpretation right is to have a clear unambiguous principle that is applied consistently throughout the interpretation. However, we believe that such a principle cannot be set or changed by IFRIC, but should be addressed by the IASB. Therefore, we suggest that a recommendation to address a revision of the definition of construction contracts in IAS 11 should be put more upfront in your comment, thereby appealing to the IASB to take over this issue from IFRIC.

With respect to the issues of Example 9 in IAS 18, and remaining obligations, we are reluctant to ask IFRIC for more detailed guidance. More in-dept guidance would result in rule-based checklists, which should be avoided.

Overall, we believe that D21 does not significantly add clarity (and might even cause more interpretation problems), and should therefore not be supported.

Our detail comments are set out in the appendix to this letter.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

Hans de Munnik  
Chairman DASB

## Appendix

**Construction services:** The DASB believes that the wording of services in paragraph 8 is not intended by IFRIC as a limitation in scope, but is merely used in conjunction with the buyer's specification that should determine the construction process, i.e., the construction service to be performed. Therefore, since we do not regard this paragraph as misleading, we regard any clarification on this matter as a minor issue.

**The buyer's specification criterion:** We concur with you that in IAS 11 the definition of a construction contract is not entirely clear in any circumstance. However, IFRIC cannot revise a definition in an IFRS-standard. Based on the existing definition, we believe that the buyer's specification criterion follows correctly from the phrase "specifically negotiated" in IAS 11. Without the buyer's specification criterion, the scope of IAS 11 might widen to any construction of assets that commences only after the sales contract is signed. This is clearly not the intended scope of IAS 11.

**Operationalisation of buyer's specification:** The DASB believes that identifying buyer's specifications requires professional judgment. Although we concur that D21 does not provide substantial additional guidance on this matter, we believe that practice is too diverse to be captured in a limited set of features, and that detailed guidance would result in rule-based checklists.

**Indications of "continuous sales":** We agree with your concern that the approach seems to be legal driven. Differences in legal systems throughout the world will make it impossible to derive clear cut indications that capture the substance of the transaction. We sympathise with your view, that the key to getting the interpretation right is to have a clear unambiguous principle that is applied consistently throughout the interpretation, but we believe that IFRIC has no authority to set the principles underlying IFRS.

**Features that might indicate the existence of a construction contract:** We agree with your concerns on this matter.

**Example 9 in IAS 18:** Apparently, the clarity of this text is matter of perception. In contrast to your comment, we regard the revised text as more clear than the current text. Since your draft comment does not elaborate on the amendments you suggest, we cannot evaluate the merits of your comment on this matter.

**Remaining obligations:** We agree that the examples given (internal decorations versus internal fittings) are ill-chosen, since they are not clearly linked to the underlying principle. However, we believe that IFRIC should not provide detailed guidance for the distinction between 'minor' and 'significant', since this is a matter of judgment in individual cases.