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Dear Wayne,

IFRS IC's (tentative) agenda decisions in its January 2016 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the tentative agenda decision and several (final) agenda decisions, taken by the IFRS IC and as published in the January 2016 *IFRIC Update*. Please find our detailed comments in the appendix to this letter.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große or me.

Yours sincerely,

Andreas Barckow

President

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Appendix A – Comments on tentative agenda decisions

IFRIC 12 – Payments made by an operator to a grantor

We generally support the IFRS IC's tentative agenda decision (TAD) to clarify the accounting for payments made by an operator to a grantor in a service concession arrangement (SCA) in cases in which the operator is acting as a principal with respect to the contractual payments:

- With respect to lit. (a) and (b) of the TAD, we agree with the proposed wording and the accounting consequence that, if the contractual payments give the operator a right to a good or service or a tangible asset that is separate from the SCA, the operator would account for that separate good or service in accordance with the applicable Standard.
- We also agree that the contractual terms of the SCA would determine the accounting for the contractual payments to be made by the operator to the grantor as described in lit. (c) of the TAD. However, we suggest clarifying the scope of the fact pattern under lit. (c) – and therefore clearly separating it from (b) – by amending the introductory condition of (c) as follows: "If the contractual payments **give the operator a right to use a tangible asset that is not separate from the infrastructure (thus, does not meet the definition of a lease)**..."

We acknowledge that the IFRS IC also considered that payments to be made by an operator may be variable payments, but then concluded that addressing SCAs with variable payments included would be too broad for it to address. We agree with the IFRS IC taking this decision on IFRIC 12 separately from the decision on IASs 16/38 regarding asset purchases, as the events that trigger variable payments may, in some cases, be within the control of the operator and be outside the control of the operator in other cases.

However, we take the view that it remains unclear whether the IFRS IC's tentative decision (i.e. "non-consensus" on whether or not variable payments depending on a future activity lead to recognition of a liability before that activity is performed) is derived from the fact that events triggering the variability are within the control of the operator, or whether the same arguments would also hold if the factors that triggered



the variability were outside the operator's control. We think that a solution could be developed to address the accounting for payments to be made by an operator to a grantor (without the need to address the broader issue of variable payments for asset purchases) by limiting the scope to cases where the operator's future activities are not a relevant factor when assessing how to account for variable payments (i.e. events that trigger those variable payments are outside the control of the operator).

Finally, we like to point to the fact that an answer is still missing for the case in which the operator is, or is deemed, acting as an agent, which might be outside the scope of this submission (and this TAD) but remains an open question that has been raised in our separate submission on IFRIC 12 and awaits a decision.

Appendix B – Comments on final agenda decisions

IFRS 5 – Several issues

Given the final agenda decisions on several IFRS 5 issues, we are very supportive of the IFRS IC's decision to (a) deal with all unresolved IFRS 5 issues collectively and (b) not further investigate on these issues but to defer them to a comprehensive re-search project that the IASB is expected to initiate.

Notwithstanding our support for this route, we would like to point to the fact that it is still open whether, and when, the IASB indeed initiates such a comprehensive project. Therefore, we urge the IFRS IC to strongly advocate for the IASB starting a comprehensive IFRS 5 project or, otherwise, to re-open all unresolved IFRS 5 issues in its own remit. If neither body feels responsible of becoming active, the submitters of those issues are left in limbo as regards the correct accounting treatment, thus running the risk of inconsistent practices to prevail.