

Ms Tricia O'Malley
IFRIC Co-ordinator
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

18 August 2008

Dear Ms O'Malley

Tentative agenda decision: IAS 18 – Accounting for trailing commissions

We are responding to your invitation to comment on the above tentative agenda decision, published in the July 2008 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 who commented on the tentative agenda decision. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We agree with the IFRIC's decision not to take this item onto its agenda. This is a complex area where significant judgment is required to determine whether the right to receive trailing commissions is conditional on rendering future services. The exercise of this judgment may give rise to diversity in practice but it is inappropriate for an IFRIC interpretation to deal with issues of judgment.

There should be no diversity in practice, however, in the accounting treatment when trailing commissions are not conditional on delivering future services. In our view the existing literature is clear and consistent. IAS 18 requires that revenue is recognised when services are delivered and the revenue can be measured reliably. The contractual right to receive or pay trailing commissions when no future service is required meets the definition of a financial instrument in IAS 32 and should be accounted for in accordance with IAS 39.

The tentative agenda decision should be amended to reflect the guidance in the existing literature so it does not introduce uncertainty into an area where the requirements are clear. The agenda decision should acknowledge that a right to receive trailing commission is recognised as a financial asset when the services are delivered and the related revenue can be measured reliably and that an obligation to pay trailing commission is recognised as a liability when the services are delivered.

If you have any questions in relation to this letter please do not hesitate to contact Richard Keys (020 7212 4555), Pauline Wallace (020 7804 1293) or Tony de Bell (020 7213 5336).

Yours faithfully

PricewaterhouseCoopers LLP