



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

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Our ref: ICAEW Rep 12/08

European Commission
DG Internal Market and Services
Accounting Unit F3
B-1049
Brussels

By email: angel.monzon@ec.europa.eu & philippe.bui@ec.europa.eu

Dear Philippe

ENDORSEMENT OF IFRIC 12

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to comment on the European Commission's consultation on the *Endorsement of IFRIC 12 Service Concession Arrangements*, published by the Commission in December 2007. Our responses to the relevant questions included in the EC Questionnaire are attached as an appendix to this letter.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world-leading professional accountancy body, the Institute provides leadership and practical support to over 130,000 members in more than 140 countries.

The Institute supports IFRIC 12. Although we remain critical of aspects of the Interpretation, we accept that there is a need for guidance in this area and believe that IFRIC 12 arrives at a practical solution that can be made to work. Overall we are confident that the Interpretation will improve the quality of financial reporting in Europe, and accordingly we recommend that it be endorsed by the EU without further delay.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

Dr Nigel Sleigh-Johnson
Head of Financial Reporting
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APPENDIX EC QUESTIONNAIRE

Please provide the following details together with your response:

☐ **Preparer** ☐ **User** ☐ **Other (please specify):** professional accountancy body

Name of your organization / company: ICAEW

Short description of the general activity of your organization/ company:
see covering letter

Country where your organization/ company is located: UK

Contact details incl. e-mail address: nigel.sleigh-johnson@icaew.com

Please indicate whether you submitted comments to IASB and/or EFRAG during their consultations on exposure drafts, comment letters or endorsement advice related to IFRIC 12: Yes, IASB and EFRAG

In case we need further details on the submitted information we will take the liberty to contact the relevant respondent.

Information from preparers (EC questions not included in this appendix)

1. General questions on IFRIC 12

a) Do you think it is necessary to clarify the accounting treatment to be applied to service concessions arrangements under IFRS?

Yes, we think the clarification is necessary.

b) Do you think that IFRIC 12 will result in relevant, reliable, comparable and understandable information?

Relevant ☐ **Yes** ☐ **No** ☐ **Partly**

Reliable ☐ **Yes** ☐ **No** ☐ **Partly**

Comparable ☐ **Yes** ☐ **No** ☐ **Partly**

Understandable ☐ **Yes** ☐ **No** ☐ **Partly**

Yes, in our view IFRIC 12 will result in relevant, reliable, comparable and, in general, understandable information. In this latter respect, we believe that the control model of IFRIC 12 is superior to the intangibles model, but consider that few assets will fall to be treated as intangible assets.

c) Overall, do you think that IFRIC 12 provides an appropriate solution to the accounting for service concession arrangements?

Yes, whilst we consider the control model to be more robust, we consider that overall IFRIC 12 provides an appropriate solution to the uncertainties and inconsistencies associated with accounting in this area.

d) Would you have preferred a standard to address this issue?

In the circumstances we are content with the use of an Interpretation to address this urgent issue.

e) If you answered “yes” to question 1d, would you consider that endorsement of IFRIC 12 is necessary or useful in the meantime?

Regardless of views on this question, we would strongly support endorsement of IFRIC 12.

f) What do you consider are the main costs and benefits of IFRIC 12 and what importance would you assign to each of them?

The application of IFRIC 12 in Europe will bring major benefits in terms of the quality and consistency of financial reporting in this area, which - although the new requirements will represent a major change of practice for some and are challenging to implement in some respects - will, in our view, substantially outweigh the overall costs of implementation.

2. Questions for preparers (not included in this appendix)

3. Questions for users (not included in this appendix)

4. Other Questions

a) Can you provide any information that has been generated by field studies, research work, internal analysis carried out in your organization, jurisdiction?

Please see the relevant analysis for the 2005 financial statements of EU listed companies included in the ICAEW study for the EC on the transition to IFRS, published in October 2007.

b) If you have any further comments on this consultation please provide them to us.

Please see our covering letter.

Email: nigel.sleigh-johnson@icaew.com

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