



International Accounting Standards Board®

Press Release

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IFRIC publishes proposed guidance on accounting for customer contributions

The International Financial Reporting Interpretations Committee (IFRIC) has today released for public comment a draft Interpretation, IFRIC D24 *Customer Contributions*. The proposal is open for public comment until 25 April 2008.

Customer contributions are transactions in which an entity—the access provider—receives an asset it uses to provide access to an ongoing supply of goods or services to a customer or customers. In some cases, the access provider receives cash which it must use to acquire or construct the asset that will provide access.

IFRIC D24 addresses a number of areas where practice is diverse. It clarifies in particular:

- whether a customer contribution should be recognised as an asset and, if so, whether it should be initially recognised at cost or fair value;
- whether an agreement to provide ongoing services using a contributed asset contains a lease;
- how to account for the credit that arises from the recognition of a customer contribution at fair value;
- how to account for a cash contribution.

If adopted, IFRIC D24 will standardise practice and clarify the accounting for the receipt of customer contributions. All access providers will be required to recognise contributed assets and revenue from providing access to a supply of goods or services over the period access is provided. Those access providers that have previously not recognised contributed assets will now recognise increased property, plant and equipment and revenue. Those access providers that have previously recognised revenue immediately on the receipt of a contributed asset

may now be required to recognise it over a longer period. The IFRIC proposes that its guidance be applied prospectively.

IFRIC D24 *Customer Contributions* is available for eIFRS subscribers from today and will be freely available on the IASB Website from tomorrow. For further information on the project, please visit the IFRIC D24 project Website on www.iasb.org.

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About the IFRIC

The IFRIC is the interpretative body of the International Accounting Standards Board (IASB). Its objective is to review newly identified issues not specifically addressed in International Financial Reporting Standards or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance. Any individual or organisation can ask for an issue to be put on the IFRIC's agenda. To be considered, those issues should be widespread and have practical relevance. The IFRIC comprises 14 voting members (all part-time) drawn from a variety of countries and professional backgrounds. They are appointed by the Trustees of the International Accounting Standards Committee (IASC) Foundation and are selected for their ability to maintain an awareness of current issues as they arise and the technical ability to resolve them. IFRIC interpretations are subject to IASB approval and have the same authority as a standard issued by the IASB.