International Accounting Standards Board®

Press Release

29 January 2009

IFRIC clarifies the accounting for transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC)* issued today an Interpretation that provides additional guidance on the accounting for transfers of assets from customers.

IFRIC 18 *Transfers of Assets from Customers* is particularly relevant for the utility sector. It clarifies the requirements of International Financial Reporting Standards (IFRSs) for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRSs, in particular the principles in IAS 18 *Revenue*, have been interpreted differently and the IFRIC was asked to provide additional guidance on the accounting for those transfers of assets from customers. The interpretation clarifies:

- the circumstances in which the definition of an asset is met;
- the recognition of the asset and the measurement of its cost on initial recognition;
- the identification of the separately identifiable services (one or more services in exchange for the transferred asset),
- the recognition of revenue;
- the accounting for transfers of cash from customers.

In response to the comments received on the draft Interpretation published in January 2008, the IFRIC simplified the guidance on the recognition of an asset by referring to the IASB's *Framework* and added additional guidance on the recognition of revenue.

The Interpretation is effective for annual periods beginning on or after 1 July 2009 and applies prospectively. However, limited retrospective application is permitted.

IFRIC 18 *Transfers of Assets from Customers* is available for *e*IFRS subscribers from today**.**

Those wishing to subscribe to *e*IFRSs should visit the online shop at www.iasb.org or contact:

* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

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For more information on IFRIC 18 visit the project website on www.iasb.org.

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NOTES TO EDITORS

About the IFRIC

The IFRIC first met in February 2002. It comprises 14 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about six times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

About the IASB

The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 members of the IASB (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB co-operates with national accounting standard-setters to achieve convergence in accounting standards around the world.