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The Project Manager
International Financial Interpretations Committee (IFRIC)
30 Cannon Street
LONDON EC4M 6XH
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Via commentletters@iasb.org

Dear Project Manager

IFRIC Draft Interpretation D21 Real Estate Sales

Thank you for the opportunity to comment on the Exposure Draft of a Proposed IFRIC Interpretation *Real Estate Sales*.

CPA Australia's response to the invitation to comment has been prepared in consultation with members through its Asia Pacific Financial Reporting Advisory Group (APFRAG) which is a Board Committee representing a regional perspective from South-East Asia and Oceania, and its Financial Reporting and Governance Centre of Excellence.

CPA Australia agrees there is a need for greater certainty as to the accounting required of an entity undertaking real estate sales. It is generally supportive of the approach taken by the International Financial Reporting Interpretations Committee (IFRIC) in the proposed Interpretation, which is to distinguish between contracts to provide a service and those for the sale of goods. Further, it supports the proposition in the proposed IFRIC that no profits should be recognised in the absence of the property developer transferring to the buyer significant risks and rewards of ownership of what has been developed – that is, the work in progress as the building is constructed.

However, CPA Australia considers that the proposed features/indicators in paragraphs 9 and 10 are not distinctive enough and might be understood and applied differently. It suggests there is a need for further clarification in order to militate against continued divergence in practice. Some CPA Australia members have noted the difficulty with determining whether or not the property developer has transferred the significant risks and rewards of ownership vis-à-vis their retention. They have suggested that a stepped approach be applied, whereby, where it is difficult to determine whether the property developer has transferred or retained the significant risks and rewards, it shall determine whether it has retained control of the asset. CPA Australia notes the stepped approach so described has its foundations in the IAS 39.15-37 derecognition of a financial asset paragraphs. It encourages the IFRIC to explore this approach as an appropriate interpretation.

If you have any queries on our comments, please contact Dr Mark Shying, CPA Australia's Financial Reporting and Governance Senior Policy Adviser at mark.shying@cpaaustralia.com.au.

Yours sincerely

Geoff Rankin FCPA
Chief Executive Officer

cc: D Boymal
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