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International Financial Reporting  
Interpretations Committee (IFRIC)  
Mr Robert Garnett  
30 Cannon Street  
London EC4M 6XH

Berlin, 16. April 2009

United Kingdom

Dear Bob,

**Comment Letter on the IFRIC's Tentative Agenda Decision "IAS 38 Intangible Assets – Accounting for sales costs" published in March 2009**

During its meeting in March 2009 the IFRIC discussed the issue of how a real estate developer should account for initial selling and marketing costs incurred during construction that relate to the specific real estate construction project.

The IFRIC noted that selling costs cannot be capitalised if the real estate units are considered to be inventory in accordance with IAS 2 Inventory. Similarly, these costs cannot be capitalised as property, plant and equipment unless they are directly attributable to preparing the asset to be used.

The IFRIC also noted that paragraph 20 of IAS 11 Construction Contracts excludes selling costs from contract costs even if the specific construction project was within the scope of IAS 11. However, the IFRIC noted that other standards conclude that some direct and incremental costs recoverable as a result of obtaining a specifically identifiable contract with a customer may be capitalised in narrow circumstances. None of these standards permit an entity to capitalise costs incurred in attempting to obtain customer contracts.

In this context we ask the IFRIC to make sure to clarify and to differentiate as follows:

- initial selling and marketing costs incurred during construction by a real estate developer, that relate to the specific real estate construction project, are to be considered selling costs, which can not be capitalized (eg IAS 11.20),
- whereas direct and incremental costs as a result of obtaining a specifically identifiable contract with a customer may be capitalized if specified, additional requirements are met (eg IAS 11.21).



Therefore, and to avoid any unclear decision causing divergence in practice, the proposed agenda decision should be reworded considering the suggestion above.

If you would like further clarification of the issues set out in this letter please do not hesitate to contact me.

With best regards

*Guido Fladt*  
AIC, Chairman