

07 February 2022

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom

Dear Ms Lloyd

Tentative agenda decision – Principal versus Agent Software Reseller (IFRS 15)

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the December 2021 IFRIC Update of the tentative agenda decision (TAD) not to take onto the Committee's agenda the request for clarification on whether, in applying IFRS 15, a reseller of software licences is a principal or agent.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda.

We believe that the IFRS 15 framework provided in the decision for determining whether an entity is acting as principal or agent is an effective tool in helping to make this judgement. We also agree that it is appropriate not to reach a conclusion on whether the reseller is principal or agent given the limited fact pattern provided in the request.

However, we believe that the analysis of the indicators of control in IFRS 15:B37 under the heading 'Assessing whether the reseller controls the standard software licences before they are transferred to the customer' may be too definitive in indicating whether the reseller is principal or agent. We have some concerns that without a holistic conclusion it is difficult to understand the relative weightings of these criteria and how they fit in to the bigger picture of determining whether an entity is principal or agent. Given the lack of detailed facts in the request background, we believe it would be appropriate to either remove the observations on control or to consider each factor without stating definitively whether the analysis of each factor indicates that the entity is principal or agent.

If the Committee decides to retain these observations in the agenda decision, we believe it should reconsider the analysis presented in item c. of the analysis of the indicators of control. As part of its observation in this item, the Committee has concluded that the reseller has inventory risk in the event of non-acceptance by the customer. We believe that the inventory risk arises for the reseller at the point that the licence is created and transferred by the manufacturer and remains with the reseller until the customer accepts the inventory. We believe that the wording in this section should be updated accordingly.

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If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in grey ink, appearing to read 'V Poole', with a stylized flourish at the end.

Veronica Poole
Global IFRS and Corporate Reporting Leader