

25 November 2019

Sue Lloyd
Chair
IFRS Interpretations Committee
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

Dear Ms Lloyd

Tentative agenda decision – Training Costs to Fulfil a Contract (*IFRS 15 Revenue from Contracts with Customers*)

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September 2019 IFRIC Update of the tentative decision not to take onto the Committee's agenda the request for clarification on whether an entity recognises training costs incurred to fulfil a contract with a customer as an asset or an expense when incurred.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision. Whilst we agree that the accounting for the training costs described in the tentative agenda decision is addressed by the requirements of IAS 38 *Intangible Assets* paragraph 69(b), that requires that they be recognised as an expense, we are concerned that the request received by the Committee indicates a potential ambiguity on the IFRS Standard (IAS 38 vs IFRS 15) that applies to certain costs and that, without further clarity, inappropriate analogies may be drawn to the tentative agenda decision.

To address this potential ambiguity, it may be helpful if the Committee clarified the interaction between IAS 38 paragraph 3(i), which indicates that IAS 38 does not apply to assets arising from contracts with customers that are recognised in accordance with IFRS 15, and IFRS 15 paragraph 95 that addresses costs to fulfil a contract that are not within the scope of another Standard (including IAS 38). We further suggest that the Committee provides better clarification on the scope of costs subject to the requirements of IAS 38 and those subject to IFRS 15. This may be achieved, for example, by distinguishing costs to train the entity's own employees to enable them to provide services to a customer vs training costs that form part of the entity's performance obligation to the customer.

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 blue ink, appearing to read 'V. Poole', with a stylized, flowing script.

Veronica Poole
Global IFRS Leader