

21 August 2017

Sue Lloyd
Chair
IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Dear Ms Lloyd

Tentative agenda decision – IAS 38 *Intangible Assets*: Goods acquired for promotional activities

Deloitte Touche Tohmatsu Limited is pleased to respond to IFRS Interpretations Committee's publication in the June IFRIC Update of the tentative agenda decision not to take onto the Committee's agenda the request for clarification on the accounting for goods distributed as part of promotional activities.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda but do not agree with the assertion in the tentative agenda decision that the transaction described is within the scope of IAS 38 and, therefore, that such items should necessarily be recognised as an expense when the entity has a right to access the goods.

Whilst it is true that paragraph 4 of IAS 38 scopes in some assets (for example software on a compact disc) with a physical substance, that paragraph also requires a judgement to be made on whether the tangible or intangible aspect of the asset is more significant. In the circumstances described in the tentative agenda decision, the intangible element (the inclusion of the entity's branding) may not be more significant than the tangible aspect of a watch or an air conditioner.

We believe a more appropriate assessment is whether there is an alternative means (other than giving away as part of promotional activities) by which value could be generated from the item. As such, we believe that recognition as an asset is appropriate in circumstances such as the following:

- assets purchased with more than one potential use that are subsequently chosen for use in promotional activities;
- items of fungible inventory that might be given away as free samples; or
- items of property, plant and equipment used over an extended period of time as part of an entity's advertising and promotional activities.

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