



12 October 2010

Mr Kevin Stevenson  
The Chairman  
Australian Accounting Standards Board  
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Dear Mr Stevenson

**IASB Exposure Draft: Revenue Recognition**

Thank you for the opportunity to provide our comments on the International Accounting Standards Board (IASB or Board) Exposure Draft (ED) *Revenue from Contracts with Customers*.

The Property Council is the peak body representing the interests of investors in Australia's \$400 billion commercial property investment industry. The Property Council has over 2000 members, ranging from Australia's largest institutions to private investors and developers covering the four quadrants of real estate investing - public, private, debt and equity.

The Property Council supports enhanced comparability of financial information between real estate companies worldwide.

Given the timeframe for comment and our previous discussions with the project manager, we have kept our comments brief.

We are providing a further joint submission as a member of REESA and we have kept our comments to those issues we consider of specific importance in the Australian context.

In summary, our views are:

- **Put Call Options** - The guidance in respect of sale of real estate with put and call options (becoming increasingly common in real estate transactions) appears to be incomplete.

While the proposed principle is to address whether control has passed based on which party has the ability to exercise the put or call there is no consideration of the price at which the transaction is completed.

The principle also conflicts with principles in the financial instruments standard. For example if a company sells a property, and has a call at fair value, or sells a property and has a forward to buy back the property at fair value at a later date, there should be a "de-recognition" of the

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property. The subsequent purchase at fair value is transaction with economic substance, in itself and should be recognised as such, taking into account all other factors.

We think that the Boards should further explore this guidance and consider real-life examples to field test their revised guidance.

- **Contract costs** - Conceptually the proposals are not clear and result in the creation of new classes of assets (ie lookalike balances for IAS 2, IAS 16 and IAS 38) where there may be contract costs incurred which don't meet the capitalisation criteria for inventory or PPE or intangibles etc but which meet the capitalisation.

In addition, new impairment testing criteria are created to test these lookalike balances. This seems to be introducing complexity and exceptions to the principles, which will make the financial statements less understandable.

- **Disclosure requirements** – These are excessive and unduly complex.

We are keen to help you with any queries you may have so please call me on 0406 45 45 49 at any time.

Yours sincerely



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