



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale

The Chairman of the IFRS IC  
30 Cannon Street,  
London EC4M 6XH,  
United Kingdom.

20 July 2017

## **IAS 37 Onerous contracts**

**Dear Ms Lloyd,**

We welcome the opportunity to comment on the agenda tentative decision relating to onerous contracts.

We fully agree with the decision not to proceed with an amendment or interpretation without a more comprehensive review of all the requirements, since the identification of the costs is not the only element to be considered in assessing whether a contract is onerous.

Following the Board's decision not to reproduce the guidance of IAS 11 in respect of contract costs in IFRS 15, entities have had to develop their own interpretations in view of the very imminent transition to IFRS 15. Since the wording of the tentative agenda decision identifies only two possible ways of reading the IAS 37 requirements as "reasonable", all other readings are automatically eliminated. We fear therefore that some entities might be compelled to change their chosen accounting method to one of these two approaches only a few months before the transition to IFRS 15, and there is no certainty as to the durability of these in the future.

Furthermore, the tentative agenda decision states that the same "reading" should be applied consistently to all applicable contracts. In fact, a deeper analysis may lead to the conclusion that different "readings" may be valid because of differences in the contracts or activities. We think that a consistent application will depend on the facts and circumstances of the individual cases. Once again, we are concerned that such a statement may force changes in the current practice without a very thorough study of the issue having been carried out. A rejection should not lead to premature conclusions which could be called into question later.

We therefore believe that the agenda decision should be written in a much more succinct manner so that it is not seen to be a de facto interpretation which rules out valid interpretations and perhaps

forces companies to change their accounting methods so close to the date of the first implementation of IFRS 15.

If you require any clarification or information, please do not hesitate to contact us.

Yours sincerely,

Patrice MARTEAU  
Chairman

A handwritten signature in black ink, appearing to read 'Patrice Marteau', written in a cursive style.