

IFRS AT A GLANCE

IFRIC 18 *Transfer of Assets from Customers*



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Effective Date
Periods beginning on or after 1 July 2009

ISSUES	SCOPE
<p>IFRIC 18 addresses the following issues for assets transferred from customers:</p> <ul style="list-style-type: none"> • Is the definition of an asset met? • If the definition of an asset is met, how should the transferred item of property, plant and equipment (PPE) be measured on initial recognition? • If the item of PPE is measured at fair value on initial recognition, how should the resulting credit be accounted for? • How should the entity account for a transfer of cash from its customer? 	<ul style="list-style-type: none"> • IFRIC 18 applies to the accounting for transfers of items of PPE by entities that receive such transfers from their customers • Agreements within the scope of IFRIC 18 are agreements in which an entity receives from a customer an item of PPE that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both • IFRIC 18 also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of PPE and the entity must then use the item of PPE either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

CONSENSUS

IS THE DEFINITION OF AN ASSET MET?	ACCOUNTING FOR A TRANSFER OF CASH	SEPARATELY IDENTIFIABLE SERVICES
<ul style="list-style-type: none"> • When an entity receives a transfer of an item of PPE from a customer, it assesses whether the transferred item meets the definition of an asset in accordance with the Framework. In most circumstances, the entity obtains the right of ownership of the transferred item of PPE. However, in determining whether an asset exists, the right of ownership is not essential. If the customer continues to control the transferred item, the asset definition would not be met despite a transfer of ownership • An entity that controls an asset can generally deal with that asset as it pleases. The entity that receives a transfer of an item of PPE from a customer is required to consider all relevant facts and circumstances when assessing control of the transferred item. 	<ul style="list-style-type: none"> • When an entity receives a transfer of cash from a customer, it assesses whether the agreement is within the scope of IFRIC 18. If it is, the entity assesses whether the constructed or acquired item of PPE meets the definition of an asset. If the definition of an asset is met, the entity recognises the item of PPE at its cost in accordance with IAS 16 and recognises revenue at the amount of cash received from the customer. 	<ul style="list-style-type: none"> • Features that indicate that connecting the customer to a network is a separately identifiable service include: <ul style="list-style-type: none"> – A service connection is delivered to the customer and represents stand-alone value for that customer – The fair value of the service connection can be measured reliably. • A feature that indicates that providing the customer with ongoing access to a supply of goods or services is a separately identifiable service is that, in the future, the customer making the transfer receives the ongoing access, the goods or services, or both at a price lower than would be charged without the transfer of the item of PPE • Conversely, a feature that indicates that the obligation to provide the customer with ongoing access to a supply of goods or services arises from the terms of the entity's operating license or other regulation rather than from the agreement relating to the transfer of an item of PPE is that customers that make a transfer pay the same price as those that do not for the ongoing access, or for the goods or services, or for both.
MEASUREMENT ON RECOGNITION	REVENUE RECOGNITION	
<p>If the entity concludes that the definition of an asset is met, it recognises the transferred asset as an item of PPE in accordance with IAS 16 <i>Property, Plant and Equipment</i>, and measures its cost on initial recognition at its fair value.</p>	<ul style="list-style-type: none"> • If only one service is identified, the entity recognises revenue when the service is performed in accordance with IAS 18 • If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable for the agreement is allocated to each service and the recognition criteria of IAS 18 are applied to each service • If an ongoing service is identified as part of the agreement, the period over which revenue is recognised for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue is recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service. 	
HOW SHOULD THE CREDIT BE ACCOUNTED FOR?		
<p>A transfer of an item of PPE is an exchange for dissimilar goods or services. Consequently, the entity recognizes revenue in accordance with IAS 18 <i>Revenue</i>.</p>		

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