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

The Chairman of the IFRS IC

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London E14 4HD.

19 October 2019

Dear Ms Lloyd,

Re : Tentative agenda decision "**Training costs to fulfil a contract"**

We are pleased to provide comments on the above-mentioned tentative agenda decision of the IFRS Interpretations Committee (IFRIC).

We think that training costs may, in certain circumstances, satisfy the definition of 'costs to fulfil a contract' and should be therefore recognised as assets.

We agree with the committee that before assessing the criteria in paragraph IFRS 15.95, the entity should first consider whether the training costs incurred to fulfil the contract are within the scope of another IFRS Standard. In doing so, the entity will naturally analyse how IAS 38 should be applied to the specific training cost under review.

While we also agree with the Committee that IAS 38 considers the accounting treatment for some "training costs", we disagree that this standard could provide the right answer in all cases.

Indeed, we believe that IAS 38 does not specifically deal with training costs relative to sale contracts but provides only general rules that avoid an asset being inappropriately recognised in a situation where the entity does not obviously control the underlying expected benefits arising from a team of skilled staff. This will be the case for all generic training provided to employees without direct and obvious link to a future economic benefit. We therefore believe that an entity can conclude that IAS

38 does not apply to the specific training costs under assessment and should then go back to IFRS 15 to conclude on the appropriate accounting treatment.

Under IFRS 15, the criteria for capitalisation will be met in some types of contracts if the training is specifically necessary or useful for the contract and the staff members who are trained are dedicated to that contract, and the training increases efficiency so that the costs are expected to be recovered via the contract price (the contract's margin is sufficient to cover these training costs). This would also be the case when these costs are explicitly chargeable to the customer. In other words, the entity would not have been able to perform under the contract, had the staff not been trained in preparation. In some contracts, these costs are incurred only because the entity has entered into the contract and are as necessary to its performance as the other costs listed in paragraph 97. We believe that an entity can demonstrate that the three criteria in paragraph 95 are met and therefore should not be prevented systematically from recognising training costs as an asset in this instance.

Furthermore, even if the Committee were to conclude that its preliminary technical analysis is the only one possible in the context of current standards, we would request it to question the relevance of the outcome obtained. In fact, to recognise training costs immediately as an expense, when the corresponding consideration charged to the customer (which is directly related to these costs) will be recognised as revenue in a later period, will distort the accounting depiction of the performance of the contract, and will not reflect the way the management analyses it.

In conclusion, we believe that the Committee should:

- either reconsider its preliminary conclusion in the agenda decision and instead conclude that training costs should not systematically be recognised as an expense within current IFRS 15;
- or conclude that the current standard does not always lead to the most relevant outcome and should therefore be amended.

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

Yours sincerely,

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Patrice MARTEAU
Chairman