



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

The Chairman of the IFRS IC

Columbus Building, 7  
Westferry Circus

Canary Wharf

London E14 4HD.

18 January 2019

**Dear Ms Lloyd,**

Re : Tentative agenda decision **“Customers right to access suppliers application software”**

Draft comment letter – Customer’s right to access supplier’s application software

We welcome the opportunity to comment on the above tentative agenda decision published in November 2018.

Our concern is not so much the conclusion that the Committee seems to reach to (i.e. the qualification of the arrangement as a service over the contract term in most cases) but rather the content of the agenda decision and the rationale that is developed there.

Indeed, we note that the Committee relies on complex and often roundabout reasoning, which refers to several standards (IAS 38, IFRS 16 and IFRS 15) and several different notions, to deal with a subject that the Committee concludes is adequately dealt with in existing standards and therefore does not require standard-setting activity. We believe that such a way forward is risky since it may make accounting for licence arrangements and other new “rights to access” even more confusing and complex.

IAS 38 is an old standard developed at a time when intangible assets were mainly limited to goodwill, development costs, brands, patents and customer portfolios. Given the evolution of

business models and the emergence of new asset categories, it is obvious now that this standard needs to be revisited to incorporate these new assets and circumstances. Software as a Service (SAAS) arrangements are just one example of the emerging business model and it would seem imprudent to deal with them in isolation without worrying about the consequences this may have on other types of arrangements;

Furthermore, we also have concerns with the following elements of the tentative agenda decision:

- Use of a circular approach difficult to understand: the analysis begins by referring to IFRS 16 to define a software lease which is then scope out from this standard
- Reference to IFRS 15 which may imply that a systematic symmetry must be respected between "seller" and "buyer" standards [concerning the method of recognition of income versus the method of recognition of the expenditure], whereas the subject has never been discussed by the IASB and could convey to unintended change in current accounting practices.
- Use of similar but different notions to assess the existence of an asset (software lease vs software intangible asset).
- Accentuation of the confusion by not explaining clearly the difference between control over a right of use and control over an underlying asset.

In conclusion, we believe that the Committee should refrain from publishing an extensive agenda decision to deal with a limited problem for which there is certainly a risk of continuing divergence of practices but whose resolution could create many other collateral damages. The only obvious conclusion that could be published without risk of unintended consequences is the one concerning the scope exemption of IFRS 16. At the same time, we encourage the IASB to consider the need for a thorough review of IAS 38.

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.