



SEC Memorandum Circular No. 4
Series of 2020

SUBJECT: Deferment of the Implementation of IFRS Interpretations Committee ("IFRIC") Agenda Decision on Over Time Transfer of Constructed Goods [Philippine Accounting Standards (PAS) 23-Borrowing Cost] For Real Estate Industry

WHEREAS, on 15 August 2017, the Commission approved the adoption of PFRS No. 15, Revenue from Contracts with Customers, effective for annual reporting periods beginning on or after January 1, 2018, as part of its financial reporting rules.

WHEREAS, the IFRIC in its Agenda Decision dated March 2019, concluded that the principles and requirements in PAS 23 provide an adequate basis for an entity to determine whether to capitalize borrowing costs in the fact pattern described therein.

WHEREAS, the Real Estate Industry raised implementation issues and requested to defer the implementation of the IFRIC interpretations to thoroughly study the possible impact to the operation and financial reporting of real estate companies.

WHEREAS, the Commission took note of the significant impact and difficulties faced by the Real Estate Industry in immediately implementing the said pronouncement.

NOW, THEREFORE, the Commission *en banc*, in its meeting held on 11 February 2020, decided to provide relief to the Real Estate Industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) until **December 31, 2020**.

Effective January 01, 2021, the Real Estate Industry will adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

A real estate company may opt not to avail of any of the relief provided above and instead comply in full with the requirements of the IFRIC interpretations.

Moreover, a real estate company which opted for the deferral shall be required to disclose in the Notes to the Financial Statements the accounting policies applied, a discussion of

✉ PICC Secretariat Building, Pasay City | ☎ (+632) 818-6120 / (+632) 818-9763
www.sec.gov.ph | inquiry@sec.gov.ph

the deferral of the subject implementation issues and a qualitative discussion of the impact in the financial statements had the IFRIC interpretations been adopted. However, should the deferral options result into an accounting policy change, such accounting change will have to be accounted for under Philippine Accounting Standard (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, i.e., retrospectively, together with the corresponding required quantitative disclosures.

The above relief shall form part of PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

21 FEBRUARY

Issued this ____2020 at Pasay City, Philippines.

For the Commission:


EMILIO B. AQUINO
Chairman