



5 June 2008

D23 Comment Letters
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By email: ifric@iasb.org)

Dear Sir/Madam,

COMMENTS ON IFRIC DRAFT INTERPRETATION D23 DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS

We are writing to provide our comments on the *IFRIC D23 Distributions of Non-Cash Assets to Owners*.

1. The Accounting Standards Council appreciates the efforts of the International Accounting Standards Board in issuing the IFRIC D23 Distributions of Non-Cash Assets to Owners. Our comments below address the questions set out in the “Invitation to Comment” section.

Question 1 Specifying how an entity should measure a liability for a dividend payable (dividend payable)

2. Paragraph 9 of the draft Interpretation proposes that an entity should measure a liability to distribute non-cash assets to its owners in accordance with IFRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The IFRIC concluded that all dividends payable, regardless of the types of assets to be distributed, should be addressed by a single standard.

3. Do you agree with the proposal? If not, do you agree that all dividends payable should be addressed by a single standard? Why? What alternative would you propose?

We agree with the proposal. However, IFRIC may want to consider including an exemption for spin-offs similar to the US GAAP.

There may be situations where an asset’s fair value cannot be reliably measured. The Interpretation should provide for an alternative value to be applied in such situation.

Question 2 Specifying how any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be accounted for when an entity settles the dividend payable

4. Paragraph 12 of the draft Interpretation proposes that, when the dividend payable is settled, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognised in profit or loss. Paragraphs BC28–BC43 of the Basis for Conclusions explain the reasons for this proposal. The Basis for Conclusions also includes an alternative view that the difference should be recognised directly in equity (see paragraph BC44).

Which view do you support and why?

We agree that when dividend payable is settled, any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognized in profit or loss.

Question 3 Whether an entity should apply the requirements in IFRS 5 to non-current assets held for distribution to owners

5. It was concluded that the requirements in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should be applied to non-current assets held for distribution to owners as well as to non-current assets held for sale (see paragraphs BC45–BC48 of the Basis for Conclusions).

6. Do you agree that an entity should apply IFRS 5 to non-current assets that are held for distribution to owners? If not, why and what alternative would you propose?

We agree with the proposal.

7. It was noted that IFRS 5 requires an entity to classify a non-current asset as held for sale when the sale is highly probable and the entity is *committed* to a plan to sell (emphasis added). For assets held for distribution to owners, this raises the following three questions:

- (a) Should an entity apply IFRS 5 when it is committed to make a distribution or when it has an obligation to distribute the assets?
 - (b) Do you think there is a difference between those dates?
 - (c) If there is a difference between the dates and you think that an entity should apply IFRS 5 at the commitment date, what is the difference? What indicators should be included in IFRS 5 to help an entity to determine that date?
- (a) An entity to apply IFRS 5 when it is committed to make a distribution.**
 - (b) Yes, there is a difference between the dates.**
 - (c) The definition of commitment date as defined in IFRS 5, applicable to a non-current asset held for sale should also apply to assets held for distribution.**

8. Should you require any further clarification, please kindly contact me. Thank you.

Yours faithfully,

Dexter Tan
Secretary, Accounting Standards Council