MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

5 October 2009

Sir David Tweedie
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London ED 4M 6 XH
United Kingdom

Dear Sir David

IFRIC DRAFT INTERPRETATION D25
– Extinguishing Financial Liabilities with Equity Instruments

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the IFRIC Draft Interpretation D25 - Extinguishing Financial Liabilities with Equity Instruments.

We commend the IFRIC's effort to provide guidance of how entities should measure equity instruments when entities issue its own equity instruments to extinguish all or part of its financial liability.

Having reviewed the proposed consensus, we agree with the IFRIC's interpretation that an entity's equity instruments issued to a creditor to extinguish all or part of a financial liability is consideration paid and that the entity shall remove the financial liability when it is extinguished in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. We are also agreeable that an entity recognises in profit or loss the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued.

Initial measurement of equity instruments issued

With regards to how should the equity instruments be measured, we support the IFRIC's consensus to require the entity to measure the equity instruments issued a creditor to extinguish the financial liability at the fair value of the equity instruments issued or the fair value of the liability extinguished, whichever is more reliably determinable. We believe this requirement would enhance the reliability of information reported in the financial statements of entities in financial difficulty.

Conversely, according to BC14, the IFRIC believed this requirement would provide relief to entities in financial difficulty as they might encounter practical difficulties in determining the fair value of both the equity instruments issued and the financial liability. Nevertheless, we believe that in order for the entity to conclude that one fair value is "more reliably determinable" than the other, the entity would have to determine ***both*** the fair value of the equity instruments issued and that of the financial liability. We note that our interpretation appears to be contrary to the IFRIC's conclusion in BC14.

Suite 5.2, Level 5, Wisma UOA Pantai, No. 11, Jalan Pantai Jaya, 59200 Kuala Lumpur
Tel : (603) 2240-9200 Fax : (603) 2240-9300 E-mail : masb@masb.org.my Website : www.masb.org.my

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In this regard, we would like to request the IFRIC to reconsider whether entities would be required to determine both fair values in order to conclude which fair value is "more reliably determinable". If the IFRIC decides that entities in financial difficulty need not determine the fair value of both the equity instruments issued and that of the financial liability, we believe additional guidance / clarification would have to be included in the final consensus about how entities could decide which fair value is "more reliable determinable" without having to do so.

If you need further clarification, please contact Ms Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,

Mohammad Faiz Azmi
Chairman