MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

1 October 2012

Mr Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London ED 4M 6 XH
United Kingdom

Dear Sir,

DRAFT IFRIC INTERPRETATION DI/2012/2: PUT OPTIONS WRITTEN ON NON-CONTROLLING INTERESTS

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the Draft IFRIC Interpretation DI/2012/2: Put Options Written on Non-controlling Interests (NCI).

Generally, we support the proposals in the draft Interpretation.

However, we would like to take the opportunity to encourage the International Accounting Standards Board to address the inconsistent accounting treatments between IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments* for derivatives written on an entity's own equity instruments (i.e. all put options and forward purchase contracts written on an entity's equity instruments – not only put written on NCI balances).

In our view, derivatives should be treated on a consistent basis to provide information that is useful in making economic decisions.

Our responses to the specific questions raised are enclosed in the Appendix of this letter.

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

APPENDIX

Question 1—Scope

The draft Interpretation would apply, in the parent's consolidated financial statements, to put options that oblige the parent to purchase shares of its subsidiary that are held by a non-controlling-interest shareholder for cash or another financial asset (NCI puts). However, the draft Interpretation would not apply to NCI puts that were accounted for as contingent consideration in accordance with IFRS 3 *Business Combinations* (2004) because IFRS 3 (2008) provides the relevant measurement requirements for those contracts.

Do you agree with the proposed scope? If not, what do you propose and why?

While we do not disagree with the scope of the draft Interpretation, being a "quick fix" to address the diversity in practice in accounting for the subsequent measurement of put options written on NCI, we would like to take the opportunity to urge the IASB to address the inconsistent accounting treatments for derivatives between IAS 32 Financial Instruments: Presentation *and IAS 39* Financial Instruments: Recognition and Measurement *or IFRS 9* Financial Instruments*.*

IAS 32 requires derivatives written on an entity's own equity instruments to be measured at the present value of the redemption amount whilst other derivatives within the scope of IAS 39 and IFRS 9 are to be measured at the fair value of the derivatives. We believe derivatives should be accounted for on a consistent basis to provide information that is useful in making economic decisions and we encourage the IASB to give priority to financial instruments with the characteristics of equity in the IASB's research programme.

In addition, we would like to recommend the Interpretations Committee to consider whether the scope of the draft Interpretation should be expanded to include NCI forwards. Paragraph BC10 states the draft Interpretation is consistent with the accounting requirements for other put options and forward contracts that oblige an entity to purchase its own equity instruments for cash or other financial assets. In our view, a clear and explicit scope could avoid any potential ambiguity when the Interpretation is applied.

Question 2—Consensus

The consensus in the draft Interpretation (paragraphs 7 and 8) provides guidance on the accounting for the subsequent measurement of the financial liability that is recognised for an NCI put. Changes in the measurement of that financial liability would be required to be recognised in profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*.

Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

We agree with the proposal as it addresses the diversity in practice in accounting for the subsequent measurement in consolidated financial statements of an NCI put written by a parent.

APPENDIX

Question 3—Transition

Entities would be required to apply the draft Interpretation retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Do you agree with the proposed transition requirements? If not, what do you propose and why?

We agree with the proposed transition arrangement.