

7 September 2009

Sir David Tweedie
Chairman
The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear David

Exposure Draft (ED/2009/9) *Classification of Rights Issues* proposed amendments to IAS 32 *Financial Instruments: Presentation*.

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants (the Institute) is pleased to submit its comments on ED/2009/9.

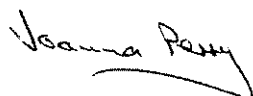
The FRSB is fully supportive of the proposed amendment to IAS 32.

FRSB response to questions

Responses to the specific questions raised in the Exposure Draft are attached to this letter.

If you have any queries or require clarification of any matters in this submission, please contact Sarah Bate (sarah.bate@nzica.com) in the first instance, or me.

Yours sincerely



Joanna Perry
Chairman – Financial Reporting Standards Board

ED Classification of Rights Issues Proposed Amendments to IAS 32 Financial Instruments: Presentation

Question 1 – Specifying the characteristics of the rights issue

The proposed amendment applies to instruments (rights) to be offered pro rata to all existing owners of the same class of equity instruments and the exercise price to be a fixed amount of cash in any currency.

Do you agree with the proposal to limit the amendment to instruments with these characteristics? If not, why not? Are there any other instruments that should be included and why?

The FRSB agrees that the proposed amendment should apply to rights offered pro rata to all existing owners of the same class of non-derivative equity instruments. We agree with the proposed amendment as in our opinion it reflects the substance of the transaction which is to raise equity, not issue a derivative instrument.

We note that the decision to classify rights offered pro rata to all existing owners of the same class of equity instruments in currencies other than the functional or presentation currency means that any foreign exchange consequences are unrecognised and unreported until the new shares are actually settled.

We understand that ED/2009/9 is a targeted amendment. However, we do wonder why the proposals only address rights offered pro rata to all existing owners and do not cover non-pro rata rights issues. This is not an important issue for New Zealand but may be for other jurisdictions.

Question 2 – Specifying the currency of the exercise price

The proposed amendment specifies that the fixed amount of cash the entity will receive can be denominated in any currency. If that currency is not the entity's functional or reporting currency, the proceeds it receives from the issue of its shares will vary depending on foreign exchange rates.

Do you agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity instruments even when the exercise price is not fixed in its functional or reporting currency? If not, why not?

The FRSB agrees with this proposal. The result will be the raising of equity, irrespective of the exercise price not being fixed in the functional or reporting (presentation) currency. As stated above, we agree with the proposed amendment as in our opinion it reflects the substance of the transaction. There is no principle requiring all equity instruments to be recorded at the same amount of functional currency.

Question 3 - Transition

The proposed change would be required to be applied retrospectively with early adoption permitted.

Is the requirement to apply the proposed change retrospectively appropriate? If not, what do you propose and why?

The FRSB see no reason as to why the amendment should not be applied retrospectively as per the requirements contained in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.