



**International
Accounting Standards
Board**

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This document is provided as a convenience to observers at the Analyst Representative Group meeting, to assist them in following the discussions. It does not represent an official position of the IASB. Board positions are set out in Standards.

Note: These notes are based on the staff papers prepared for the ARG meeting. Paragraph numbers correspond to paragraph numbers used in the ARG agenda paper.

INFORMATION FOR OBSERVERS

ARG Meeting: February 2009, London

Project: ED IAS 33 *Simplifying Earnings per Share* - Status Update
(Agenda paper 1)

INTRODUCTION

1. In August 2008 the Board issued the Exposure Draft *Simplifying Earnings per Share*. The Exposure Draft proposes amendments to the calculation of EPS to:
 - a) achieve convergence of the denominator of the EPS calculation according to IAS 33 and SFAS 128; and
 - b) simplify the calculation of EPS.
2. The comment period ended on 5 December 2008. We received 58 comment letters. The following table provides an overview of the respondents to the exposure draft:

Respondent Type	Number of respondents	Percentage
Academics	1	2%
Banks	5	9%
Preparers	12	21%
Accounting firms	7	12%
Professional bodies	13	22%
National standard-setters	14	24%
Regulators	2	4%

Users	1	2%
Others	3	5%
Total	58	100%

3. The table highlights that 12 preparers, but only one user group have responded to the Exposure Draft.

OVERVIEW OF COMMENTS

4. The following paragraphs summarise the main issues raised in the comment letters.
The staff intends to present a more comprehensive analysis of the comment letters at a future Board meeting.
5. Some respondents argue that EPS is an analytical measure and that therefore it is inappropriate to have an accounting standard on EPS. Those respondents recommend withdrawing IAS 33 and either not providing any guidelines for the calculation of EPS or providing non-mandatory guidelines as part of the Board's project on management commentary.
6. However, other respondents either explicitly support or, at least, do not object to the existence of IAS 33. They argue that mandatory requirements in a standard are necessary for comparability.
7. Some respondents support the existence of IAS 33 but recommend stopping the project because:
 - a. they are not aware of major conceptual or application issues with the current requirements.
 - b. the proposed amendments will not result in full convergence of the EPS number according to IAS 33 and SFAS 128 because the amendments will not provide a converged numerator.
8. In contrast, many other respondents agree with the project objectives of convergence and simplification. However, most of those respondents believe that the project should be delayed because:
 - a. the Board should focus on more urgent accounting questions and not spend scarce resources on amendments to IAS 33.
 - b. when the Board finishes its projects on liabilities and equity and financial statements presentation, it may need to amend IAS 33 a second time.
9. Respondents mainly agreed with the proposed amendments to the calculation of basic EPS, but asked the Board to provide further application guidance.

10. The Exposure Draft proposes that the denominator of the EPS calculation should not be amended to reflect instruments that are measured at fair value through profit or loss. Many preparers welcomed this proposal as a simplification of the current requirements and believed also that the introduction of this approach should not be accompanied by additional disclosure requirements . Other respondents acknowledged the conceptual arguments in favour of this proposal, but questioned whether it is consistent with how EPS is used in practice. Those respondents were concerned that diluted EPS would no longer include the potential dilution from instruments that are measured at fair value through profit or loss. As a consequence, they recommended either dropping the proposal or, as a minimum, providing additional disclosures on the potential dilution from those instruments.
11. In addition, many respondents believed that the proposed clarifications to the EPS calculation for cases when an entity has issued more than one class of shares or other participating instruments (two-class method) were unnecessary and excessively complicated.
12. Finally many respondents thought that the wording of the Exposure Draft was difficult to understand. Some respondents noted that, while the Exposure Drafts to amend IAS 33 and SFAS 128 contained essentially the same amendments, they did not use identical wording. Those respondents were concerned that the slightly different wording might result in divergent application of the requirements in practice. A few respondents were also concerned that it is unclear under the proposals whether IFRS preparers have to apply FSP and EITF guidance in US GAAP for matters that are not specifically addressed in IAS 33.

QUESTIONS FOR ARG MEMBERS:

- 1) How could the staff seek views from a wider range of users?*
- 2) Do you think that the project should be stopped or delayed? If yes, why?*