



Securities and Exchange Commission

May 12, 2008

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

Dear Sir David.

**No. SEC.F. 760 /2008 Re: Comments on IFRIC Draft
Interpretation D23 – Distributions of Non-cash Assets
to Owners**

The IFRS Monitoring Panel in Thailand would like to provide our comments on the IFRIC Draft Interpretation D23 – Distributions of Non-cash Assets to Owners, from the context of an emerging market economy. We very much value the IASB's important role in developing high quality financial reporting standards, and wish to offer our contribution to be considered by the IASB.

General Comment

We support the Board's intention to provide a guidance on the distribution of non-cash assets to owners as existing IFRS do not deal directly with the recognition and measurement issue of such distributions to owners. This IFRIC will eliminate diversities in practice regarding how entities measure distributions of non-cash assets. The illustrative example accompanying the IFRIC draft clarifies the accounting treatment and measurement of non-cash distributions. However, the example uses a distribution of two pieces of land to two owners, which would be applicable only to the smaller entities. Other examples applicable to the larger entities would also be useful, and could also include situations where the fair value of the non-current asset on the declaration date of the dividend differ from the fair value at the settlement date, as the illustrative example assumed no change in value.

Specific Questions to the Discussion Paper

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

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 IAS 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.

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?

Our Response

We agree with Paragraph 9 of the Draft Interpretation that an entity should measure a liability to distribute non-cash assets to its owners in accordance with IAS 37, which would result in the use of fair value as the value of the assets to be distributed. This requirement is reinforced by the requirements of IFRS 2 Share – based Payment that equity-settled or cash-settled share-based payment should be measured at the fair value of goods or services received. Therefore, the fair value of consideration given should also be the relevant initial measurement. In addition, we also support the IFRIC’s conclusion that all dividends payable, regardless of the types of assets to be distributed, should be addressed by a single standard, IAS 37.

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

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?

Our Response

We agree with the proposal to recognise any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. We agree with BC 29 that, at the time of settlement, the carrying amount of the assets distributed would not normally be greater than the carrying amount of the dividend payable because the requirements for recognition of impairment losses and the timing of such recognition would result in such a situation. Consequently, the settlement would invariably result in a gain situation. We support the view given in BC 31 that the credit balance does not arise from the distribution transaction between an entity and its owners, but it represents the cumulative unrecognised gain associated with the asset, and also the view given in BC 32 referring to the Framework which requires an entity to consider the effect of a transaction from the perspective of the entity. We therefore agree that the credit balance should not be recognised as an owner change in entity. Moreover, according

to BC 41 when an entity distributes its assets to its owners, it loses the future economic benefit associated with the assets distributed and derecognises those assets. This is also supported by the requirements of IAS 16, IAS 38, IAS 39 and IFRS 5 for an entity to recognise in profit or loss any gain or loss arising from the derecognition of an asset. However, even if the gain were recognised in other comprehensive income, it would have to be reclassified to profit or loss immediately when the asset is derecognised on the settlement date.

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

Both the Board and the IFRIC 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).

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? The Board 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?

Our Response

We agree with the Board’s and IFRIC’s conclusion that the requirements in IFRS 5 should be applied to non-current assets held for distribution to owners as well as to non-current assets held for sale because the commitment of the entity to distribute non-cash asset as dividends implies a firm intention to dispose the asset and not to recover the asset’s carrying amount principally through continuing use. This is also in line with paragraph 8 of IFRS 5 which requires that an entity should reclassify a non-current asset as held for sale when the sale is highly probable and the entity is committed to a plan to sell. In addition, IFRS 5 also requires that an entity should measure a non-current asset (of disposal group) classified as held-for-sale at the lower of the carrying amount and fair value less cost to sell rather than value in use as part of the recoverable amount. This requirement should therefore be equally applicable to a non-current asset classified as “held-for-distribution”.

Our responses to questions (a)–(c) are as follows:

(a) An entity should apply IFRS 5 when it is committed to make a distribution.

(b) Yes, there is a difference between the commitment date (declaration date) and the obligation date to distribute the assets.

(c) We believe that between those dates, the commitment date corresponds to the timing of the classification to “held-for-sale” indicated by IFRS 5. Paragraph 6 of IFRS 5 states: “An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use”. When applying paragraph 6 (which is further elaborated by paragraph 8) to non-current assets to be distributed as dividends, the classification to “held-for-sale” should be when an entity declares the dividends, as it is at this point that an entity is fully committed to distribute the assets and consequently determines that the carrying amount of such assets will be recovered principally through a settlement of dividends payable and not through continuing use. The obligation date is a date an entity is obligated to make an actual distribution of the asset to the owners. The obligation date is therefore equivalent to the disposal date of the asset. An entity cannot therefore apply IFRS 5 when it has an obligation to distribute (dispose) the asset.

We hope that our comments in this letter are helpful. If you have any questions or need additional information, please do not hesitate to contact us.

Yours sincerely,



(Thirachai Phuvanatanarubala)
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Securities and Exchange Commission of Thailand
Chairman of IFRS Monitoring Panel in Thailand

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IFRS Monitoring Panel in Thailand

A Panel was established in Thailand in August 2006 to study and express opinions on International Financial Reporting Standards and International Standards on Auditing. The Panel comprises of regulators, representatives from the accounting and auditing profession and academics. The members are:

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| 1. | Mr. Thirachai Phuvanatanarubala
Secretary-General, Securities and Exchange Commission | Chairman |
| 2. | Professor Thavach Phusitphoykai
Audit Committee – Bank of Thailand
Chairman of Auditing Scrutinizing Sub-Committee
Former President of the Institute of Certified Accountants and Auditors of Thailand
(now superseded by Federation of Accounting Professions) | Vice Chairman |
| 3. | Professor Kesaree Narongdej
President - Federation of Accounting Professions | Advisor |
| 4. | Mr. Natasek Chimchome
Former Chairman of PricewaterhouseCoopers Thailand
Former Chairman of the Auditing Standards Committee
Lecturer, Chulalongkorn University | Advisor |
| 5. | Mr. Prasong Vinaiphat
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