

Mr Robert Garnett  
 Chairman  
 The International Financial Reporting Interpretations Committee of the International Accounting Standards Board  
 30 Cannon Street  
 London EC4M 6XH

**Dear Mr Garnett**

I appreciate the opportunity to comment on the IFRIC draft interpretation D23 *Distribution of non-cash assets to owners* ("D23"). This letter expresses my personal views and has the following content:

- 1** *How an entity should measure a liability for a dividend payable* \_\_\_\_\_ **1**  
**2** *Accounting for the difference between the carrying amount of the asset distributed and the carrying amount of the dividend payable* \_\_\_\_\_ **1**  
**3** *Applicability of IFRS 5 to non-current assets held for distribution to owners* \_\_\_\_\_ **2**

**1 How an entity should measure a liability for a dividend payable**

- 1.1 I agree that the dividend payable is a liability at the date the dividend is declared.  
 1.2 I also agree that this liability is not included in the scope of IAS 39 for the part of the distribution that is not to be settled cash. Nevertheless I consider that it is not included in the scope of IAS 37 for the part of the distribution that is to be settled cash as IAS 37.2 scopes out of IAS 37 financial instruments that should be treated under IAS 39.  
 1.3 Nevertheless I agree with IFRIC that the interpretation should include only a reference to one standard which could be IAS 37 or IAS 39. I consider that there should not be any significant difference, if any, on initial recognition between fair value (IAS 39) and best estimate of the expenditure required settling the obligation. Differences between changes in fair value and changes in estimate of the expenditure required to settle the obligation should also be insignificant.  
 1.4 Therefore I agree accounting for dividends payable under IAS 37 but consider that the rationale used in the basis for conclusion should be improved e.g. by explaining that there should be no difference or a insignificant one.

**2 Accounting for the difference between the carrying amount of the asset distributed and the carrying amount of the dividend payable**

- 2.1 I agree that this difference should go to income, not to equity but I consider that the board should also amend IAS 1.98 to make it clear that "transaction costs directly related to such transactions" should also go to income.  
 2.2 Indeed, I agree with the IFRIC that the only non reciprocal transaction with the entity is the obligation of a dividend distribution or the right to receive a capital contribution. The settlement gain is part of an exchange transaction, as are transaction costs (services rendered by third parties to facilitate the contribution).  
 2.3 Similarly the Board decided that acquisition-related costs are not part of a business combination transaction: "53 Acquisition-related costs are costs the acquirer incurs to effect a

business combination. [...] The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. [...]"

### **3 Applicability of IFRS 5 to non-current assets held for distribution to owners**

- 3.1 As explained before I agree with IFRIC when it considers that a distribution of non-cash asset should be split between a dividend distribution that should be accounted for as a non reciprocal transaction and a settlement transaction that should be accounted for as an exchange transaction.
- 3.2 As a consequence I consider that this exchange transaction is very close to a sale transaction and should be accounted for similarly also for application of IFRS 5 purposes. A non-cash asset distribution demonstrates that "an active program to locate [the] buyer [of the related non-a non-cash asset [has] been initiated". Nevertheless, I also consider that such a distribution decision is not a "highly probable" non-cash asset distribution until it has not been also demonstrated that the "price [of the non-cash asset is] reasonable in relation to its current fair value".

Please contact me at 33 (0)1 40 88 31 26 or 33 (0)6 03 17 03 06 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

**Bernard Jaudeau**