

7 November 2008

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

Via "Open to comment" page on www.iasb.org

Dear Sir David

Comments on IASB Exposure Draft *Simplifying Earnings per Share – proposed amendments to IAS 33*

Thank you for the opportunity to comment on the IASB Exposure Draft *Simplifying Earnings per Share – proposed amendments to IAS 33*. CPA Australia, the Institute of Chartered Accountants and the National Institute of Accountants (the joint accounting bodies) have considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

We agree with the proposed amendments outlined in the ED, because these principles seem to be a better representation of what the EPS measure attempts to capture, and aids in simplifying the calculation.

Our response to matters on which specific comment is requested is included in the attached Appendix.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely



Geoff Rankin
Chief Executive Officer
CPA Australia Ltd



Graham Meyer
Chief Executive Officer
Institute of Chartered Accountants



Roger Cotton
Chief Executive Officer
National Institute of Accountants

Copy: Bruce Porter Deputy Chairman, Australian Accounting Standards Board

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au



nia.org.au

Appendix - Matters on Which Specific Comment Requested

1. **(a) Do you agree that the weighted average number of ordinary shares for basic EPS should include only instruments that give (or are deemed to give) their holder the right to share currently in profit or loss of the period? Why or why not?**

We agree with the principle that only instruments that give the holder the right to share in profit or loss for the period should be included in determining EPS because it provides a more representative measure of the interest of each ordinary share in the performance of the entity for the period.

- (b) Does the exposure draft apply this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration? Why or why not?**

We believe that the exposure draft applies this principle correctly to mandatorily convertible instruments and ordinary shares issuable for little or no cash or other consideration as these instruments do not give the holder a current right to share in profit or loss for the period (unless they are participating instruments).

2. **Do you agree with the proposed treatment of gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable shares? Why or why not?**

We agree with the proposed treatment of gross physically settled contracts and mandatorily redeemable shares as this appears to be consistent with the treatment of other instruments, such as contingently issuable shares, whereby it is assumed the final transaction resulting from these instruments has occurred.

3. **Do you agree that the fair value changes sufficiently reflect the effect on ordinary equity holders of instruments measured at fair value through profit or loss and that recognising those changes in profit or loss eliminates the need for further adjustments to the calculation of EPS? Why or why not?**

We agree that the fair value changes sufficiently reflect the effect on ordinary equity holders of instruments measured at fair value as we believe that recognising those changes in profit or loss eliminates the need for further adjustments to the calculation of EPS. By not requiring an amendment to either the numerator or denominator in the EPS calculation with respect to the impact of such instruments, also assists in simplifying the calculation.

4. **(a) Do you agree that to calculate diluted EPS an entity should assume the settlement of forward sale contracts on its own shares in the same way as options, warrants and their equivalents? Why or why not?**

We agree that an entity should assume settlement of forward sale contracts on its own shares to calculate diluted EPS, as this is consistent with many assumptions made throughout the ED proposals, whereby it is assumed the final transaction resulting from these instruments has occurred.

- (b) Do you agree that ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents should be regarded as issued at the end-of-period market price? Why or why not?**

We agree that the end-of-period market price be used for ordinary shares arising from the assumed exercise or settlement of options, warrants and their equivalents because a period end value is more relevant and reliable than an average value over the period.

Appendix - Matters on Which Specific Comment Requested

5. Do you agree with the proposed amendments to the application guidance for participating instruments and two-class ordinary shares? Why or why not?

We agree with the proposed amendments to this guidance.

6. Are additional disclosures needed? If so, what additional disclosures should be provided and why?

We do not believe additional disclosures are required. We agree with the amendment made to paragraph 67 to require additional EPS measures to be disclosed in the notes only, as disclosure on the face of a primary statement can be misleading to users.