International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Our Ref: TECH-CDR-891

7 September 2009

Dear Sirs

Classification of rights issues

ACCA (the Association of Chartered Certified Accountants) is pleased to have this opportunity to comment on the exposure draft (ED) on the above subject. The ED was considered by ACCA's Financial Reporting Committee and I am writing to give you their views.

Overall comments

In principle we agree that accounting for foreign currency rights issues as financial liabilities does not reflect the substance of these transactions and therefore support the proposed amendments. We also appreciate that the use of such rights issues has increased in recent months due to the economic situation, and this has meant that the Board has needed to review this issue urgently.

However, we would note concerns that we have raised in previous comments about the increasingly piecemeal nature of proposed amendments, which add complexity and cost to the financial reporting process. We believe this is particularly relevant to issues relating to classification of financial instruments where there are already on-going projects on financial instruments with characteristics of equity a well as the broader project on revising IAS39, where this issue could have been be dealt with.

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ACCA's response to IASB's specific questions

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? Are there any other instruments that should be included and why?

We agree that foreign currency rights issues should be classified as equity. While there is an on-going project looking at financial instruments with characteristics of equity, which would be the ideal arena for looking at this issue, we understand that the recent increase in transactions of this type has meant that the Board has needed to act more urgently.

We support the conclusions by the Board (BC7) that the application of the existing requirements of IAS 32 (interpreted in the way described in the April 2005 edition of IFRIC Update) to certain rights issues is not appropriate because it would result in them being classified as financial liabilities and such a classification is not consistent with the substance of the transactions. In order to provide more useful information, we agree therefore that an amendment along the lines proposed in the ED is necessary.

We would tentatively agree with the proposal to limit the amendment to rights issues offered pro rata to all existing owners of the same class of non-derivative equity instruments. However, we note that there are similar transactions, which the Board should consider clarifying in the context of the current proposals, but as part of the larger project on equity and liability distinction. For example, foreign currency convertible bonds require split accounting, and similar rights issues which grant rights to acquire a fixed number of additional shares that are not pro rata to existing equity holders, which are out of scope for the amendments.

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.

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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?

We agree that this is a practical approach.

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?

We support the retrospective application of these proposals.

If there are any matters arising from the above please do contact me.

Yours sincerely

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ACCA

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