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THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

14 September 2009

Dear Sir or Madam

EXPOSURE DRAFT OF AMENDMENT TO IAS 32: CLASSIFICATION OF RIGHTS ISSUES

The Institute's Accounting Standards Committee has considered the above exposure draft and I am pleased to set out its comments below.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Overall Comments

Overall, ICAS supports the IASB's proposal contained in 'Classification of rights issues (proposed amendment to IAS 32)' that a rights issue should not be classified as a financial liability simply because the exercise price for the rights issue is denominated in a currency other than the issuing entity's functional currency. We agree that treating such rights issues as equity more appropriately reflects the substance of the underlying transactions.

We also support the IASB's plans to push through this proposed amendment to IAS 32 without waiting for completion of the Financial Instruments with Characteristics of Equity project.

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 support the proposal to limit the amendment to “normal” rights issues (i.e. rights offered pro rata to all existing owners of the same class of equity instruments). Whilst we recognise that some other commentators have highlighted the need for additional guidance in this area, ultimately this issue merely highlights the broader need to identify a principles-based definition which distinguishes equity from debt. This, we believe, is the issue that the IASB must try and address.

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. 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?

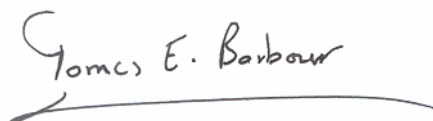
We support this proposal.

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 believe that it is appropriate to apply the proposed change retrospectively.

Yours faithfully



JAMES E BARBOUR
Director, Accounting and Auditing