

Mr Robert Garnett
Chairman
IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@iasb.org

10 October 2010

Dear Mr Garnett,

Tentative agenda decision: IAS 32 Financial Instruments: Presentation — Put options written over non-controlling interests

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September 2010 IFRIC Update on the tentative decision not to take on to the IFRS Interpretations Committee's agenda a request for an Interpretation of IAS 32 *Financial Instruments: Presentation* with respect to guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. It is noted by the Committee that the request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements* and IAS 39 *Financial Instruments: Recognition and Measurement*.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda. The issue of accounting for all aspects of put options written over NCI in a meaningful way, whether or not written as part of a business combination, is complex and controversial. Consequently, we also support the Committee's recommendation that the Board address this issue either as part of its *Financial Instruments with Characteristics of Equity* project, or if the timing of that project is uncertain, as a separate project. The issue is sufficiently broad and significant enough to warrant the Board's attention and to follow a proper due process.

Whilst we agree with the Committee's proposal not to take the issue onto its agenda, we are concerned with the wording set out in the tentative agenda decision. In November 2006, the IFRIC decided not to add a broader issue of accounting for forwards/put options over NCI on to its agenda, but to clarify that these arrangements are financial instruments within the scope of IAS 39. Since the issuance of the agenda rejection decision, diversity has continued to exist around the world on various aspects of accounting for forwards/put options over NCI. This is because of the interaction between IAS 39 and IFRS 3 before the 2008 amendments and between IAS 39 and IAS 27 after the 2008 amendments (as highlighted in the IASB staff paper n°18 prepared for the September 2010 IASB meeting). However, the tentative agenda decision published in the 2010

September IFRIC Update fails to acknowledge the interaction between IFRSs as they apply to accounting for NCI. The fact that the tentative agenda decision makes no reference to other applicable standards (the tentative agenda decision only makes reference to IAS 39) is unlikely to be helpful in addressing constituents' concerns and perceived conflicts.

Accordingly, we recommend that the agenda decision should be clarified as follows:

“The Committee received a request for guidance on how an entity should account for changes in the carrying amount of a financial liability for a put option, written over shares held by a non-controlling interest shareholder ('NCI put'), in the consolidated financial statements of a parent entity. The request focuses on the accounting for an NCI put after the 2008 amendments were made to IFRS 3 *Business Combinations*, IAS 27 *Consolidated and Separate Financial Statements* and IAS 39 *Financial Instruments: Recognition and Measurement*.

Consistent with its November 2006 conclusions, the Committee observed that paragraph 23 of IAS 32 requires the financial liability recognised for a NCI put to be subsequently measured in accordance with IAS 39. The Committee also observed that paragraphs 55 and 56 of IAS 39 require changes in the carrying amount of financial liabilities to be recognised in profit or loss. However, the Committee noted that ~~additional~~ concerns exist relating to the accounting for NCI puts because of the interaction between various standards.

The Committee noted that these ~~additional~~ accounting concerns would be best addressed as part of the Board's *Financial Instruments with Characteristics of Equity* (FICE) project. Consequently, the Committee [decided] not to add this issue to its agenda but to recommend that the Board should address these ~~additional~~ accounting concerns and the interaction between various applicable standards. The Committee also observed that it would expect entities to apply the guidance in IAS 1 *Presentation of Financial Statements* in determining whether additional information relating to the accounting for NCI puts should be disclosed in the financial statements, including a description of the accounting policy used.”

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely,



Veronica Poole
Global IFRS Leader - Technical