



**Australian Government**

**Australian Accounting  
Standards Board**

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14 July 2005

Mr Robert Garnett  
Chairman – IFRIC  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Bob,

**IFRIC Draft Interpretation D16**  
*Scope of IFRS 2*

The Urgent Issues Group (UIG) has considered the proposals in Draft Interpretation D16, prepared by the International Financial Reporting Interpretations Committee (IFRIC). The UIG is pleased to provide its principal views in respect of the proposals for consideration by the IFRIC.

We strongly support the IFRIC's decision to remove from the Draft Interpretation the proposed amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* that appeared in earlier drafts for D16. There is no need for IFRS 1 to be amended to refer to the issue of this or other Interpretations as paragraph 7 of IFRS 1 requires the application of all IFRSs (the definition of which includes IFRIC Interpretations) that are in force at the end of an entity's first IFRS reporting period (subject to some specific exemptions in IFRS 1).

However, the UIG remains uncertain as to the need for this Interpretation. The members of the UIG have not seen any divergence of practice in the situation described in the Illustrative Example. They have only rarely seen such situations (or any that appear sufficiently similar) and have not encountered any doubts that IFRS 2 applies.

We are concerned that the simple statement in Draft Interpretation D16 that IFRS 2 applies to transactions where the entity cannot specifically identify some or all of the goods or services received does not provide sufficient guidance. There is no reference to the rebuttable presumption in IFRS 2 paragraph 13 or the measurement required when the presumption is rebutted.

It is only in the Illustrative Example that it is explicitly stated that, in the given scenario, it is necessary to rebut the presumption in IFRS 2 and base measurement on the fair value of the equity instruments granted. However, as the Example accompanies and is not part of the Interpretation, the advice may be limited to the specific circumstances described.

There is no indication that this outcome can (or should) be applied generally. It may apply only in cases where *no* identifiable consideration is received and not apply where *some* of the 'goods received' can be identified. We believe the Draft Interpretation would be clearer and more effective if the treatment proposed in the Illustrative Example were to be located in the actual Interpretation, as a general requirement.

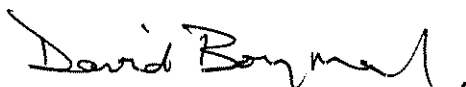
Within the Illustrative Example, we consider it would be helpful to include some indication that the account debited with the amount corresponding to the increase in share capital may be an expense account or an asset account, as determined in accordance with the relevant Standard on intangible assets.

We suggest that more illustrative examples should be provided of situations where the application of IFRS 2 might otherwise (in the absence of an Interpretation) be questioned, perhaps including situations outside the scope of IFRS 2. The UIG considers that identifying the situations considered by the IFRIC in its deliberations on this matter would assist constituents in assessing ambiguous situations and the circumstances in which the rebuttable presumption in IFRS 2 should be rebutted.

The Basis for Conclusions appears to contain very little additional to the Draft Interpretation D16 and Illustrative Example. When these contain sufficient description and explanation, it appears unnecessary to add a Basis for Conclusions. Perhaps the Basis for Conclusions could be pruned to highlight additional material and refer to (rather than repeat) relevant paragraphs. The UIG considers constituents would be helped by the provision of more information on the deliberations of the IFRIC in reaching its decisions, such as the reasons why the matter came to the attention of the IFRIC, and how widespread was the observed divergence in practice.

Please contact us if further information or clarification is required.

Yours sincerely,



David Boymal  
Chairman, AASB and UIG