Office of the Chief Executive
Alex Malley, FCPA
CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820
Melbourne VIC 3001 Australia
T +61 3 9606 9689
W www.cpaaustralia.com.au
E alex.malley@cpaaustralia.com.au

5 September 2012

Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street
MELBOURNE VIC 8007

Via e-mail: standard@aasb.gov.au

Dear Kevin

EXPOSURE DRAFT D1/2012/2 PUT OPTIONS WRITTEN ON NON-CONTROLLING INTERESTS

CPA Australia welcomes the opportunity to comment on the Exposure Draft D1/2012/2: Put Options Written on Non-Controlling Interests (ED). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 139,000 members in finance, accounting and business in 114 countries throughout the world. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest. We set out our comments below, restricted to the accounting issues raised in Question 1 (Scope) and Question 2 (Consensus).

Q1 – Scope

We note from the Basis for Conclusions paragraph BC13 that the IFRS Interpretations Committee has not addressed the issue of which component of equity should be debited with the present value of the redemption amount at initial recognition. We believe that the absence of guidance on this issue can give rise to divergent practices that would result in inconsistent performance results. For example, an entity may debit (or not debit) a particular component of equity if that results in a favourable outcome when calculating performance ratios that incorporate a particular component of equity. This can result in loss of comparability, and opens up the potential for entities to manipulate the variables used in calculating particular ratios used as indicators of performance. Accordingly, we suggest that specific guidance be provided on which element of equity should be debited on initial recognition, to ensure consistent outcomes.

The draft interpretation could be interpreted to apply only to the ultimate parent company of a group preparing consolidated financial statements, and not to intermediate parent companies that may not be required to prepare consolidated financial statements. Accordingly, in a group where the put options are written by an intermediate parent company rather than the ultimate parent company, such put options could be interpreted to be outside the scope of this draft interpretation. As the intention of the draft interpretation is to address the accounting for put options written on shares in a subsidiary held by the NCI shareholders in the consolidated financial statements of the controlling shareholder, we suggest the scope of the draft interpretation be expanded to encompass situations as envisaged above.

Q2 – Consensus

We support the conclusions of the Committee for the subsequent measurement of NCI put options as set out in the Consensus paragraphs 7 and 8.

If you require further information on any of our views, please contact Dr Mark Shying, CPA Australia by email at mark.shying@cpaaustralia.com.au.

Yours sincerely

Alex Malley FCPA
Chief Executive Officer

cc: M Shying