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25 April 2008

IFRIC Draft Interpretation D23 'Distributions of Non-cash Assets to Owners'
International Accounting Standards Board
30 Cannon Street, London EC4M 6XH
United Kingdom

Dear Sir or Madam:

The Korea Accounting Standards Board (KASB) has finalized its comments on IFRIC Draft Interpretation 'Distributions of Non-cash Assets to Owners'. I would appreciate your including our comments in your summary of analysis.

The enclosed comments are those of the IFRSRC and represent official positions of the KASB. They have been determined after extensive due process and deliberation.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to myself (kimch03@kasb.or.kr) or to Mr. Sung-ho Joo (sung-ho.joo@kasb.or.kr), researcher of KASB.

Yours sincerely,



Dr. Chungwoo Suh
Chairman, Korea Accounting Standards Board

Cc: Sungsoo Kwon, Director of Research Department

We are so pleased to comment on the IFRIC Draft Interpretation ‘Distributions of Non-cash Assets to Owners’. In order to comment on the ED, we held public hearings and collected responses from the various associations and finalized the comment letter through the due process established in KASB.

A. Answers to IFRIC's Questions

Question 1. Specifying how an entity should measure a liability for a dividend payable (dividend payable)?

We agree that the entity measures a liability to distribute non-cash assets to its owners in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It is appropriate that the measurement of all dividends payable should be accounted by a single standard.

Question 2. Specifying how any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be accounted for when an entity settles the dividend payable?

We agree that difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognised as profit or loss. The reason that we support this view is the following:

When an entity distributes its assets to its owners, it loses the future economic benefits embodied in those assets. So this transaction is similar to a disposal of assets. The disposal of assets requires an entity to recognize profit or loss arising from derecognition of assets.

Question 3. Whether an entity should apply the requirements in IFRS 5 to non-current assets held for distribution to owners?

(a) Should an entity apply IFRS 5 when it is committed to make a distribution or when it has an obligation to distribute the assets?

This transaction is very close to a disposal of assets (a sale transaction) and should be accounted for by the application of IFRS 5. To be consistent with IFRS 5, the appropriate level of management must be committed to a plan to make the distribution (by paragraph 8 of IFRS 5).

(b) Do you think there is a difference between those dates?

If it is necessary to gain an approval of shareholders, those dates may be different. We are curious about another case that a difference between those dates, so we demand this case be considered by the IFRIC.

(c) If there is a difference between the dates and you think that an entity should apply IFRS 5 at the commitment date, what is the difference? What indicators should be included in IFRS 5 to help an entity to determine that date?

An entity should apply IFRS 5 when the entity is committed to a plan to distribute the assets to its owners. The entity becomes committed when the appropriate level of management is committed to a plan to distribute the non-cash assets.

B. Other comments

1. Scope

The scope of this proposed interpretation excludes both the separate and consolidated financial statements of an entity that makes the distribution. We agree the exclusion of the consolidated financial statements, but cannot agree the exclusion of the separate financial statements. Why does the interpretation exclude the separate financial statements? We believe that the reason of the exclusion should be mentioned in detail.

2. Changes in the carrying amount of the dividend payable at the end of each reporting period.

This proposed interpretation requires that changes of the dividend payable should be accounted as following (paragraph 11):

At the end of each reporting period and on the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable in accordance to paragraph 59 of IAS 37, with any changes in the carrying amount of the dividend payable recognised as adjustments to the amount of the distribution. We discussed this requirement. Minor comment among us is that any changes in the carrying amount of the dividend payable should be recognised as profit or loss at the reporting period. Our conclusion is the same with this interpretation. We think that it would be better that the interpretation contains BC (Basis of conclusion) of this requirement.

3. Illustrative Example

The illustrative Example of the proposed interpretation is very simple and it can't represent normal transactions which help readers to understand this interpretation. It's necessary to modify the example or to make another example. For example, we need another example which is added to the case of 'Changes in the carrying amount of the dividend payable at the end of each reporting period.'