



Memo

To: International Financial Reporting Interpretations Committee

From: Accounting Standards Board – Canada, Staff

Date: March 20, 2008

Re: Distributions of Non-cash Assets to Owners

The following comprises the response of the Accounting Standards Board – Canada staff (AcSB staff) to the IFRIC’s Draft Interpretation D23, *Distributions of Non-cash Assets to Owners*, published on January 17, 2008.

We **support** the proposals in the Draft Interpretation. Our comments on your questions are as follows:

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

We agree that a dividend payable is a liability that should be measured in accordance with IAS 37 for the reason stated in paragraph BC16 that IAS 37 is “generally applied to all liabilities ... [and] IAS 37 requires an entity to measure a liability on the basis of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.”

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 any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognized in profit or loss. We agree that when an entity distributes its assets to its owners, those assets are derecognized and that this is similar to a disposal of an asset. We also agree with the statement in paragraph BC 43 that “The proposed treatment would give rise to the same accounting results regardless of whether an entity distributes non-cash assets to its owners, or sells the non-cash assets first and distributes the cash received to its owners.”

Because we view the distribution of assets as being similar to a disposal of an asset, we do not agree with the alternative view posed in paragraph BC44 “that it might be more appropriate to recognize the credit balance directly in equity.”

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

We agree that IFRS 5 should apply to non-current assets that are held for distribution to owners. Assets held for sale are similar to assets held for distribution to owners in that they are to be disposed of and not used by the entity on an ongoing basis. It is therefore appropriate to account for them in the same manner, including measurement, presentation and disclosure.

We also believe that, in general, the time at which an entity is committed to distributing assets to owners is the point in time when the dividend is declared and the entity is thereby obligated to distribute the assets. There are several reasons why an entity may be committed to dispose of assets by sale some time prior to being obligated to dispose of the asset (which would require a sales agreement). Time may be required to put the asset into suitable condition to be saleable. Time may also be required to find a purchaser and further time to negotiate the terms of sale.

These factors do not generally apply to the distribution of assets to owners. Any discussions between the entity and the owners about a proposed distribution are about whether to distribute the assets and until that is decided the entity cannot be committed to distribute them.

We would be pleased to elaborate on this response in more detail if you require. If so, please contact Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca), Mark Walsh, Principal Accounting Standards at +1 416 204-3453 (e-mail mark.walsh@cica.ca).or Harry Klompas, Principal Accounting Standards at +1 416 204-3236 (e-mail harry.klompas@cica.ca).