EFRAG
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By e-mail: Commentletter@efrag.org

21 September 2012

Dear Sir/Madam,

EFRAG Draft Comment Letter regarding Draft Interpretation DI/2012/2, Put Options Written on Non-controlling Interests

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The Accounting Standards Committee ("DASC") set up by "FSR – danske revisorer" is pleased to respond to EFRAG's Draft Comment Letter. The Committee discussed the EFRAG Draft Comment Letter during its meeting this week.

Question 1 Scope

We agree that the issues identified by EFRAG are relevant. The DASC agrees that the discussion of scope is important and that there are valid concerns over the limited scope.

In our response of 13 June 2012 to the questionnaire prepared by EFRAG staff we noted that "*… while it may not be possible to include it in the current draft, we are aware of uncertainties among preparers on other aspects of the accounting in the consolidated financial statements when NCI puts exist. Therefore it might be relevant for the IFRS IC to address the issue of NCI puts in a more comprehensive way*".

On the other hand, we would also be concerned if a discussion about widening the scope should delay the efforts of providing interpretive guidance in this area where diversity in practice clearly does exist today. In this specific case, we do acknowledge that the diversity in practice may arise from the fact that the answer derived from the current IFRS literature is not very logical.

We would therefore be in support of proposing a project considering limited amendments to IAS 32 and potentially the application guidance in IFRS 3 to address this specific issue. We see merit in limiting the gross presentation model set out in IAS 32.23 to forward contracts and consequently treat options as financial instrument. Thus, written options at a fair value exercise price would have a fair value of zero which seems better to reflect the economics of the arrangement.

Question 2 Consensus

We believe it is consistent with current IFRS literature that fair value gains and losses on NCI liabilities are neither changes in ownership interest which do not result in loss of control (IAS 27) nor change in the proportion of the equity held by non-controlling interests (IFRS 10 B96). From this perspective we find that it is consistent with current IFRS literature that fair value changes should be recognized in the income statement per IAS 39.AG8. However, as stated in our response to question 1 we are aware of the concerns that the answer derived from the current IFRS literature is not very logical. We are therefore supportive of a project addressing the appropriateness of the provisions set out in IAS 32.23.

We would be happy to elaborate further on our comments should you wish so.

Kind regards

Jan Peter Larsen
Chairman of the Danish
Accounting Standards Committee

Ole Steen Jørgensen
Chief consultant
FSR – danske revisorer