



6 June 2012

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IFRS INTERPRETATIONS COMMITTEE
EXPOSURE DRAFT OF PUT OPTIONS WRITTEN ON NON-CONTROLLING
INTERESTS**

Comments to be received by 3 September 2012

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IFRS Interpretations Committee Exposure Draft which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The IFRS Interpretations Committee, responsible, in co-operation with the IASB, for developing amendments and Interpretations of International Financial Reporting Standards (IFRSs), published for public comment proposed guidance on the accounting for a put option written by a parent entity on the shares of its subsidiary held by a non-controlling-interest shareholder. A put option is a contract that gives the holder of the option the right to sell a specified asset to the writer of the option at a specified price within a specified time.

If a parent entity is obliged to purchase the shares of its subsidiary for cash or for another financial asset, the parent must recognise a financial liability in its consolidated financial statements for the present value of the option exercise price. The Interpretations Committee was asked to consider how to subsequently measure that financial liability, because diversity exists in practice.

In response to that request, the Interpretations Committee has proposed that all changes in the measurement of that financial liability should be recognised in profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*.

Comments should be supported by specific reasoning and should be submitted in written form.

To allow your comments on the IFRS Interpretations Committee Exposure Draft to be considered, they are requested to be received by the Institute on or before **3 September 2012**.

Comments may be sent by mail, fax or e-mail to:

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37th Floor, Wu Chung House
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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.