

IFRS Briefing Sheet

IFRIC Draft Interpretation D23 *Distributions of Non-cash Assets to Owners*

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This IFRS Briefing Sheet summarises the International Financial Reporting Interpretations Committee's (IFRIC) Draft Interpretation D23 *Distributions of Non-cash Assets to Owners*, which was published on 17 January 2008.

The draft interpretation proposes accounting guidance in respect of the following types of unconditional and non-reciprocal distributions of non-cash assets to owners in their capacity as owners by focusing on the measurement of the corresponding dividend payable:

- distributions of non-cash assets
- distributions in which the owners may elect to receive either the non-cash asset or a cash alternative.

The proposals apply to both the consolidated and separate financial statements of the entity making the distribution.

The draft interpretation does not address the accounting by the recipient of the distribution.

Distributions made by an entity to its owners also are commonly referred to as "dividends".

This draft interpretation proposes guidance on the accounting for distributions of non-cash assets to owners.

Background and Executive Summary

There is currently no specific guidance in International Financial Reporting Standards (IFRSs) on the:

- accounting treatment for distributions of non-cash assets to the owners of an entity
- measurement of distributions to owners.

Scope Exclusions

The scope of the draft interpretation excludes distributions that:

- are not made equally to all owners of the same class of equity instruments
- result in the asset being controlled by the same parent entity both before and after the distribution, i.e., a distribution within the same group.

A supplement to KPMG's publication IFRS in Brief

Proposed Consensus

Dividend Measured at Fair Value

The draft interpretation proposes that an entity measures the dividend payable for distributions of non-cash assets to owners in their capacity as owners in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

In order to comply with IAS 37, the draft interpretation proposes that for:

- distributions of non-cash assets, the entity considers the fair value of the asset to be distributed
- distributions in which the owners may elect to receive either the non-cash asset or a cash alternative, the entity considers the fair value of each alternative together with their associated probabilities.

The draft interpretation also proposes that the carrying value of the liability be reviewed at each reporting date (and at the date of settlement) and adjusted, if necessary, through adjustments to the amount of the distribution.

No exceptions to this fair value measurement principle have been proposed in the draft interpretation.

Accounting for the Difference Between the Carrying Amount of the Assets being Distributed and the Carrying Amount of the Dividend Payable on Distribution

Any difference between the carrying amount of the assets distributed and the amount at which the dividend payable is recorded would be recognised in profit or loss as a separate line item when the assets are distributed.

Non-current Assets Held for Sale

The International Accounting Standards Board (IASB), through this interpretation, has proposed that non-current assets held for distribution be included in the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as also recommended by the IFRIC. At present IFRS 5 applies only to assets whose carrying amounts will be recovered principally through a sale transaction as opposed to through continuing use. The IASB and the IFRIC are seeking feedback from constituents on:

- whether IFRS 5 should be amended to include within its scope non-current assets held for distribution to owners

- the date at which such assets should be classified as held for sale in accordance with IFRS 5.

Additional Disclosure Requirements

The draft interpretation also proposes additional disclosure requirements for entities that have a distribution of a non-cash asset declared during the period between the end of the reporting period and the date of authorisation for issue of the financial statements.

Effective Date and Transition

The draft interpretation proposes prospective application for annual periods beginning on or after a date that is yet to be determined. Early application would be permitted, but retrospective application would not be permitted.

Response to the IFRIC

The IFRIC has invited comments on the draft interpretation by 25 April 2008.

If you would like further information on any of the matters discussed in this issue of *IFRS Briefing Sheet*, please talk to your usual local KPMG contact or call any of KPMG firms' offices.

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