



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

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FAP 144/2009

January 29, 2009

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir David :

The Federation of Accounting Professions of Thailand (FAP) presents its compliments to the International Accounting Standards Board and has the honor to express our opinions concerning the Exposure Draft of Proposed Amendments to IAS 33, "Simplifying Earnings per Share."

Question 1: Mandatorily convertible instruments and instruments issuable for little or no cash or other consideration

The Exposure Draft provides a generalized framework as to the mandatorily convertible instruments and instruments issuable for little or no cash or other consideration that should be included as part of the basic EPS calculation. In particular, the weighted average number of ordinary should account for instruments that give or are deemed to give their holders the right to share the current profit or loss. In addition, Paragraph 19 clearly mandates the vesting condition before ordinary shares currently issuable for little or no cash or other consideration become deemed to have the right to share in current profit or loss with ordinary holders. Consequently, the FAP concurs with the application of such conditions to the mandatorily convertible securities in order to achieve consistency in practice.

The above amendment clarifies that only the instruments conveying the right to share currently in the profit or loss for the period will be accounted for in the denominator of the basic EPS calculation. The FAP, however, requests that the Board consider providing a specific guidance or an example concerning factors that influence the calculation of the weighted average number of shares outstanding, e.g. shares with different dividend rate, and shares that have not been fully paid up.

Question 2: Gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares

The concept of including instruments that give their holders the right to share the current earnings or losses in the basic EPS calculation should also extend to gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares. As of the reporting date, the outstanding stockholders retain the right to share the current earnings or losses. Therefore, the basic EPS should reflect the share of current profit of all existing shareholders. The FAP believes that the denominator of basic EPS calculation should be reduced, if and only if such instruments cease to give the right to share currently in the profit or loss.



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The Basis for Conclusion (BC 14) of the Exposure Draft contends that the contract to repurchase an entity's own shares is economically similar to the acquisition of treasury shares using borrowed funds. The FAP agrees with the analogy, but contends the denominator in the basic EPS calculation should not be reduced until the acquisition of treasury shares has been completed or the contract to repurchase an entity's own shares has been settled. The borrowings for the purpose of acquiring treasury shares should not result in the equity displacement. Therefore, the FAP reiterates its position to reconsider the proposed amendment to exclude the common stocks to be repurchased under the gross physically settled contracts to repurchase an entity's own shares and mandatorily redeemable ordinary shares from the denominator of the basic EPS calculation.

Question 3: Instruments that are measured at fair value through profit or loss

The instruments measured at fair value through profit or loss captures the benefits received or detriments incurred by the current equity holders during the periods. In the face of the loss through the mark-to-market process, the basic EPS does subsume the detrimental effects of the instruments. Therefore, the FAP does not anticipate any dilution effect arising from the assumed conversion in the diluted EPS calculation. In the face of the gain on marking-to-market, however, the significant dilution may result if the gain has been incorporated in the basic EPS, while assumed conversion will undo the effect.

The FAP does not agree in principle with the proposed amendment to ignore the adjustments arising from the instruments measured at fair value through profit or loss, but advocates the amendment on the ground that it will greatly simplify the diluted EPS calculation. In such a case, the failure to make the adjustments to the weighted average number of shares outstanding should be remedied by disclosures of additional information concerning the fair value adjustments and other information that enables users of financial statements to make such adjustments

Question 4: Options, warrants and their equivalents

The Exposure Draft proposes that an entity assumes the exercise dilutive options, warrants and their equivalents, including forward contracts to sell its own shares that are not measured at fair value through profit and loss. The FAP agrees with the amendment because the assumed settlement in the diluted EPS calculation will serve the purpose of giving the effect of dilutive potential of such instruments.

The Exposure Draft proceeds with the proposal to treat the assumed exercise or settlement of options, warrants and their equivalents as being repurchased at the end-of-period market price. The IASB recognizes the inconsistency arising from the assumed exercise or settlement at the beginning of the period and the use of the average market price in the application of treasury share method, and recommends that the use of end-of-period market price will resolve such inconsistency. The FAP recognizes that the use of end-of-period market price enables users of financial statement to assess the dilutive effect of the financial instrument using current, and hence, more relevant information. However, the FAP argues that using such



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information in the calculation of diluted EPS will result in internal inconsistency with the assumption that the assumed conversion takes place at the beginning of the period or the date of issue of the potential ordinary shares, whichever is the later date, as cited in the Exposure Draft, paragraph 46.

Given the requirements that the IASB chooses to mandate, the FAP requests that the Board conduct further studies into what EPS information is expected from financial analysts and other users of financial statements: that calculated based on end-of-the-period price or other benchmarks. The findings may indicate the appropriate EPS measure needed. If different measures vary by the needs of different users, the Board may consider supplementing the EPS presentation with additional disclosures that allows users of financial statements to do the task, e.g. information concerning the financial instruments and the relevant stock prices.

Question 5: Participating instruments and two-class ordinary shares

The proposed amendments call for the extension of the scope of application guidance to include participating instruments classified as liabilities, and the introduction of a test to determine the dilutive effect of participating instruments and two-class ordinary shares. The FAP believes that the amendments will provides clearer guidelines in the determination of dilutive effect of convertible instruments and therefore agree with the proposed amendments.

Questions 6: Disclosure requirements

Given the responses to the above questions, the FAP requests that the IASB consider the following disclosures:

1. the information necessary to undo the anti-dilutive effect of financial instruments measured at fair value through profit or loss (see response to Question 3), and
2. additional information necessary for users of financial statements to calculate the diluted EPS, should their needs differ from the measure provided under the IFRS (see response to Question 4).

The Federation of Accounting Professions avails itself of this opportunity to the Board the assurances of its highest consideration.

Yours sincerely,

Professor Kesree Narongdej

President

Federation of Accounting Professions of Thailand

Thailand