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Kevin Stevenson  
Chairman of the  
International Financial Reporting Interpretations Committee  
30 Cannon Street

Berlin, 5. Oktober 2004

London EC4M 6XH  
United Kingdom

Dear Kevin

### **Comment letter on IFRIC Interpretation D8**

We appreciate the opportunity to comment on IFRIC D8 *Members' Shares in Co-operative Entities*.

We fully endorse IFRIC's aim to support the IASB in establishing and improving International Financial Reporting Standards. In this respect we support IFRIC's objective to give guidance on the classification of members' shares in co-operative entities as either financial liabilities or equity in accordance with IAS 32 *Financial Instruments: Disclosure and Presentation*.

On the basis of IAS 32 currently effective, we support IFRIC's clarification that demand deposits, including current accounts, deposit accounts and similar contracts, which arise when members act as customers, are financial liabilities of the entity.

We agree that under current regulations the classification of members' shares in co-operative entities as equity should depend on the right to refuse redemption.

In addition, we would like to point out a mismatch between the draft title and the scope since the title explicitly refers to co-operative entities only while in paragraph 3 of IFRIC D8 is stated that co-operative entities are included (among other financial instruments) in the scope. Since the distinction between equity and financial liabilities is currently addressed in a broader IASB project we suggest restricting clearly the scope to co-operative entities only, thus avoiding an application of IFRIC D8 by analogy to other legal forms.



We principally agree with IFRIC's proposal that, if an entity classifies its members' shares as liabilities according to IFRIC D8, the financial liabilities for redemption shall be measured at fair value at initial recognition. Nevertheless, trading members' shares in co-operative entities is prohibited by German law and, therefore, an active market does not exist; this has a bearing on the measurement at fair value.

Concerning the subsequent measurement of members' shares classified as liabilities we strongly suggest incorporating some guidance into the Interpretation. While repayment of members' shares at nominal amount is not causing any problems related to subsequent measurement, this is not true for other redemption regulations that might exist in national jurisdictions. In this case further guidance is necessary.

If you would like further clarification of the issues set out in this comment letter, please do not hesitate to contact me.

With best regards

*Liesel Knorr*  
Chairman