



ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

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27th April 2011

**International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom**

E-mail: commentletters@iasb.org

Dear Sir,

Comments on Exposure Draft – Offsetting Financial Assets and Financial Liabilities

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the International Accounting Standards Board (IASB)'s Exposure Draft – Offsetting Financial Assets and Financial Liabilities.

Our comments on the questions on the exposure draft are as follows:

Question 1

The proposals would require an entity to offset a recognised financial asset and a recognised financial liability when the entity has an unconditional and legally enforceable right to set off the financial asset and financial liability and intends either:

- (a) to settle the financial asset and financial liability on a net basis or
- (b) to realise the financial asset and settle the financial liability simultaneously.

Do you agree with this proposed requirement? If not, why? What criteria would you propose instead, and why?

Comment

Yes we do agree with the proposed offsetting requirement in this Exposure draft, gross reporting can be done through disclosures. The offsetting criteria are appropriate and consistent with the IASB framework and current IFRS requirements.

Question 2

It is proposed that financial assets and financial liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of set-off. The proposals specify that an unconditional and legally enforceable right of set-off is enforceable in all circumstances (i.e. it is enforceable in the normal course of business and on the default, insolvency or bankruptcy of a counterparty) and its exercisability is not contingent on a future event. Do you agree with this proposed requirement? If not, why? What would you propose instead, and why?

Comment

We agree, the unconditional right of set-off must be enforceable in all circumstances.

Question 3

The proposals would require offsetting for both bilateral and multilateral set-off arrangements that meet the offsetting criteria. Do you agree that the offsetting criteria should be applied to both bilateral and multilateral set-off arrangements? If not, why? What would you propose instead, and why? What are some of the common situations in which a multilateral right of set-off may be present?

Comment

Yes we agree that the entity would require offsetting for both bilateral and multilateral set-off financial arrangements that meet the offsetting criteria and confirmation process complied with for netting and set off of Financial Assets/Liabilities.

Question 4

Do you agree with the proposed disclosure requirements in paragraphs 11–15? If not, why? How would you propose to amend those requirements, and why?

Comment

Yes we agree with the proposed disclosure requirements in paragraphs 11-15. The proposed requirements seem to be adequate to satisfy the needs of the users of financial statements.

Question 5

(a) Do you agree with the proposed transition requirements in Appendix A? If not, why? How would you propose to amend those requirements, and why?

(b) Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.

Comment

(a) Yes we do agree, this is likely to enhance consistency and comparability. Prospective application should only be allowed if it is impracticable.

(b) We propose one year.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Musonda Boniface

Technical Officer