

FICE case study: feedback session

1. Participants were given an overview of the Board's preferred approach to classification, presentation and disclosure that will be the subject of the forthcoming Discussion Paper on Financial Instruments with Characteristics of Equity.
2. Participants were divided into five groups and discussed the application of the Board's preferred approach to five examples:
 - (a) Obligation to deliver a fixed number of ordinary shares
 - (b) Variable share-settled bonds
 - (c) Shares puttable for fair value
 - (d) Cumulative preference shares
 - (e) Non-cumulative preference shares
3. For each of these examples, participants had to answer the following four questions:
 - (a) What are the features of this financial instrument?
 - (b) Is the financial instrument classified as liability or equity applying the Board's preferred approach? (Step 1)
 - (c) If classified as liability – does the financial instrument qualify for separate presentation of income and expense applying the Board's preferred approach? (Step 2)
 - (d) What features would be depicted through disclosure applying the Board's preferred approach? How? (Step 3)
4. All five groups applied the Board's preferred approach to the five examples relatively consistently, reaching similar classification outcomes and identifying appropriate matters for presentation and disclosure. Some participants offered observations and comments on the Board's preferred approach.