IASB Meeting

Agenda reference **10B - appendix**

Staff Paper

Date **April, 2009**

Project **Earnings per Share**

Topic **Summary of responses to questions in the ED**

Definition

Equity participations are those financial instruments issued by the entity which participate without upward limit in the proceeds of a disposal of the reporting entity or a business within the entity.

All other financial instruments shall be within the scope of IAS 39.

Recognition

Equity participations shall be recognised when issued.

Where a financial instrument or other contract contains an equity participation component, that component shall be separated at inception.

Initial and subsequent measurement

Equity participations shall be carried at the fair value of the instrument on issue and shall not be re-measured.

Derecognition

Equity participations shall be derecognised when they are extinguished or they expire.

Disclosure

Disclosure in the notes should be in tabular form and be adequate to distinguish material variations in rights and returns of all equity participations including but not limited to: votes, liquidation preference, dividends, optional and mandatory cash flow commitments,

proportionate share in gains and losses, and any other terms of derivative instruments (including expected lapse rates for employee stock options).

The notes shall also contain an analysis of equity participations issued and redeemed during the year.

The disclosure regarding mandatory cash flow commitments, where an equity participation is payable at a date that is not wholly within the discretion of the board to defer until liquidation of the entity, must include the current fair value and expected payment date of each class of instrument. Fund raising plans should be explained if settlement is expected to require the entity to arrange additional sources of finance.

Additional disclosure for quoted companies should include the fair value of each derivative either directly or derived from quoted market prices, with a sensitivity analysis indicating how the fair value will move with price changes in the underlying equity instrument. Quoted companies should also disclose EPS where the number of shares in issue is a derived "common stock equivalent" total reflecting the average or median fair values of all equity instruments during the period.

6.4 Below is a suggested format for the disclosure to enable users to calculate a Common Stock Equivalent which is economically meaningful. We would suggest that this disclosure is given whether or not Equity is ultimately defined in line with our proposal.

Statement of equity participating interests

		Listed companies only							Cash flow maturity		
Instrument	**Note**	**Period average fair value**	**Common stock equivalents (based on avg price)**	**Balance sheet date fair value**	**Delta at BS date fair value**	**Contractual cash flows**	**Cash flows at holders discretion**	**Cash flows at company's discretion**	**1 year**	**2-5 years**	**5-10 years**
		CU'm	'm	CU'm		CU'm	CU'm	CU'm	CU'm	CU'm	CU'm
Common stock	A	2,340	1,100	2,550	1	-	-	-	-	-	-
Other perpetual security	B	330	145	390	1.05	-	-	-	-	-	-
Forward purchase of common stock	C	-65	-31	-75	1	-245	-	-	-245	-	-
Written put option on common stock	D	43	20	36	0.75		-350			-350	
Employee stock options group 1	E	95	45	150	0.65		160			160	
Employee stock options group 2	F	84	39	145	0.5			-230		-230	
Conversion option for 4% 2012 converible bond	G	22	10	29	0.6						
Puttable shares											
Forward sale of common stock											
Total equity		**2,849**	**1,329**	**3,225**							

↑

Use for EPS calculation*

Notes: Give description of each security that enables investors in the common shares to understand the impact of the security on their investment and the effect on future cash flows, including details about rights, cash flows, optionality, settlement features, maturity, distributions, fair value calculation (if co. is listed), delta at different common stock prices, etc

*** Single EPS calculation based on total of common shares plus common share equivalents. Scrap existing diluted eps calculation altogether.**