



Project	Financial instruments with characteristics of equity
Topic	Developing a classification model: illustrations

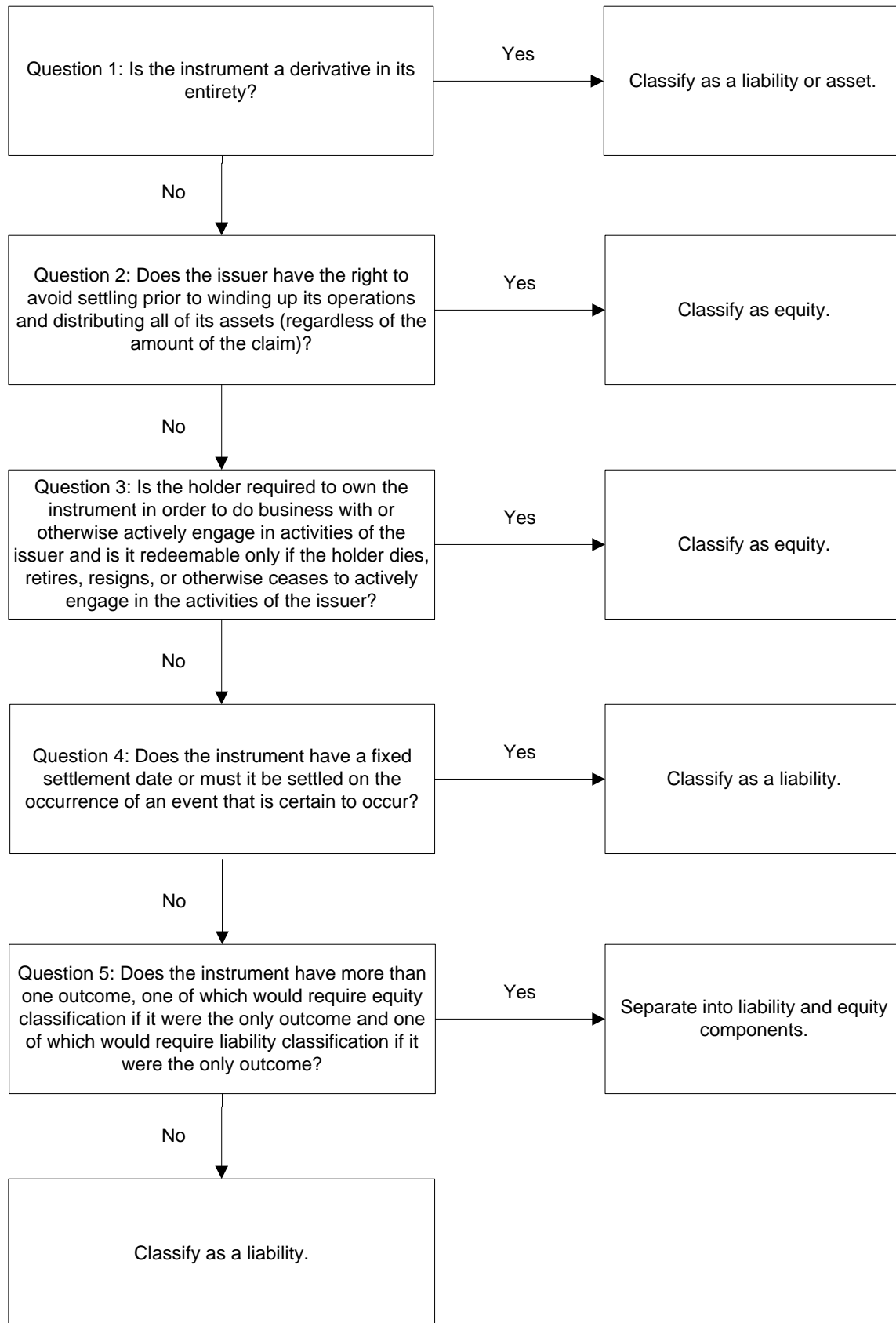
1. The following flowchart illustrates the decision rules described in paragraphs 20(a)–20(d) in Agenda paper 2A:

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Classification Results

2. The following table illustrates the classification results of the flowcharts.

Instrument	Proposed Classification
All perpetual shares	Equity (Yes to Question 2)
Share redeemable at the option of the issuer (callable share)	Equity (Yes to Question 2)
Option or forward contract on the issuer's own equity instruments	Liability (Yes to Question 1)
Convertible debt	Liability (No to Question 5)
Preferred share convertible into ordinary shares at the option of the holder	Separate into liability and equity components (Yes to Question 5)
Preferred share that is required to be converted into ordinary shares on a specific date or event that is certain to occur (other than death or retirement)	Liability (Yes to Question 4)
Share issued by limited life entity	Equity (Yes to Question 2) ¹
Instrument that is required to be redeemed on a particular date, during a range of dates, or upon an event that is certain to occur (other than death or retirement)	Liability (Yes to Question 4)
Instrument issued by a cooperative that gives the holder the right to request redemption but the cooperative can refuse that request	Equity (Yes to Question 2)
Instrument issued by a cooperative that must be redeemed upon the holder's death, retirement, or decreased participation	Equity (Yes to Question 3)
General partnership instrument Classification assumes that (a) the general partner takes an active role in the management of the partnership, (b) the instrument must be redeemed if the general partner	Equity (Yes to Question 3)

¹ The classification result described is for the subsidiary issuing the share. The classification of the instrument in the consolidated financial statements will be discussed at a future meeting.

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Instrument	Proposed Classification
retires from the partnership, and (c) the partnership does not liquidate upon the partner's redemption.	
Limited partnership instrument Classification assumes that the limited partner (a) does not participate in the management of the partnership but rather only has a financial interest in the partnership, (b) the instrument is redeemable at the option of the partner, and (c) the partnership does not liquidate upon the partner's redemption.	Separated into liability and equity components (Yes to Question 5)
Limited liability partnership instrument Classification assumes that the (a) limited liability partner takes an active role in the management of the partnership (b) the instrument must be redeemed if the partner retires from the partnership and (c) that the partnership does not liquidate upon the partner's redemption.	Equity (Yes to Question 3)
Ownership instrument that is redeemable at the option of the holder (other than upon retirement or death).	Separated into liability and equity components (Yes to Question 5)
Ownership instrument that is required to be redeemed if an uncertain event occurs	Separated into liability and equity components (Yes to Question 5)
Ordinary share with a required dividend	Separated into liability and equity components (Yes to Question 5)
Ordinary share with a substantive registration rights penalty ²	Separated into liability and equity components (Yes to Question 5)

²A promise to remit consideration to an investor if an instrument held by that investor is (a) not registered for public trading by a specified date or (b) not listed on a stock exchange by a specified.