

IAS 32 *Financial Instruments: Presentation* (September 2008)

The IFRIC received a request for guidance on the extent of transaction costs to be accounted for as a deduction from equity in accordance with IAS 32 paragraph 37 and on how the requirements of IAS 32 paragraph 38 to allocate transaction costs that relate jointly to one or more transaction should be applied. This issue relates specifically to the meaning of the terms ‘incremental’ and ‘directly attributable’.

The IFRIC noted that only incremental costs directly attributable to issuing new equity instruments or acquiring previously outstanding equity instruments are related to an equity transaction in accordance with IAS 32. The IFRIC also noted that judgement will be required to determine which costs are related solely to other activities undertaken at the same time as issuing equity, such as becoming a public company or acquiring an exchange listing, and which are costs that relate jointly to both activities that must be allocated in accordance with paragraph 38.

In view of the existing guidance, the IFRIC decided not to add this issue to its agenda.

However, the IFRIC also noted that the terms ‘incremental’ and ‘directly attributable’ are used with similar but not identical meanings in many Standards and Interpretations. The IFRIC recommended that common definitions should be developed for both terms and added to the Glossary as part of the Board’s annual improvements project.