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## IASB<sup>®</sup> meeting

Date	<b>February 2023</b>
Project	<b>Financial Instruments with Characteristics of Equity</b>
Topic	<b>Cover note</b>
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## Purpose of this meeting

1. At this month's meeting, the staff will present the following agenda papers:
  - (a) Agenda Paper 5A *Classification and Presentation: Sweep issues (Part A)*
  - (b) Agenda Paper 5B *Classification and Presentation: Sweep issues (Part B)*; and
  - (c) Agenda Paper 5C *Presentation of equity instruments*.
2. These papers ask for tentative decisions from the International Accounting Standards Board (IASB) related to the classification and presentation of issued financial instruments applying IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*.
3. Agenda Papers 5A and 5B consider sweep issues that the staff became aware of subsequent to the IASB's discussions in 2020-2022 on classification and presentation topics included in the Financial Instruments with Characteristics of Equity (FICE) project plan.
4. The following table contains a summary of the staff's recommendations for each sweep issue.

Summary of staff recommendations	
Fixed-for-fixed condition	The foundation principle is met if the entity knows how many functional currency units it is entitled to receive per type of own share if the option is exercised.
Reclassification	<p>Replace 'reclassified' with 'transferred' and 'reclassification' with 'transfer' in paragraph 23 of IAS 32.</p> <p>Reclassify at the date of the change in circumstances. However, ask a question in the forthcoming Exposure Draft to see if there are any practical considerations.</p>
The effects of laws on the contractual terms	Simplify the proposed principles by only requiring that financial instruments are classified as financial liabilities or equity by considering enforceable contractual terms that give rise to rights and obligations that are in addition to, or more specific than, those established by applicable law.
Obligations to redeem own equity instruments	<p>Clarify in paragraph 23 of IAS 32 that gains or losses on remeasuring the financial liability are recognised in profit or loss.</p> <p>Clarify the same measurement approach would apply initially and subsequently for financial liabilities in the scope of paragraph 23 of IAS 32 ie probability and estimated timing of the holder exercising the written put</p>

Summary of staff recommendations	
	<p>option is not considered in its initial and subsequent measurement.</p> <p>Remove reference to IFRS 9 <i>Financial Instruments</i> for subsequent measurement from paragraph 23 of IAS 32.</p>
Instruments containing contingent settlement provisions	<p>Clarify the same measurement approach would apply initially and subsequently for financial liabilities in the scope of paragraph 25 of IAS 32 ie probability and estimated timing of the contingent event occurring or not occurring is not considered in its initial and subsequent measurement.</p>
Presentation of financial liabilities containing contractual obligations to pay amounts based on the entity's performance or changes in the entity's net assets	<p>Delete the second sentence of paragraph 41 of IAS 32 and add a cross-reference to paragraph 85 of IAS 1.</p>

5. Agenda Paper 5C is a follow-up paper to [Agenda Paper 5A](#) of the December 2022 meeting where the IASB discussed stakeholder concerns that the information an entity provides in its financial statements about issued equity instruments is too limited. This paper further considers whether it is necessary to develop specific presentation requirements as part of the FICE project that address the particular information needs of investors in ordinary shares, without imposing onerous costs on preparers.
6. The staff recommend the IASB propose amendments to IAS 1 that would require:

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- (a) line items in the statement of financial position that present issued capital and reserves attributable to *ordinary shareholders of the parent* separately from issued capital and reserves attributable to other owners of the parent (paragraph 54(r) of IAS 1);
  - (b) the components of equity for the purposes of the statement of changes in equity to include *each class of ordinary share capital* separately from each class of other contributed equity (paragraph 108 of IAS 1);
  - (c) profit or loss and comprehensive income for the period attributable to *ordinary shareholders of the parent* to be presented separately from the respective amounts attributable to other owners of the parent (paragraph 81B of IAS 1);  
and
  - (d) presentation in the statement of changes in equity or disclosure in the notes of the amount of dividends to *ordinary shareholders* separately from dividends to other owners during the period, and the related amount of dividends per share (paragraph 107 of IAS 1).