



Financial Instruments with Characteristics of Equity

Project summary

The International Accounting Standards Board (Board) published the Discussion Paper (DP) *Financial Instruments with Characteristics of Equity* in June 2018. The Discussion Paper sets out the Board's preferred approach to classification of a financial instrument, from the perspective of the issuer, as a financial liability or an equity instrument.

The Discussion Paper also explored enhanced presentation and disclosure requirements that would provide further information about the effects that financial instruments have on the issuer's financial position and financial performance.

The DP was issued in Australia by the AASB as Invitation to Comment ITC 40 *Financial Instruments with Characteristics of Equity* in July 2018. The AASB conducted several meetings with the AASB's Financial Instruments Project Advisory Panel members and other Australian constituents including audit firms, banks, regulators and investors by way of roundtable discussions.

Project contacts

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Project priority: Low

Issued Documents

- [ITC 40 *Financial Instruments with Characteristics of Equity*](#)

AASB Outreach

- AASB financial instruments project advisory panel meetings
- AASB roundtables: Audit firms, banks, regulators and investors
- [submissions received](#)

Project status

- Comment period for the IASB DP is closed on 7 Jan 2019
- Next milestone: IASB's analysis of the comment letter on the DP

Board deliberations

- AASB Action Alert Update and Board Papers (see below)

Other

- [IASB project website](#)
- [AASB 132 *Financial Instruments: Presentation*](#)
- [IASB's supporting material](#)
- [AOSSG submission to the IASB](#)

AASB Communications

- [AASB submission](#) to the IASB

Latest project news

Date

News

14 November 2018

[November 2018 Action Alert](#)

5 September 2018

[September 2018 Action Alert](#)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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Nov 2018 The Board decided that the AASB comment letter to the IASB's Discussion Paper IASB/DP/1 *Financial Instruments with Characteristics of Equity* (FICE) will state the proposed principles in the DP:

- (a) would give rise to new practical issues and outcomes that are counter-intuitive to the substance of some financial instruments;
- (b) do not address adequately some of the practical issues that are common in Australia; and
- (c) are inconsistent with the definition of a liability and related guidance in the revised Conceptual Framework for Financial Reporting.

Although the Board supports the IASB trying to develop robust principles for the classification of financial liabilities and equity, the Board considered that pursuing the FICE project based on the current proposals is not worthwhile for the above reasons.

The Board also decided to provide the IASB with examples of practical issues that have not been sufficiently addressed in the IASB's DP and the extent of these issues in Australia.

[6.0](#) Cover memo - Financial Instruments with Characteristics of Equity

[6.1](#) Draft AASB comment letter - Financial Instruments with Characteristics of Equity

Sep 2018

The Board decided to develop a submission to the IASB's Discussion Paper DP/2018/1 *Financial Instruments with Characteristics of Equity*, focusing on the overall usefulness of the DP proposals in addressing key practice issues and the areas of particular interest to Australian stakeholders, being:

- (a) different classification outcomes arising from applying the IASB's preferred approach in the DP;
- (b) retaining the puttable instruments exception;
- (c) the impact on Co-operative and Mutual Enterprises;
- (d) the proposal to remove the foreign currency rights issue exception; and
- (e) NCI puts and anti-dilutive provisions.

The Board will consider a draft submission to the IASB at its next meeting, and noted that IASB Vice Chair, Sue Lloyd, will be conducting joint targeted outreach with the AASB in October.

[5.1](#) Education Session: Slide pack

[5.2](#) For noting: ITC 40 Financial Instruments with Characteristics of Equity