



# Press Release

14 February 2008

## **IASB issues amendments to improve the financial reporting of particular financial instruments**

The International Accounting Standards Board (IASB) today issued amendments to improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments, which respond to requests from entities around the world, are set out in Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements—*Puttable Financial Instruments and Obligations Arising on Liquidation*.

IAS 32 requires a financial instrument to be classified as a liability if the holder of that instrument can require the issuer to redeem it for cash. That straightforward principle works well in most situations. However, many financial instruments that would usually be considered equity, including some ordinary shares and partnership interests, allow the holder to ‘put’ the instrument (to require the issuer to redeem it for cash). Currently these financial instruments are considered liabilities, rather than equity.

The amendments to IAS 32 address this issue and require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- puttable financial instruments (for example, some shares issued by co-operative entities)
- instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities).

Additional disclosures are required about the instruments affected by the amendments.

The amendments issued today result from the IASB's consideration of responses to proposals it published in an exposure draft *Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation* in June 2006.

The amendments will apply for annual periods beginning on or after **1 January 2009**, with earlier application permitted.

For further information on the amendments to IAS 32, please visit the project Website on [www.iasb.org](http://www.iasb.org).

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements—*Puttable Financial Instruments and Obligations Arising on Liquidation* is available for eIFRS subscribers from today. Those wishing to subscribe to eIFRSs should visit the online shop at [www.iasb.org](http://www.iasb.org) or contact:

IASC Foundation Publications Department,  
30 Cannon Street, London EC4M 6XH, United Kingdom.  
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Email: [publications@iasb.org](mailto:publications@iasb.org) Web: [www.iasb.org](http://www.iasb.org)

Printed copies (ISBN 978-1-905590-60-5) will be available shortly, at £10.00 plus shipping, from the IASC Foundation Publications Department.

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## **Notes for editors**

### ***About the IASB***

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. Its 14 members (12 of whom are full-time) are drawn from nine countries and have a variety of professional backgrounds. They are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience.