



International Accounting Standards Board®

Press Release

6 August 2009

IASB publishes proposals on the classification of rights issues

The International Accounting Standards Board (IASB) today published for public comment proposals on the classification of rights issues.

The proposals seek to clarify the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. Current practice appears to require such issues to be accounted for as derivative liabilities. The proposals state that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

Many rights issues are denominated in currencies other than the functional currency of the issuer, and the global financial crisis has led to an increase in the number of such issues as entities seek to raise additional capital. The IASB has therefore accelerated its work on this aspect of its comprehensive response to the crisis. The proposals are set out in an exposure draft of an amendment to IAS 32 *Financial Instruments: Presentation*, which is open for comment for 30 days and if adopted will apply retrospectively.

Introducing the exposure draft, Sir David Tweedie, Chairman of the IASB, said:

The IASB continues to give priority to its work related to the global financial crisis. In this case, the IASB has moved swiftly to address a potential inconsistency in the way that rights issues have been accounted for when they are offered in currencies other than the entity's functional currency.

The proposals in the exposure draft *Classification of Rights Issues* are open for comment until **7 September 2009**. After considering comments received on the exposure draft, the IASB plans to issue the final amendment before the end of 2009 with early application permitted. The exposure draft is available on the 'Open for Comment' section on www.iasb.org. Subscribers may also view the document in *eIFRSs*.

Printed copies of the exposure draft (ISBN 978-1-907026-31-7) will be available shortly, at £10 plus shipping, from:

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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. The IASB has 15 full-time members drawn from ten countries and a variety of professional backgrounds. By 2012 the IASB will be expanded to 16 full-time members. Its members 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. In their work the Trustees are accountable to a Monitoring Board of public authorities.