International Accounting Standards Committee®

Press Release

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IASC'S STANDING INTERPRETATIONS COMMITTEE (SIC)
ISSUES TWO NEW INTERPRETATIONS

The Standing Interpretations Committee (SIC) today published two new Interpretations to clarify accounting issues under International Accounting Standards. The new Interpretations are:

- SIC – 19: *Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29*, and
- SIC – 24: *Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares*

The Interpretations were approved by the IASC Board at its last meeting in October. All Interpretations issued by SIC are part of the binding International Accounting Standards literature. SIC-19 becomes effective for annual financial periods beginning on or after 1 January 2001 and SIC-24 becomes effective on 1 December 2000.

Commenting on the new Interpretations, Paul Cherry, Chairman of the Standing Interpretations Committee, said: "An enterprise cannot randomly select a currency for measuring items in its financial statements. Management selects a currency that provides information that is useful and reflects the economic substance of the underlying events and circumstances relevant to the enterprise. We have provided additional guidance in an Appendix to the Interpretation to assist preparers in determining an appropriate measurement currency. If an enterprise selects a measurement currency that is a currency of a hyperinflationary economy, then its financial statements are restated under IAS 29."

Paul Cherry continued: "The Interpretation on earnings per share clarifies the determination of diluted earnings per share in cases where the form of settlement of a financial instrument or other contract may be either by payment of financial assets or by payment in the form of an issuance of ordinary shares of the reporting enterprise to the holder. Diluted earnings per

166 Fleet Street, London, EC4A 2DY, United Kingdom
Telephone: +44 (020) 7353-0565, Fax: +44 (020) 7353-0562, E-mail: iasc@iasc.org.uk Internet: http://www.iasc.org.uk

share includes the dilutive impact of all instruments which may result in the issuance of ordinary shares of the reporting enterprise, regardless of whether the manner of settlement is chosen by the issuer or the holder. ”

Printed copies of Interpretations SIC-19 and 24 will be mailed to subscribers to IASC's "SIC Interpretations Subscription Package" and to subscribers to the IASC "Comprehensive Package" services this week. The SIC publications include a loose-leaf binder containing Draft and Final SIC Interpretations, the SIC Operating Procedures, a member list and other additional information. Detailed information on subscription services and on ordering other IASC publications can be obtained from IASC's publication department, 166 Fleet Street, London EC4A 2DY, United Kingdom. Telephone: +44 (020) 7427-5927. Fax: +44 (020) 7353-0562. E-mail: publications@iasc.org.uk Internet: http://www.iasc.org.uk

Press Enquiries:

Jim Saloman, Technical Director, IASC, Telephone: +44 (020) 7427-5908;
E-mail: jsaloman@iasc.org.uk

Frank Palmer, SIC Project Manager, IASC, Telephone: +44 (020) 7427-5903;
E-mail: fpalmer@iasc.org.uk

Paul Cherry, SIC Chairman, Telephone: +1 (506) 632-1810;
E-mail: paul.g.cherry@ca.pwcglobal.com

NOTE TO EDITORS:

- SIC – 19: *Reporting Currency – Measurement and Presentation of Financial Statements Under IAS 21 and IAS 29*

  The SIC agreed that a measurement currency should provide information about the enterprise that is useful and reflects the economic substance of the underlying events and circumstances relevant to that enterprise. If a particular currency is used to a significant extent in, or has a significant impact on, the enterprise, that currency may be an appropriate measurement currency. All transactions in currencies other than the measurement currency should be treated as transactions in foreign currencies when applying IAS 21. Once an enterprise has selected a measurement currency, the SIC agreed that it should not be changed unless there is a change in the underlying events and circumstances relevant to that enterprise.

  Although an enterprise normally presents its financial statements in the same currency as the measurement currency, the SIC also agreed that it may choose to present its financial statements in a different currency. The method of translating the financial statements of a reporting enterprise from the measurement currency to a different currency for presentation should not lead to reporting in a manner that is inconsistent with the measurement of items in the financial statements.

- SIC – 24: *Earnings Per Share – Financial Instruments and Other Contracts that May Be Settled in Shares*

  This Interpretation addresses the treatment of instruments which may be settled by a reporting enterprise either by payment of financial assets or by issuance of ordinary shares of the reporting enterprise to the holder. The SIC agreed that all instruments which may result in the issuance of ordinary shares of the reporting enterprise to the holder of the financial instrument or other contract, at the option of the issuer or the holder, are potential ordinary shares of that enterprise. If a potential ordinary share is dilutive, (that is, its conversion to ordinary shares would decrease net profit per share from continuing ordinary operations) then its dilutive effect is included in calculating diluted earnings per share.