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Illustrative Examples and Implementation Guidance on Financial Instruments with Characteristics of Equity

Proposed amendments to IAS 32, IFRS 7 and IAS 1

Comments to be received by 29 March 2024

International Accounting Standards Board

IASB/ED/2023/5

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This Implementation Guidance, and Illustrative Examples accompany the Exposure Draft IASB/ED/2023/5 which is published by the International Accounting Standards Board (IASB) for comment only. Comments need to be received by **29 March 2024** and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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CONTENTS

	from paragraph
[DRAFT] AMENDMENTS TO ILLUSTRATIVE EXAMPLES ACCOMPANYING IAS 32 *FINANCIAL INSTRUMENTS: PRESENTATION*	
APPLYING THE FIXED-FOR-FIXED CONDITION	**IE51**
Example 13: Predetermined fixed-for-fixed exchanges	**IE52**
Example 14: Convertible bonds with accrued interest	**IE60**
Example 15: Foreign currency	**IE62**
Example 16: Shares to be delivered specified as a fixed percentage of shares outstanding at the conversion date	**IE64**
Example 17: Number of shares to be delivered varies with the share price (path-dependent options)	**IE68**
Example 18: Compensation for loss of liquidity	**IE72**
Example 19: Change of control provisions	**IE76**
Example 20: Strike price that varies with an interest rate benchmark or an inflation index	**IE82**
[DRAFT] AMENDMENTS TO GUIDANCE ON IMPLEMENTING IFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*	
SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE	**IG14A**
Other disclosures	**IG14A**
[DRAFT] AMENDMENTS TO GUIDANCE ON IMPLEMENTING IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS*	**IG6A**
PART I: ILLUSTRATIVE PRESENTATION OF FINANCIAL STATEMENTS	**IG6A**

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[Draft] Amendments to Illustrative Examples accompanying IAS 32 *Financial Instruments: Presentation*

Paragraphs IE51–IE86 and the headings before paragraphs IE51, IE52, IE55, IE60, IE62, IE64, IE68, IE72, IE76 and IE82 are added. For ease of reading, these paragraphs and headings have not been underlined.

Applying the fixed-for-fixed condition

IE51 Examples 13–20 illustrate the application of paragraphs 22B–22C of IAS 32 to determine the classification of derivative instruments (stand-alone derivatives or embedded derivatives in convertible bonds) that will or may be settled in the issuer's own equity instruments. The classification is assessed in the issuer's financial statements. In these examples, 'currency unit' (CU) denotes the issuer's functional currency.

Example 13: Predetermined fixed-for-fixed exchanges

Example 13A: One class of own shares

IE52 Entity X issues a call option that gives the holder a choice between two predetermined 'fixed-for-fixed' exchanges—if and when the holder exercises the call option, Entity X is required to deliver 100 shares of Entity X for CU110 or 50 shares of Entity X for CU55.

IE53 Entity X is entitled to receive CU1.10 per share if the option is exercised. The amount of cash to be exchanged for each of Entity X's own shares is fixed. Although the number of shares to be delivered is unknown at inception of the derivative, the amount of cash to be exchanged for each share is fixed under all circumstances. In the absence of any other feature that precludes equity classification, applying paragraph 22B of IAS 32 Entity X would classify the derivative on own equity as an equity instrument.

IE54 If the fact pattern was different—if and when the holder exercises the call option, Entity X is required to deliver 100 shares of Entity X for CU110 or 50 shares of Entity X for CU60—applying paragraph 22B of IAS 32, Entity X would classify the derivative on own equity as a financial liability because the amount of cash to be exchanged for each of Entity X's own shares is not fixed. In this fact pattern the adjustment to the conversion ratio is not a preservation or passage-of-time adjustment as described in paragraph 22C of IAS 32 because it is not intended to preserve the economic interests of the call option holder relative to the economic interests of Entity X's current shareholders and it does not vary with the passage of time.

Example 13B: More than one class of own shares

IE55 Parent Y prepares consolidated financial statements for the group (Parent Y and all its subsidiaries). Parent Y and Subsidiary X have the same functional currency. Subsidiary X issues convertible bonds for CU100,000 with a maturity date of June 2026. The holder has the right to convert the bonds at any time

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before maturity into either 100 shares of Parent Y or 1,100 shares of Subsidiary X. In the consolidated financial statements, the shares of Parent Y and Subsidiary X are part of the group's own shares. The group is the issuer of the embedded derivative on own equity and the issuer of the underlying equity instruments.

IE56 The outcomes are mutually exclusive—a holder has only one conversion option to exercise and, once it has chosen to receive a class of own shares, it can no longer receive the other class of own shares.

IE57 Each outcome—considered in isolation—meets the fixed-for-fixed condition:

(a) the amount of consideration (in the form of settling the issuer's financial liability) to be exchanged for each of the group's own shares, if the embedded option is exercised, is fixed at inception of the instrument, per class of own shares; and

(b) the issuer's rights and obligations are fixed per class of own shares, and do not vary with any variable, including the price of the underlying equity instruments.

IE58 The difference in value between X and Y shares is irrelevant if the assessment of the fixed-for-fixed condition is focused on whether the requirements in paragraph 22B are met for each class of own share that could be delivered on settlement. Applying the fixed-for-fixed condition to classify an instrument does not require an assessment of the pricing of a derivative (whether the amount of consideration to be exchanged for each own share is reasonable).

IE59 Each of the settlement alternatives results in the exchange of a fixed number of shares for a fixed amount of consideration, satisfying the fixed-for-fixed condition. Therefore, applying paragraph 22B and AG27A(b) of IAS 32, Parent Y would classify the conversion option in its consolidated financial statements as an equity instrument.

Example 14: Convertible bonds with accrued interest

IE60 Entity X issues a five-year interest-bearing convertible bond of CU100. Entity X has the right to add unpaid coupons to the principal amount. At maturity, the bondholder can choose to receive a cash amount equal to the bond's principal amount plus accrued interest, or to convert that amount into Entity X's ordinary shares. The contract specifies the conversion ratio as one ordinary share per CU1 amount outstanding of the convertible bond.

IE61 If the holder exercises the conversion option, the amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares is fixed. Although the total amount outstanding of the financial liability might vary depending on the amount of interest accrued over the life of the bond, the conversion ratio is fixed from inception of the bond. For example, if the amount outstanding at conversion is CU110, Entity X would deliver 110 shares. If the amount outstanding at conversion is CU150, Entity X would deliver 150 shares. Thus, unless there is a feature that precludes equity classification, applying paragraph 22B of IAS 32 Entity X would classify the conversion option as an equity instrument.

Example 15: Foreign currency

IE62 Entity X issues a convertible bond in foreign currency units (FCU) for FCU100. The bondholder has an option to convert the bond into 100 of Entity X's own shares at maturity. The foreign currency exchange rate is variable.

IE63 The amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares on exercise of the conversion option is not in Entity X's functional currency, as required in paragraph 22B of IAS 32. Entity X would therefore classify the conversion option in the foreign currency convertible bond as a financial liability.

Example 16: Shares to be delivered specified as a fixed percentage of shares outstanding at the conversion date

IE64 Entity X issues a convertible bond of CU100 that gives the bondholder the right to convert the bond into Entity X's ordinary shares at maturity. The bondholder will receive 1% of the total number of ordinary shares outstanding at the date of conversion.

IE65 The amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares on conversion is not fixed because the total number of ordinary shares outstanding might change between the bond's issue date and its conversion date. To classify the conversion option, Entity X assesses whether the adjustment to the number of shares to be exchanged is a preservation adjustment or a passage-of-time adjustment as described in paragraph 22C of IAS 32.

IE66 The adjustment is not a preservation adjustment as described in paragraph 22C(a) of IAS 32 because it does not preserve the economic interests of the bondholders to an equal or lesser extent, relative to the economic interests of the ordinary shareholders. For example, if Entity X issues additional shares between the bond's issue date and its conversion date, the total number of ordinary shares outstanding increases. In this scenario, the current shareholder's percentage holding of Entity X's ordinary shares decreases, diluting its interest in Entity X. Conversely, the bondholder is guaranteed 1% of the total number of ordinary shares outstanding.

IE67 The adjustment to the number of shares is not a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32 because there is a single exercise date that does not vary. Because the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the conversion option as a financial liability.

Example 17: Number of shares to be delivered varies with the share price (path-dependent options)

IE68 Entity X issues a convertible bond of CU100 that gives the bondholder the right to convert the bond into ordinary shares of Entity X at maturity. The number of shares to be delivered varies depending on Entity X's average share price in the six-month period before the conversion date. For example, if Entity X's average share price is CU5 in the six-month period before the

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conversion date, Entity X would deliver 20 shares. If Entity X's average share price in that period is CU10, Entity X would deliver 10 shares.

IE69 The amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares on conversion is not fixed because Entity X's average share price is determined only on the conversion date. To classify the conversion option, Entity X assesses whether the adjustment to the number of shares to be exchanged is a preservation adjustment or a passage-of-time adjustment as described in paragraph 22C of IAS 32.

IE70 The adjustment is not a preservation adjustment as described in paragraph 22C(a) of IAS 32 because it does not preserve the economic interests of the bondholders to an equal or lesser extent, relative to the economic interests of the ordinary shareholders. That is, if the average share price decreases, the bondholder would be favoured with additional shares at the expense of the ordinary shareholders.

IE71 The adjustment is not a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32 because there is a single exercise date that does not vary. Because the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the conversion option as a financial liability.

Example 18: Compensation for loss of liquidity

IE72 Entity X issues a convertible bond of CU100 that gives the bondholder the right to convert the bond at maturity into 10 ordinary shares of Entity X. The conversion ratio is adjusted so that the bondholder will receive 50 of Entity X's ordinary shares if there is sufficient loss of liquidity—if the total number of Entity X's outstanding shares in the market falls below a specified threshold before the bond's maturity date.

IE73 The amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares on conversion is not fixed because the conversion ratio changes if sufficient loss of liquidity occurs before the bond's maturity date. To classify the conversion option, Entity X assesses whether the adjustment to the conversion ratio would be a preservation adjustment or a passage-of-time adjustment as described in paragraph 22C of IAS 32.

IE74 The adjustment for the loss of liquidity is not a preservation adjustment as described in paragraph 22C(a) of IAS 32 because it does not preserve the economic interests of the bondholders, to an equal or lesser extent, relative to the economic interests of the ordinary shareholders. Entity X is not obliged to compensate ordinary shareholders for the loss of liquidity. If there is sufficient loss of liquidity, the bondholder would be compensated at the expense of the ordinary shareholders.

IE75 The adjustment is not a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32 because there is a single exercise date that does not vary. Because the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the conversion option as a financial liability.

Example 19: Change of control provisions

IE76 Entity X issues a convertible bond that gives the bondholder a right to convert it into Entity X's ordinary shares at maturity. The contract includes a change of control clause—in the event of a change of control of Entity X, the conversion ratio will be enhanced to compensate the bondholder for the loss of time value in the option. The contract specifies predetermined conversion ratios that vary solely depending on when the change of control occurs. The adjustment to the conversion ratio is reduced the closer the date of the change of control is to the bond's maturity date.

IE77 The amount of consideration (in the form of settling Entity X's financial liability) to be exchanged for each of Entity X's own shares on conversion is not fixed because the conversion ratio changes if a change of control occurs before the bond's maturity date. To classify the conversion option, Entity X assesses whether the adjustment to the conversion ratio is a passage-of-time adjustment or a preservation adjustment as described in paragraph 22C of IAS 32.

IE78 The conversion ratios are predetermined at inception of the contract and change depending on whether and when a change of control happens. Although the adjustment is triggered if a change of control occurs, the adjustment is considered to introduce variability based only on the passage of time.

IE79 To classify the conversion option, Entity X assesses whether the conversion ratios have the effect of fixing on initial recognition the present value of the amount of consideration exchanged for each of its own shares. Entity X assesses if the different conversion ratios represent compensation proportional to the passage of time. If so, the adjustment to the conversion ratio in this example would be a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32 and Entity X would classify the conversion option as an equity instrument.

IE80 Assume the fact pattern is the same, but the adjustments to the conversion ratio are specified differently in the contract. Instead of stipulating predetermined conversion ratios, the contract includes a formula that determines the conversion ratio if a change of control occurs. The inputs to the formula include the share price of Entity X and the time remaining until the original conversion date. Although the conversion ratio is based on a predetermined formula, the inputs do not vary only with the passage of time, but also with the share price of Entity X. Such an adjustment would not be a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32.

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IE81 The adjustment is not a preservation adjustment as described in paragraph 22C(a) of IAS 32 because there is no compensation to preserve the economic interests of the bondholder relative to the economic interests of the ordinary shareholders based on the effects of a change of control on the ordinary shareholders. If the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the conversion option as a financial liability.

Example 20: Strike price that varies with an interest rate benchmark or an inflation index

IE82 Entity X issues a call option that gives the counterparty the right to buy 100 ordinary shares of Entity X on any of three fixed dates over a three-year period. The strike price of the option depends on the date the counterparty chooses to exercise the option and the rate of a specified interest rate benchmark on that date. If the counterparty exercises the option one year after the call option is issued, the strike price will be CU100 × (1 + benchmark rate). If the counterparty exercises the option two or three years after the call option is issued, the strike price will be CU100 × $[(1 + \text{benchmark rate})^2]$ and CU100 × $[(1 + \text{benchmark rate})^3]$, respectively.

IE83 The amount of cash to be exchanged for each of Entity X's own equity instruments is not fixed because the strike price of the option depends on the date the counterparty exercises the option and the interest rate benchmark on that date. To classify the conversion option, Entity X assesses whether the adjustment to the strike price is a preservation adjustment or a passage-of-time adjustment as described in paragraph 22C of IAS 32.

IE84 The adjustment to the strike price is not a preservation adjustment as described in paragraph 22C(a) of IAS 32 because there is no compensation to preserve the economic interests of the option holder relative to the economic interests of the ordinary shareholders.

IE85 The adjustment is not a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32. Although the strike price is based on a predetermined formula, the inputs vary not only with the passage of time, but also with an interest rate benchmark. Because the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the call option as a financial liability.

IE86 Assume the fact pattern is the same, but the adjustments to the strike price are specified differently in the contract—the strike price is indexed to an inflation index instead of an interest rate benchmark. A similar analysis applies. The adjustment is not a passage-of-time adjustment as described in paragraph 22C(b) of IAS 32. Although the strike price is based on a predetermined formula, the inputs vary not only with the passage of time, but also with the inflation index in Entity X's jurisdiction. Because the adjustment is neither a preservation adjustment nor a passage-of-time adjustment as specified in paragraph 22C, Entity X would classify the call option as a financial liability.

[Draft] Amendments to Guidance on implementing IFRS 7 *Financial Instruments: Disclosures*

Paragraphs IG14A–IG14I and the headings before paragraphs IG14A, IG14B, IG14D, IG14F and IG14I are added. For ease of reading, this new text is not underlined. The main heading before paragraph IG14A has been amended. In the amended heading, added text is underlined and deleted text is struck through.

Significance of financial instruments for financial position and performance (Paragraphs 7–30J~~30~~, B4–B5L~~and B5~~)

...

Other disclosures (Paragraphs 30A–30J, B5–B5L)

IG14A The examples in paragraphs IG14B–IG14I illustrate ways an entity might provide the disclosures required by paragraphs 30A–30E, 30G–30H and 30J of IFRS 7 *Financial Instruments: Disclosures*. These illustrations do not show all possible ways of applying the disclosure requirements.

Nature and priority of claims on liquidation, arising from financial instruments (Paragraphs 30A–30B)

IG14B Paragraphs 30A–30B of IFRS 7 require an entity to disclose in its financial statements the nature and priority of claims on liquidation, arising from its financial liabilities and equity instruments.

IG14C In this example, Entity X discloses the required information in Note 12 of its consolidated financial statements.

Note 12 Nature and priority of claims arising from financial instruments

The nature and priority of claims on liquidation, against the Group that arise from financial instruments, are:

	As at 31 Dec 20X0 (CU million)		
		Issued/owed by	
	Consolidated	**Parent**	**Subsidiaries**
Secured and unsubordinated			
Senior secured debt (a)	1,200	–	1,200
Lease liabilities (a)	920	780	140
Unsecured and unsubordinated			
Trade and other payables	1,450	320	1,130
Senior unsecured debt (a)	450	–	450
Unsecured and unsubordinated			

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Note 12 Nature and priority of claims arising from financial instruments

Subordinated liabilities (see Note 15)	590	480	110
Classified as financial liabilities	*4,610*	*1,580*	*3,030*
Unsecured and subordinated			
Perpetual notes (see Note 18)	200	200	–
Irredeemable preference shares (see Note 19)	400	400	–
Non-controlling interest	1,350	–	1,350
Other equity reserves	15,000	10,000	5,000
Ordinary shares	8,500	8,500	–
Classified as equity	*25,450*	*19,100*	*6,350*
Total	***30,060***	***20,680***	***9,380***

(a) Included in the 'Borrowings' line item in the statement of financial position.

Terms and conditions (Paragraphs 30C–30E, B5B–B5H)

Financial instruments with both financial liability and equity characteristics and priority on liquidation

IG14D Paragraphs 30C–30E of IFRS 7 require an entity to disclose the terms and conditions of financial instruments with both financial liability and equity characteristics, including terms and conditions that indicate priority on liquidation for such instruments.

IG14E In this example, Entity Y has issued perpetual subordinated notes that are classified as equity instruments. Entity Y discloses the required information in Note 16 of its consolidated financial statements.

Note 16 Perpetual subordinated notes

As at 31 December 20X1, the total perpetual subordinated notes outstanding amounted to CU3,986 million and are included in the Group’s equity. This table includes the key terms of these financial instruments:

	Notional amount (million)	Initial call date	Coupon reset after initial call date	20X1 CU million	20X0 CU million
5.5% fixed rate subordinated notes	US$1,000	Jan 20X5	10.5%	690	714
4.5% fixed rate subordinated notes	€750	Mar 20X7	market rate	647	658

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Note 16 Perpetual subordinated notes

4% fixed rate subordinated notes	€2,000	Oct 20X8	market rate	1,724	–
3% fixed rate subordinated notes	£1,000	Jan 20Y1	market rate	925	910
				3,986	**2,282**

Coupon

Each note bears a fixed coupon rate until its initial call date. After the initial call date, if the note is not redeemed, the coupon rate on the note resets. The coupon rate on the US$ subordinated notes resets to 10.5%. The coupon rates on the other notes are fixed in advance for five-year periods, based on prevailing market interest rates plus credit spreads of the issuing company.

The Group has discretion to defer coupon payments on a note. The deferred coupon payments accumulate and become payable at the call date if the note is called, or if not called, when the issuing company is liquidated. The Group is prevented from paying dividends or making other distributions to its ordinary shareholders, or from repurchasing ordinary shares, until the cumulative coupons on the perpetual subordinated notes have been paid in full.

Redemption option

A note is redeemable at the option of the issuing company within the group at the initial call date or any fifth anniversary after this date. The amount redeemable is the notional amount plus unpaid accumulated coupons.

Classification

These notes are classified as equity instruments because each issuing company within the group has the unconditional contractual right to defer coupon payments and principal repayments until its liquidation.

Priority on liquidation

In the event of the issuing company's liquidation, any amounts due in respect of the subordinated notes rank junior to all present and future unsubordinated claims against respective issuing companies. Any amounts due rank senior to the issuing company's ordinary shares and preference shares if any. Subordinated notes are not pari passu and some subordinated notes are contractually subordinated to other subordinated notes.

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Potential dilution of ordinary shares (Paragraphs 30G–30H, B5I–B5L)

IG14F Paragraphs 30G–30H of IFRS 7 require an entity to disclose information about the potential dilution of its ordinary shares resulting from financial instruments.

IG14G In this example, Entity X has several instruments that might or will be settled in its own ordinary shares. It discloses information about potential dilution of ordinary shares in Table 1. The background for each instrument is given first. For the purposes of this example, it is assumed that Entity X issued a single class of ordinary shares, and the instruments might or will be settled in these shares.

Background

(i) **Convertible Bond A** has a par value of CU5,250. The holder has an option to convert the bond into ordinary shares at its maturity date at a conversion ratio of CU15 per share.

To calculate the maximum number of shares Entity X might be required to issue to settle Convertible Bond A, Entity X would assume the holder exercises the conversion option and chooses to receive shares. Entity X would disclose 350 shares [CU5,250 ÷ CU15] as the maximum number of additional ordinary shares resulting from conversion of Convertible Bond A.

(ii) **Convertible Bond B** has a par value of CU2,000. The holder has an option to convert the bond into ordinary shares at its maturity date at a conversion ratio of CU9 per share. In the event of a change of control of Entity X before the maturity date, the conversion ratio would be adjusted to a predetermined price of CU8 per share.

To calculate the maximum number of shares Entity X might be required to issue to settle Convertible Bond B, Company X would assume a change of control occurs at the reporting date and the holder exercises the conversion option. Entity X would disclose 250 shares [CU2,000 ÷ CU8] as the maximum number of additional ordinary shares resulting from conversion of Convertible Bond B.

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Background

(iii) **Convertible Bond C** has a par value of CU3,000. The holder has an option to convert the bond into ordinary shares at its maturity date at a conversion ratio of CU12 per share. The share price at the reporting date is CU10. The bond is not included in the diluted earnings per share calculation because it is anti-dilutive.

To calculate the maximum number of shares Entity X might be required to issue to settle Convertible Bond C, Entity X would assume the holder exercises the conversion option.

Entity X would disclose 250 shares [CU3,000 ÷ CU12] as the maximum number of additional ordinary shares resulting from conversion of Convertible Bond C.

(Note: The disclosure is still required even though the conversion option is out-of-the-money and the bond is anti-dilutive at the reporting date.)

(iv) **Convertible Bond D** has a par value of CU5,250. If the holder exercises the conversion option, Entity X has an option to settle the bond in cash (equal to the value of the shares) or in shares based on a conversion ratio of CU15 per share.

To calculate the maximum number of shares it would issue to settle Convertible Bond D, Entity X assumes the holder exercises the conversion option and Entity X chooses to settle the bond in shares. Entity X would disclose 350 shares [CU5,250 ÷ CU15] as the maximum number of additional ordinary shares resulting from conversion of Convertible Bond D.

(v) **Contingently Convertible Bond** E has a par value of CU1,000. The bond is convertible at a ratio of CU20 per share upon the occurrence of a Non-viability Event Y which is defined as Entity X's Common Equity Tier 1 ratio falling below 5.125%. The bond does not have a maturity date, but Entity X has an option to call it in November 20X5, at the earliest.

To calculate the maximum number of shares Entity X would issue to settle Contingently Convertible Bond E, Entity X would assume the non-viability event occurs. Entity X would disclose 50 shares [CU1,000 ÷ CU20] as the maximum number of additional ordinary shares resulting from conversion of Contingently Convertible Bond E.

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Background

(vi) **Share-settled Bond F** has a par value of CU500. Entity X delivers shares valued at CU500 at the settlement date. The number of shares depends on the value of each share at that date. The value of each share at the reporting date is CU10.

(Note: Company X would disclose that the maximum dilution relating to the share-settled bond is unknown because the number of shares to be delivered depends on the value of each share at settlement date. If the ordinary shares of the company are not traded in a public market, Entity X would likewise disclose that the maximum dilution relating to the share-settled bond is unknown.)

(vii) **Mandatorily Convertible Note G** has a par value of CU1,000. Entity X delivers shares valued at CU1,000 at the conversion date. The note is subject to a cap of 100 shares and a floor of 10 shares.

Entity X would disclose 100 shares as the maximum number of additional ordinary shares relating to Mandatorily Convertible Note G.

(viii) **The share buy-back programme** entails a commitment for Entity X to purchase its own shares from the market. Entity X plans to spend up to CU5,000 to purchase a minimum of 100 shares and a maximum of 500 shares over a period of two years.

The buy-back transaction would result in a reduction in the number of ordinary shares outstanding.

In the calculation of the net maximum number of additional ordinary shares, Entity X would disclose the minimum number of shares it has committed to purchase in the share buy-back programme—as a subtraction from the maximum number of additional ordinary shares. Using the minimum reduction from the share buy-back programme will more accurately depict the maximum dilution from all transactions that involve the delivery of ordinary shares.

IG14H Given these facts about these eight instruments, Entity X provides the maximum dilution disclosure as shown in Table 1. The table includes the effect of instruments and transactions within the scope of IFRS 2 *Share-based Payment*. In this example, in accordance with IFRS 2, Entity X has disclosed 100 options outstanding and 100 unvested shares from share awards at the reporting date.

Table 1 Maximum dilution of ordinary shares and related terms and conditions

Instruments	*Maximum number of additional ordinary shares*	*Terms and conditions relating to the instrument or transaction*
Convertible Bonds A and C	600	Holder has an option to convert the bond at a specified conversion date using a specified conversion ratio of CU15 per share and CU12 per share for Convertible Bonds A and C respectively.
Convertible Bond B	250	In the event of a change of control of the Company before the conversion date, the conversion ratio of CU9 per share is adjusted downwards to a predetermined price of CU8 per share.
Convertible Bond D	350	Issuer holds an option to settle in shares (at a conversion ratio of CU15 per share) or cash (equal to the value of the shares).
Contingently Convertible Bond E	50	Conversion at a ratio of CU20 per share is contingent on the occurrence of Non-viability Event Y. The bond is redeemable at the option of the issuer for cash.
Mandatorily Convertible Note G	100	The note is subject to a cap of 100 shares and a floor of 10 shares.
Number of share options in the scope of IFRS 2 outstanding at reporting date	100	Refer to Note X (IFRS 2 disclosures on share options).
Number of known unvested shares from share awards in the scope of IFRS 2 at reporting date	100	Refer to Note Z (IFRS 2 disclosures on share awards).
Maximum number of additional ordinary shares	**1,550**	
Unknown number of additional ordinary shares	unknown dilution from Share-settled Bond F	Number of shares depends on the value of each share at the settlement date.

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Instruments	*Maximum number of additional ordinary shares*	*Terms and conditions relating to the instrument or transaction*
Total maximum number of additional ordinary shares	**1,550 + unknown dilution from Share-settled Bond F**	
Minus: minimum reduction in the number of ordinary shares		
Share buy-back	(100)	The programme includes a commitment to buy 100–500 own shares.
Net maximum number of additional ordinary shares	**1,450 + unknown dilution from Share-settled Bond F**	

Financial instruments that include obligations to purchase own equity instruments (Paragraph 30J)

IG14I This example illustrates one way an entity could provide some of the disclosures required by paragraph 30J of IFRS 7.

Background:

On 1 February 20X5, Parent X writes a put option to the non-controlling interest (NCI) holders of Subsidiary A. If the NCI holders exercise the put option, Parent X has the obligation to purchase 1,000 of Subsidiary A’s shares for cash at a fixed price of CU98 per share. In the consolidated financial statements, equity instruments of a subsidiary are considered to be own equity instruments. Therefore, the instrument is a written put to purchase a fixed number of own shares for a fixed amount. The option will be gross physically settled, such that Parent X will receive Subsidiary A's shares (considered as own shares) and pay CU98,000 [CU98 × 1,000] if the option is exercised on the fixed maturity date of 31 January 20X6. The present value of the redemption amount on 1 February 20X5 is CU95 per share; on 31 December 20X5 is CU97.75 per share and on 31 December 20X6 is CU98 per share.

Parent X provides these disclosures in its financial statements for the year ended 31 December 20X5:

Note 16 Written put option on Subsidiary A’s shares held by non-controlling interest holders

	Other equity attributable to owners of Parent X[1]	**Financial liabilities measured at present value of the redemption amount (see Note 15)**
Initial recognition of the obligation to deliver own shares (issuance of written put option)	(CU95,000)	CU95,000
Remeasurement of the financial liability through profit or loss	–	CU2,750
As at 31 December 20X5	**(CU95,000)**	**CU97,750**

On 31 January 20X6, the written put option lapses unexercised. Parent X has an accounting policy of transferring the cumulative amount in retained earnings related to remeasurement of the financial liability to the same component of equity where it classified the written put option on initial recognition.

Parent X provides the following disclosures in its financial statements for the year ended 31 December 20X6:

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Note 16 Written put option on Subsidiary A's shares held by non-controlling interest holders

	Other equity attributable to owners of Parent X[1]	**Financial liabilities measured at present value of the redemption amount (see Note 15)**
As at 1 January 20X6	(CU95,000)	CU97,750
Remeasurement of the financial liability through profit or loss	–	CU250
Written put option lapsed during the year	CU98,000	(CU98,000)
Transferred from retained earnings	(CU3,000)	–
As at 31 December 20X6	**–**	**–**

[1]Parent X would disclose the component of equity in which these amounts are included.

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[Draft] Amendments to Guidance on implementing IAS 1 *Presentation of Financial Statements*

Paragraph IG6A and the illustrative examples have been added after the existing examples. For ease of reading, the new paragraph and examples are not underlined.

Part I: Illustrative presentation of financial statements

IG6A An example statement of financial position, statement of profit or loss and other comprehensive income, and statement of changes in equity have been included to illustrate the separate presentation of amounts attributable to ordinary shareholders of the parent. These examples do not constitute a complete set of financial statements.

...

XYZ Group—Statement of financial position as at 31 December 20X7
(illustrating the separate presentation of amounts attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	31 Dec 20X7	**31 Dec 20X6**
ASSETS		
Non-current assets		
Property, plant and equipment	350,700	360,020
Goodwill	80,800	91,200
Other intangible assets	227,470	227,470
Investments in associates	100,150	110,770
Investments in equity instruments	142,500	156,000
	901,620	945,460
Current assets		
Inventories	135,230	132,500
Trade receivables	91,600	110,800
Other current assets	25,650	12,540
Cash and cash equivalents	312,400	322,900
	564,880	578,740
Total assets	1,466,500	1,524,200

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XYZ Group—Statement of financial position as at 31 December 20X7 (illustrating the separate presentation of amounts attributable to ordinary shareholders of the parent) (in thousands of currency units)

	31 Dec 20X7	31 Dec 20X6
EQUITY AND LIABILITIES		
Equity attributable to ordinary shareholders of the parent		
Share capital	642,000	600,000
Retained earnings	200,500	127,700
Other components of equity	10,200	21,200
	852,700	748,900
Equity attributable to other owners of the parent	51,000	34,000
Non-controlling interests	70,050	48,600
Total equity	973,750	831,500
Non-current liabilities		
Long-term borrowings	120,000	160,000
Deferred tax	28,800	26,040
Long-term provisions	28,850	52,240
Total non-current liabilities	177,650	238,280
Current liabilities		
Trade and other payables	115,100	187,620
Short-term borrowings	150,000	200,000
Current portion of long-term borrowings	10,000	20,000
Current tax payable	35,000	42,000
Short-term provisions	5,000	4,800
Total current liabilities	315,100	454,420
Total liabilities	492,750	692,700
Total equity and liabilities	1,466,500	1,524,200

XYZ Group—Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the separate presentation of profit or loss and other comprehensive income attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	20X7	**20X6**
Revenue	390,000	355,000
Cost of sales	(245,000)	(230,000)
Gross profit	145,000	125,000
Other income	20,667	11,300
Distribution costs	(9,000)	(8,700)
Administrative expenses	(20,000)	(21,000)
Other expenses	(2,100)	(1,200)
Finance costs	(8,000)	(7,500)
Share of profit of associates	35,100	30,100
Profit before tax	161,667	128,000
Income tax expense	(40,417)	(32,000)
Profit for the year from continuing operations	121,250	96,000
Loss for the year from discontinued operations	—	(30,500)
PROFIT FOR THE YEAR	121,250	65,500
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on property revaluation	933	3,367
Investments in equity instruments	(24,000)	26,667
Remeasurements of defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates	400	(700)
Income tax relating to items that will not be reclassified	5,834	(7,667)
	(17,500)	23,000
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	5,334	10,667
Cash flow hedges	(667)	(4,000)
Income tax relating to items that may be reclassified	(1,167)	(1,667)
	3,500	5,000
Other comprehensive income for the year, net of tax	(14,000)	28,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	107,250	93,500

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XYZ Group—Statement of profit or loss and other comprehensive income for the year ended 31 December 20X7
(illustrating the separate presentation of profit or loss and other comprehensive income attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	20X7	**20X6**
Profit attributable to:		
Ordinary shareholders of the parent	82,000	39,400
Other owners of the parent	15,000	13,000
Non-controlling interests	24,250	13,100
	121,250	65,500
Total comprehensive income attributable to:		
Ordinary shareholders of the parent	70,800	61,800
Other owners of the parent	15,000	13,000
Non-controlling interests	21,450	18,700
	107,250	93,500
Earnings per share (in currency units):		
Basic and diluted	0.46	0.30

XYZ Group—Statement of changes in equity for the year ended 31 December 20X7
(illustrating the separate presentation of equity attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	Share capital	**Retained earnings**	**Translation of foreign operations**	**Investments in equity instruments**	**Cash flow hedges**	**Revaluation surplus**	**Equity attributable to ordinary shareholders of the parent**	**Equity attributable to other owners of the parent**	**Non-controlling interests**	**Total equity**
Balance at 1 January 20X6	600,000	97,500	(4,000)	1,600	2,000	—	697,100	21,000	29,900	748,000
Changes in equity for 20X6										
Dividends	—	(10,000)	—	—	—	—	(10,000)	—	—	(10,000)
Total comprehensive income for the year	—	40,200[(a)]	6,400	16,000	(2,400)	1,600	61,800	13,000	18,700	93,500
Balance at 31 December 20X6	600,000	127,700	2,400	17,600	(400)	1,600	748,900	34,000	48,600	831,500

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XYZ Group—Statement of changes in equity for the year ended 31 December 20X7
(illustrating the separate presentation of equity attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	Share capital	Retained earnings	Translation of foreign operations	Investments in equity instruments	Cash flow hedges	Revaluation surplus	Equity attributable to ordinary shareholders of the parent	Equity attributable to other owners of the parent	Non-controlling interests	Total equity
Changes in equity for 20X7										
Issue of share capital	42,000	—	—	—	—	—	42,000	8,000	—	50,000
Dividends	—	(9,000)	—	—	—	—	(9,000)	(6,000)	—	(15,000)
Total comprehensive income for the year	—	81,600[(b)]	3,200	(14,400)	(400)	800	70,800	15,000	21,450	107,250
Transfer to retained earnings	—	200	—	—	—	(200)	—	—	—	—

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XYZ Group—Statement of changes in equity for the year ended 31 December 20X7
(illustrating the separate presentation of equity attributable to ordinary shareholders of the parent)
(in thousands of currency units)

	Share capital	Retained earnings	Translation of foreign operations	Investments in equity instruments	Cash flow hedges	Revaluation surplus	Equity attributable to ordinary shareholders of the parent	Equity attributable to other owners of the parent	Non-controlling interests	Total equity
Balance at 31 December 20X7	642,000	200,500	5,600	3,200	(800)	2,200	852,700	51,000	70,050	973,750

(a) The amount included in retained earnings for 20X6 of 40,200 represents profit attributable to ordinary shareholders of the parent of 39,400 plus remeasurements of defined benefit pension plans of 800 (1,333, less tax 333, less non-controlling interests 200).

(b) The amount included in retained earnings for 20X7 of 81,600 represents profit attributable to ordinary shareholders of the parent of 82,000 plus remeasurements of defined benefit pension plans of 400 (667, less tax 167, less non-controlling interests 100).

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