IFRS Accounting

Staff paper

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Project	**Financial Instruments with Characteristics of Equity (FICE)**
Topic	**Summary of feedback—users of financial statements**
Contacts	Hongrun Zhang (hongrun.zhang@ifrs.org) Angie Ah Kun (aahkun@ifrs.org) Fred Nieto (fnieto@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Introduction

1. In this paper the staff summarise the detailed feedback received from comment letters and outreach with users of financial statements such as investors and analysts (hereafter 'users') on the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED) issued in November 2023. This paper does not ask for any decisions from the IASB.

2. Most of the feedback came from 15 user outreach meetings which are described in Appendix A. We also received eight comment letters from users and considered specific user feedback gathered through outreach performed by other stakeholders (mainly national standard setters, including for example, the Canadian Accounting Standards Board and the Australian Accounting Standards Board). We did not consider it necessary to identify or distinguish the feedback obtained from comment letters from the feedback obtained from outreach.

Overview

3. This paper is structured as follows:

   (a) overall comments on the ED;

(b) comments on specific sections of the ED:
   (i) presentation;
   (ii) disclosure;
   (iii) classification; and
   (iv) transition; and

(c) Appendix A containing:
   (i) summary of user outreach; and
   (ii) demographic information on user feedback.

4. The ED encompasses a broad range of topics. Not all users commented on every aspect of the ED—most users responded to selected questions that are relevant to them. The focus of outreach meetings was primarily on the presentation and disclosure proposals. These were the aspects of the ED that users were generally more interested in because the proposals pose significant changes in terms of financial reporting outcomes.

5. We consulted with users specialising in different asset classes and have also highlighted the areas where it was clear that they were of more interest to equity analysts or to credit analysts.

Overall comments on the ED

6. Generally, user feedback on the ED was positive. Users appreciated the IASB's efforts to clarify classification requirements under IAS 32 *Financial Instruments: Presentation* which aim to reduce complexity and promote consistency of application and efforts to enhance the presentation and disclosure of financial instruments with characteristics of equity. The proposals were generally seen as beneficial for improving transparency and comparability of financial information.

7. Presentation proposals—there was general support for the requirement to separately present amounts attributable to ordinary shareholders from amounts attributable to other owners of the parent. Most users, especially equity analysts, found that the enhanced presentation would effectively highlight the complexity of an entity's ownership structure. Despite the general support, many users requested the IASB to provide additional application guidance on how the amounts are calculated or require entities to disclose the assumptions and methods used for such presentation, to ensure comparability and understandability of the financial statements.

8. Disclosure proposals—there was general support from users, especially for disclosure of the terms and conditions of financial instruments with characteristics of both debt and equity. Most users believed these disclosures would enable them to better understand the accounting classifications and increase transparency of the characteristics of financial instruments, thus facilitating their analyses and valuations. Credit analysts particularly supported disclosures related to the priority on liquidation, whereas equity analysts particularly supported the disclosures related to potential dilution of ordinary shares. Some users requested additional disclosures that could further enhance the transparency and usefulness of information provided. A few users said a tabular form of disclosure was more meaningful than narrative but expressed a need for explanations to understand numbers in tables.

9. Classification proposals—feedback was less extensive than that on the presentation and disclosure proposals. A few users indicated that they are less concerned about the precise distinction between debt and equity (acknowledging that any line drawn between these categories would be arbitrary) and more concerned with consistency in application. While some users expressed support for the classification proposals, a user group also said it was challenging to assess how significant the changes in reporting outcomes might be. Some users raised concerns that some proposals could undermine comparability, adversely affect investor metrics or not provide relevant information based on economic substance to users and highlighted areas for further refinement. Additionally, a user group cautioned that without a more fundamental change, the IASB would have to keep issuing proposals as debt and equity capital

markets evolve due to the binary distinction between financial liabilities and equity instruments.

Comments on specific sections of the ED

Presentation

10. The proposals in the ED require an entity to present the amounts attributable to ordinary shareholders of the parent separately from the amounts attributable to other owners of the parent in the statement of financial position, the statement of comprehensive income and the statement of changes in equity. These proposals were included to meet the needs of investors in ordinary shares for transparency and a clearer distinction of returns attributable to ordinary shareholders and returns attributable to others.

11. As noted in paragraph 7 of this paper, most users (including members of the Capital Markets Advisory Committee (CMAC)) generally supported the proposal to separately present the amounts attributable to ordinary shareholders on the face of the financial statements. Reasons given included:

    (a) disaggregation provides a better understanding of the risks and returns of the different shareholders, particularly where the capital structure is complex;

    (b) information is more accessible if provided in the public domain and audited;

    (c) information is highlighted about other claims in equity which may otherwise go unnoticed or is not easily found in the notes and it provides users with a starting point/signpost for further analysis;

    (d) separate presentation of share capital and reserves attributable to ordinary shareholders is especially helpful for equity analysts in their valuation analysis of ordinary shares, eg for price-to-book ratios; and

(e) presentation of profit attributable to ordinary shareholders may reduce errors in computing the numerator of earnings per share (EPS) and help users assess an entity's financial performance.

12. However, many users (including a few CMAC members) expressed concerns about a lack of application guidance on the basis and method for determining amounts attributable to ordinary shareholders and amounts attributable to other owners of the parent. Some users anticipated that a method consistent with IAS 33 *Earnings per Share* would be used to calculate profit attributable to other owners of the parent for non-derivatives but noted the approach for equity derivatives was unclear. To enhance understandability and comparability of the separate presentation, these users requested more application guidance to clarify the calculation approach and examples to illustrate the basis and methods used. In the absence of developing such application guidance, some users suggested the IASB require entities to disclose the assumptions and methods used to separate amounts attributable to ordinary shareholders.

13. To further improve the usefulness of information, some users (including a few CMAC members) suggested the IASB require further disaggregation of equity in the financial statements by different types of equity instruments, such as perpetual instruments and written call options, to signal the complexity of an entity's equity structure and how proceeds on a sale of the business would be distributed. Others preferred that such information be provided in the notes, to keep the financial statements relatively simple. A few users requested the separate presentation of amounts attributable to ordinary shareholders to be extended to non-controlling interests and amounts presented for distributions in the statement of cash flows.

14. A few users questioned the distinction between ordinary and non-ordinary shareholders and reported that the meaning of 'other owners' is not always clear in practice. A CMAC member questioned whether it is necessary to allocate equity to other owners of the parent if the equity is shared equally among all the shareholders, for example, non-voting preference shares may have the same dividend and liquidation rights as ordinary shares. To improve clarity, these users suggested:

(a) replacing the term 'other owners' with 'other equity providers' or 'other equity claims' to reflect the fact that other equity providers may not necessarily be owners with voting rights that could give them control; and

(b) introducing disclosures that explain what constitutes 'other equity' or 'other equity holders' and their distinct characteristics or rights.

Disclosure

15. The ED proposes to expand the objective and scope of IFRS 7 *Financial Instruments: Disclosures* to include information about an entity's equity instruments. This is in response to stakeholder (including user) feedback that the information entities provide in their financial statements about equity instruments is too limited. The proposed disclosures include:

(a) terms and conditions of financial instruments with both financial liability and equity characteristics—information about debt-like characteristics in equity instruments, equity-like characteristics in financial liabilities, and key features that determine classification;

(b) nature and priority of claims against the entity on liquidation arising from its financial liabilities and equity instruments—categorised claims, distinguished between secured/unsecured and contractually subordinated/unsubordinated, and separate disclosures for instruments issued by the parent and those issued by subsidiaries in the consolidated financial statements;

(c) potential dilution of ordinary shares—maximum dilution of the entity's ordinary shares arising from financial instruments that could be settled in ordinary shares, including key terms and conditions relevant to understanding the likelihood of maximum dilution and the possibility for unknown dilution; and

(d) other disclosures—eg information about financial liabilities that include contractual obligations to pay amounts based on the entity's performance or changes in its net assets, information about financial instruments that include

an obligation to purchase own equity instruments and judgements the entity has made in classifying financial instruments as financial liabilities or equity instruments.

16. The proposals related to paragraph 15(a)-15(c) of this paper were developed in response to users' requests for more information about:

    (a) the nature, amount, timing and uncertainty of cash flows arising from complex financial instruments issued by an entity and which key features determine their classification;

    (b) an entity's financing structure to help them assess the nature of claims against the entity and understand how the claims affect the entity's liquidity and solvency; and

    (c) the maximum potential dilution of ordinary shares arising from financial instruments such as convertible bonds and derivatives on own equity instruments.

Terms and conditions

17. Most users welcomed the disclosures and said the information was crucial for them to better understand the accounting classification, the characteristics of complex instruments and their impact (including liquidity pressure, funding costs) and the interaction between different financial instruments. Such information would then be incorporated into their security analyses and factored into their models and cash flow projections of amounts that will ultimately be apportioned to holders of issued instruments. Some users also said it would be in the public interest to disclose the terms and conditions in the financial statements especially if analysts do not have access to management information or if not all information is available publicly, for example information on private placements. Even for public placements, some users found the disclosures would be very helpful and timesaving because they would not need to look back into historical prospectuses, term sheets or offering documents.

18. Some users emphasised the importance of disclosures being current and comprehensive (so that they could access up-to-date and complete information) and that the amounts can be tied back to the balance sheet. In this context, some users (including some CMAC members) called for more detailed disclosures, including:

    (a) fair values for instruments with both characteristics of debt and equity rather than carrying amounts because equity investors want to know how much to allocate to claims held by other owners in determining the value of ordinary shares;

    (b) priority of dividend payments, and coupons that have been accumulating instead of being paid to help equity investors who are not used to sourcing this information from the statement of changes in equity;

    (c) information about subordination factors to help bond investors analyse and understand the probability of default;

    (d) material information about changes in conditions that occur between the reporting date and the entity's possible liquidation if these changes affect the returns on equity instruments;

    (e) terms and conditions of all types of convertible instruments, regardless of their classification as equity instruments, financial liabilities, or compound instruments to ensure wholistic information is provided in the same note; and

    (f) more terms and conditions about plain-vanilla debt instruments and other complex debt instruments that may not be in the scope of the proposed disclosures, so that analysts can formulate their own opinions about risk and risk management by evaluating the underlying facts about the issued instruments.

19. While there was a call for detailed disclosures, some users cautioned that there should be a balance between providing information that is sufficiently granular and avoiding overwhelming disclosures. A CMAC member suggested the terms and conditions disclosure requirements could focus on the potential dilution to equity holders and the likelihood of payments not being made while an entity is a going concern. This

narrower focus could help reduce the volume of disclosure requirements. Another user suggested some key terms and conditions could be cross-referenced to other disclosures.

20. Similarly, another user noted that for banks, similar information is already required by Basel III Pillar 3 *Disclosure Requirements*. To prevent lack of consistency across disclosures and reduce risks of confusion for users, this user suggested including cross-references in the financial statements to the Basel III Pillar 3 disclosures.

Priority on liquidation

21. Most users (especially credit analysts) supported the proposals, noting that they would often depend on rating agencies to get the information. A CMAC member said the proposed disclosure would be very useful, particularly for financial subsidiaries and the disclosure could resolve many challenges in identifying the obligor and understanding the subordination within a group. Other users supported the proposals because:

    (a) the breakdown between instruments issued by the parent and issued by the subsidiary would help them understand the risks related to upstreaming of dividends;

    (b) they show the capital and funding structure of the group; and

    (c) the information would be beneficial to forensic accountants and could be leveraged by some institutional investors that conduct deep-dive fundamental analysis (eg hedge funds).

22. Despite the general support, some users reported limitations in these disclosures, particularly due to the focus on contractual subordination. They expressed a desire for a more detailed waterfall of claims on liquidation or one that also considers structural subordination. However, a few users acknowledged the challenges in accessing the information and noted that the nuances in debt agreements could influence legal priorities and there may be regulatory interference.

23. To enhance the usefulness of information, a few users suggested more disclosures to better explain the priority of claims on liquidation, including:

    (a) extending the scope to cover all claims, including non-financial liabilities and financial liabilities outside the scope of IAS 32;

    (b) disclosing significant assumptions used to determine the liquidation priorities alongside the table with categorised claims; and

    (c) providing information to bond investors on collateral and asset allocation between a parent and its subsidiary.

24. Feedback from users indicated some confusion that the proposals would require disclosing the actual order of priority on liquidation. In addition, a user recommended using a different term for 'priority on liquidation' because the information at reporting date may differ from the information at actual liquidation date, eg some very subordinated bonds could mature in the short term and would not exist in actual liquidation. Another user said the information could be better framed especially for banks, where resolution is more likely than liquidation.

Potential dilution of ordinary shares

25. Most users, especially equity analysts, supported the proposals because they would enhance understanding and transparency about the potential dilution of ordinary shares or be a very good starting point for further analysis. Some users reported that they currently experience significant challenges in extracting such information from the financial statements and they welcomed the proposed disclosures and inclusion of anti-dilutive instruments in a table format. A few users said showing the maximum dilution for each instrument along with information about the key terms and conditions and the diluting event was useful because the breakdown would enable users to make their own judgements.

26. To further enhance the usefulness and comprehensiveness of these disclosures, some users requested more information to enable them to understand the implications of the maximum dilution calculation, including:

    (a) the basic share count. A user suggested an additional column be included to compare to the basic share count as the additional number of ordinary shares is added to the basic share count.

    (b) the likelihood/probability of maximum dilution. Some users requested more detailed information to assess the likelihood of maximum dilution and the dilutive impact such as the strike/conversion price, minimum expected internal rate of return, and fair value of derivatives classified as equity.

    (c) cash flow implications. Some users said information about cash inflows eg issue proceeds from the exercise of stock options and the effects on debt reduction from the exercise of conversion rights would provide accurate insights into how dilution could affect the interests of ordinary shareholders and not overstate the risk to investors.

    (d) linkage with diluted EPS. A few users called for an explanation or a qualitative description to compare the maximum number of additional shares and the number of shares used for calculating diluted EPS in the notes to the financial statements. This information would help users understand the difference or linkage between the potential dilution disclosures and the diluted EPS calculations.

27. In addition, a user noted that the maximum dilution of voting rights could differ from the maximum dilution of ordinary shares. Therefore, this user suggested that disclosures include the maximum potential dilution of voting rights, providing a clearer picture of how dilution could affect control and decision-making within the entity. This user also noted that entities might be required to deliver preference shares with voting rights in addition to ordinary shares with voting rights.

28. Another user said disclosing the maximum dilution as 'unknown' when the conversion price is linked to future prices was not useful. This user suggested calculating the

number assuming conversion occurred at the reporting date, disclosing the share price used in the calculation and explaining that the number of shares may not be the exact number. However, another user said understanding that there is an unknown number of shares was most important.

29. A user confirmed that analysts typically consider share buybacks in their model but questioned how a company would determine that it had committed to buy back shares—would it be when announced by management, approved by shareholders or based on their stated capital return policies?

30. On the other hand, a user disagreed with the proposal because they believe the maximum dilution disclosure represents a theoretical extreme rather than a realistic outcome, thus potentially misleading investors and providing less useful information. For example, if the number of shares to be issued depends on the future share price but is limited to a cap, the capped amount is often too high to provide useful information. This user suggested a separate breakdown for theoretical issuances which are not probable to materialise in practice. In addition, a few users felt that there was no need for subtotals or totals in the table because these totals might lead to assumptions that the dilutions are all the same—they preferred a line-by-line breakdown instead.

Other disclosures

31. A user commented on the disclosures related to obligations to purchase own equity instruments. This user questioned the scope of the disclosure, particularly whether it would include put options subject to regulatory requirements and stressed the importance of disclosing the terms of written put options on non-controlling interests such as their strike prices.

32. Two user groups requested other disclosures not proposed in the ED. These users said non-controlling interests in material subsidiaries and changes in significant non-controlling interests should be disclosed with the segment to which they belong. This information would be useful to users in forecasting the future financial position of a

corporate group and in assessing the soundness of a corporate group because non-controlling interests serve as a financial buffer in the event of losses at the subsidiary.

Classification

33. This section of the paper discusses the classification topics that users specifically commented on.

Effects of laws or regulations

34. The ED clarifies that in classifying financial instruments as financial liabilities or equity instruments, an entity considers only contractual rights and obligations that are enforceable by laws or regulations and are in addition to those created by relevant laws or regulations.

35. Some users observed that IAS 32 was unclear on whether and how relevant laws or regulations affect the classification of financial instruments such as those with 'bail-in' provisions, leading to practice issues that prevent consistent accounting and comparability. They therefore recognised the need for clarification in this area. However, concerns were raised about the proposals:

    (a) different legal frameworks across jurisdictions could lead to inconsistencies in classifying similar financial instruments, potentially reducing the comparability of financial statements across different regions;

    (b) the requirement to consider only 'additional' contractual rights and obligations is conceptual and not easy to understand; and

    (c) instruments often have statutorily implied terms and a principle-based approach would require looking at their substance.

36. To avoid diversity in interpretation of the proposals by issuers, two user groups suggested the IASB provide educational materials that include specific examples and that illustrate cases where the classification based on contractual rights and obligations applying the proposals does not align with classification based on laws or

regulations. In addition, these user groups also suggested the IASB take a step-by-step approach, finalising the proposals first and then addressing any unresolved cases or unexpected results in a Post-Implementation Review.

Fixed-for-fixed condition

37. The ED clarifies that for a derivative to be classified as an equity instrument, the amount of consideration to be exchanged for each of an entity's own equity instruments shall be in the entity's functional currency and be either fixed or variable solely because of a preservation adjustment or passage-of-time adjustment or both.

38. A standard-setter said users in their jurisdiction viewed foreign currency pro-rata rights issues and foreign currency convertible bonds/warrants as similar instruments. In their view the difference in classification (foreign currency rights issues may qualify for equity classification while foreign currency convertible bonds would not) does not provide useful information to users about risk, cash flows or potential dilution.

39. A regulator, that disagreed with the failure of conversion rights with down-round features (eg conversion price adjusted when the share price drops, adjustment either irreversible or reversible if the share price subsequently rises) to meet the fixed-for-fixed condition applying the proposals, shared the perspective of users in their jurisdiction. They said it may lead to distorted investment decisions by general investors because classifying these derivatives as financial liabilities would create counterintuitive results in profit or loss that would distort important financial metrics such as return on equity and price-to-earnings ratio. In addition, they highlighted that analysts in their jurisdiction believed disclosure of information about dilution of existing shareholders under down-round conditions was more important than information on derivative valuation losses.

40. In contrast, a user group supported the proposals related to preservation and passage-of-time adjustments on the basis that they would improve overall comparability among entities. This user group said the benefits to users would outweigh the costs for

those preparers that had interpreted the fixed-for-fixed condition broadly and would need to change the classification of their derivatives applying the proposals.

Obligations to purchase own equity instruments

41. The ED clarifies the initial debit entry and subsequent measurement of the contractual obligation for an entity to purchase its own equity instruments. If the entity does not yet have access to the rights and returns associated with ownership, the initial amount of the financial liability is removed from a component of equity other than non-controlling interests (NCI) or issued share capital. When measuring the financial liability at the present value of the redemption amount, the entity disregards the probability and estimated timing of the counterparty exercising its redemption right and recognises gains or losses from remeasurement of the financial liability in profit or loss.

42. Some users provided feedback in the context of written put options on NCI (NCI puts). The main concerns raised by these users related to their perception about double counting in the:

    (a) statement of financial position—recognising both the NCI and the gross liability for the NCI put, particularly if the put is exercisable at fair value; and

    (b) income statement—recognising two economic effects on parent earnings—remeasurement gains or losses from the gross liability and the allocation/attribution of current year earnings to NCI.

43. Some users expressed concerns that recognising both the NCI and the gross liability for the NCI put could result in the double counting of these items in the Enterprise Value (EV) to equity value bridge. In the EV to equity value bridge, equity investors deduct from EV, the fair value of the debt, debt-like liabilities and NCI. Without sufficient disaggregation for the liability for the NCI put, some users may erroneously include both the NCI and the gross liability for the NCI put in the EV to equity value bridge.

44. Some users noted that the proposals could result in an understatement in parent equity and parent earnings which would adversely impact critical metrics such as the price-to-book ratio and price earnings multiple. A user explained that they rely on the share of NCI in group equity and the share of NCI in group profit as key indicators of the percentage of the value of the entire group that is attributable to outside shareholders, given the limited information about NCI provided in the financial statements.

45. Other concerns related to the (re)measurement of the liability:

    (a) a credit analyst was concerned about whether some issuers are using probability-weighted measurement approaches as that would affect the core debt ratios that they track. They said they would prefer the gross amount not factoring in probability, for completeness, so that they could assign their own probability in their analysis because it would be difficult for them to assess management's judgement about probability. Another user said the NCI puts are distinct liabilities that deserve a separate line item in the financial position and because they are not at the discretion of the entity itself this justifies reporting the gross amount, irrespective of the probability that such a put would be called.

    (b) recognition of the remeasurement in profit or loss would distort net income. A few users suggested remeasurements be recognised in equity or other comprehensive income instead.

46. On the issue of gross vs net presentation, a few users expressed support for presenting and reporting the gross amount of the NCI put liability, so that investors can consider the liquidity position of an entity. In contrast, a user supported applying derivative accounting to NCI puts.

47. A few users suggested alternatives to recognising a financial liability at inception:

    (a) measuring the NCI at the greater of the puttable value and residual equity value; or

    (b) recognising a liability when it becomes highly probable of being exercised.

These users noted that additional disclosures would then be needed for example, to show potential cash outflows for the NCI puts and to provide the characteristics of the contract, for example the redemption date and exercise price of the instrument.

Contingent settlement provisions

48. The ED clarifies that an entity disregards the probability and estimated timing of the contingent event occurring when measuring the financial liability recognised for contingent settlement provisions. Additionally, it clarifies that payments at the entity's discretion are recognised in equity, even if all the proceeds are initially allocated to the liability component of a compound financial instrument with a contingent settlement provision.

49. Users expressed mixed views on the measurement of the financial liability:

    (a) some users supported the proposal for its consistent and prudent approach to measuring financial liabilities. They said the approach avoids the complexities and uncertainties associated with estimating probabilities and timings, which can vary significantly between entities and over time. These users favoured a wholistic presentation of financial liabilities from a risk perspective, supplemented with accompanying disclosures about related terms and conditions. This would enable them to apply their own judgments and incorporate their own estimates of probabilities of contingent events into the financial analyses.

    (b) other users expressed concerns that ignoring the probability or timing of contingent events could create a substantial liability, especially when the likelihood of the triggering event is extremely low. Moreover, a user group reported that the proposal could cause a significant change to the accounting classification of some types of regulated instruments in their jurisdiction and may cause entities in their jurisdiction to not issue these instruments.

50. A standard-setter commented on the recognition of discretionary payments in equity, noting that investors in their jurisdiction treat the compound instruments as debt and

would not understand why there are dividends if no equity is recognised initially. Further, they said reclassifying distributions from profit to equity for some banks would result in a material increase in statutory net profit which would affect the EPS number for investors. They argued that stakeholders in their jurisdiction see distributions on these types of instruments as economically different from dividends on ordinary shares.

Shareholder discretion

51. The ED clarifies that an entity is required to use its judgement to assess whether shareholder decisions are treated as entity decisions when determining whether the entity has an unconditional right to avoid delivering cash or another financial asset (or otherwise to settle the instrument in such a way that it would be a financial liability). The ED also provides some factors an entity is required to consider in making such judgement.

52. A user group commented that the proposed application guidance should be more specific to eliminate uncertainty and subjectivity in classification and requested examples of cases in which the shareholder decision is treated as the entity's decision.

Reclassification

53. The ED prohibits reclassification of a financial liability or equity instrument after initial recognition unless the substance of the contractual arrangement changes because of a change in circumstances external to the contractual arrangement.

54. Some users disagreed with prohibiting reclassification from financial liability to equity when the substance of the contractual arrangement changes due to a contractual term that becomes or stops being effective with the passage of time. They raised concerns that despite the additional proposed disclosures, such prohibition would fail to provide relevant information to users because it does not reflect the instrument's economic substance at reporting date and for the remaining life of the instrument. In addition, it might create structuring opportunities for entities to achieve specific

accounting outcomes which could last for decades. However, in contrast, a user group said the proposed approach in the ED to require reclassification for changes in circumstances and prohibit reclassification for passage-of-time changes would strike a better balance between the benefits to users and the costs to preparers than other reclassification approaches.

Transition

55. The ED requires an entity to apply the proposed amendments retrospectively with the restatement of comparative information. To minimise costs, an entity is not required to restate information for more than one comparative period, even if more than one comparative period is presented in its financial statements.

56. Limited feedback was received from users on the transition proposals. Two user groups specifically mentioned that they supported a fully retrospective approach. A user group said such approach would be essential for users to analyse and evaluate ordinary shares. This user group also said the proposed disclosure of the nature and amount of any changes in classification from initial application of the amendments would provide useful information to users.

57. A user group called for the restatement of all comparative periods presented to ensure comprehensive and consistent information. They also suggested additional requirements for interim disclosures to reflect changes compared to the information disclosed in the previous annual financial statements, particularly any changes in the economics of the financial instruments outstanding. Conversely, a few users indicated that restating one historical year would be sufficient.

Appendix A

Summary of user outreach

A1. Most feedback was obtained through user outreach undertaken from December 2023 to March 2024 by IASB members, the FICE project team and the investor engagement team. Meetings covered a wide variety of users from those specialising in banking to others covering the markets more generally. Users who participated in meetings included investment professionals from buy-side institutions, sell-side institutions and credit rating agencies, some of whom focus on equity analysis and others on credit analysis.

A2. Meetings were either conducted in-person or via video conference calls. Some meetings were with individuals and others were with user groups at a number of formal group meetings, some of which were conducted in public. These formal group meetings included:

(a) March 2024 CMAC meeting;

(b) European Financial Reporting Advisory Group User Panel;

(c) CFA Japan webinar;

(d) UK Corporate Reporting User Forum meeting; and

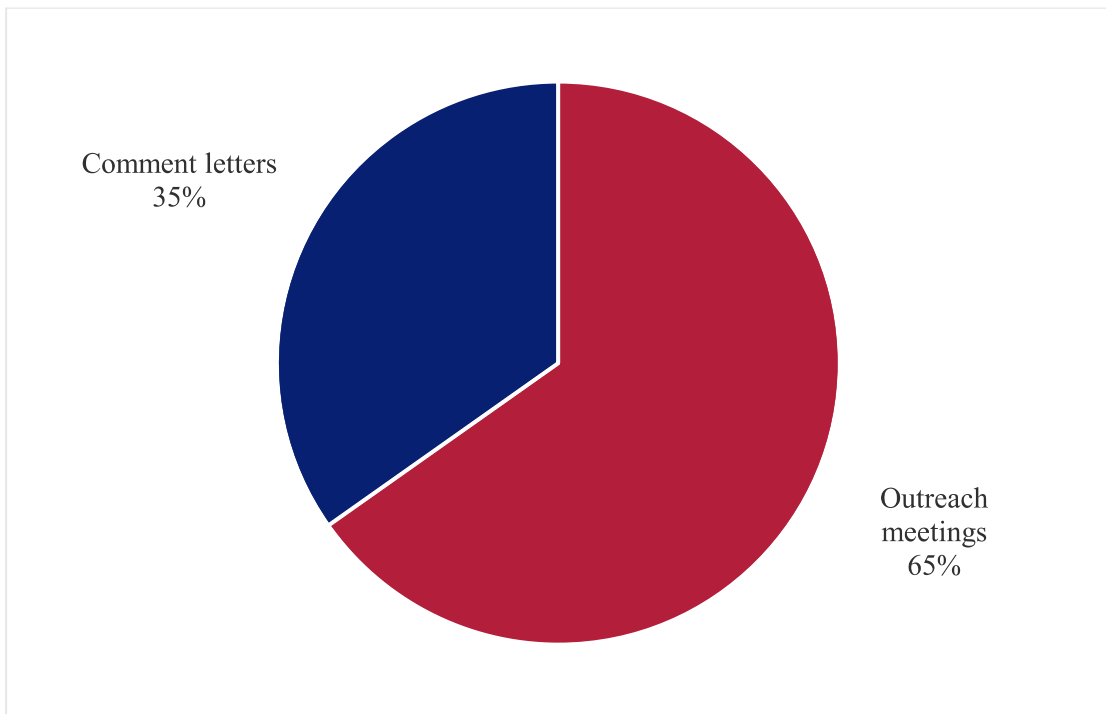
(e) UK Endorsement Board Investor Advisory Group.

A3. Users represented a geographically diverse mix of investment professionals based in various geographic locations. In addition, the market coverage of these professionals could be wider than their geographic location.

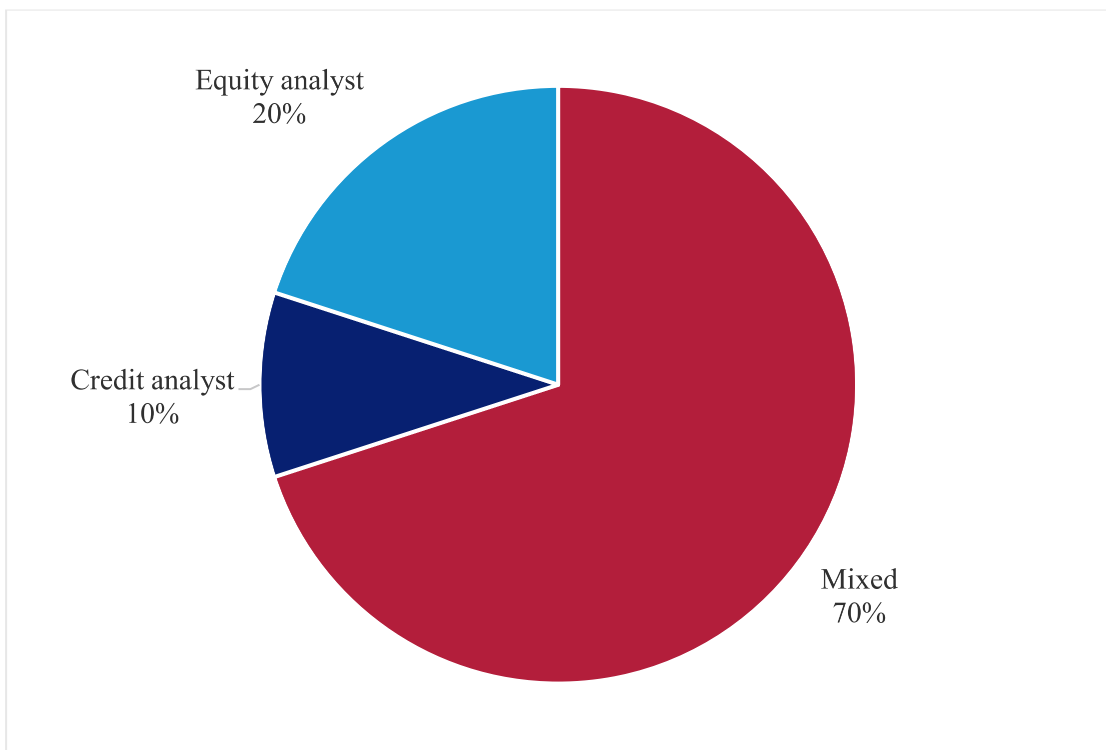
Demographic information on user feedback

A4. The pie charts below do not include the specific user feedback gathered through outreach by other stakeholders such as national standard setters.

A5. The following pie chart illustrates the breakdown of feedback by source:



A6. The following pie chart illustrates the breakdown of feedback by asset class specialisation of users:



A7. The following pie chart illustrates the breakdown of feedback based on geographic location of users: