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The International Accounting Standards Board (IASB) has proposed amendments to address the challenges in companies' financial reporting on instruments that have both debt and equity features.

IAS 32 *Financial Instruments: Presentation* sets out how a company that issues financial instruments should distinguish debt instruments from equity instruments. The distinction is important because the classification of the instruments affects the depiction of a company's financial position and performance.

IAS 32 works well for most financial instruments. ¹However, the instruments have evolved since this IFRS Accounting Standard was initially issued—they are more complex and present new reporting challenges for companies. Companies' solutions to the reporting challenges differ, resulting in diverse accounting practices that make it difficult for investors to assess and compare companies' financial position and performance. Investors are calling for better information, particularly about equity instruments.

To address these challenges, the proposals in the Exposure Draft published today would amend IAS 32, IFRS 7 *Financial Instruments: Disclosures*, and IAS 1 *Presentation of Financial Statements*.

The IASB proposes:

- to clarify the underlying classification principles of IAS 32 to help companies distinguish between debt and equity;
- to require companies to disclose information to further explain the complexities of instruments that have both debt and equity features; and
- to issue new presentation requirements for amounts—including profit and total comprehensive income—attributable to ordinary shareholders separate to the amounts attributable to other holders of equity instruments.

Andreas Barckow, Chair of the IASB, said:

Our goal is to bring more transparency to investors, ensuring that they have high-quality information about complex financial instruments when making investment decisions. We believe these proposed amendments represent a significant step in helping companies to faithfully depict their financial position and better communicate with investors.

The deadline for comments to the Exposure Draft *Financial Instruments with Characteristics of Equity—Proposed amendments*

to IAS 32, IFRS 7 and IAS 1 is 29 March 2024.

Zach Gast, IASB member, features in a short video explaining the proposals of the consultation.

¹Stakeholder feedback confirmed the effectiveness of IAS 32 in response to a Discussion Paper earlier in this IASB project, which set out ideas for possible improvements to the requirements.

The IASB's Press Release can be accessed at <https://www.ifrs.org/>.

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