

Whether to modify the ‘strict obligation approach’ to liability/equity classification (and, if so, how)

Significance of ‘acting in a capacity as an owner’: options puttable at fair value & own shares used ‘as currency’

Nature of claim (1)	Nature of promised benefits (2)	Classification based on nature of promised benefits (3)	Is payment to be made to holder of instrument acting in its capacity as an owner? (4)	Classification based on whether the payment is to be made to holder of instrument acting in its capacity as an owner (5)
Option puttable at fair value	Entity’s assets	Liability and equity components ¹	Yes	Equity
Option puttable at other than fair value	Entity’s assets	Liability and equity components	No	Liability and equity components
Right to receive entity’s own shares used ‘as currency’ for fixed value	Entity’s equity instruments	Equity	No	Liability
Right to receive entity’s own shares not used ‘as currency’	Entity’s equity instruments	Equity	Yes	Equity

- Q1** Would it matter whether the payment is to be made to the holder of the instrument acting in its capacity as an owner (e.g. for puttable instruments, whether it would be a return of part or all of an ownership investment)? (If not, Column 3 applies.)
- Q2** If your answer to Q1 is “yes”, would you take that factor into account only when the entity would sacrifice assets (as with puttable instruments) or in all cases (i.e. also when the entity would sacrifice equity instruments)?

¹ Liability is measured at an amount that takes into account the probability of the put being exercised; the remainder of the consideration received is classified as equity