

MEMO# 14189

November 27, 2001

IASB CONFIRMS INTERPRETATION TREATING FUND SHARES AS LIABILITIES

[14189] November 27, 2001 TO: ACCOUNTING/TREASURERS COMMITTEE No. 34-01
INTERNATIONAL COMMITTEE No. 61-01 RE: IASB CONFIRMS INTERPRETATION TREATING
FUND SHARES AS LIABILITIES The Standing Interpretations Committee of the International
Accounting Standards Board recently confirmed Interpretation SIC – D34 Financial
Instruments – Instruments or Rights Redeemable by the Holder. The interpretation
addresses the financial statement presentation of shares issued by unit trusts, open-end
mutual funds and other investment enterprises. Notwithstanding comments by the
Institute¹ and others, the interpretation concludes that fund shares are liabilities since they
enable the holder to redeem or “put” the shares to the issuer for cash. As a result of this
interpretation, entities that issue redeemable shares will report no equity or net assets for
financial accounting purposes. The interpretation has no effect on U.S. registered
investment companies, which are subject to U.S. generally accepted accounting principles.
Several European countries currently permit, but do not require adoption of international
accounting standards. The European Commission recently issued a proposal that would
require adoption of international accounting standards by companies listed in European
Union member states for fiscal years starting on or after January 1, 2005. We will keep you
informed of developments. Gregory M. Smith Director – Operations/ Compliance & Fund
Accounting 1 See Memorandum Accounting/Treasurers Committee No. 32-01 (November 5,
2001).

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