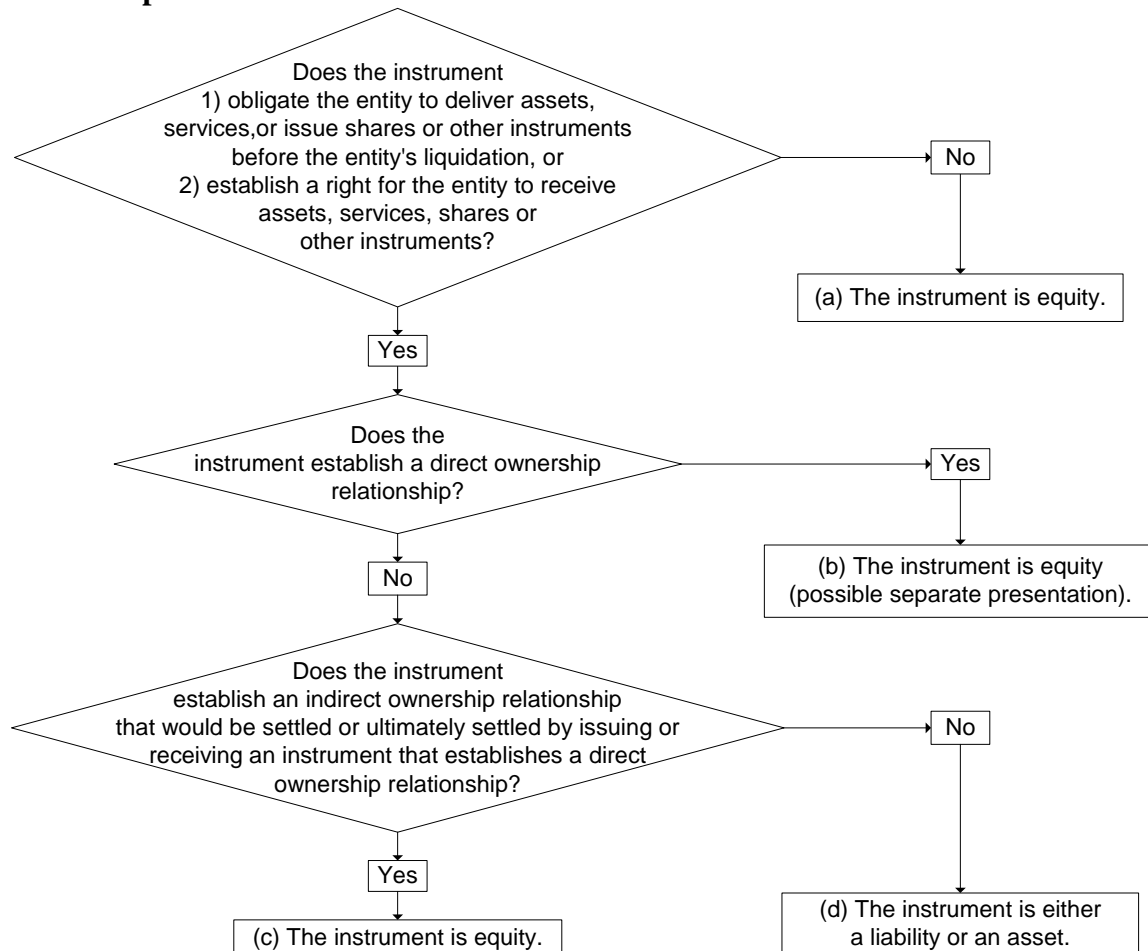


## Ownership/Settlement Table

Ownership Criterion Met?	Settlement Criterion Met?		
	Yes—Ultimate Settlement Does Not Establish or Result in Receipt of Direct Ownership	Yes—Ultimate Settlement Establishes or is Receipt of Direct Ownership	No
No	Liability or Asset (d)	Liability or Asset (d)	Equity (a)
Yes—Indirectly (indexation to reference instrument)	Liability or Asset (d)	Equity (c)	Equity (a)
Yes—Directly (reference instrument)	Equity (b)	Equity (b)	Equity (a)

\*Lettered annotations indicate the classification in the flowchart.

## Ownership/Settlement Flowchart



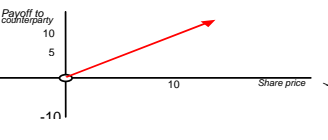
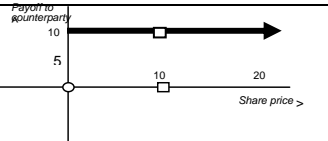
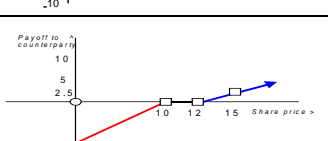
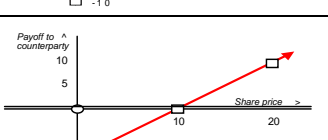
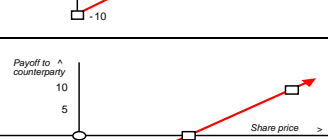
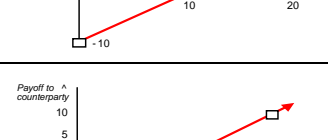
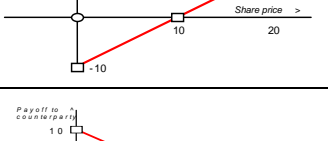
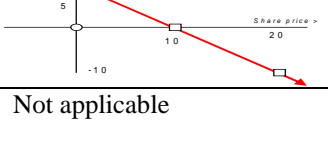

\*Lettered annotations indicate the classification in the table

## Examples Illustrating Classification of Single Component Instruments-Liabilities, Assets & Equity

<b>Instrument</b>	<b>Payoff Profile</b>	<b>Ownership Settlement Approach</b>	<b>Current GAAP<sup>1</sup></b>
1. Proprietorship interest		Equity	Equity
2. Common share		Equity	Equity
3. Mandatorily redeemable share at a fixed price settled with assets		Liability	Liability
4. Most subordinated interest that is mandatorily redeemable at fair value settled with assets		Equity—separate	Liability*
5. Most subordinated interest that is mandatorily redeemable at book value or a formula highly correlated to fair value settled with assets		Equity—separate	Liability*
6. Mandatorily redeemable share at fair value (not most subordinated interest) or indexed debt settled with assets		Liability	Liability*
7. Mandatorily redeemable noncontrolling interests at a fixed price settled with assets		Liability	Liability
8. Mandatorily redeemable noncontrolling interests at fair value (of the subsidiary shares, most subordinate) settled with assets		Equity—separate	Liability*
9. Perpetual preferred stock		Equity	Equity
10. Note payable cash or share settled (variable number of shares)		Liability	Liability

<sup>1</sup> Current GAAP includes the requirements of Statement 150 before the deferral under FSP FAS 150-3. Instruments denoted by a \* indicate those that might have been subject to an indefinite deferral.

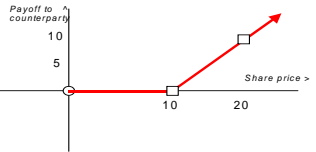
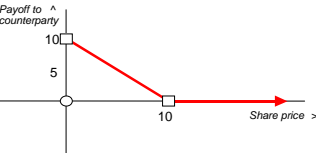
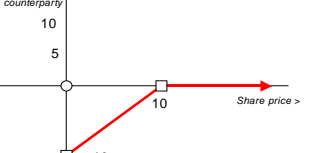
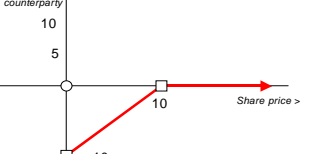
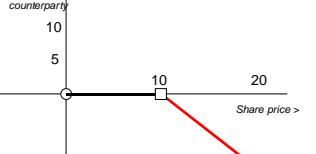
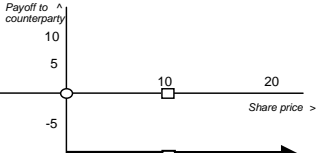
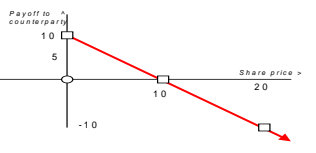
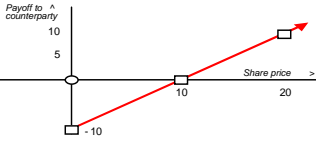
## Examples Illustrating Classification of Single Component Instruments-Liabilities, Assets & Equity

<b>Instrument</b>	<b>Payoff Profile</b>	<b>Ownership Settlement Approach</b>	<b>Current GAAP<sup>1</sup></b>
11. Mandatorily converting instrument into a fixed number of shares <sup>2</sup>		Equity	Liability (debt host with an embedded equity derivative)?
12. Mandatorily converting instrument into a variable number of shares		Liability	Liability
13. Variable share forward sale contract <sup>3</sup>		Equity	Generally Equity
14. Physically-settled forward sale contract for a fixed amount		Equity	Equity
15. Net cash-settled forward sale contract (fixed sale price)		Liability/Asset	Liability/Asset
16. Net share-settled forward sale contract (fixed sale price)		Equity	Equity
17. Physically- or net-settled forward purchase contract (at a fixed price)		Liability/Asset	Liability/Asset
18. Treasury stock purchase	Not applicable	Equity	Equity
19. Physically-settled written call option (stock option)		Equity	Equity
20. Net cash-settled written call option (cash SAR)		Liability	Liability

<sup>2</sup> This assumes that an instrument that mandatorily converts into a fixed number of shares (same as a prepaid forward sale) is not a compound instrument. The staff understands that there are mixed views about how this is accounted for under current GAAP.

<sup>3</sup> This assumes that a variable share forward sale contract is not considered a compound instrument.

## Examples Illustrating Classification of Single Component Instruments-Liabilities, Assets & Equity

<b>Instrument</b>	<b>Payoff Profile</b>	<b>Ownership Settlement Approach</b>	<b>Current GAAP<sup>1</sup></b>
21. Net share-settled written call option (stock SAR)		Equity	Equity
22. Written put option (physically or net settled)		Liability	Liability
23. Physically- or net share-settled purchased put option		Contra-equity	Contra-equity
24. Net cash-settled purchased put option		Asset	Asset
25. Physically- or net-settled purchased call option		Asset	Contra-equity (unless net cash settled)
26. Note receivable for cash or variable number of shares		Asset	Asset (cash) Contra-equity (share)
27. Note receivable for fixed number of shares (prepaid forward purchase) <sup>4</sup>		Asset	Generally, Contra-equity
28. Stock in exchange for note		Contra-equity (for note)	Contra-equity (for note) unless certain criteria are met

<sup>4</sup> May be a compound instrument.