International Accounting Standards Board®

Press Release

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IFRIC proposes guidance on settling financial liabilities with equity instruments

The International Financial Reporting Interpretations Committee (IFRIC)[*] today published for public comment a draft Interpretation, IFRIC D25 *Extinguishing Financial Liabilities with Equity Instruments.* The proposal is open for public comment until 5 October 2009.

In the current environment, some entities are renegotiating the terms of financial liabilities with their creditors. In some circumstances, the creditor agrees to accept an entity's shares or other equity instruments to settle the financial liability fully or partially. The IFRIC was asked for guidance on how an entity should account for such transactions in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 32 *Financial Instruments: Presentation*. IFRIC D25 proposes that:

- the entity's equity instruments are part of any 'consideration paid' to extinguish the financial liability;
- the equity instruments are measured at either their fair value or the fair value of the financial liability extinguished, whichever is more reliably determinable;
- any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of these equity instruments is included in the entity's profit or loss for the period.

IFRIC D25 *Extinguishing Liabilities with Equity Instruments* is available for eIFRS subscribers from today and is also freely available on the IASB website.

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[*] The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

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About the IFRIC

The IFRIC first met in February 2002. It comprises 14 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about six times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.