

# IFRS AT A GLANCE

## IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*





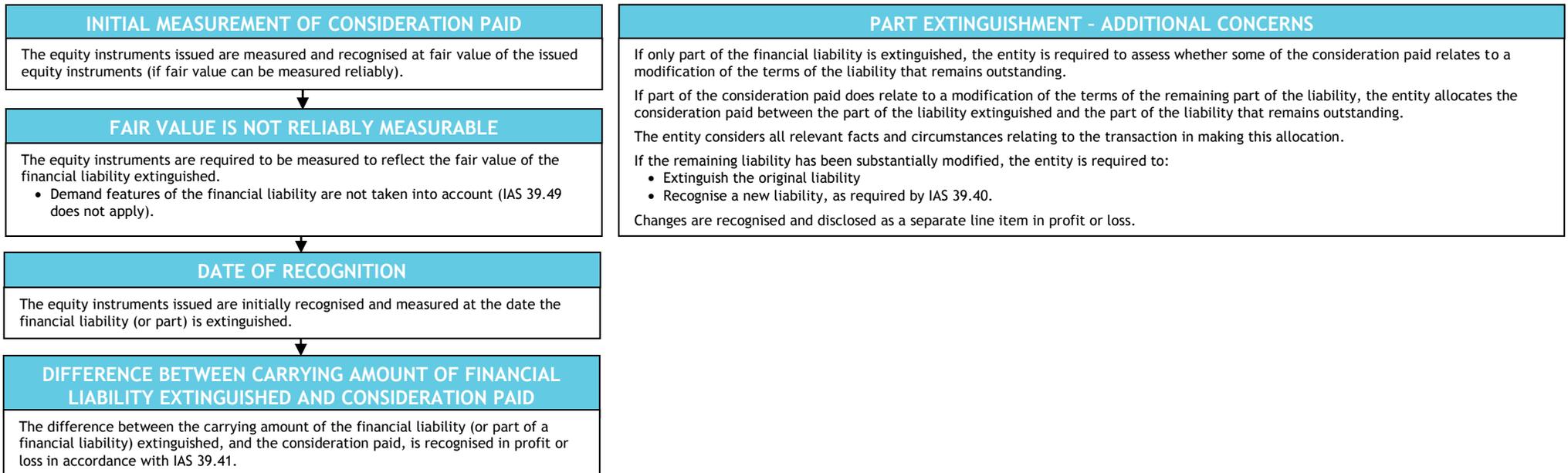
# IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

Effective Date  
Periods beginning on or after 1 July 2010

ISSUES	SCOPE
<p>IFRIC 19 addresses the following issues:</p> <ul style="list-style-type: none"> <li>Are equity instruments issued to extinguish debt considered 'consideration paid' per IAS 39.41?</li> <li>How should the issuing entity initially measure these equity instruments?</li> <li>How should the issuing entity account for any difference between the carrying amount of the financial liability and the equity instruments issued?</li> </ul>	<p>This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all (or part) of the financial liability - commonly referred to as 'debt for equity swaps'.</p> <p>The Interpretation does not cover:</p> <ul style="list-style-type: none"> <li>If the creditor is a direct/indirect shareholder and is acting in its capacity as a direct/indirect existing shareholder</li> <li>The creditor and the issuing entity are controlled by the same party or parties before and after the transaction, and the substance of the transaction includes an equity distribution by or consideration to the entity</li> <li>The issuing of equity shares to extinguish debt is in accordance with the original terms upon entering into the financial liability (such as convertible debt).</li> </ul>

## CONSENSUS

ARE EQUITY INSTRUMENTS ISSUED TO EXTINGUISH FINANCIAL LIABILITIES, CONSIDERATION PAID?
<p>The issue of instruments is to be treated as consideration to extinguish financial liabilities. The financial liability is removed from the statement of financial position only when IAS 39.39 is satisfied:</p> <ul style="list-style-type: none"> <li>i.e. when the obligation (in part or in full) specified in the contract is discharged or cancelled or expires.</li> </ul>



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