IFRIC 17
Distribution of non-cash assets to owners

REFERENCES

IAS 1	Presentation of the financial statements
IAS 10	Events after the reporting period
IFRS 3	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations
IFRS 7	Financial instruments: Disclosure
IFRS 10	Consolidated financial statements
IFRS 13	Fair value measurement

ISSUE

Sometimes the owners of an entity may choose between distributing dividends by transferring the equivalent in cash or by providing a non-cash alternative. In this second case, the following questions arise:

- When should the entity recognize the dividend payable?
- How should it measure the dividend payable?
- When the entity effectively settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed, and the carrying amount of the dividends payable?

POSITION ADOPTED

The entity should recognize the commitment to distribute a dividend once the dividend has been authorized by the relevant body having such authority, i.e., the shareholders, unless local legislation requires a different procedure.

The measurement of the transfer of non-cash assets as dividends should be the fair value of the assets to be distributed. When the shareholder can choose between the distribution of a non-cash asset or a cash alternative, the entity should estimate the dividend payable by considering both the fair value of each alternative and the associated probability of the shareholders selecting each alternative.

At the end of each reporting period, the entity should review the carrying amount of the dividend payable and make any adjustment necessary.

When the dividend due to be paid is eventually settled, any differences between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognized in profit or loss.