IFRIC 19
Extinguishing financial liabilities with equity instruments

REFERENCES

Framework for the preparation and presentation of financial statements

IAS 1	Presentation of financial statements
IAS 8	Accounting methods, changes in accounting estimates and errors
IAS 32	Financial instruments, presentation
IFRS 9	Financial instruments
IFRS 2	Share-based payment
IFRS 3	Business combinations
IFRS 13	Fair value measurement

ISSUE

The issue is to determine:

- whether the equity instruments issued by an entity to extinguish all or part of a financial liability constitute consideration paid according to IFRS 9;
- how to initially measure the equity instruments issued to extinguish the financial liability;
- how to account for the difference that might exist between the amount of the extinguished liability and the measurement amount of the equity issued.

POSITION ADOPTED

Equity instruments, issued by an entity to one of its creditors to extinguish all or part of a debt, do constitute consideration paid. However, it must be kept in mind that the liability must not be removed from the statement of financial position unless it is derecognized in accordance with IFRS 9.

Equity instruments issued to extinguish such a financial liability are measured at their fair value, as long as their measurement can be carried out reliably. If not, they are measured at the fair value of the extinguished liability.

Any difference between the amount of the financial liability extinguished and the amount of the equity instruments issued for this purpose is recognized in profit or loss.