

IFRIC 2

Members' shares in co-operative entities and similar instruments

REFERENCES

- IAS 32 Financial instruments: presentation
- IFRS 9 Financial instruments
- IFRS 13 Fair value measurement

ISSUE

IAS 32 sets out the principles for classifying financial instruments as financial liabilities or equity. The application of these principles to members' shares in cooperative entities and similar instruments is sometimes not easy.

Certain financial instruments, including members' shares, while giving their holder the right to request redemption, may be subject to limits.

The issue here is how to assess the redemption conditions to determine whether the financial instruments must be classified as liabilities or as equity.

POSITION ADOPTED

The classification in financial liabilities or in equity is determined by local legislation, the regulations and the entity's governing charter in force on the date of classification.

Generally speaking, members' shares where the members have a right to request redemption are equivalent to financial liabilities.

Conversely, non-redeemable members' shares must be classified as equity in the event:

- the entity has an unconditional right to refuse to redeem the members' shares or
- local legislation, regulations or the entity's governing charter impose various types of prohibitions on the redemption of members' shares.