

IAS 32 *Financial Instruments: Presentation* (November 2006)

Puts and forwards held by minority interests

The IFRIC considered a request for clarification of the accounting when a parent entity has entered into a forward to acquire the shares held by the [noncontrolling] minority interest in a subsidiary or the holder of the [non-controlling] minority interest can put its shares to the parent entity.

Paragraph 23 of IAS 32 states that a parent must recognise a financial liability when it has an obligation to pay cash in the future to purchase the minority's shares, even if the payment of that cash is conditional on the option being exercised by the holder. After initial recognition any liability to which IFRS 3 is not being applied will be accounted for in accordance with IAS 39. The parent will reclassify the liability to equity if a put expires unexercised.

The IFRIC agreed that there is likely to be divergence in practice in how the related equity is classified. However, the IFRIC did not believe that it could reach a consensus on this matter on a timely basis. Accordingly, the IFRIC decided not to add this item to its agenda.