IFRS 10 - *Consolidated Financial Statements* (November 2013)

Classification of puttable instruments that are noncontrolling interests

The Interpretations Committee discussed a request for guidance on the classification, in the consolidated financial statements of a group, of puttable instruments that are issued by a subsidiary but that are not held, directly or indirectly, by the parent. The submitter asked about puttable instruments classified as equity instruments in the financial statements of the subsidiary in accordance with paragraphs 16A-16B of IAS 32 *Financial Instruments: Presentation* ('puttable instruments') that are not held, directly or indirectly, by the parent. The question asked was whether these instruments should be classified as equity or liability in the parent's consolidated financial statements. The submitter claims that paragraph 22 of IFRS 10 *Consolidated Financial Statements* is not consistent with paragraph AG29A of IAS 32, because: a. IFRS 10 defines non-controlling interests (NCI) as equity in a subsidiary not attributable, directly or indirectly, to a parent; b. according to paragraph 22 of IFRS 10 a parent shall present non-controlling interests (NCI) in the consolidated statement of financial position within equity; but c. according to paragraph AG29A of IAS 32, instruments classified as equity instruments in accordance with paragraphs 16A-16D of IAS 32in the separate or individual financial statements of the subsidiary that are NCI are classified as liabilities in the consolidated financial statements of the group.

The Interpretations Committee noted that paragraphs 16A- 16D of IAS 32 state that puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation meet the definition of a financial liability. These instruments are classified as equity in the financial statements of the subsidiary as an exception to the definition of a financial liability if all relevant requirements are met. Paragraph AG29A clarifies that this exception applies only to the financial statements of the subsidiary and does not extend to the parent's consolidated financial statements. Consequently, these financial instruments should be classified as financial liabilities in the parent's consolidated financial statements. The Interpretations Committee therefore concluded that in the light of the existing guidance in IAS 32, neither an interpretation nor an amendment to a Standard was necessary and consequently decided not to add this issue to its agenda