

STAFF PAPER

IFRS Interpretations Committee meeting

November 2013

IFRS Interpretations Committee meeting:
July 2013

Project

**IFRS 10 Consolidated Financial Statements—Classification
of puttable instruments that are non-controlling interests**CONTACT(S) Leonardo Piombino lpiombino@ifrs.org +44 (0)20 7246 0571

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the IASB is reported in *IASB Update*.

Introduction

1. The IFRS Interpretations Committee (the ‘Interpretations Committee’) received 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.
2. 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.
3. The Interpretations Committee discussed this issue in the July 2013 meeting. In this meeting, the Interpretations Committee tentatively decided not to add this issue to its agenda, because it concluded that in the light of the existing guidance in IAS 32, neither an interpretation nor an amendment to a Standard was necessary.

Comment analysis

4. We received two comment letters on the tentative agenda decision.
5. Both of the respondents¹ agree with the decision not to add this issue to the Interpretations Committee's agenda and with the reasons provided in the tentative agenda decision.

Staff recommendation

6. After considering the comments received on the tentative agenda decision, we recommend that the Interpretations Committee should finalise its decision not to add this issue to its agenda. The proposed wording of the final agenda decision is shown in Appendix A of this paper.

Questions for the Interpretations Committee

1. Does the Interpretations Committee agree with the staff's recommendation that the Interpretations Committee should finalise its decision not to add this issue to its agenda?
2. Does the Interpretations Committee have any comments on the proposed wording in Appendix A for the final agenda decision?

¹ Deloitte and the Canadian Accounting Standard Board.

Appendix A—Proposed wording for the final agenda decision

A1 The proposed wording for the final agenda decision is as follows (deleted text is struck through):

IFRS 10 Consolidated Financial Statements—Classification of puttable instruments that are non-controlling 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 32 in 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.

September 23, 2013

(via email to ifric@ifrs.org)

IFRS Interpretations Committee
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

Re: Tentative agenda decision on IFRS 10 *Consolidated Financial Statements*- Classification of puttable instruments that are non-controlling interests

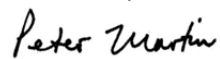
This letter is the response of the staff of the Canadian Accounting Standards Board (AcSB) to the IFRS Interpretations Committee's tentative agenda decision regarding the classification of puttable instruments that are non-controlling interests, as published in the July 2013 IFRIC Update.

The views expressed in this letter take into account comments from individual members of the AcSB staff but do not necessarily represent a common view of the AcSB or its staff. Views of the AcSB are developed only through due process.

We agree with the Committee's decision not to add this item to its agenda for the reasons provided in the tentative agenda decision.

If you require further information, please contact me at +1 416 204-3276 (email pmartin@cpacanada.ca), or Katharine Christopoulos, Principal, Accounting Standards at +1 416 204-3270 (email kchristopoulos@cpacanada.ca).

Yours truly,



Peter Martin, CPA, CA
Director, Accounting Standards

Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London
EC4M 6XH

Email: ifric@ifrs.org

25 September 2013

Dear Mr Upton

Tentative Agenda Decision - IFRS 10 *Consolidated Financial Statements*: Classification of puttable instruments that are non-controlling interests

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the July IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for clarification of the classification as equity or as a liability in the parent's consolidated financial statements of puttable instruments classified as equity in a subsidiary's financial statements in accordance with paragraphs 16A-16B of IAS 32 *Financial Instruments: Presentation*.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely



Veronica Poole
Global IFRS Leader