
Financial Instruments Consultative Group meeting

Date	July 2026
Project	Financial Instruments with Characteristics of Equity
Topic	Obligations to purchase own equity instruments
Contacts	Angie Ah Kun (aahkun@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Financial Instruments Consultative Group (FICG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.
Copyright © 2026 IFRS Foundation. All rights reserved.

Purpose of this session

The purpose of this session is:

- a) to provide a summary of the relevant proposals in the Exposure Draft *Financial Instruments with Characteristics of Equity* and stakeholder feedback related to obligations to purchase own equity instruments; and
- b) to seek FICG members' views on alternative presentation approaches in the consolidated financial statements and potential refinements to the proposed measurement requirements for obligations to purchase own equity instruments.

Feedback from the FICG and other consultative groups will be considered in further developing the potential refinements for discussion with the IASB.

Contents



Questions for FICG members



Potential refinements to proposed presentation requirements

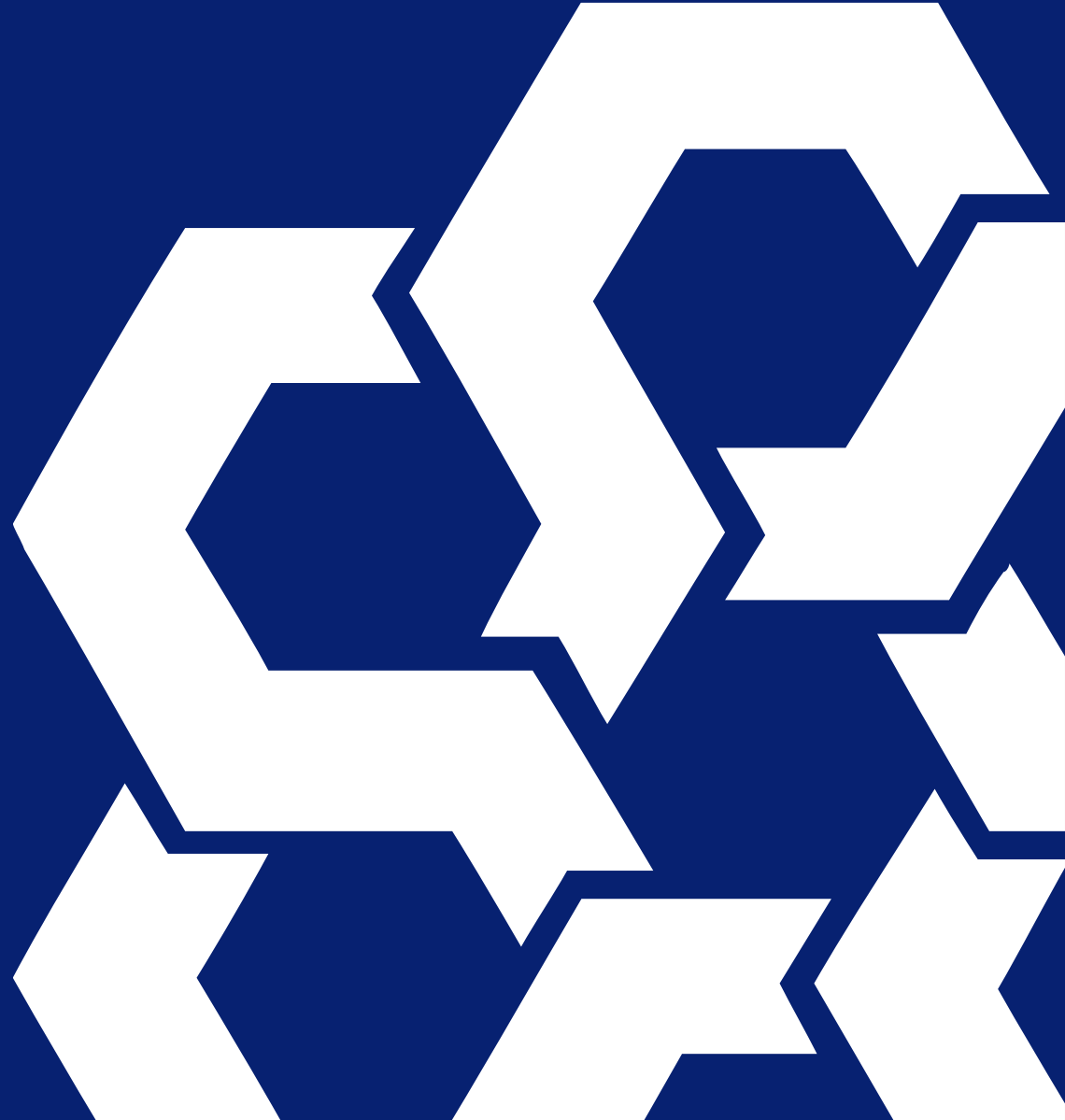


Potential refinements to proposed measurement requirements



Appendix

Questions for FICG members

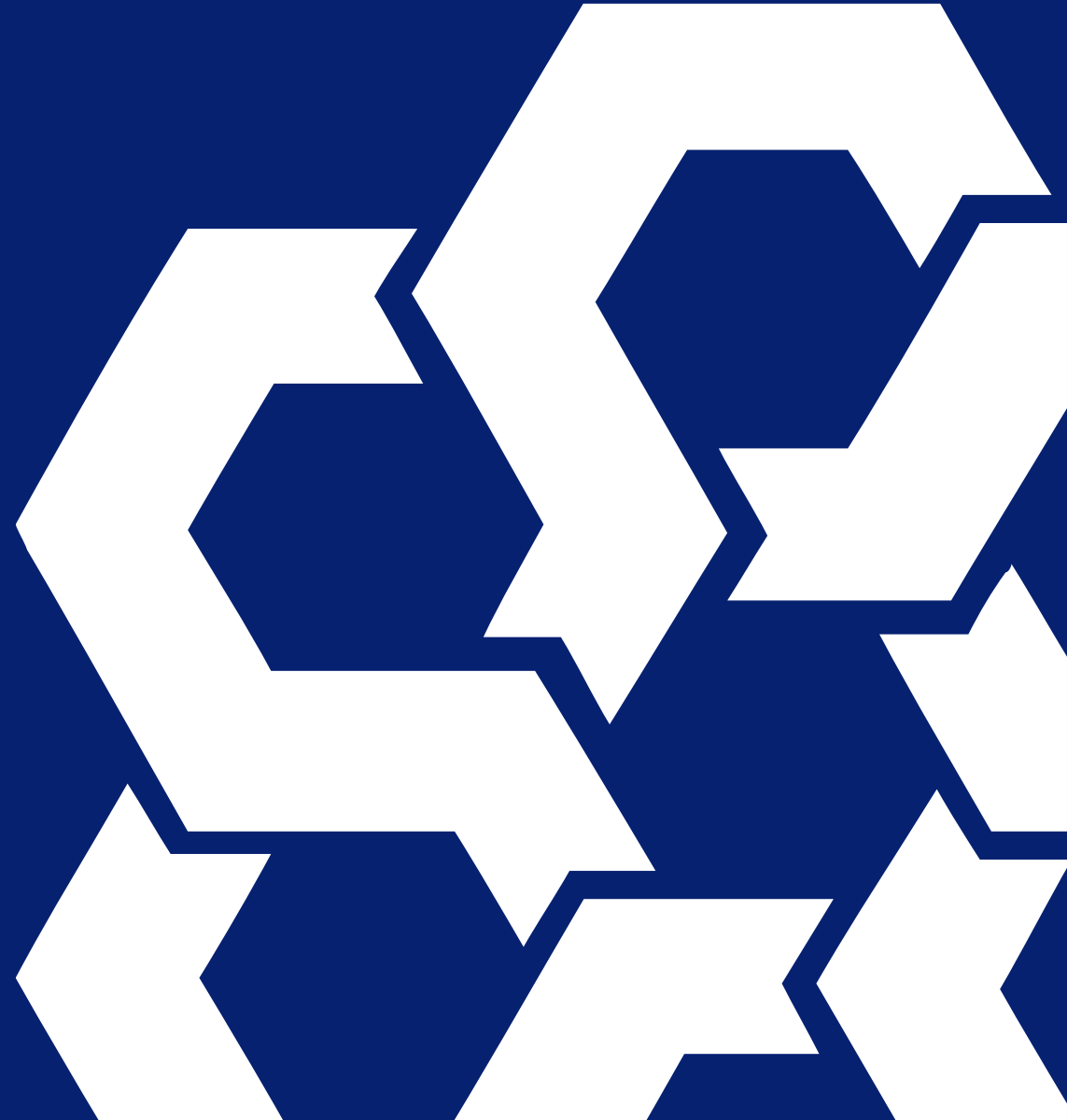


Questions for FICG members

Potential refinements to the proposed amendments to IAS 32

1. Would the alternative presentation approach address stakeholder concerns about the presentation of these obligations in the statement of financial position and provide useful information to users of financial statements (see pages 7-14)?
2. Would additional presentation in the attribution section in the statement of profit or loss address perceived double-counting concerns in the income statement and provide useful information to users of financial statements (see pages 15-16)?
3. How do you suggest the IASB responds to the challenges identified in applying the measurement approach in the ED (see pages 18-21)?

Potential refinements to proposed presentation requirements



Illustrative example—Simplified fact pattern

- The parent owns 90% of a single subsidiary
- The subsidiary has total assets of CU10,000 and no liabilities (therefore CU9,000 represents the parent's 90% share of equity and CU1,000 represents the NCI holder's 10% share of equity)
- The parent writes a put option which allows the NCI holder to sell its 10% holding to the parent anytime for the fair value of the shares at a future exercise date. The fair value of the shares held by the NCI holder is CU1,000 when the put option is issued and CU1,050 at the reporting date
- The subsidiary's net profit for the year is CU500 (parent's share is CU450 and NCI holder's share is CU50)
- At the reporting date, the parent does not have current access to the returns associated with 10% ownership interest

To isolate the impact of the NCI put liability, this example does not include any other assets, liabilities, income, expenses or equity from the parent's separate financial statements

ED approach—impact on consolidated financial statements at reporting date

Statement of financial position

Total assets	10,500
NCI put liability	1,050
Total liabilities	1,050
Parent share of equity	8,400
NCI share of equity	1,050
Total equity	9,450
Total liabilities and equity	10,500

Statement of profit or loss

Profit from subsidiary	500
Remeasurement of NCI put liability	-50
Consolidated net profit	450
Attributable to owners of the parent	400
Attributable to NCI holder	50

Parent share of equity = $9000 - 1000 + 400$

NCI share of equity = $1000 + 50$

ED approach—Pros and cons (based on feedback)

Pros	Cons
Reduces diversity in practice	Perceived double-counting in the balance sheet: NCI entitlement to subsidiary's business and obligation to NCI if they give up their interest
NCI existing ownership rights continue to be recognised with profit for the year allocated regardless of whether the put is eventually exercised or not	Perceived double-counting in the income statement: remeasurement of financial liability and allocation of subsidiary's result to the NCI both affect parent's profit or loss
Reflects the put option right granted to NCI holders as a gross financial liability remeasured through profit or loss	Perceived counter-intuitive impacts in profit or loss when remeasuring fair value puts and when recognising dividends paid to NCI
	Understatement of parent equity affects regulatory capital

Potential alternative approach

Statement of financial position

Total assets	10,500
NCI put liability	1,050
Total liabilities	1,050
Parent share of equity	9,400
NCI share of equity	1,050
NCI subject to put option	- 1,000
NCI share of equity after considering put option	50
Total equity	9,450
Total liabilities and equity	10,500

Statement of profit or loss

Profit from subsidiary	500
Remeasurement of NCI put liability	-50
Consolidated net profit	450
Attributable to owners of the parent	400
Attributable to NCI holder	50

This alternative presentation in the statement of financial position was mentioned in AV5 of the Alternative View on the ED

Alternative approach—Pros and cons

Pros	Cons
Addresses concerns about perceived double counting on the balance sheet through presentation, better reflecting the substance of the transaction	Perceived double counting in the income statement still exists
Keeps track of amounts attributable to NCI because NCI is not derecognised	Perceived counter-intuitive effects in profit or loss still exist
Does not affect parent equity, thus preserves regulatory capital	
Avoids some complexity if assessment of ownership rights changes before settlement of the put option because the debit is against NCI regardless of who has access to ownership rights	
Reduces diversity in practice	

Developing an alternative presentation approach

- The proposals in the ED clarify that an obligation to purchase own equity instruments that does not provide an entity with access to rights and returns associated with ownership, is accounted for by recognising a financial liability, with a corresponding amount recognised as a debit in equity against a component other than NCI/issued share capital.
- In the IASB's view this does not lead to double-counting because:
 - NCI represent current ownership interests that have not yet been extinguished; not potential ownership interests (see page 14)
 - the right of NCI holders to sell their interest to the entity is an additional right exercisable at the discretion of the holder and does not replace any of their current rights or ownership interests
 - the amount debited against equity (the present value of the redemption amount) does not represent the amount by which NCI will be reduced upon settlement or exercise of the contract and is not subsequently remeasured
- Although the staff acknowledge the concerns about double-counting, we note however that by derecognising NCI, other equally significant concerns arise related to the effects on recognising subsequent dividends, earnings per share calculations, profit allocations, and re-recognition of NCI upon expiry of the put option.

Developing an alternative presentation approach (cont.)

- Taking into account the scope of the FICE project and stakeholder feedback on the ED (including the alternative approaches suggested), the staff is exploring an alternative approach based on paragraph AV5 of the Alternative View to the ED.
- Under this approach, the debit amount recognised in equity is presented as a deduction to NCI. In other words, the debit amount is recognised and presented as a separate component of NCI but does not lead to derecognition of NCI (see pages 10-11).
- We think such an approach would resolve the main concerns raised by stakeholders about perceived double-counting in the statement of financial position. We also think this could achieve an appropriate balance of benefits to users of financial statements compared to costs to preparers.

Perceived inconsistency with IFRS 10

- We disagree with respondents that say there is an inconsistency with IFRS 10.
- Paragraph B90 of IFRS 10 explains that when an entity has in substance an existing ownership interest as a result of a transaction that currently gives the entity access to the returns associated with ownership, the proportion allocated to parent and NCI is determined by taking into account the eventual exercise of that access to returns. In other words, when an instrument provides the parent with current access, the allocation of profit or loss and changes in equity in the consolidated financial statements are adjusted accordingly.
- **Therefore, when issuing instruments containing obligations to purchase own equity, the entity needs to assess whether the instrument is in substance transferring the ownership interest. If it does, an entity applies paragraph B90 of IFRS 10. However, when an instrument does not provide that access, the allocation of profit or loss and changes in equity is based on the existing ownership interest.**
- This assessment is required regardless of the type of instrument issued or whether the instrument is exercisable at a fixed price or a price approximating fair value.
- The ED proposals did not intend to change the way the IFRS 10 assessment is performed and we continue to be of the view that the proposed requirements do not create an inconsistency with IFRS 10.

Separate presentation in the statement of profit or loss

- The staff is exploring whether to extend the alternative approach discussed on pages 10-11 also to the attribution section of the statement of profit or loss.
- Although the staff continue to be of the view that there is no double-counting in profit or loss (for the reasons explained on page 14), we think that this might partially address the concerns about perceived double-counting in the statement of profit or loss.
- We also think that the additional presentation in the statement of profit or loss could provide further transparency to users of financial statements about an entity's obligations to purchase its own equity and the resulting effects on parent and NCI interests.

Potential alternative approach extended to statement of profit or loss

Statement of financial position

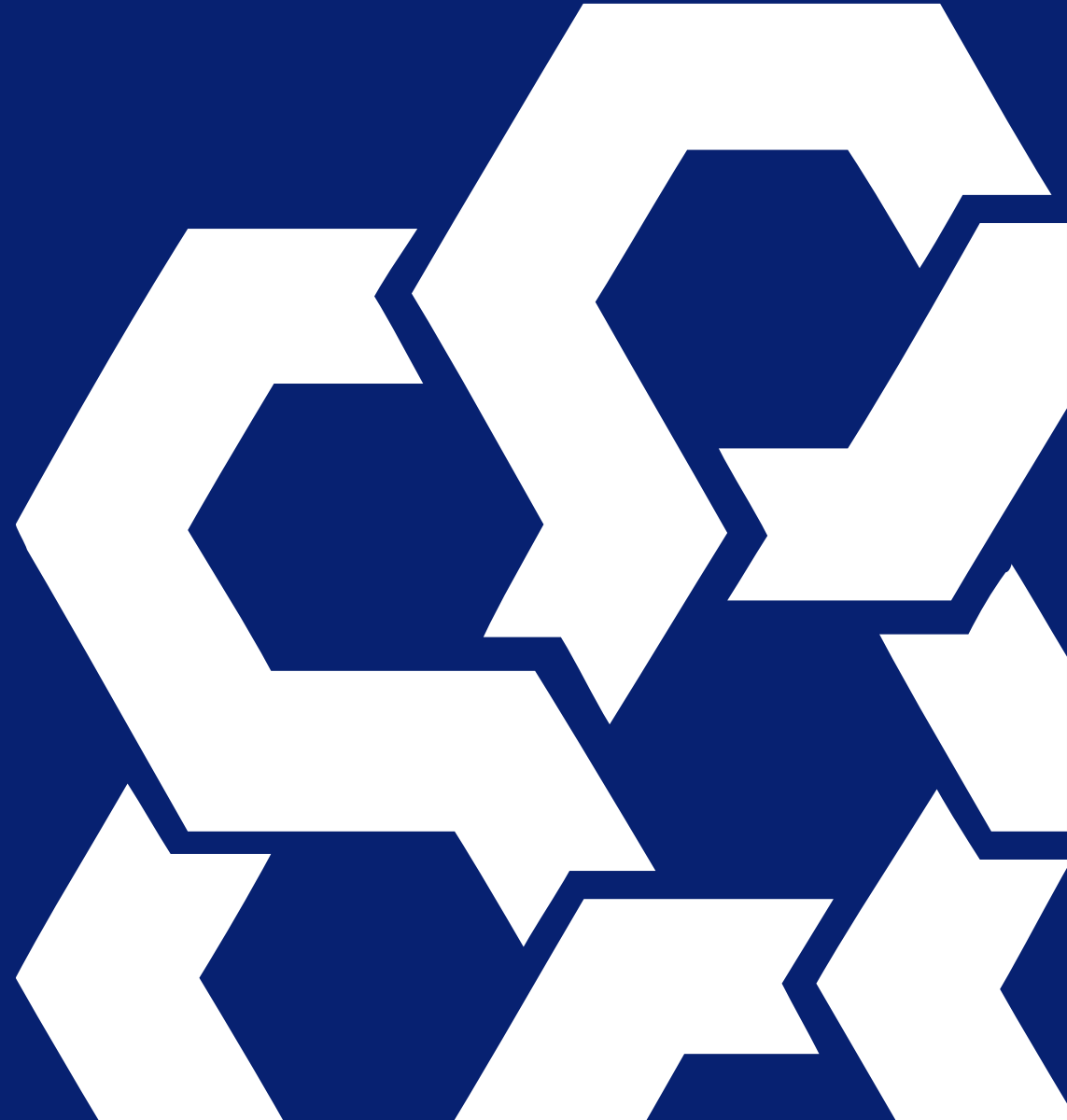
Total assets	10,500	
NCI put liability	1,050	
Total liabilities	1,050	
Parent share of equity	9,400	
NCI share of equity	1,050	
NCI subject to put option	- 1,000	
NCI share of equity after considering put option	50	
Total equity	9,450	
Total liabilities and equity	10,500	

Statement of profit or loss

Profit from subsidiary	500	
Remeasurement of NCI put liability	-50	
Consolidated net profit	450	
Attributable to owners of the parent	400	
Percentage share of subsidiary's net profit	450	
Remeasurement of NCI put liability	-50	
Attributable to NCI holder	50	

This alternative presentation in the statement of financial position was mentioned in AV5 of the Alternative View on the ED

Potential refinements to proposed measurement requirements



Potential refinements to the measurement approach in the ED

- Stakeholders had mixed views about whether the ED approach or what they describe as a ‘full’ IFRS 9 measurement approach is preferable.
- The staff note that paragraph 23 of IAS 32 already refers to the present value of the redemption amount.
- The proposals in the ED aimed to clarify that:
 - the same measurement approach should apply to both initial and subsequent measurement. In other words, there should be consistency between the assumptions and inputs used to determine the present value of the redemption amount
 - ignoring probability and estimated timing of exercising an option is consistent with the gross presentation which helps users of financial statements assess exposure to liquidity risk
- The staff is therefore considering how best to refine the measurement requirements to respond to the feedback and diversity in practice.

Potential refinements to the measurement approach in the ED (cont.)

- To respond to stakeholder feedback, the staff is exploring whether it would simplify the measurement of these financial liabilities if they are required to be measured at an amount that is **not less than** the amount payable on demand discounted from the date that the amount could be required to be paid.
- In our view, this will simplify measurement in simple cases where there is one transaction price to repay whenever the holder exercises the put option (American options).
- It also means that the liability could be initially recognised at a higher amount if there are multiple fixed settlement amounts at multiple settlement dates.
- For instruments that are puttable for a variable amount eg multiple of EBITDA at settlement date, measurement is based on circumstances at the reporting date (ie measurement as if obligation is payable at each reporting date with remeasurement changes recognised in profit or loss).

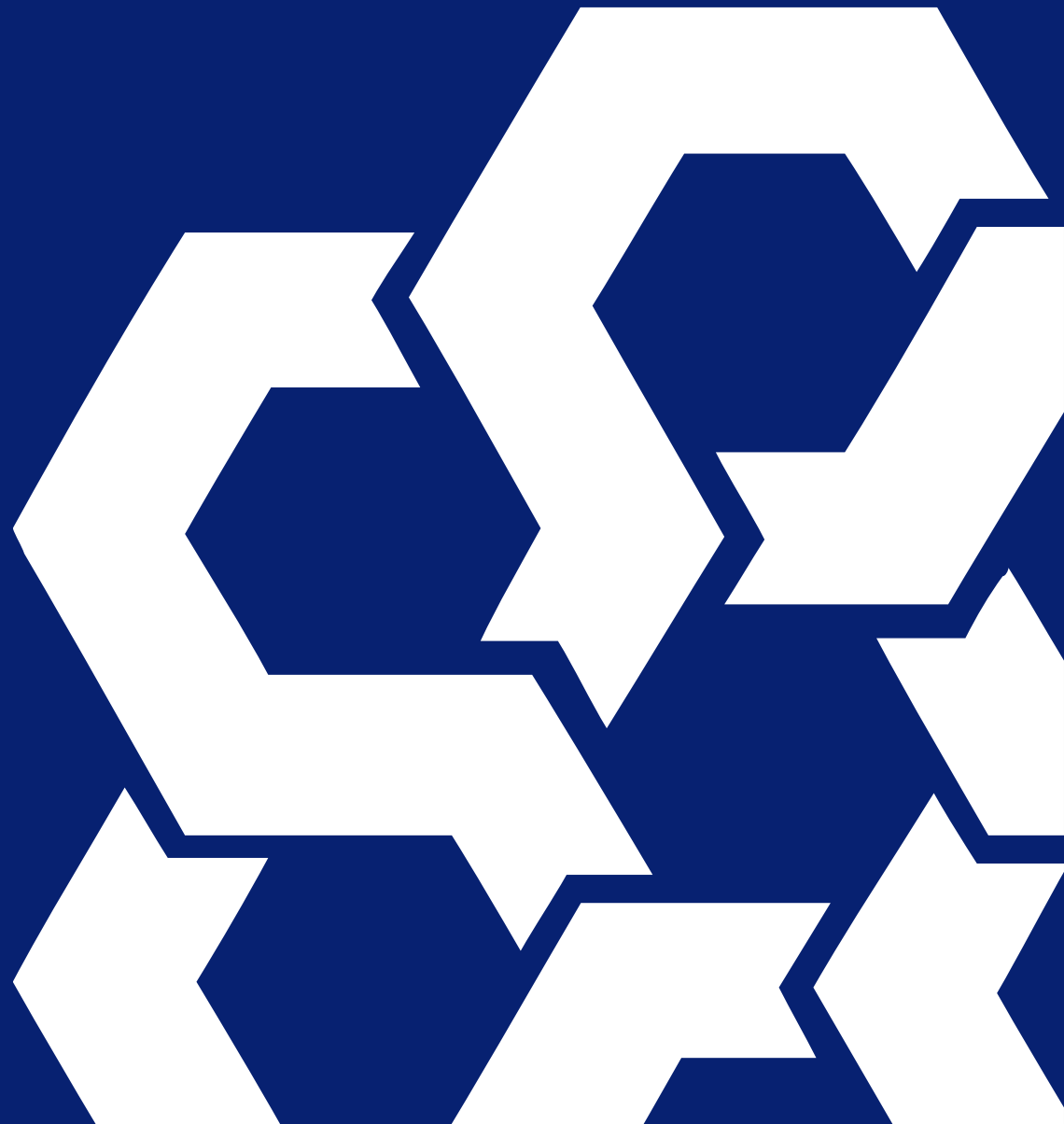
Potential refinements to the measurement approach in the ED (cont.)

- Although we think these simplifications could address many of the concerns raised, we also think it could give rise to other challenges or complexities, for example:
 - if redemption is a fixed amount at a future date (forwards or European options), at what rate should the liability be discounted if there is no initial amount, and should this rate include non-performance risk in the discount rate?
 - if redemption amount is a multiple of EBITDA at a fixed date in future, is measurement based on the entity's expectation of the future EBITDA or the EBITDA at the reporting date?
 - if the holder can exercise the written put option for different amounts depending on settlement date or there is a cap on the variable redemption amount, measurement at an amount 'not less than the amount payable on demand' could imply the highest of the variable amounts the entity could be made to pay. In cases where an entity has no expectation of having to pay the maximum amount, would such measurement still provide useful information to users of financial statements?

Potential refinements to the measurement approach in the ED (cont.)

- The staff are of the view that financial liabilities arising from written put options and forwards to purchase own equity instruments are different from those arising from contingent settlement provisions (which the IASB will discuss as part of the Amortised Cost Project).
- Although both contingent settlement provisions and obligations to purchase own equity are outside the control of the issuer, contingent settlement provisions is subject to the occurrence of a contingent event that is also outside the control of the holder.
- In contrast, obligations to purchase own equity is within the control of the holder, ie exercise of the put option is subject to behaviour of the holder. As a result, these obligations are more similar to liabilities with demand features.
- Paragraph 47 of IFRS 13 states that the fair value of a liability with a demand feature is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
- This formed the basis for the proposals in the ED and results in a measurement that is already 'an IFRS 9 measurement'. However, the staff acknowledge the practical challenges when applied to instruments that are exercisable at fair value or when there are multiple settlement dates or amounts.

Appendix

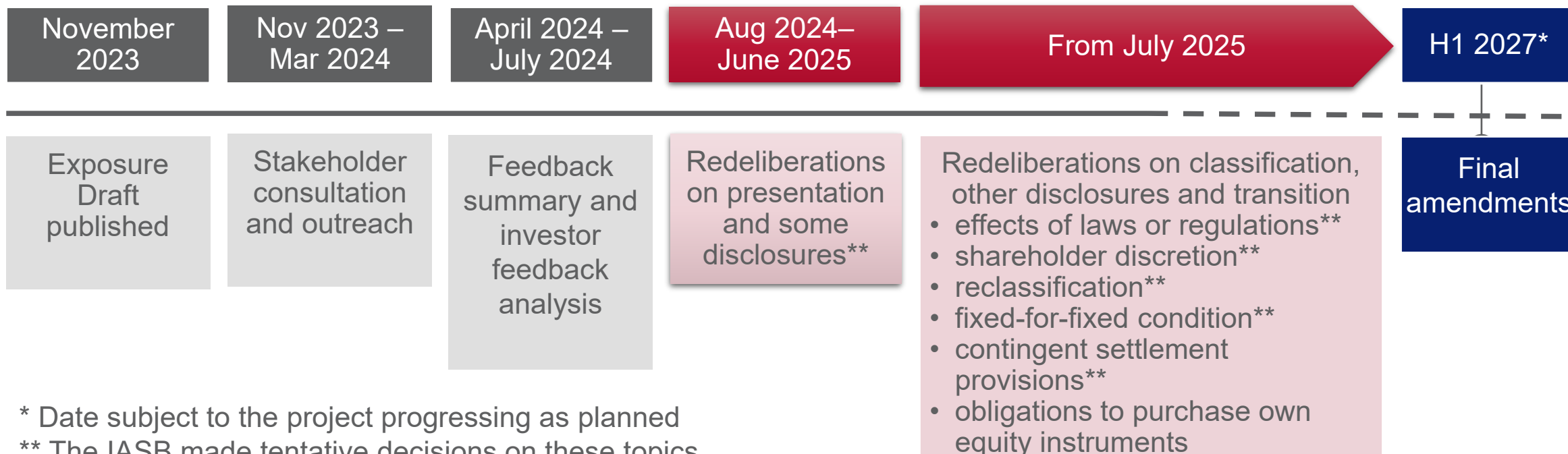


Project overview

Objectives



- to **improve information** entities provide in their financial statements about financial instruments they have issued
- to **address challenges** with applying IAS 32



* Date subject to the project progressing as planned

** The IASB made tentative decisions on these topics

Background to ED proposals

- Paragraph 23 of IAS 32 states:
 - ... a contract that contains an obligation for an entity to repurchase its own equity instruments for cash ... gives rise to a **financial liability** for the **present value of the redemption amount**.... This is the case **even if** the contract itself is an equity instrument....The financial liability is recognised initially at the present value of the redemption amount and is reclassified from equity. Subsequently, the financial liability is **measured in accordance with IFRS 9**...
- Therefore, gains or losses on remeasurement of the financial liability are recognised in profit or loss in accordance with requirements in IAS 32 and IFRS 9 *Financial Instruments*. This was also the proposed requirement in the draft Interpretation *Put Options Written on Non-controlling Interests* issued in May 2012.
- This is consistent with paragraph B96, supported by paragraph BCZ168 of IFRS 10 which states that there is a transaction with owners (in their capacity as owners) when there is **a change in the proportion held** by NCI.

Obligations to purchase own equity instruments—proposals

Example	Relevant extracts from proposed amendments
Written put options on non-controlling interests (NCI) and forward purchase contracts	• If entity does not yet have access to rights and returns associated with ownership—initial amount of financial liability debited against component of equity other than NCI/issued share capital (paragraph AG27B) • Same approach for initial and subsequent measurement—present value of redemption amount—ignore probability and estimated timing of holder exercising, discount assuming redemption at earliest possible redemption date (paragraph 23)

Obligations to purchase own equity instruments—feedback

- Main concerns related to the initial debit entry and the recognition of gains or losses on the financial liability, which mostly affected NCI puts exercisable at fair value (or a proxy of fair value). Stakeholders were concerned about:
 - a ‘one size fits all’ approach due to diversity in practice
 - debiting ‘parent equity’ on initial recognition because of perceived double-counting on the balance sheet and the impact on banks’ regulatory capital ratios
 - remeasurement of the liability through profit or loss due to counterintuitive effects, perceived double-counting in the income statement, or the view that this is a transaction between owners in their capacity as owners
 - counterintuitive effects in profit or loss for distributions to NCI because the liability is affected
- Mixed views on measurement of the financial liability—some support IFRS 9 fair value/amortised cost approach, others support ED approach but want clarifications on:
 - determining the discount rate and period used to determine discount rate
 - measuring the redemption value if it is linked to future performance targets or if there are multiple settlement amounts on multiple settlement dates

* See [Agenda Paper 5](#) for the May 2024 IASB meeting

Alternative presentation approaches suggested

As an alternative to the ED proposals, stakeholders made several suggestions, including:

- derecognising NCI and recognising gains or losses on liability in equity (or partly in equity and partly in profit or loss)
- distinguishing between NCI puts at fixed amounts (derecognise NCI and recognise gains or losses on liability in profit or loss) and NCI puts at fair value (continue to recognise NCI and recognise gains or losses on liability in equity)
- presenting debit to NCI separately from NCI balance and recognise gains or losses on liability in equity
- distinguishing NCI subject to the put option from other NCI in the financial statements to alleviate double-counting concerns
- adding additional disclosure in the notes for negative equity line items
- maintaining status quo by withdrawing the proposals

A way forward...

- The ED proposed amendments relating to:
 - clarifying the IAS 32 'present value of the redemption amount' approach for initial and subsequent measurement; and
 - the presentation of the amount recognised in equity on initial recognition.
- Requirements related to gross recognition of the liability and equity components, and measurement of the financial liability at the present value of the redemption amount are already required by IAS 32. Any changes to these requirements, including introducing a requirement to recognise the liability and equity amounts net (ie similar to derivative accounting) or to recognise remeasurement gains or losses on the liability in equity would require a fundamental change to the requirements in IAS 32 and is beyond the scope of the FICE project.
- Therefore, we are only analysing potential refinements to the ED proposals within the scope of the FICE project, being:
 - presentation of the amount recognised in equity on initial recognition (pages 7-16); and
 - determining the present value of the redemption amount (pages 18-21).

Get involved

Learn more

- Access [IFRS Accounting Standards](#)
- Explore materials for the [consistent application](#) of Standards
- Respond to [consultations](#)

Track progress

- Watch [IASB meetings](#)
- Listen to [podcasts](#)
- Register for [news alerts](#)