IFRS® Accounting

Staff paper

Agenda reference: 5B

IASB® meeting

Date	**September 2026**
Project	**Financial Instruments with Characteristics of Equity (FICE)**
Topic	**Obligations to purchase own equity instruments: Remeasurement gains or losses**
Contacts	Angie Ah Kun (aahkun@ifrs.org) Riana Wiesner (rwiesner@ifrs.org)

Introduction

1. In this paper, the staff summarises the feedback on the proposals in the Exposure Draft *Financial Instruments with Characteristics of Equity* (the ED) related to the recognition of gains or losses from remeasurement of the financial liability arising from obligations to purchase own equity instruments. We also provide our analysis and recommendation on this topic. At this meeting, we will ask the IASB whether it agrees with the staff recommendation in this paper.

2. This paper is structured as follows:

   (a) summary of staff recommendation;

   (b) question for the IASB;

   (c) feedback summary;

   (d) staff analysis;

   (e) staff recommendation; and

   (f) appendix A—illustrative example of alternative presentation approach

Summary of staff recommendation

3. The staff recommends that the IASB proceed to finalise the proposed clarification as set out in the ED that any gains or losses on remeasurement of the financial liability would be recognised in profit or loss, subject to minor drafting improvements.

Question for the IASB

Question for the IASB
Do you agree with the staff's recommendation summarised in paragraph 3 of this paper?

Feedback summary

4. The ED proposed removing the reference to IFRS 9 *Financial Instruments* from paragraph 23 of IAS 32 *Financial Instruments: Presentation* to avoid confusion about measurement of the financial liability and proposed clarifications to how the liability is measured. With regards to the remeasurement of the financial liability, the ED confirmed that any such gains or losses are recognised in profit or loss.

5. Some stakeholders across all the main stakeholder groups provided specific feedback on this proposal.[1] Among them, some stakeholders agreed with the proposal. In their view, the proposal is consistent with the principles in IAS 32 and IFRS 9 whereby gains or losses on remeasurement of financial liabilities are recognised in profit or loss.

6. However, many of these stakeholders disagreed with the proposed confirmation that gains or losses from subsequent measurement of the liability are recognised in profit or loss. Reasons mentioned for their disagreement included that the proposal would lead to:

[1] Please refer to Agenda Paper 5 for this meeting for explanations of the terms used to broadly indicate the portion of respondents that reported a particular view. The feedback analysis on specific matters is based on the comments specifically made on that matter. Therefore, the terms that are used to indicate the portion of respondents that expressed a view are based on the population of respondents who specifically commented on each topic.

(a) a perceived conflict with paragraph B96 of IFRS 10 *Consolidated Financial Statements*.[2] In their view, obligations to purchase own equity instruments from non-controlling interest (NCI) holders are considered transactions between owners in their capacity as owners. As a result, any subsequent change in the liability is a transaction between shareholders which in their view, should be recognised in equity.

(b) perceived double-counting in the income statement ie, recognising two economic effects in profit or loss. Profit or loss attributable to owners of the parent are affected by the remeasurement of the NCI put liability and by the allocation of the share of the subsidiary's profit or loss attributable to NCI holders. They noted that the perceived double-counting would apply to both forwards and puts with fixed, fair value and other formula-based exercise prices.

(c) perceived counterintuitive and misleading results. They said the proposal creates volatility in profit or loss because a group reports a loss when a subsidiary performs well (when the value of the shares subject to the put option increases thus increasing the liability) and a gain when it performs poorly. A preparer indicated this might force them to use non-IFRS alternative performance measures to provide a fair reading of net income and dividend payout ratios to users of financial statements. In their view, remeasuring fair value obligations through profit or loss does not provide relevant information because economically, the entity neither benefits nor suffers a loss from purchasing the subsidiary's shares at their current market price (ie, exchanging cash and shares of equal value).

(d) perceived counterintuitive effects of dividend distributions to NCI holders. If a subsidiary pays a dividend, the NCI is reduced by the cash payment but there

[2] Paragraph B96 of IFRS 10 states: "When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent."

is also a reduction in the value of the financial liability which results in a gain in profit or loss. They questioned whether this outcome would provide useful information.

7. Only a few users of financial statements commented on classification topics.[3] Some of the users of financial statements were concerned about the perceived double-counting in the income statement. They noted that recognising the remeasurement of the financial liability in profit or loss would distort net income and result in an understatement of parent earnings and could have an adverse effect on critical performance metrics such as the price earnings multiple.

8. Suggestions on revising the proposals from those stakeholders that disagreed with the ED were varied. Suggestions ranged from:

   (a) recognising gains or losses from subsequent measurement of the financial liability outside of profit or loss (this was the preferred alternative from many stakeholders);

   (b) changing the requirements for allocating the subsidiary's profit or loss to NCI holders to eliminate the perceived double-counting in profit or loss;

   (c) differentiate accounting for NCI puts based on the characteristics of the instruments; or

   (d) amending the presentation requirements in the statement of profit or loss.

9. With regards to recognising gains or losses from remeasurement outside of profit or loss, many stakeholders suggested requiring recognition either:

   (a) in equity as a transaction with owners in their capacity as owners; or

[3] Agenda Paper 5A for the July 2024 IASB includes a summary of the feedback from users of financial statements on the proposals in the ED.

(b) in other comprehensive income analogous to the requirement in paragraph 5.7.7 of IFRS 9 to recognise changes in fair value from an entity's own credit risk in respect of financial liabilities designated at FVTPL.

10. These stakeholders observed that either of these approaches would require consequential amendments to related requirements in IFRS 9, IFRS 10 and IFRS 18 *Presentation and Disclosure in Financial Statements*.

11. A few stakeholders (referred to in paragraph 8(b) of this paper) suggested to not attribute any of the subsidiary's net profit or loss for the period to NCI holders because in their view, NCI should be derecognised. They noted that paragraph B89 of IFRS 10 requires the proportion of profit or loss, and changes in equity, allocated to the parent and NCI in preparing consolidated financial statements to be determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivatives.

12. They read paragraph BC11 of the Basis for Conclusions on IAS 32 to imply that the NCI cease to be equity instruments. Therefore, in their view, applying paragraph B89 of IFRS 10, no share of net income should be allocated to NCI.

13. For NCI puts exercisable at fair value, a standard-setter suggested the remeasurement of the liability be apportioned—the portion corresponding to the amount of net profit for the period that would have been attributable to NCI holders (if they did not in their view, cease to be equity instruments) could be recognised in profit or loss attributable to the parent and the balance of the remeasurement recognised directly in parent equity.[4]

14. In their view, this approach would achieve a consistent and useful presentation for users of financial statements when the fair value of the NCI shares exceeds the carrying value of net assets attributable to NCI holders.

[4] They see the balance of the remeasurement that they propose be recognised in equity, as a measurement mismatch equal to the total of (i) the change in the fair value of unrecognised assets and liabilities; and (ii) the difference between the fair value and the carrying amount of recognised assets and liabilities.

15. With regards to the suggestion in paragraph 8(c) of this paper, a few stakeholders suggested to differentiate the accounting for NCI puts based on characteristics and terms of the instruments. For example:

    (a) if the strike price of the NCI put is fixed, derecognise the NCI and recognise gains or losses from subsequent measurement in profit or loss; and

    (b) if the strike price of the NCI put is based on the fair value of the shares, continue to recognise the NCI and recognise changes in the measurement of the financial liability directly in equity.

16. A few other stakeholders suggested the IASB expand the presentation requirements in the statement of profit or loss to enhance transparency on the nature of the remeasurement amounts and avoid perceived double-counting.

17. There were also a few stakeholders that suggested the IASB excludes NCI puts from the current FICE project and address the issues in a separate, cross-cutting project. In their view, there is no divergence in practice—subsequent changes in the liability are recognised in equity.

Staff analysis

18. Paragraph 23 of IAS 32 currently states that subsequently, the financial liability is measured in accordance with IFRS 9. Except for specified financial liabilities, IFRS 9 requires gains or losses on remeasurement of financial liabilities to be recognised in profit or loss.

19. As discussed in paragraph BC87 of the Basis for Conclusions on the ED, paragraph 35 of IAS 32 also requires gains or losses relating to a financial instrument (or component of an instrument) that is a financial liability to be recognised in profit or loss. In addition, paragraph 41 of IAS 32 requires gains and losses relating to changes in the carrying amount of a financial liability to be recognised in profit or loss, even if

they relate to an instrument that includes a right to the residual interest in an entity's assets.

20. This was also the proposed clarification in the draft Interpretation *Put Options Written on Non-controlling Interests* issued in May 2012. The draft Interpretation explained that the changes in measurement of the financial liability do not change the relative interests in the subsidiary held by the parent and the NCI holder and therefore are not equity transactions.

21. In addition, the staff notes that paragraph B91 of IFRS 10 states that when instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in a subsidiary, the instruments are not subject to the requirements of IFRS 9. In all other cases, instruments containing potential voting rights in a subsidiary are accounted for in accordance with IFRS 9.

22. The main concerns raised by stakeholders described in paragraph 6 of this paper related to:

    (a) views that the writing of the put option to NCI holders is a transaction with owners in their capacity as owners;

    (b) perceived counterintuitive effects in profit or loss when remeasuring fair value puts; and

    (c) perceived double-counting in the statement of profit or loss.

Transactions with owners

23. The staff notes that paragraph B96 of IFRS 10, supported by paragraph BCZ168 of the Basis for Conclusions on IFRS 10 states that there is a transaction with owners (in their capacity as owners) when there is a change in the proportion held by NCI. This is related to the requirements in paragraphs B89–B91 of IFRS 10 about the proportion of profit or loss and changes in equity allocated to the parent and NCI when an

instrument current gives the parent access to the returns associated with an ownership interest.

24. Paragraphs BC87(e), BC88 and BC89 of the Basis for Conclusions on the ED also explained that:

(a) paragraph 106(d)(iii) of IAS 1 *Presentation of Financial Statements* (now paragraph 107(c)(iii) of IFRS 18) describes transactions with owners in their capacity as owners as contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control. The remeasurement of a financial liability is not a contribution by or distribution to owners. That remeasurement also does not change the respective ownership interests of the parent and non-controlling shareholders in the subsidiary.

(b) paragraph 109 of IAS 1 (now paragraph 112 of IFRS 18) specifically mentions reacquisitions of an entity's own equity instruments as a transaction with owners in their capacity as owners. Therefore, only once the instrument is settled or exercised and the entity's own equity instruments are reacquired will this be a transaction with owners in their capacity as owners.

(c) examples in IFRS Accounting Standards of transactions with owners in their capacity as owners that involve a right to buy shares require the right to be granted to all existing holders of a particular class of equity instruments.[5] In the case of written put options on NCI issued by the subsidiary, the rights to sell the shares are granted only to a subset of existing holders of a particular class of equity instruments—holders of ordinary shares other than the parent.

[5] Paragraph 16(b)(ii) of IAS 32 describes foreign currency denominated rights issuances, which are offered pro rata to all existing shareholders of the same class, to acquire additional shares. This is a transaction with an entity's owners in their capacity as owners (paragraph BC4I of the Basis for Conclusions on IAS 32). Paragraph 4 of IFRS 2 *Share-based Payment* explains that a transaction with an employee (or other party) in their capacity as a holder of equity instruments of an entity is not a share-based payment transaction. In this transaction, the entity grants all holders of a particular class of equity instruments the right to acquire additional equity instruments at a price that is less than their fair value, and an employee receives such a right because they are a holder of equity instruments of that particular class.

25. The staff remains of the view that current IFRS Accounting Standards are clear that the writing of the put option to NCI holders is not in itself a transaction with owners. The parent entity needs to apply the requirements in IFRS 10 to determine whether there has been a change in the proportion held by the NCI holders, either because the exercise of the NCI put resulted in a transfer of shares between the parent and the NCI holders, or the instrument currently gives the parent access to the returns associated with ownership.

26. When neither of these is applicable, the remeasurement of the financial liability does not change the respective ownership interests of the parent or the NCI and is accounted for in profit or loss.

27. The staff therefore are not convinced by any of the arguments from respondents that view the issuance of the put option and its remeasurement as a transaction with owners in their capacity as owners.

Perceived counterintuitive effects in profit or loss

28. The staff acknowledge stakeholder concerns about perceived counterintuitive effects in profit or loss. However, these concerns are not limited to NCI put options exercisable at fair value (or a proxy thereof). This issue also arises, for example, in the case of:

    (a) instruments classified as equity instruments in accordance with paragraphs 16A–16D of IAS 32 in the separate or individual financial statements that are non-controlling interests and are classified as liabilities in the consolidated financial statements;

    (b) derivatives on own equity that do not meet the fixed-for-fixed condition; and

    (c) shares redeemable at fair value that do not meet the puttable exception in paragraphs 16A–16B of IAS 32.

29. In response to stakeholder suggestions in paragraph 9(b) of this paper to recognise changes in other comprehensive income, the staff notes that there are significant differences between the instruments. Firstly, the own credit risk requirement applies to financial liabilities designated at fair value through profit or loss whereas obligations to acquire own equity are measured at the present value of the redemption amount (see Agenda Paper 5C of this meeting). Secondly, the perceived counterintuitive effects arise because the redemption amount is measured based on the fair value of the shares or the subsidiary's overall performance. Therefore, the measurement of the liability is not directly attributable to the entity's financial ability to discharge its obligation to deliver cash.

30. The staff also notes that the 2018 Discussion Paper *Financial Instruments with Characteristics of Equity* (DP) proposed to generally recognise gains or losses on NCI puts from remeasuring the liability, in profit or loss. However, if the NCI is puttable at fair value, the gains or losses from remeasuring the financial liability would have been presented in other comprehensive income, without subsequent reclassification to profit or loss.

31. At the time, the IASB's preliminary view was that using other comprehensive income would clearly identify income and expenses that result from changes in the entity's available economic resources and it would alleviate the concern about perceived counterintuitive accounting. However, respondents' feedback on the DP with regards to using other comprehensive income was mixed: [6]

    (a) some agreed. They believed it would promote transparency, allow for a better depiction in profit or loss of the return the entity produces to satisfy its claims, and avoid counterintuitive accounting results. A few of these respondents specifically said they agreed with the proposal to not subsequently reclassify amounts presented in other comprehensive income to profit or loss. However, some others commented that they would only support the separate presentation

[6] This feedback was included in Agenda Paper 5B of the December 2022 IASB meeting.

in other comprehensive income if there is a subsequent reclassification to profit or loss.

(b) many disagreed because they did not support what they believe is a new type of liability that expands the use of other comprehensive income. Several concerns were raised including that such presentation lacks conceptual basis, would not likely benefit users of financial statements because it can be used to hide volatility in earnings, and leads to an exception in presentation, replacing one rule with another rather than developing a principle-based outcome. Some respondents recommended either separate presentation in profit or loss or disclosures (for example, details of income and expenses arising from these financial instruments) in the notes as alternative approaches.

(c) a few users of financial statements said they did not have a strong view on where this income and expense should be presented as long as they were able to distinguish them from income and expenses from other types of financial liabilities.

32. Specifically on NCI puts, some DP respondents agreed that the use of other comprehensive income is a compromise if changes in the value of the liability cannot be recognised in equity as a transaction with shareholders.

33. Based on the feedback on the DP, the ED therefore did not further explore recognition in other comprehensive income and consistent with the IASB's original intention, confirmed that remeasurement gains or losses should be recognised in profit or loss. However, to provide transparency and mitigate the perceived counterintuitive effects, the IASB proposed separate disclosure (draft paragraph 30J of IFRS 7) of the amount of any remeasurement gain or loss recognised in profit or loss during the reporting period.

Perceived double-counting in the statement of profit or loss

34. The staff continue to be of the view that when the obligation over NCI does not currently provide the entity with access to returns associated with an ownership interest, there is no double counting in profit or loss because:

(a) if the parent grants NCI holders the right to sell their interest to the parent entity, it is an additional right exercisable by the holder. It does not replace any of their current rights or ownership interests.

(b) paragraph B89 of IFRS 10 applies. The proportion of profit or loss and changes in equity allocated to the parent and NCI holders in preparing consolidated financial statements is determined solely on the basis of existing ownership interests and does not reflect the possible exercise or conversion of potential voting rights and other derivatives.

35. The staff does not agree with the suggestion in paragraph 8(b) of this paper to change the requirements for allocating the subsidiary's net profit or loss to NCI holders. The requirements in IFRS 10 are clear when the allocation is changed and any changes to those requirements could have significant effects in other situations and would be outside the scope of this project.

Exploring a potential alternative

36. The staff notes that any changes to recognise remeasurement gains or losses on the liability in equity or other comprehensive income would require a fundamental change to the requirements in IFRS 9 and IAS 32, and would therefore be beyond the scope of the FICE project.

37. We understand that, as discussed already in the paper, many stakeholders, including some users of financial statements do not think the remeasurement of the NCI put liability should affect profit or loss, and therefore the amount of profit attributable to owners of the parent. For this reason, the staff set out to explore the suggestion in

paragraph 16 of this paper to determine whether presentation requirements could address those concerns.

38. The staff notes that entities would need to apply the disaggregation principles and requirements in IFRS 18 to assess whether presenting additional line items are necessary to provide a useful structured summary. We therefore did not consider requiring additional line items in the statement of profit or loss but considered an approach in which entities would present further disaggregation in the attribution section of the statement of profit or loss—determine the amount of consolidated profit or loss for the year attributable to owners of the parent by excluding the remeasurement of the NCI put liability

39. We wanted to explore whether, similar to the alternative approach discussed in Agenda Paper 5A of this meeting, this might partially address the concerns about perceived double-counting in the statement of profit or loss.

40. Appendix A sets out an illustrative example using the same simplified fact pattern from Appendix A of Agenda Paper 5A of this meeting but focuses on an alternative presentation approach in the statement of profit or loss.

Feedback from consultative groups

41. The staff consulted some of the IASB's consultative groups on this potential alternative approach to presentation in the statement of profit or loss.[7] Consultative Group members were asked whether in their views, this additional presentation in the attribution section in the statement of profit or loss would address perceived double-counting concerns and provide useful information to users of financial statements.

42. Many ASAF members generally supported the alternative presentation as a way of providing additional information to users of financial statements about the remeasurement of the financial liability and the allocation of subsidiary profit to the

[7] See Agenda Paper 1 of the July 2026 ASAF meeting and Agenda Paper 1 of the July 2026 FICG meeting.

parent. It was mentioned that disclosures could be added support the presentation and further improve transparency about the obligation over NCI.

43. In contrast, some ASAF members were concerned that such presentation might result in information that is difficult for users of financial statements to understand. However, it was acknowledged that despite their own concern, investors in their jurisdictions were supportive of the proposed presentation and appreciated the additional information presented.

44. One ASAF member's view was consistent with the feedback discussed in paragraphs 11–12 aboveof this paper and analysed in paragraphs 34–35 of this paper.

45. Of the FICG members that specifically commented on the alternative presentation approach, some members viewed this approach as improving transparency for users of financial statements if remeasurement gains and losses are required to be recognised in profit or loss. However, some other FICG members did not see any merit in the alternative presentation approach. They said the proposed presentation improvements do not resolve the underlying core concerns about double-counting or perceived counterintuitive effects in profit or loss based on how the fair value of a company evolves over time or could reveal commercially sensitive valuation information in limited cases. One FICG member said bifurcating the profit attributable to the parent between different components adds complexity especially when the reason for separating an item is because it relates to NCI.

46. Another FICG member said disclosures are the most appropriate way to explain remeasurement and other effects of the instruments instead of overloading the statement of profit or loss.

Further analysis

47. Based on the feedback from the consultative groups and the concerns raised by members, the staff further explored whether a potential alternative presentation approach could be developed.

48. The staff believes that the potential alternative presentation approach discussed in this paper could add further complexity to the attribution section of the statement of profit or loss. The IASB has already made tentative decisions affecting the attribution section, including (among others) to require an entity to present separately, in the statement of profit or loss, the profit or loss attributable to owners of the parent, disaggregated between:[8]

    (a) ordinary shareholders;

    (b) participating rights holders; and

    (c) non-participating rights holders.

49. In reaching this decision, the IASB had to also develop clear descriptions of what participating and non-participating rights holders refer to and to require an entity to categorise equity instruments based on the instrument holders' contractual rights to profit or loss participation as at the reporting date. The IASB also tentatively decided:

    (a) to define a 'participating right' as 'the right to participate in profit or loss with ordinary shares, with the amount varying based on the entity's profit or loss for the period'.

    (b) to define a 'non-participating right' as 'the right to contractually specified amounts (for example, fixed dividends or coupons) before the determination of the profit or loss that is allocated to ordinary shareholders and participating rights holders'.

[8] IASB Update June 2025

50. To facilitate the discussion with consultative group members, the staff developed a simplified example (see Appendix A of this paper) that isolated the remeasurement effects of the NCI put option and consequently assumed no other income or expenses from the parent or from other subsidiaries. This simplification resulted in the attribution section of the statement of profit or loss in the example, showing the amount of consolidated profit for the year attributable to owners of the parent disaggregated into the parent’s share of the subsidiary’s profit for the year and the remeasurement of the NCI put liability.

51. However, in practice, there would be other amounts that affect the amount of consolidated profit or loss attributable to owners of the parent, not just the parent’s share of the subsidiary’s profit or loss for the year and the remeasurement of the NCI put liability.

52. The staff noted some challenges when trying to extend the simplified example and apply the potential alternative approach in cases where there are other amounts that affect the consolidated profit or loss attributable to owners of the parent. If it is assumed that users of financial statements would benefit from the separate presentation of the parent’s share of the subsidiary’s profit or loss in the attribution section, then the amount of the remeasurement of the NCI put liability recognised in profit or loss would thus not likely be presented separately in the attribution section. Instead, it would be included in the item representing the difference between the parent’s share of the subsidiary’s profit or loss and the parent’s share of the consolidated profit or loss. This is because it would be difficult to justify presenting only the NCI put remeasurement separately in the attribution section apart from other amounts that also affect the parent’s share of the consolidated profit or loss and that could provide equally relevant information to other users of financial statements.

53. It is also not clear whether users of financial statements would still benefit from the separate presentation of the parent’s share of the subsidiary’s profit or loss when there are other amounts that affect the parent’s share of the consolidated profit or loss, not just the remeasurement of the NCI put liability.

54. In addition, other application questions might arise. This includes whether the parent's share of the subsidiary's profit or loss, and the items that reconcile this amount to the parent's share of the consolidated profit or loss, are only attributable to ordinary shareholders or also to participating rights holders of the parent (see paragraph 48 of this paper).

55. The staff notes as mentioned in paragraph 33 of this paper, the ED proposed disclosure of the amount of any remeasurement gain or loss recognised in profit or loss during the reporting period. Therefore, users of the financial statements will be able to obtain information about the amount of the remeasurement of the NCI put liability recognised in profit or loss regardless of whether the IASB requires the amount to be separately presented in the attribution section in the statement of profit or loss.

56. We are therefore questioning whether further disaggregation in the attribution section would result in any incremental benefits to the users of financial statements.

57. The staff also acknowledges the concerns raised about the potential to require entities to present or disclose information in the context of an NCI put exercisable at fair value that could be deemed as commercially sensitive (as described in paragraph 44 of this paper). Stakeholders have told us that this would for example be the case if the shares of the subsidiary are not quoted in an active market, and the liability is measured using a valuation technique based mainly on unobservable inputs (ie, level 3 valuation). The separate presentation of the NCI put liability, or the related remeasurement gains or losses as part of the attribution section, could prejudice negotiations of the final price when the NCI put is exercised.

58. The staff acknowledges that the concern about commercially sensitive info would also impact the proposed disclosure described in paragraph 33 of this paper especially if there is only one NCI put option disclosed. The staff will consider the proposed disclosures related to obligations to purchase own equity instruments when it analyses the feedback on these and other disclosures in the project for a future IASB meeting.

Staff recommendation

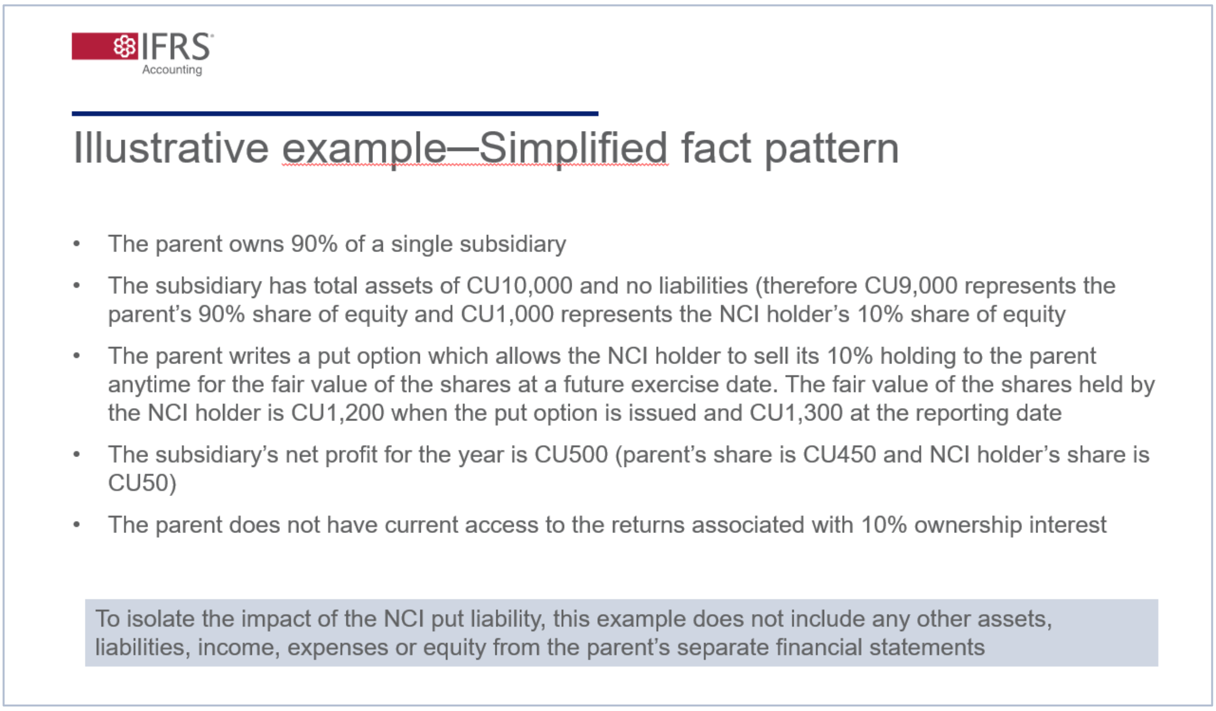
59. Based on the staff's analysis in paragraphs 18–58 of this paper, the staff continues to be of the view that changes in the measurement of the financial liability to which paragraph 23 of IAS 32 applies, should continue to be recognised in profit or loss.

60. In relation to the potential alternative presentation approach, taking into account stakeholder concerns and the staff's additional concerns, on balance, we think the benefits of any further disaggregation in the attribution section of the statement of profit or loss would not outweigh the costs and additional complexity.

61. The staff therefore do not think any further refinements to the proposed clarification related to remeasurement gains or losses are necessary. We recommend the IASB finalise the proposed clarification that any gains or losses on remeasurement would be recognised in profit or loss.

Appendix A—Illustrative example of alternative presentation approach

A1. The staff developed an illustrative example which compares the ED approach (see paragraph A2 of this paper) and the alternative presentation approach (described in paragraph 38 of this paper) for recognising NCI put options in the statement of profit or loss. The example also includes the effects on the statement of financial position for completeness.



A2. The ED approach for the statement of profit or loss is consistent with the current requirements in IAS 32 and the requirements in IFRS 18. The example illustrates that the remeasurement of the NCI put liability is recognised in the group's consolidated profit for the year and this consolidated profit is then attributed between owners of the parent and the NCI holder. The ED approach for the statement of financial position was to record the debit entry on initial recognition against the parent's share of equity.

IFRS Accounting

ED approach—effect on consolidated financial statements at reporting date

Statement of financial position

Total assets	10,500
NCI put liability	1,300
Total liabilities	1,300
Parent share of equity	8,150
NCI share of equity	1,050
Total equity	9,200
Total liabilities and equity	10,500

Statement of profit or loss

Subsidiary's profit for the year	500
Remeasurement of NCI put liability	-100
Consolidated profit for the year	400
Attributable to owners of the parent	350
Attributable to NCI holder	50

Parent share of equity = 9000-1200+350

NCI share of equity = 1000+50

A3. Under the alternative presentation approach, additional disaggregation would be required in the attribution section resulting in the separate presentation of the percentage share of the subsidiary's profit for the year attributable to owners of the parent and the remeasurement of the NCI put liability. The alternative approach in the statement of financial position was discussed and illustrated in Agenda Paper 5A of this meeting.

Potential alternative approach extended to statement of profit or loss

Statement of financial position

Total assets	10,500
NCI put liability	1,300
Total liabilities	1,300
Parent share of equity	9,350
NCI share of equity	1,050
NCI subject to put option	- 1,200
NCI share of equity after considering put option	- 150
Total equity	9,200
Total liabilities and equity	10,500

Statement of profit or loss

Subsidiary's profit for the year	500
Remeasurement of NCI put liability	-100
Consolidated profit for the year	400
Attributable to owners of the parent	350
Percentage share of subsidiary's profit for the year	450
Remeasurement of NCI put liability	-100
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