

IAS 32 *Financial Instruments: Presentation* (November 2016)

Written put options over non-controlling interests to be settled by a variable number of the parent's shares

The Interpretations Committee received a request regarding how an entity accounts for a written put option over non-controlling interests (NCI put) in its consolidated financial statements. The NCI put has a strike price that will, or may, be settled by the exchange of a variable number of the parent's own equity instruments.

Specifically, the Interpretations Committee was asked to consider whether, in its consolidated financial statements, the parent:

- a) applies paragraph 23 of IAS 32 and, therefore, recognises a financial liability representing the present value of the option's strike price—in other words, a gross liability; or
- b) does not apply paragraph 23 of IAS 32 and, therefore, recognises a derivative financial liability presented on a net basis measured at fair value.

The Interpretations Committee was also asked whether the parent applies the same accounting for NCI puts for which the parent has the choice to settle the exercise price either in cash or by way of a variable number of its own equity instruments to the same value.

The Interpretations Committee observed that, in the past, it had discussed issues relating to NCI puts that are settled in cash. Those issues were referred to the Board and are being considered as part of the Financial Instruments with Characteristics of Equity project.

The Interpretations Committee noted that:

- a) on the basis of its previous discussions, the issue is too broad for the Interpretations Committee to address efficiently within the confines of existing IFRS Standards; and
- b) the Board is currently considering the requirements for all derivatives on an entity's own equity comprehensively as part of the Financial Instruments with Characteristics of Equity project.

For these reasons, the Interpretations Committee decided not to add this issue to its agenda.