



To:	AASB Members	Date:	7 September 2009
From:	Joanna Spencer	Agenda Item:	9.3
Subject:	Draft Interpretation D25 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	File:	

Action

Consider the draft response to the IFRIC on Draft Interpretation D25 *Extinguishing Financial Liabilities with Equity Instruments* and provide staff with directions for finalising it for submission by 5 October 2009.

Background

The IFRIC issued for public comment Draft Interpretation D25 in August 2009 in response to a request to clarify the application of IAS 39 *Financial Instruments: Recognition and Measurement* when an entity issues its own equity instruments to extinguish all or part of a financial liability (debt to equity swap). The Draft Interpretation was issued for comment by Australian constituents, which submissions closing 7 September 2009. To date no submissions have been received.

The Draft Interpretation only addresses the matter from the debtor's (i.e. the issuer of equity instruments) perspective and not that of the creditor. The main issue is whether the entity issuing the equity instruments should measure those equity instruments at the carrying amount of the financial liability or at the fair value of either the equity instruments or the financial liability.

The Draft Interpretation proposes that an entity's equity instruments be measured at their fair value or the fair value of the financial liability extinguished, which ever is readily determinable. It also requires that any difference between the carrying amount of the financial liability extinguished and the measurement amount of the equity instruments be included in the entity's profit or loss.

Staff View

We consider that there is sufficient guidance in existing IFRS to address the issues raised. However, we have no objection to an Interpretation being issued if it reduces diversity in practice.

Attachments

Agenda paper 9.3.1 draft AASB submission to IFRIC Draft Interpretation D25 *Extinguishing Financial Liabilities with Equity Instruments*

Agenda paper 9.3.2 IFRIC Draft Interpretation D25

Agenda paper 9.3.3 *IFRIC Update August 2009*