International Accounting Standards Board®

Press Release

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IFRIC issues guidance on extinguishing financial liabilities with equity instruments

The International Financial Reporting Interpretations Committee (IFRIC)* issued today an interpretation that provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. These transactions are often referred to as debt for equity swaps.

IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

IFRIC 19 clarifies that:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability.
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

The interpretation is effective for annual periods beginning on or after 1 July 2010 with earlier application permitted.

* The IFRIC is the interpretative arm of the International Accounting Standards Board (IASB).

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IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* is available for *e*IFRS subscribers from today**.**

For more information on IFRIC 19 visit the project website on www.iasb.org.

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About the IFRIC

The IFRIC first met in February 2002. It comprises 14 voting members (all part-time) drawn from a variety of countries and professional backgrounds, and it meets about six times a year under a non-voting chairman. The IFRIC's principal role is to consider, on a timely basis within the context of International Financial Reporting Standards and the IASB *Framework*, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing Interpretations, the IFRIC works closely with similar national interpretation committees.

About the IASB

The IASB was established in 2001 and is the standard-setting body of the International Accounting Standards Committee (IASC) Foundation, an independent private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 15 full-time members drawn from ten countries and a variety of professional backgrounds. By 2012 the IASB will be expanded to

16 members. Its members are appointed by and accountable to the Trustees of the IASC Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.