

IFRIC[®] Update

From the IFRS[®] Interpretations Committee



May 2017

Welcome to the May IFRIC Update

The IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (the Committee) in its public meetings.

Decisions on an IFRIC Interpretation become final only after the Committee has taken a formal vote on the Interpretation. IFRIC Interpretations require ratification by the International Accounting Standards Board (the Board).

The Committee met on **3 May 2017**, and discussed:

- [Committee's tentative agenda decisions](#)
- [IFRS 9 *Financial Instruments*—Financial assets eligible for the election to present changes in fair value in other comprehensive income \(Agenda Paper 2\)](#)
- [Other matters](#)
- [Committee work in progress update \(Agenda Paper 3\)](#)

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Future IFRS Interpretations Committee meetings

The next meetings are:

13 and 14 June 2017
12 and 13 September 2017
20 and 21 November 2017

Meeting dates, tentative agendas and additional details about the next meeting will be posted to the IFRS [website](#) before the meeting. Further information about the activities of the IFRS Interpretations Committee can be found [here](#). Instructions for submitting requests for IFRIC Interpretations are given on the IFRS website [here](#).

Archive of IFRIC Update

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Committee's tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add them to its standard-setting agenda. Instead, each tentative agenda decision includes, to the extent possible, explanatory material referring to the relevant principles and requirements in IFRS Standards. The Committee will reconsider these tentative decisions, including the reasons for not adding the items to the standard-setting agenda, at a future meeting. The Committee encourages interested parties who disagree with the tentative decision and/or with the reasons stated, or believe that such reasons may contribute to divergent practices, to email their comments by 5 July 2017 to ifric@ifrs.org. Similarly, interested parties who agree with the tentative decision may also send us their comments by that date, indicating whether they agree with the Committee's reasons. The Committee will place all such correspondence received on the public record unless the writer specifically requests that it remain confidential. In that case, the writer must support the request with a good reason, for example, commercial confidentiality.

IFRS 9 *Financial Instruments*—Financial assets eligible for the election to present changes in fair value in other comprehensive income (Agenda Paper 2)

The Committee received a request to clarify whether particular financial instruments are eligible for the presentation election in paragraph 4.1.4 of IFRS 9. That election permits the holder of particular investments in equity instruments to present subsequent changes in fair value in other comprehensive income, rather than in profit or loss. The submitter asked whether financial instruments are eligible for that presentation election if the issuer would classify them as equity applying paragraphs 16A–16D of IAS 32 *Financial Instruments: Presentation*.

The Committee observed that the presentation election in paragraph 4.1.4 of IFRS 9 refers to particular investments in *equity instruments*. ‘Equity instrument’ is a defined term, and Appendix A of IFRS 9 specifies that it is defined in paragraph 11 of IAS 32. IAS 32 defines an equity instrument as ‘any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities’. Consequently, a financial instrument that meets the definition of a financial liability cannot meet the definition of an equity instrument.

The Committee also observed that paragraph 11 of IAS 32 specifies that, as an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument by the issuer if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32.

Accordingly, the Committee concluded that a financial instrument that has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32 is not eligible for the presentation election in paragraph 4.1.4 of IFRS 9. This is because such an instrument does not meet the definition of an equity instrument in IAS 32. This conclusion is supported by the Board’s explanation in paragraph BC5.21 of IFRS 9 of its decision in this respect.

The Committee concluded that the requirements in IFRS 9 provide an adequate basis for the holder of the particular instruments described in the submission to classify such instruments. In the light of the existing requirements in IFRS Standards, the Committee [determined] that neither an IFRIC Interpretation nor an amendment to a Standard was necessary. Consequently, the Committee [decided] not to add this matter to its standard-setting agenda.

Other matters

Committee update on work in progress (Agenda Paper 3)

The Committee received a report on five new requests for consideration at a future meeting—Transaction price allocation (IFRS 3), Dual currency bonds (IFRS 9), Associates and common control (IAS 28), Onerous contract costs (IAS 37) and Promotional goods (IAS 38).

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