SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL)

SFRS(I) INT 19
Extinguishing Financial Liabilities with Equity Instruments

This Interpretation is applicable for annual reporting period beginning on 1 January 2023.

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SFRS(I) Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (SFRS(I) INT 19) is set out in paragraphs 1–17 and the Appendix. SFRS(I) INT 19 should be read in the context of the Basis for Conclusions on International Financial Reporting Standards. The scope and authority of Interpretations are set out in the *Preface to Singapore Financial Reporting Standards (International)*.

Preface

Singapore Financial Reporting Standards (International) (SFRS(I)s) are available for entities to apply for annual reporting periods beginning on or after 1 January 2018.

The first volume of SFRS(I)s contains the equivalent of the consolidated text of International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting period beginning on 1 January 2018.

In this Interpretation, paragraphs with a prefix 'IFRS' refer to effective date, transition provisions and/or other text that are extracted from IFRSs. An entity that is not a first-time adopter shall apply those requirements, if applicable[1]. Paragraphs that are specific to SFRS(I)s are indicated with a prefix 'SG'.

Notwithstanding the effective date and transition provisions in this Interpretation, an entity that is a first-time adopter of SFRS(I)s[2] shall:

(A) Initially apply this Interpretation in the first annual period in which it adopts SFRS(I)s; and

(B) Apply SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* in its first SFRS(I) financial statements. The entity shall also apply SFRS(I) 1 in each interim financial report that it presents in accordance with SFRS(I) 1-34 *Interim Financial Reporting* for any part of the period covered by its first SFRS(I) financial statements.

SFRS(I) INT 19 *Extinguishing Financial Liabilities with Equity Instruments* is equivalent to IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. An entity that complies with SFRS(I) INT 19 can simultaneously comply with IFRIC 19.

1 For example, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* specifies that the transitional provisions in SFRS(I)s apply to a transitioning entity's transition to SFRS(I)s. SFRS(I) 1 defines a 'transitioning entity' as an entity that presents its first SFRS(I) financial statements, and that presented its annual financial statements in the most recent previous year that contained an explicit and unreserved statement of compliance with IFRSs.

2 SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* defines a 'first-time adopter' as an entity that presents its first SFRS(I) financial statements. A first-time adopter excludes a transitioning entity.

SFRS(I) Interpretation 19
Extinguishing Financial Liabilities with Equity Instruments

References

- *Framework for the Preparation and Presentation of Financial Statements*[1]
- SFRS(I) 2 *Share-based Payment*
- SFRS(I) 3 *Business Combinations*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 13 *Fair Value Measurement*
- SFRS(I) 1-1 *Presentation of Financial Statements*
- SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- SFRS(I) 1-32 *Financial Instruments: Presentation*

Background

1 A debtor and creditor might renegotiate the terms of a financial liability with the result that the debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor. These transactions are sometimes referred to as ‘debt for equity swaps’. There were requests for guidance on the accounting for such transactions.

Scope

2 This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

3 An entity shall not apply this Interpretation to transactions in situations where:

(a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder.

(b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity.

(c) extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

Issues

4 This Interpretation addresses the following issues:

(a) Are an entity’s equity instruments issued to extinguish all or part of a financial liability ‘consideration paid’ in accordance with paragraph 3.3.3 of SFRS(I) 9?

IFRS.1 The reference is to the IASC’s *Framework for the Preparation and Presentation of Financial Statements*, adopted by the IASB in 2001 and in effect when the Interpretation was developed.

(b) How should an entity initially measure the equity instruments issued to extinguish such a financial liability?

(c) How should an entity account for any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued?

Consensus

5 The issue of an entity's equity instruments to a creditor to extinguish all or part of a financial liability is consideration paid in accordance with paragraph 3.3.3 of SFRS(I) 9. An entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished in accordance with paragraph 3.3.1 of SFRS(I) 9.

6 When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, an entity shall measure them at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured.

7 If the fair value of the equity instruments issued cannot be reliably measured then the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. In measuring the fair value of a financial liability extinguished that includes a demand feature (eg a demand deposit), paragraph 47 of SFRS(I) 13 is not applied.

8 If only part of the financial liability is extinguished, the entity shall assess whether some of the consideration paid relates to a modification of the terms of the liability that remains outstanding. If part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. The entity shall consider all relevant facts and circumstances relating to the transaction in making this allocation.

9 The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss, in accordance with paragraph 3.3.3 of SFRS(I) 9. The equity instruments issued shall be recognised initially and measured at the date the financial liability (or part of that liability) is extinguished.

10 When only part of the financial liability is extinguished, consideration shall be allocated in accordance with paragraph 8. The consideration allocated to the remaining liability shall form part of the assessment of whether the terms of that remaining liability have been substantially modified. If the remaining liability has been substantially modified, the entity shall account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by paragraph 3.3.2 of SFRS(I) 9.

11 An entity shall disclose a gain or loss recognised in accordance with paragraphs 9 and 10 as a separate line item in profit or loss or in the notes.

Effective date and transition

IFRS. 12 An entity shall apply [IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (issued by IASB in November 2009)] for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies this Interpretation for a period beginning before 1 July 2010, it shall disclose that fact.

IFRS. 13 An entity shall apply a change in accounting policy in accordance with IAS 8 from the beginning of the earliest comparative period presented.

IFRS.14 [Deleted]

IFRS.15 IFRS 13, issued in May 2011, amended paragraph 7. An entity shall apply that amendment when it applies IFRS 13.

IFRS.16 [Deleted]

IFRS.17 IFRS 9, as issued in July 2014, amended paragraphs 4, 5, 7, 9 and 10 and deleted paragraphs 14 and 16. An entity shall apply those amendments when it applies IFRS 9.

Appendix
Amendment to other SFRS(I)s

IFRS. *The amendment in this appendix shall be applied for annual periods beginning on or after 1 July 2010. If an entity applies [IFRIC 19] for an earlier period, the amendment shall be applied for that earlier period.*

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The amendment contained in this appendix has been incorporated into the text of the relevant SFRS(I)s.