



## **New Zealand Equivalent to IFRIC Interpretation 19**

### **Extinguishing Financial Liabilities with Equity Instruments (NZ IFRIC 19)**

**Issued December 2009 and incorporates amendments to 31 January 2026**

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The following is available within New Zealand on the XRB website as additional material

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## NZ IFRIC 19

New Zealand Equivalent to IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (NZ IFRIC 19) is set out in paragraphs 1–17 and the Appendix. NZ IFRIC 19 is accompanied by an IFRIC Basis for Conclusions.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

### **Reduced Disclosure Regime**

Tier 2 for-profit entities must comply with all the provisions in NZ IFRIC 19.

# New Zealand Equivalent to IFRIC Interpretation 19

## *Extinguishing Financial Liabilities with Equity Instruments (NZ IFRIC 19)*

### References

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- NZ *Framework for the Preparation and Presentation of Financial Statements*<sup>1</sup>
- NZ IFRS 2 *Share-based Payment*
- NZ IFRS 3 *Business Combinations*
- NZ IFRS 9 *Financial Instruments*
- NZ IFRS 13 *Fair Value Measurement*
- NZ IFRS 18 *Presentation and Disclosure in Financial Statements*
- NZ IAS 8 *Basis of Preparation of Financial Statements*
- NZ IAS 32 *Financial Instruments: Presentation*

### Background

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- 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’. The IFRIC has received requests for guidance on the accounting for such transactions.

### Scope

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- NZ 1.1 This Interpretation applies to Tier 1 and Tier 2 for-profit entities.
- 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

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- 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 NZ IFRS 9?
  - (b) How should an entity initially measure the equity instruments issued to extinguish such a financial liability?

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<sup>1</sup> The conceptual framework that was in effect when the IASB developed IFRIC 19 was the IASC’s *Framework for the Preparation and Presentation of Financial Statements*, adopted by the IASB in 2001. IFRIC 19 refers to that framework. The equivalent New Zealand pronouncement was the New Zealand Equivalent to the IASB *Framework for the Preparation and Presentation of Financial Statements* which was replaced by the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010*.

- (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

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- 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 NZ IFRS 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 NZ IFRS 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 NZ IFRS 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 NZ IFRS 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 NZ IFRS 9.
- 11 An entity shall present a gain or loss recognised in accordance with paragraphs 9 and 10 as a separate line item in the statement of profit or loss or disclose it in the notes.

## Effective date and transition

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- 12 An entity shall apply this Interpretation 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.
- 13 An entity shall apply a change in accounting policy in accordance with NZ IAS 8 from the beginning of the earliest comparative period presented.
- 14 [Deleted by IASB]
- 15 NZ IFRS 13, issued in June 2011, amended paragraph 7. An entity shall apply that amendment when it applies NZ IFRS 13.
- NZ 15.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.
- 16 [Deleted by IASB]
- 17 NZ IFRS 9, as issued in September 2014, amended paragraphs 4, 5, 7, 9 and 10 and deleted paragraphs 14 and 16. An entity shall apply those amendments when it applies NZ IFRS 9.
- 18 NZ IFRS 18 *Presentation and Disclosure in Financial Statements* issued in May 2024 amended paragraph 11. An entity shall apply those amendments when it applies NZ IFRS 18.

## **Appendix Amendments to other pronouncements**

*The amendments in this appendix shall be applied for annual periods beginning on or after 1 July 2010. If an entity applies this Interpretation for an earlier period, these amendments shall be applied for that earlier period.*

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*The amendments contained in this appendix when this Interpretation was issued in 2009 have been incorporated into the relevant pronouncements.*

## HISTORY OF AMENDMENTS

### Table of Pronouncements – NZ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

This table lists the pronouncements establishing and amending NZ IFRIC 19. The table is based on amendments approved as at 31 January 2026.

Pronouncements	Date issued	Early operative date	Mandatory date (annual reporting periods... on or after ...)
NZ IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Dec 2009	Early application permitted	1 July 2010
NZ IFRS 9 <i>Financial Instruments</i> (2010)	Nov 2010	Early application permitted	1 Jan 2013 <sup>1</sup>
NZ IFRS 13 <i>Fair Value Measurement</i>	June 2011	Early application permitted	1 Jan 2013
<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> <sup>2</sup>	Nov 2012	Early application permitted	1 Dec 2012
NZ IFRS 9 <i>Financial Instruments</i> (2013) ( <i>Hedge Accounting and Amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39</i> )	Dec 2013	Early application permitted	1 Jan 2017 <sup>3</sup>
NZ IFRS 9 <i>Financial Instruments</i> (2014)	Sept 2014	Early application permitted	1 Jan 2018
<i>Amendments to References to the Conceptual Framework in NZ IFRS</i>	May 2018	Early application permitted	1 Jan 2020
NZ IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	May 2024	Early application permitted	1 Jan 2027

Table of Amended Paragraphs in NZ IFRIC 19		
Paragraph affected	How affected	By ... [date]
References	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
References	Amended	<i>Amendments to References to the Conceptual Framework in NZ IFRS</i> [May 2018]
References	Amended	NZ IFRS 18 [May 2024]
Paragraph 4(a)	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 5	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 7	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 7	Amended	NZ IFRS 13 [June 2011]
Paragraph 9	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]

<sup>1</sup> Superseded by NZ IFRS 9 *Financial Instruments* (2014). NZ IFRS 9 (2014) restricted early application of earlier versions of NZ IFRS 9.

<sup>2</sup> This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.

<sup>3</sup> Superseded by NZ IFRS 9 *Financial Instruments* (2014). NZ IFRS 9 (2014) restricted early application of earlier versions of NZ IFRS 9.

NZ IFRIC 19

<b>Table of Amended Paragraphs in NZ IFRIC 19</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraph 10	Amended	NZ IFRS 9 (2010) [Nov 2010], NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 11	Amended	NZ IFRS 18 [May 2024]
Paragraph 14	Added	NZ IFRS 9 (2010) [Nov 2010]
Paragraph 14	Deleted	NZ IFRS 9 (2013) [Dec 2013] and NZ IFRS 9 (2014) [Sept 2014]
Paragraph 15	Added	NZ IFRS 13 [June 2011]
Paragraph NZ 15.1	Added	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]
Paragraph 16	Added	NZ IFRS 9 (2013) [Dec 2013]
Paragraph 16	Deleted	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 17	Added	NZ IFRS 9 (2014) [Sept 2014]
Paragraph 18	Added	NZ IFRS 18 [May 2024]