

Analysis of Proposed Disclosure Requirements in ITC 26 *Disclosures on Transition to AASB 9* (March 2012) with a View to Determining Corresponding Tier 2 Disclosure Requirements

Proposed amendments to AASB 9 *Financial Instruments* (2009) and AASB 9 *Financial Instruments* (December 2010) arising from the IASB's *Mandatory Effective Date and Transition Disclosures* would specify disclosure requirements relating to an entity's transition to AASB 9 through a cross-reference to paragraphs in AASB 7 *Financial Instruments: Disclosures*. Accordingly, this Analysis only analyses the AASB 7 proposed disclosures.

The AASB's conclusions about proposed Tier 2 disclosure requirements have been reached after applying its usual approach to the analysis of the disclosures – comparison with disclosures set out in the IASB's *IFRS for SMEs* and application of the 'Tier 2 Disclosure Principles'. This 'Analysis of Disclosure Requirements' and an explanation of 'Tier 2 Disclosure Principles', are available on the AASB website under [Work in Progress/Reduced Disclosure Requirements](#).

Analysis of Proposed Disclosure Requirements

Proposed Disclosure Requirements in ITC 26 <i>Disclosures on Transition to AASB 9</i>	Disclosure Requirements in <i>IFRS for SMEs</i> <i>Section 11 Basic Financial Instruments</i>	Comments
<p>44I When an entity first applies AASB 9, it shall disclose for each class of financial assets and financial liabilities at the date of initial application:</p> <ul style="list-style-type: none"> (a) the original measurement category and carrying amount determined in accordance with AASB 139; (b) the new measurement category and carrying amount determined in accordance with AASB 9; (c) the amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that AASB 9 requires an entity to reclassify and those that an entity elects to reclassify. <p>An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.</p>		<p>Paragraph 44I relates to transitional requirements as a result of an entity transitioning from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to AASB 9 <i>Financial Instruments</i>. Under <i>IFRS for SMEs</i> financial instruments are recognised and measured on different bases from AASB 139 and AASB 9 and therefore there is no equivalent paragraph in <i>IFRS for SMEs</i>.</p> <p>Based on paragraph 5 of ‘Tier 2 Disclosure Principles’ in relation to application of user need and cost-benefit principles, paragraph 44I should be retained in Tier 2 disclosure requirements.</p>
<p>44S When an entity first applies the classification and measurement requirements of AASB 9, it shall present the disclosures set out in paragraphs 44T–44W of this Standard if it elects to, or is required to, provide these disclosures in accordance with AASB 9 (see paragraph 8.2.12 of AASB 9 (2009) and paragraph 7.2.14 of AASB 9 (2010)).</p> <p>44T If required by paragraph 44S, at the date of initial</p>		<p>Paragraph 44S-44W relate to transitional requirements as a result of an entity transitioning from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to AASB 9 <i>Financial Instruments</i>. Under <i>IFRS for SMEs</i> financial instruments are recognised and measured on different bases from AASB 139 and AASB 9 therefore there is no equivalent paragraph in <i>IFRS for SMEs</i>.</p>

Proposed Disclosure Requirements in ITC 26 <i>Disclosures on Transition to AASB 9</i>	Disclosure Requirements in <i>IFRS for SMEs</i> <i>Section 11 Basic Financial Instruments</i>	Comments
<p>application of AASB 9 an entity shall disclose the changes in the classifications of financial assets and financial liabilities, showing separately:</p> <ul style="list-style-type: none"> (a) the changes in the carrying amounts on the basis of their measurement categories in accordance with AASB 139 (ie not resulting from a change in measurement attribute on transition to AASB 9); and (b) the changes in the carrying amounts arising from a change in measurement attribute on transition to AASB 9. <p>The disclosures in this paragraph need not be made after the annual period in which AASB 9 is initially applied.</p> <p>44U In the reporting period in which AASB 9 is initially applied, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost as a result of the transition to AASB 9:</p> <ul style="list-style-type: none"> (a) the fair value of the financial assets or financial liabilities at the end of the reporting period; (b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified; (c) the effective interest rate determined on the date of reclassification; and (d) the interest income or expense recognised. 		<p>Based on paragraph 5 of ‘Tier 2 Disclosure Principles’ in relation to application of user need and cost-benefit principles, paragraphs 44S-44W should be retained in Tier 2 disclosure requirements, except for the reference to paragraph 25 of AASB 7 in paragraph 44W (being ‘, and the disclosures in paragraph 25 of this Standard at the date of initial application’ because paragraph 25 is not mandatory for Tier 2 preparers).</p>

Proposed Disclosure Requirements in ITC 26 <i>Disclosures on Transition to AASB 9</i>	Disclosure Requirements in <i>IFRS for SMEs</i> Section 11 <i>Basic Financial Instruments</i>	Comments
<p>If an entity treats the fair value of a financial asset or a financial liability as its amortised cost at the date of initial application (see paragraph 8.2.10 of AASB 9 (2009) and paragraph 7.2.10 of AASB 9 (2010)), the disclosures in (c) and (d) of this paragraph shall be made for each reporting period following reclassification until derecognition. Otherwise, the disclosures in this paragraph need not be made after the reporting period containing the date of initial application.</p> <p>44V If an entity presents the disclosures set out in paragraphs 44S–44U at the date of initial application of AASB 9, those disclosures, and the disclosures in paragraph 28 of AASB 108 during the reporting period containing the date of initial application, must permit reconciliation between:</p> <ul style="list-style-type: none"> (a) the measurement categories in accordance with AASB 139 and AASB 9; and (b) the line items presented in the statements of financial position. <p>44W If an entity presents the disclosures set out in paragraphs 44S–44U at the date of initial application of AASB 9, those disclosures, and the disclosures in paragraph 25 of this Standard at the date of initial application, must permit reconciliation between:</p> <ul style="list-style-type: none"> (a) the measurement categories presented in accordance with AASB 139 and AASB 9; and (b) the class of financial instrument at the date of initial application. 		