Amendments to AASB 7 and AASB 101– Impairment Disclosures arising from AASB 9 (December 2014): *RDR for Tier 2 entities*: Staff Analysis

Shading of proposed exclusions from the Tier 2 disclosure requirements as contained in ED 237 *Financial Instruments: Expected Credit Losses* have been retained in the table below for ease of reference. A Tier 2 analysis is provided in Agenda paper 9.4 for IFRS 9 *Hedge Accounting* disclosures that were not included in ED 208. Disclosures that are significantly new or changed compared to ED208 are highlighted in blue for ease of reference. Text that is the same or very similar to ED 237 is highlighted in yellow.

Staff recommendation:

Staff recommendations are set out in the table below.

However staff note that the final amendments in AASB 2014-7 include new paragraphs not previously considered by the Board, nor exposed for Tier 2 purposes, therefore further due process may be warranted.

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N/A	**Scope** 5A The credit risk disclosure requirements in paragraphs 35A–35N apply to those rights that AASB 15 *Revenue from Contracts with Customers* specifies are accounted for in accordance with AASB 9 for the purposes of recognising impairment gains or losses. Any reference to financial assets or financial instruments in these paragraphs shall include those rights unless otherwise specified.	No equivalent paragraph in ED 237as AASB 15 was issued after ED 237 was issued.	Paragraph 5A has no direct equivalent in the *IFRS for SMEs*. Paragraph 5A is in the nature of a scope paragraph and therefore staff recommend **retaining** paragraph 5A for Tier 2 disclosure requirements.

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Credit Risk *Scope and objectives*			
33 The disclosure requirements in this [draft] IFRS apply to all financial instruments that are in the scope of this [draft] IFRS. However, an entity that measures the loss allowance at an amount equal to lifetime expected credit losses either for trade receivables or for lease receivables in accordance with paragraph 12–13 need not apply the disclosure requirements in paragraphs 35(a), 38(a), 42–43 and 45 to those financial assets. In addition, paragraph 40(a) does not apply to lease receivables.	35A An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in AASB 9 are applied. However: (a) for trade receivables, contract assets and lease receivables, paragraph 35J applies to those trade receivables, contract assets or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.5.15 of AASB 9, if those financial assets are modified while more than 30 days past due; and (b) paragraph 35K(b) does not apply to lease receivables.	Paragraph 33 has no equivalent in the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference because the *IFRS for SMEs* does not require impairment assessments based on expected losses. Paragraph 33, first sentence, is in the nature of contextual material and the second and third sentences are in the nature of guidance for applying paragraphs 40(a), 42, 43 and 45, which are proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 33, excluding the reference to paragraphs 35(a) and 38(a), should be **retained** in the Tier 2 disclosure requirements. The reference to paragraphs 35(a) and 38(a) in the second sentence of paragraph 33 should be **excluded** from the Tier 2 disclosure requirements based on paragraph 7 of 'Tier 2 Disclosure Principles', as those paragraphs are also proposed to be excluded (refer below).	For information - paragraph 5.5.15 of AASB 9 permits entities to elect to use the simplified impairment approach to measure lifetime expected credit losses. Paragraph 35A is in the nature of a scope paragraph, however since paragraph 35J and 35K(b) are recommended to be excluded, staff also recommend **excluding** the text "However…apply to lease receivables." of paragraph 35A from Tier 2 disclosure requirements.
28 An entity shall disclose information that identifies and explains: (a) the amounts in its financial statements that arise from expected credit losses that	35B The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall	Paragraph 28 relates to the objectives for the proposed disclosure requirements. Paragraph 28 has no direct equivalent in the *IFRS for SMEs*. It is in the nature of a general principle and does not propose specific disclosure requirements. Consistent with the exclusions and	Paragraph 35B defines the objectives of disclosure requirements specified in paragraphs 35F-35N and broadly describes three categories of information necessary to achieve the objective.

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are measured in accordance with this [draft] IFRS; and (b) the effect of deterioration and improvement in the credit risk of financial instruments that are within the scope of this [draft] IFRS.	provide: (a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses; (b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and (c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.	retentions of specific disclosures proposed for later paragraphs, paragraph 28 should be **excluded** from the Tier 2 disclosure requirements. [Note:] Due to the general nature of paragraph 28 consideration was given to whether to rewrite it for RDR purposes, to limit it, or to exclude it. Exclusion of paragraph 28 is preferred because the disclosure requirements that are proposed to be retained in the Tier 2 disclosure requirements are considered to be sufficient to stand on their own without a general principle paragraph.	Those categories are set out under the following new headings in AASB 7; • *The credit risk management practices* (35F-35G) • *Quantitative and qualitative information about amounts arising from expected credit losses* (35H-35L) • *Credit risk exposure* (35M-35N) In both ED 237 and AASB 7 as amended, subsequent paragraphs (ie. ED 237 paragraph 28 and AASB 7 paragraph 35D0 begin with 'To meet the requirements of paragraph 28' and To meet the objectives in paragraph 35B. The detail to be provided is set out in subsequent paragraphs. Notwithstanding the increased level of specificity of information in comparison to ED paragraph 28, paragraph 35B also is in the nature of a general principle that does not propose specific disclosure requirements and therefore should be **excluded** from the Tier 2 disclosure requirements.
31 Other Standards (eg IFRS 7) may require disclosures that may satisfy the disclosure requirements in accordance with this [draft] IFRS. Entities need not duplicate the information and are permitted to cross-refer to these disclosures.	Paragraph 35C of **IFRS 7** reads as follows: 35C An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the	Paragraph 31 has no equivalent in the *IFRS for SMEs*, and is in the nature of contextual material but does not add disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 31 should be **retained** in the Tier 2 disclosure requirements.	The Board has made a previous decision in relation to para 35C of AASB 7: In its September 2014 Board meeting, consistent with its previous decisions in respect of AASB 7 *Financial Instruments: Disclosures* paragraph B6 and the second two sentences of

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32 The disclosure requirements in this [draft] IFRS shall either be given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a risk report and disclosures, that is available to users of financial statements on the same terms as the financial statements at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	Paragraph 32 has no equivalent in the *IFRS for SMEs* and does not relate to a recognition and measurement difference. Based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 32 should be **excluded** from the Tier 2 disclosure requirements. [The AASB previously proposed to exclude Paragraph BZ17 of AASB ED 210 from the Tier 2 disclosure requirements, a substantially similar paragraph to paragraph 32, based on paragraph 3 of 'Tier 2 Disclosure Principles'.]	paragraph 21B, the Board decided to delete paragraph 35C from AASB 7 concerning incorporation of information by cross-referencing to disclosures outside the financial statements. AASB 7 as amended by AASB 2014-7 therefore reads as follows: 35C [Deleted by the AASB] Staff recommend no further amendments to paragraph 35 at this stage, pending the Boards redeliberations on ED 256 *Removal of Cross-References from Financial Statements to Other* Documents issued in October 2014. Refer to Agenda Paper 7.2 of the February 2014 AASB Board meeting.
29 To meet the requirements of paragraph 28, an entity shall consider: (a) the level of detail that is necessary to satisfy the disclosure requirements; (b) how much emphasis to place on each of the disclosure requirements; (c) how much aggregation or disaggregation is appropriate; and (d) whether users of financial statements need additional information to evaluate the quantitative information that	35D To meet the objectives in paragraph 35B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.	Paragraph 29 has no equivalent in the *IFRS for SMEs* and is in the nature of guidance for the application of paragraph 28, which is proposed to be excluded from the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 29 should also be **excluded** from the Tier 2 disclosure requirements. However, paragraph RDR29.1 should be added (see immediately below). RDR29.1 Entities applying Tier 2 disclosure requirements shall consider the following when applying the Tier 2 disclosure requirements of this Standard:	Paragraph 35D reproduces the same guidance as that of ED paragraph 29 and paragraph 35B (as discussed earlier) reflects ED paragraph 28. As such, the previous reasoning for which paragraph 29 was excluded should be applied to exclude paragraph 35D from the Tier 2 disclosures. However, in ED237, a proposal was made to add RDR 29.1. The proposed RDR paragraph was consistent with paragraph 29 in ED 230, except that it removed the text in relation to considering whether users of financial statements need additional information.

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has been disclosed. RDR29.1 Entities applying Tier 2 disclosure requirements shall consider the following when applying the Tier 2 disclosure requirements of this Standard: (a) the level of detail that is necessary to satisfy the disclosure requirements; (b) how much emphasis to place on each of the disclosure requirements; and (c) how much aggregation or disaggregation is appropriate.		(a) the level of detail that is necessary to satisfy the disclosure requirements; (b) how much emphasis to place on each of the disclosure requirements; and (c) how much aggregation or disaggregation is appropriate.	Consistent with the proposed paragraph RDR29.1, staff recommend that paragraph 35D is **excluded** from Tier 2 disclosure requirements and that paragraph RDR35D.1 is **added** as follow: RDR35D.1 An entity applying Tier 2 disclosure requirements shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements and the appropriate level of aggregation or disaggregation.
30 If the disclosures provided in accordance with the requirements in this [draft] IFRS and other relevant Standards are insufficient to meet the objectives in paragraph 28, an entity shall disclose additional information to meet those objectives.	35E If the disclosures provided in accordance with paragraphs 35F–35N are insufficient to meet the objectives in paragraph 35B, an entity shall disclose additional information that is necessary to meet those objectives.	Paragraph 30 has no equivalent in the *IFRS for SMEs* and is in the nature of guidance for the application of paragraph 28, which is proposed to be excluded from the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 30 should also be **excluded** from the Tier 2 disclosure requirements.	Paragraph 35E mirrors ED paragraph 30. Following the same reasoning as above, paragraph 35E should be **excluded** from the Tier 2 disclosure requirements.
The credit risk management practices			
42 An entity shall explain the inputs, assumptions and estimation techniques used when determining whether the credit risk of the financial instruments has increased significantly since initial recognition and when determining if it has objective	35F An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and	Paragraph 42 requires information that is dealt with at a more general level in paragraphs 122 and 125 of AASB 101 *Presentation of Financial Statements* (equivalent to paragraphs 8.6 and 8.7 of the *IFRS for SMEs*), which were retained in the Tier 2 disclosure requirements. Based on paragraphs 5 and 6(c) of	In its submission on the Tier 2 Supplement to ED 237, PwC made the following comment: "The disclosures outlined in paragraph 39, 42 and 45 duplicate disclosures required by other standards, but are more specific in their requirements.

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evidence of impairment (see paragraphs 5, 14-15 and 25(b)). For this purpose an entity shall disclose: (a) the basis of inputs (for example, internal historical information or rating reports, including how significant deterioration in credit risk is met, how default is defined and why that definition was selected) and the estimation technique (including how financial instruments were grouped if the criterion in paragraph 5 is assessed on a collective basis, in accordance with paragraphs B17-B18); (b) an explanation of the changes in the estimates of the credit risk and the cause of those changes; and (c) any change in the estimation technique and the reason for that change.	evaluate: (a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how: (i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of AASB 9, including the classes of financial instruments to which it applies; and…	'Tier 2 Disclosure Principles', in relation to user needs and measurement uncertainties, paragraph 42 should also be **retained** in the Tier 2 disclosure requirements.	Consequently, we propose that the disclosures required by these paragraphs not be included in the reduced disclosure requirements for AASB 9. An example is the disclosure of inputs, assumptions and estimation techniques which is required by paragraphs 39 and 42 of the proposed amendments to AASB 9, and also required by AASB *101 Presentation of Financial Statements*." Staff agree with PwC's view and recommend that the first sentence of 35F, the text "To meet this objective" in the second sentence, 35F(a) and 35F(a)(i) are **excluded** from Tier 2 disclosure requirements. This recommendation is based on paragraph 3(a) of 'Tier 2 Disclosure Principles', which **excludes** new or revised disclosures which are dissimilar to *IFRS for SMEs* (unless the user need and cost-benefit principle warrants otherwise).
43 If an entity has rebutted the presumption that financial assets more than 30 days past due have a significant increase in credit risk, the entity shall disclose how it has rebutted that presumption (see paragraph 9).	(ii) the presumption in paragraph 5.5.11 of AASB 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;	Paragraph 43 has no equivalent in the *IFRS for SMEs* and does not necessarily relate to a recognition and measurement difference. Based on paragraphs 5 and 6(f) of 'Tier 2 Disclosure Principles', in relation to user needs, and providing information about transactions and other events and	No specific comments were received from constituents in respect of paragraph 43 of ED 237. Consistent with the proposal in ED 237, staff recommend **retaining** paragraph 35F(a)(ii) for the Tier 2 disclosure requirements.

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		conditions encountered, paragraph 43 should be **retained** in the Tier 2 disclosure requirements.	
39 An entity shall explain the inputs, assumptions and estimation techniques that it used when estimating the 12-month and lifetime expected credit losses. For this purpose an entity shall disclose: (a) the basis of inputs (for example, internal historical information or rating reports, including how default is defined and why that definition was selected, assumptions made about the remaining life of the financial instrument and the timing of the sale of collateral) and the estimation technique, including how the assets were grouped if they are measured on a collective basis in accordance with paragraph B25; (b) an explanation of the changes in estimates of expected credit losses and the cause of those changes (for example, severity of loss, change in portfolio composition or changes in volume of financial instruments purchased or originated); (c) any change in the estimation	35F(b) an entity's definitions of default, including the reasons for selecting those definitions; 35F(c) how the instruments were grouped if expected credit losses were measured on a collective basis; 35F(d) how an entity determined that financial assets are credit-impaired financial assets; [35F(e) – refer below] 35F(f) how the requirements in paragraph 5.5.12 of AASB 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity: (i) determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.5.5 of AASB 9; and (ii) monitors the extent to which the loss allowance on financial	Paragraph 39 requires information that is dealt with at a more general level in paragraphs 122 and 125 of AASB 101 *Presentation of Financial Statements* (equivalent to paragraphs 8.6 and 8.7 of the *IFRS for SMEs*), which were retained in the Tier 2 disclosure requirements. Based on paragraph 6(c) of 'Tier 2 Disclosure Principles', in relation to measurement uncertainties, paragraph 39 should also be **retained** in the Tier 2 disclosure requirements. [The AASB previously proposed to retain Paragraph Z10 of ED 210 in the Tier 2 disclosure requirements, a substantially similar paragraph to paragraph 39, based on paragraph 6(c) of 'Tier 2 Disclosure Principles'.] Paragraph 34 has no equivalent in the *IFRS for SMEs* and does not relate to a recognition and measurement difference. Based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 34 should be **excluded** from the Tier 2 disclosure requirements.	Paragraph 35F(b) and 35F(c) correspond to parts of paragraph 39 in ED 237. The relevant parts of paragraph 39 of ED 237 has been highlighted in yellow. In its submission on the Tier 2 Supplement to ED 237, PwC made the following comment: "The disclosures outlined in paragraph 39, 42 and 45 duplicate disclosures required by other standards, but are more specific in their requirements. Consequently, we propose that the disclosures required by these paragraphs not be included in the reduced disclosure requirements for AASB 9. An example is the disclosure of inputs, assumptions and estimation techniques which is required by paragraphs 39 and 42 of the proposed amendments to AASB 9, and also required by AASB 101 Presentation of Financial Statement." Staff agree with PwC's view and recommend that paragraphs 35F(b), 35F(c), 35F(d), 35F(f) and 35G are **excluded** from the Tier 2 disclosure requirements.

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technique and the reason for that change; and (d) information about the discount rate that the entity has selected in accordance with paragraph B29(a), including: (i) what discount rate an entity has elected to use (ie risk-free rate, effective interest rate, or something in between) and the reasons for that election; (ii) the discount rate (percentage) used; and (iii) any significant assumptions made to determine the discount rate. 34 For the purpose of the disclosures provided in accordance with this [draft] IFRS, an entity shall group financial assets, loan commitments and financial guarantee contracts into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments (including their grouping into portfolios). An entity shall provide shall provide sufficient information to permit reconciliation to the line items that are presented in the statement	assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of AASB 9. 35G An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of AASB 9. For this purpose an entity shall disclose: (a) the basis of inputs and assumptions and the estimation techniques used to: (i) measure the 12-month and lifetime expected credit losses; (ii) determine whether the credit risk of financial instruments have increased significantly since initial recognition; and (iii) determine whether a financial asset is a credit-impaired financial asset. (b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and (c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.		This recommendation is based on paragraph 3(a) of 'Tier 2 Disclosure Principles', which **excludes** new or revised disclosures which are dissimilar to *IFRS for SMEs* (unless the user need and cost-benefit principle warrants otherwise).

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of financial position.			
37 An entity shall disclose its write-off policy (for example, the entity's indicators for write-off), including whether there are assets that have been written off that are still subject to enforcement activity. In addition to including any write-offs and recoveries in the reconciliation in accordance with paragraph 35, an entity shall disclose the nominal amount of financial assets written off that are still subject to enforcement activity.	35F(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and	Paragraph 37 has no equivalent in the IFRS for SMEs and is regarded as relating to a recognition and measurement difference. Based on paragraphs 5 and 6(d) of 'Tier 2 Disclosure Principles', in relation to user needs and accounting policy choice, the first sentence of paragraph 37 should be **retained** in the Tier 2 disclosure requirements. Consistent with the rationale in the analysis of paragraph 35 above, that is, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, the requirement up to the comma in the second sentence of paragraph 37 should be **excluded** from the Tier 2 disclosure requirements. Based on paragraph 6(f) of 'Tier 2 Disclosure Principles', in relation to transactions and other events and conditions encountered by non-publicly accountable entities, the requirement after the comma in the second sentence should be **retained** in the Tier 2 disclosure requirements.	No specific comments were received from constituents in respect of paragraph 37 of ED 237. Consistent with the proposal in ED 237, staff recommend **retaining** paragraph 35F(e) for the Tier 2 Disclosure Requirements. [Refer also to paragraph 35L below.]
The quantitative and qualitative information about amounts arising from expected credit losses			
35 An entity shall provide a reconciliation from the opening balance to the closing balance of the gross carrying amount and the	35H To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation	Paragraph 35 has no equivalent in the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference because the	Paragraph 35M refers to disclosure of the **loss allowance** and credit risk exposure to loan commitments and guarantee contracts.

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associated loss allowance for: (a) financial assets with a loss allowance measured at an amount equal to 12-month expected credit losses; (b) financial assets with a loss allowance measured at an amount equal to lifetime expected credit losses; (c) financial assets that have objective evidence of impairment at the reporting date but that are not purchased or originated credit-impaired financial assets; and (d) purchased or originated credit-impaired financial assets. In addition to the reconciliation for these assets, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition. 36 An entity shall provide a reconciliation from the opening balance to the closing balance of the provision for loan commitments and financial guarantee contracts consistent with paragraph 35.	from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for: (a) the loss allowance measured at an amount equal to 12-month expected credit losses; (b) the loss allowance measured at an amount equal to lifetime expected credit losses for: (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of AASB 9. (c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting	*IFRS for SMEs* does not require impairment assessments based on expected losses. Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 35 should be **excluded** from the Tier 2 disclosure requirements.	[Note - paragraph 35M (see below) includes the disclosure requirements for the gross carrying amount. Requirements for both gross carrying amount and loss allowance were included in paragraph 35 in ED 237.] Paragraph 35H has expanded the requirements to also include: an explanation and reasons for the change in loss allowance, a requirement to use a table and show amounts separately, loss allowance for non-impaired but significantly deteriorated financial instruments and trade receivables, contracts assets and leases receivables for which the simplified impairment approach is used. Given that the analysis to ED 237 paragraph 35H proposed to exclude paragraph 35, staff recommend that paragraph 35H of AASB should be **excluded** from the Tier 2 disclosure requirements. Paragraph 35I expands the requirements in relation to paragraph 35H. Consistent with the staff recommendation for paragraph 35H, staff recommend that paragraph 35I is also **excluded** for Tier 2 purposes.

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	period. 35I To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 35H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 35H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include: (a) changes because of financial instruments originated or acquired during the reporting period; (b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with AASB 9; (c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and (d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or		

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	lifetime expected credit losses.		
38 An entity shall disclose at the end of the reporting period during which the contractual cash flows on a financial asset have been modified the amortised cost and the modification gain or loss for financial assets that have been modified while they had a loss allowance at an amount equal to lifetime expected credit losses. The entity shall also disclose at each reporting date subsequent to such modification throughout the remaining life of the financial asset: (a) the gross carrying amount of financial assets that have been modified during their life and for which the measurement of the loss allowance has changed from an amount equal to lifetime expected credit losses to an amount equal to 12-month expected credit losses; and (b) the re-default rate on such financial assets that have been modified while in default (ie the percentage of financial assets that defaulted again subsequent to	35J To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose: (a) the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and (b) the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.	Paragraph 38 has no equivalent in the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference because the *IFRS for SMEs* does not require impairment assessments based on expected losses. Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 38 should be **excluded** from the Tier 2 disclosure requirements.	No specific comments were received from constituents in respect of paragraph 38 of ED 237. Consistent with the proposal in ED 237, staff recommend **excluding** paragraph 35J from the Tier 2 disclosure requirements.

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modification). The disclosure requirements in this paragraph, other than paragraph 38(a), also apply to trade receivables or lease receivables on which lifetime expected credit losses are always recognised in accordance with paragraph 12 but only if modified while more than 30 days past due.			
40 If an entity has financial assets, loan commitments or financial guarantee contracts secured by collateral or other credit enhancements, it shall disclose: (a) a description of the collateral held as security and other credit enhancements, including a discussion on the quality of the collateral held (for example, the stability of the asset value and liquidity) and an explanation of any changes in the quality as a result of deterioration or changes in the collateral policies of the entity; (b) the gross carrying amount of financial assets that have an expected credit loss of zero because of the collateral; and (c) for financial instruments that have objective evidence of impairment at the reporting date, quantitative information about the extent	35K To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with AASB 132). (b) a narrative description of collateral held as security and other credit enhancements, including: (i) a description of the nature and quality of the collateral held; (ii) an explanation of any significant changes in the quality of that collateral or credit enhancements as a	Paragraph 40 has no equivalent in the *IFRS for SMEs*. Sub-paragraph (a) is not regarded as relating to a recognition and measurement difference, while sub-paragraphs (b) and (c) are regarded as relating to such a difference because the *IFRS for SMEs* does not require impairment assessments based on expected losses. Based on paragraphs 5 and 6(c) of 'Tier 2 Disclosure Principles', relating to user needs and measurement uncertainties, paragraph 40 should be **retained** in the Tier 2 disclosure requirements.	In its submission on the Tier 2 Supplement to ED 237, PwC made the following comment: "The exposure draft proposes to retain the disclosure requirements of paragraph 40, which requires disclosure of collateral or other credit enhancements received. Similar disclosure is required by AASB 7 paragraphs 15 and 36, both of which were removed from reduced disclosure requirements in accordance with AASB 2010-2, we recommend that the Board does not include paragraph 40 in the reduced disclosure requirements for AASB 9." Staff agree with PwC's view and, in contrast to the proposal in ED 237, recommend that paragraph 35K is **excluded** from the Tier 2 disclosure requirements. This recommendation is based on paragraph 3(a) of 'Tier 2 Disclosure Principles', which **excludes** new or revised disclosures which are

ED 237 Proposals (Amendments to AASB 7 unless stated otherwise)	Impairment (Amendments to AASB 7 unless stated otherwise)	ED 237 Analysis	Staff analysis and recommendation
to which collateral and other credit enhancements reduce the severity of expected credit loss.	result of deterioration or changes in the collateral policies of the entity during the reporting period; and (iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral. (c) quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.		dissimilar to *IFRS for SMEs* (unless the user need and cost-benefit principle warrants otherwise).
37 An entity shall disclose its write-off policy (for example, the entity's indicators for write-off), including whether there are assets that have been written off that are still subject to enforcement activity. In addition to including any write-offs and recoveries in the reconciliation in accordance with paragraph 35, an entity shall disclose the nominal amount of financial assets written off that are still subject to enforcement activity.	35L An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.	Paragraph 37 has no equivalent in the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference. Based on paragraphs 5 and 6(d) of 'Tier 2 Disclosure Principles', in relation to user needs and accounting policy choice, the first sentence of paragraph 37 should be **retained** in the Tier 2 disclosure requirements. Consistent with the rationale in the analysis of paragraph 35 above, that is, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, the requirement up to the comma in the second sentence of paragraph 37 should be **excluded** from the Tier 2 disclosure requirements.	The requirement in paragraph 35L is similar that the proposal in ED230 paragraph 37, after the comma in the second sentence, however the requirement changed from disclosure of the 'nominal amount' to the 'contractual amount'. In its submission PwC did not support inclusion of paragraph 37 for Tier 2 entities on the basis that the requirements of paragraph 37 are substantially similar to the information that is already required to be disclosed by AASB 7 paragraph B5. Staff agree with PwC, however note that B5(d) which contains the disclosure concerning write-off is deleted by AASB 2014-7.

ED 237 Proposals (Amendments to AASB 7 unless stated otherwise)	Impairment (Amendments to AASB 7 unless stated otherwise)	ED 237 Analysis	Staff analysis and recommendation
		Based on paragraph 6(f) of 'Tier 2 Disclosure Principles', in relation to transactions and other events and conditions encountered by non-publicly accountable entities, the requirement after the comma in the second sentence should be **retained** in the Tier 2 disclosure requirements.	Staff therefore recommend, consistent with the proposal in ED 230, that paragraph 35L is **retained** for Tier 2 disclosure requirements.
Credit risk exposure			
44 An entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the amount recognised as a provision for loan commitments and financial guarantee contracts in a grade. An entity shall disclose this analysis separately for financial assets, loan commitments and financial guarantee contracts for which the loss allowance or provision is measured in accordance with paragraphs 4, 5, 12 and 14–15. The number of credit risk rating grades used for this disclosure shall be sufficient to enable users of the entity's financial statements to assess the entity's exposure to credit risk. The number of grades shall not exceed the number that the entity uses for internal credit risk management purposes except that an entity shall always disaggregate its portfolio across at least three grades, even if that entity uses fewer credit risk rating grades internally…	35M To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by *credit risk rating grades*, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments: (a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses; (b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are: (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;	Paragraph 44 has no equivalent in the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference because the *IFRS for SMEs* does not require impairment assessments based on expected losses. Based on paragraph 5 of 'Tier 2 Disclosure Principles', relating to cost-benefit, paragraph 44 should be **excluded** from the Tier 2 disclosure requirements. [The AASB previously proposed to exclude Paragraph Z14 of ED 210 from the Tier 2 disclosure requirements, a substantially similar paragraph to paragraph 44, based on paragraph 5 of 'Tier 2 Disclosure Principles']	No specific comments were received from constituents in respect of paragraph 44 of ED 237. Consistent with the proposal in ED 237, staff recommend **excluding** paragraph 35M for Tier 2 disclosure requirements.

ED 237 Proposals (Amendments to AASB 7 unless stated otherwise)	Impairment (Amendments to AASB 7 unless stated otherwise)	ED 237 Analysis	Staff analysis and recommendation
	(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of AASB 9. (c) that are purchased or originated credit-impaired financial assets.		
44 …For trade receivables and lease receivables to which an entity applies paragraph 12, this disclosure may be based on a provision matrix (see paragraphs B34–B35).	35N For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of AASB 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of AASB 9).	Paragraph 44 - as above.	Compared to the final sentence of paragraph 44 of ED 237, paragraph 35N also refers to contract assets and makes reference to the applicable paragraph in AASB 9. Consistent with the analysis to ED 237, staff recommend that paragraph 35N of AASB 7 is **excluded** for Tier 2 disclosure requirements.
Credit risk			
N/A	36 For all financial instruments within the scope of this Standard, but to which the impairment requirements in AASB 9 are not applied, ~~A~~an entity shall disclose by class of financial instrument: (a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any	N/A	The amendments to paragraph 36 of AASB 7 have previously been excluded for Tier 2 reporting entities. The amendment to the paragraph results in these requirements only applying to financial instruments within the scope of AASB 9 to which the impairment requirements are not applied (for example derivative

ED 237 Proposals (Amendments to AASB 7 unless stated otherwise)	**Impairment** (Amendments to AASB 7 unless stated otherwise)	**ED 237 Analysis**	**Staff analysis and recommendation**
	collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with AASB 132); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk; and (b) a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument). ~~; and~~ (c) ~~information about the credit quality of financial assets that are neither past due nor impaired.~~ [deleted by the IASB] (d) [deleted by the IASB]		instruments). As noted above – financial instruments for which the impairment requirements in AASB 9 are applied have expanded requirements for disclosure. Staff recommend that paragraph 36, as amended, continues to be **excluded** for Tier 2 disclosure requirements.

Disclosures on Initial Application of AASB 9

In AASB 2014-7 deleted paragraphs 44I-44J and 44S-44W of AASB 7 and added paragraphs 42I-42S. These paragraphs relate to disclosures on initial application / transition to AASB 9. As highlighted in yellow in the table below, there is a significant level of consistency between the deleted and added disclosure requirements. Significantly new text is highlighted in blue, and includes requirements concerning transition for impairment and limited amendments to classification and measurement introduced by AASB 9 (December 2014).

Staff recommendation: Staff recommend **retaining** all the disclosures on initial application of AASB 9, consistent with the previous decision of the AASB to retain the transition disclosures for AASB 7. However staff note that the final amendments in AASB 2014-7 include new paragraphs not previously considered by the Board, nor exposed for Tier 2 disclosure requirement purposes, therefore further due process may be warranted.

AASB 7 prior to amendments in AASB 2014-7 **Effective Date and Transition**	**AASB 7 as amended by AASB 2014-7** **Initial application of AASB 9**
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: (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; and (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. An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.	42I In the reporting period that includes the date of initial application of AASB 9, the entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application: (a) the original measurement category and carrying amount determined in accordance with AASB 139 or in accordance with a previous version of AASB 9 (if the entity's chosen approach to applying AASB 9 involves more than one date of initial application for different requirements); (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 at the date of initial application. In accordance with paragraph 7.2.2 of AASB 9, depending on the entity's chosen approach to applying AASB 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application. An entity shall present these quantitative disclosures in a table unless another format is more appropriate.

AASB 7 prior to amendments in AASB 2014-7 Effective Date and Transition	AASB 7 as amended by AASB 2014-7 Initial application of AASB 9
44J When an entity first applies AASB 9, it shall disclose qualitative information to enable users to understand: (a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of applying AASB 9; and (b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.	42J In the reporting period that includes the date of initial application of AASB 9, an entity shall disclose qualitative information to enable users to understand: (a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of applying AASB 9. (b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss at the date of initial application. In accordance with paragraph 7.2.2 of AASB 9, depending on the entity's chosen approach to applying AASB 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application.
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 paragraph AASB 9 (see paragraph 8.2.12 of AASB 9 (December 2009), paragraph 7.2.14 of AASB 9 (December 2010, as amended to September 2012) and paragraph 7.1.13 of AASB 9 (December 2010, as amended to June 2014)).	42K In the reporting period that an entity first applies the classification and measurement requirements for financial assets in AASB 9 (ie when the entity transitions from AASB 139 to AASB 9 for financial assets), it shall present the disclosures set out in paragraphs 42L–42O of this Standard as required by paragraph 7.2.15 of AASB 9.

AASB 7 prior to amendments in AASB 2014-7 Effective Date and Transition	AASB 7 as amended by AASB 2014-7 Initial application of AASB 9
44T If required by paragraph 44S, at the date of initial application of AASB 9 an entity shall disclose the changes in the classifications of financial assets and financial liabilities, showing separately: (a) the changes in the carrying amounts on the basis of their measurement categories in accordance with AASB 139 (i.e. 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. The disclosures in this paragraph need not be made after the annual reporting period in which AASB 9 is initially applied.	42L When required by paragraph 42K, an entity shall disclose the changes in the classifications of financial assets and financial liabilities as at the date of initial application of AASB 9, showing separately: (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. The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in AASB 9.

AASB 7 prior to amendments in AASB 2014-7 Effective Date and Transition	AASB 7 as amended by AASB 2014-7 Initial application of AASB 9
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: (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. 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 (December 2009), paragraph 7.2.10 of AASB 9 (December 2010, as amended to September 2012) and paragraph 7.2.10 of AASB 9 (December 2010, as amended to June 2014)), 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.	42M When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost and, in the case of financial assets, that have been reclassified out of fair value through profit or loss so that they are measured at fair value through other comprehensive income, as a result of the transition to AASB 9: (a) the fair value of the financial assets or financial liabilities at the end of the reporting period; and (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. The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in AASB 9. 42N When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified out of the fair value through profit or loss category as a result of the transition to AASB 9: (a) the effective interest rate determined on the date of initial application; and (b) the interest revenue or expense recognised. If an entity treats the fair value of a financial asset or a financial liability as the new gross carrying amount at the date of initial application (see paragraph 7.2.11 of AASB 9), the disclosures in this paragraph shall be made for each reporting period until derecognition. Otherwise, the disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in AASB 9.

AASB 7 prior to amendments in AASB 2014-7 Effective Date and Transition	AASB 7 as amended by AASB 2014-7 Initial application of AASB 9
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: (a) the measurement categories in accordance with AASB 139 and AASB 9; and (b) the line items presented in the statements of financial position. 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: (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.	42O When an entity presents the disclosures set out in paragraphs 42K–42N, those disclosures, and the disclosures in paragraph 25 of this Standard, must permit reconciliation between: (a) the measurement categories presented in accordance with AASB 139 and AASB 9; and (b) the class of financial instrument as at the date of initial application.
N/A	42P On the date of initial application of Section 5.5 of AASB 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with AASB 139 and the provisions in accordance with AASB 137 to the opening loss allowances determined in accordance with AASB 9. For financial assets, this disclosure shall be provided by the related financial assets’ measurement categories in accordance with AASB 139 and AASB 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.

AASB 7 prior to amendments in AASB 2014-7 **Effective Date and Transition**	AASB 7 as amended by AASB 2014-7 **Initial application of AASB 9**
N/A	42R In accordance with paragraph 7.2.4 of AASB 9, if it is impracticable (as defined in AASB 108) at the date of initial application of AASB 9 for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of AASB 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of AASB 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of AASB 9 until those financial assets are derecognised.
N/A	42S In accordance with paragraph 7.2.5 of AASB 9, if it is impracticable (as defined in AASB 108) at the date of initial application for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraphs B4.1.12(d) of AASB 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of AASB 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of AASB 9 until those financial assets are derecognised.

Amendments to Appendix B: Application Guidance to AASB 7 – Arising from AASB 2014-7

Most of the application guidance added to Appendix B of AASB 7 is in the nature of non-mandatory guidance, using words such as “may include”, or ”might include”. Such text has been highlighted in green in the table below.

However some of the amendments introduce mandatory requirements. Text introducing mandatory requirements has been highlighted in blue in the table below. Minor edits have also been made to paragraph B9.

Staff recommendation: In accordance with Tier 2 Principle 7, guidance that relates to a disclosure that is not retained in Tier 2 requirements is also not retained in Tier 2 requirements. Staff therefore recommend that paragraphs B8A-B8J and the minor amendments to B9 are excluded from Tier 2 disclosure requirements.

AASB 7 Appendix B Application Guidance **Nature and Extent of Risks Arising from Financial Instruments (paragraphs 31-42)**
Credit risk management practices (paragraphs 35F–35G) B8A Paragraph 35F(b) requires the disclosure of information about how an entity has defined default for different financial instruments and the reasons for selecting those definitions. In accordance with paragraph 5.5.9 of AASB 9, the determination of whether lifetime expected credit losses should be recognised is based on the increase in the risk of a default occurring since initial recognition. Information about an entity’s definitions of default that will assist users of financial statements in understanding how an entity has applied the expected credit loss requirements in AASB 9 may include: (a) the qualitative and quantitative factors considered in defining default; (b) whether different definitions have been applied to different types of financial instruments; and (c) assumptions about the cure rate (ie the number of financial assets that return to a performing status) after a default occurred on the financial asset.
B8B To assist users of financial statements in evaluating an entity’s restructuring and modification policies, paragraph 35F(f)(i) requires the disclosure of information about how an entity monitors the extent to which the loss allowance on financial assets previously disclosed in accordance with paragraph 35F(f)(ii) are subsequently measured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of AASB 9. Quantitative information that will assist users in understanding the subsequent increase in credit risk of modified financial assets may include information about modified financial assets meeting the criteria in paragraph 35F(f)(i) for which the loss allowance has reverted to being measured at an amount equal to lifetime expected credit losses (ie a deterioration rate).

B8C Paragraph 35G(a) requires the disclosure of information about the basis of inputs and assumptions and the estimation techniques used to apply the impairment requirements in AASB 9. An entity's assumptions and inputs used to measure expected credit losses or determine the extent of increases in credit risk since initial recognition may include information obtained from internal historical information or rating reports and assumptions about the expected life of financial instruments and the timing of the sale of collateral.

Changes in the loss allowance (paragraph 35H)

B8D In accordance with paragraph 35H, an entity is required to explain the reasons for the changes in the loss allowance during the period. In addition to the reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including:

(a) the portfolio composition;

(b) the volume of financial instruments purchased or originated; and

(c) the severity of the expected credit losses.

B8E For loan commitments and financial guarantee contracts the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (ie financial asset) and an undrawn commitment (ie loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

Collateral (paragraph 35K)

B8F Paragraph 35K requires the disclosure of information that will enable users of financial statements to understand the effect of collateral and other credit enhancements on the amount of expected credit losses. An entity is neither required to disclose information about the fair value of collateral and other credit enhancements nor is it required to quantify the exact value of the collateral that was included in the calculation of expected credit losses (ie the loss given default).

B8G A narrative description of collateral and its effect on amounts of expected credit losses might include information about:

(a) the main types of collateral held as security and other credit enhancements (examples of the latter being guarantees, credit derivatives and netting agreements that do not qualify for offset in accordance with AASB 132);

(b) the volume of collateral held and other credit enhancements and its significance in terms of the loss allowance;

(c) the policies and processes for valuing and managing collateral and other credit enhancements;

(d) the main types of counterparties to collateral and other credit enhancements and their creditworthiness; and

(e) information about risk concentrations within the collateral and other credit enhancements.

Credit risk exposure (paragraphs 35M–35N)

B8H Paragraph 35M requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk at the reporting date. A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. An entity should provide information that enables users of financial statements to understand whether there are groups or portfolios of financial instruments with particular features that could affect a large portion of that group of financial instruments such as concentration to particular risks. This could include, for example, loan-to-value groupings, geographical, industry or issuer-type concentrations.

B8I The number of credit risk rating grades used to disclose the information in accordance with paragraph 35M shall be consistent with the number that the entity reports to key management personnel for credit risk management purposes. If past due information is the only borrower-specific information available and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 5.5.11 of AASB 9, an entity shall provide an analysis by past due status for those financial assets.

B8J When an entity has measured expected credit losses on a collective basis, the entity may not be able to allocate the gross carrying amount of individual financial assets or the exposure to credit risk on loan commitments and financial guarantee contracts to the credit risk rating grades for which lifetime expected credit losses are recognised. In that case, an entity should apply the requirement in paragraph 35M to those financial instruments that can be directly allocated to a credit risk rating grade and disclose separately the gross carrying amount of financial instruments for which lifetime expected credit losses have been measured on a collective basis.

Maximum credit risk exposure (paragraph 36(a))

B9 Paragraphs 35K(a) and 36(a) requires disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:

(a) any amounts offset in accordance with AASB 132; and

(b) any ~~impairment losses~~ loss allowance recognised in accordance with ~~AASB 139~~ AASB 9.

Staff recommendation:

Staff recommend **retaining** all the amendments to AASB 101 identified below for Tier 2 disclosure requirements, based on Tier 2 Principle 5, drawing on the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement accounting policies are not the same (or substantively the same) as those under the *IFRS for SMEs*.

However staff note that proposals for RDR amendments to AASB 101 in relation to the amendments in AASB 2014-7 have not been considered by the Board, nor previously exposed for Tier 2 disclosure requirements, therefore further due process may be warranted.

Statement of Financial Position

Information to be Presented in the Profit or Loss Section or the Statement of Profit or Loss

82 **In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:**

(a) revenue, presenting separately interest revenue calculated using the effective interest method;

(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(b) finance costs;

(ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9;

(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

(ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset ~~carrying amount~~ and its fair value at the reclassification date (as defined in AASB 9);

(cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;

(d) tax expense;

(e) [deleted by the IASB]

(ea) **a single amount for the total of discontinued operations (see AASB 5).**

(f)-(i)[deleted by the IASB]

Statement of Financial Position

Information to be Presented in the Profit or Loss Section or the Statement of Profit or Loss

Notes

Disclosure of Accounting Policies

123 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

(a) [deleted by the IASB]

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities; ~~and~~

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue~~.~~; and

(d) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.