

Accounting Standard

**AASB 1032**  
December 1996

# **Specific Disclosures by Financial Institutions**

Issued by the  
**Australian Accounting Standards Board**

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Defined words appear in *italics* the first time they appear in a section. The definitions are in Section 10. Standards are printed in **bold** type and commentary in light type.

## **MAIN FEATURES OF THE STANDARD**

The Standard:

- (a) defines the term "financial institution"
- (b) prescribes limited disclosures for parent-entity financial institutions in some circumstances
- (c) allows the net presentation of certain revenues and expenses in the profit and loss account
- (d) classifies impaired loans as non-accrual loans or restructured loans
- (e) prescribes specific disclosures additional to those required by other Accounting Standards, including:
  - (i) particular revenues and expenses
  - (ii) analysis of interest revenue and interest expense, including average interest rates
  - (iii) presentation of assets and liabilities in the balance sheet in order of relative liquidity
  - (iv) particular assets and liabilities
  - (v) maturity analysis of specified assets and liabilities
  - (vi) concentrations of deposits and borrowings
  - (vii) commitments and contingent liabilities
  - (viii) impaired loans, assets acquired through the enforcement of security and past-due loans
  - (ix) general and specific provisions for impairment
  - (x) fiduciary activities.

**ACCOUNTING STANDARD**  
**AASB 1032 "SPECIFIC DISCLOSURES**  
**BY FINANCIAL INSTITUTIONS"**

**1 Application**

- 1.1 Subject to paragraphs 1.2 and 1.3, this Standard applies to each *financial institution* which is required to prepare *financial statements* in accordance with Part 3.6 of the Corporations Law and which:
- (a) is a *reporting entity*; or
  - (b) holds those financial statements out to be, or form part of, a *general purpose financial report*.
- 1.2 Where a requirement of this Standard is inconsistent with any provision of the Corporations Law or the Corporations Regulations, the requirement does not apply.
- 1.2.1 The standards specified in this Standard apply to the *financial report* where information resulting from their application is material, in accordance with Accounting Standard AASB 1031 "Materiality".
- 1.3 When the financial statements of a *parent entity* are presented with the *economic entity's* financial statements, and the economic entity's financial statements apply this Standard, only paragraphs 4.1 to 4.4, 5.1 and 5.2 need to be applied to the financial statements of the parent entity.

**2 Operative Date**

- 2.1 This Standard applies to *financial years* ending on or after 31 December 1997.
- 2.2 This Standard may be applied to financial years ending before 31 December 1997 where an election has been made in accordance with subsection 285(3) of the Corporations Law.
- 2.2.1 Notice of this Standard was published in the *Commonwealth of Australia Gazette* on 12 December 1996.

### 3 Purpose of Standard

#### 3.1 The purpose of this Standard is to require specified disclosures in the *financial report of a financial institution*.

- 3.1.1 Financial institutions represent a significant and influential sector of economic activity. Most individuals and organisations make use of financial institutions, either as depositors or borrowers. Many financial institutions play a major role in maintaining confidence in the monetary system through their close relationship with regulatory authorities and governments, and their compliance with the regulations that may be imposed by those *entities*. Hence, there is considerable and widespread interest in the performance, financial position, and financing and investing of financial institutions, particularly their liquidity, solvency and the relative degree of risk attaching to their different activities. Liquidity refers to the availability of sufficient funds to meet depositors' withdrawals, other *liabilities* and financial commitments as they fall due. Solvency refers to the excess of *assets* over liabilities and, hence, to the adequacy of financial institutions' capital.
- 3.1.2 This Standard requires relevant and reliable information about financial institutions' activities to be provided in their financial reports. The Standard does not specify all the disclosures required in the financial reports of financial institutions. Other Standards require disclosure of additional information, for example related party transactions, cash flow information, and details of abnormal and extraordinary items.
- 3.1.3 A financial institution is exposed to various types of risk, such as credit risk, liquidity risk and risks arising from currency fluctuations, interest rate movements, changes in market prices and counterparty failure. Disclosure requirements relevant to assessments of the risks facing financial institutions are set out in this and other Standards.
- 3.1.4 This Standard does not establish accounting policies for recognising and measuring transactions undertaken by financial institutions. Other Standards establish accounting policies for application by financial institutions in the preparation and presentation of their *general purpose financial reports*.

## **4 Profit and Loss Account Disclosures**

- 4.1** The amounts of *revenues* and *expenses recognised*, classified by their nature, must be disclosed.
- 4.2** Subject to paragraphs 4.3 and 4.4, the amounts of the following revenues and expenses recognised, further classified by nature and measurement basis, must be disclosed:
- (a) interest revenue, including items of a similar nature
  - (b) dividend revenue
  - (c) revenues arising from *trading securities*
  - (d) revenues arising from securities other than trading securities
  - (e) recoveries of bad and doubtful debts
  - (f) other revenues arising from *financial instruments*
  - (g) fee and commission revenue
  - (h) other revenue
  - (i) interest expense, including other financing expenses
  - (j) bad and doubtful debts (including movements in provisions for impairment)
  - (k) expenses arising from trading securities
  - (l) expenses arising from securities other than trading securities
  - (m) other expenses arising from financial instruments
  - (n) fee and commission expense
  - (o) general administrative expenses
  - (p) other operating expenses.
- 4.2.1** The principal types of revenues arising from the operations of a *financial institution* include interest, fees for services, commissions

and dealing results. The principal types of expenses arising from the



operations of a financial institution include interest, commissions, losses on loans (including advances), expenses relating to the reduction in the carrying amount of investments and general administration expenses. Interest revenue or expense includes amortisation during the *financial year* of discounts and premiums on the acquisition of instruments.

- 4.2.2 Disclosure in the *financial report* of the principal revenues and expenses, classified in accordance with paragraph 4.2 into categories considered appropriate by the management or governing body, assists users of the financial report in assessing the performance of the financial institution. Where an item of revenue or expense could be included in more than one category listed in paragraph 4.2, disclosure of the basis for the classification adopted and of any change in that basis would assist users in understanding the reported amounts. Section 7 of this Standard includes specific requirements for disclosures about bad and doubtful debts.
- 4.2.3 This Standard does not specify particular categories for disclosures in relation to securities held or other financial instruments, other than to distinguish trading securities and require classification by measurement basis. Distinguishing revenues and expenses on the grounds of measurement basis provides useful information to users of financial reports in assessing the performance of the *entity*. Depending on the measurement basis or bases adopted by the entity, other revenues or expenses arising from financial instruments may include changes in *net fair values* during the financial year or gains and losses on disposal.
- 4.2.4 The disclosure requirements set out in this Standard are additional to those required by other Standards. For example, Accounting Standard AASB 1018 "Profit and Loss Accounts" requires disclosure of abnormal and extraordinary items, and Accounting Standard AASB 1017 "Related Party Disclosures" specifies disclosure requirements in relation to certain revenues and expenses arising from transactions between financial institutions and their related parties.
- 4.3 Revenues and expenses arising from the disposal of financial instruments may be recognised on a net basis for each class of instrument, with instruments classified by the nature of the instrument and the measurement basis.**
- 4.4 Changes in the net fair values of financial instruments that are revenues or expenses may be recognised on a net basis for each class of instrument, with instruments classified by their nature.**

4.4.1 Financial instruments measured on a cost basis give rise to both revenues and expenses on disposal: the proceeds (or payment) and the carrying amount. Paragraph 4.3 allows the revenue and expense on the disposal of instruments to be disclosed on a net basis by class. Paragraph 4.4 allows net fair value changes recognised as revenues or expenses to be disclosed on a net basis by class of instrument. Net disclosures may encompass amounts related to both *assets* and *liabilities*. For example, interest rate swaps may be either assets or liabilities, but net presentation of certain revenues and expenses arising from the swaps (either as a class or within a broader class) is acceptable. Disclosure of the presentation basis adopted would assist financial report users in understanding the reported amounts.

**4.5 An analysis of interest revenue and interest expense must be disclosed. The analysis must disclose the following information for each major category of interest-bearing asset and liability:**

- (a) **the average balance**
- (b) **the amount of interest revenue or expense**
- (c) **the average interest rate.**

4.5.1 Financial report users' analysis of lending returns and borrowing costs is facilitated by disclosure of the average balances and the average interest rates for an entity's interest-bearing assets and liabilities. Average balances may be based on the most frequent intervals generated by the entity's systems, provided that such averages are representative of the actual average. Average interest rates may be determined indirectly, based on the interest revenue or expense for a category compared with the average balance for that category. Significant variations in the balance of an asset or liability category during the financial year may need to be considered in determining an average interest rate.

## **5 Balance Sheet Disclosures**

**5.1 The amounts of the following items must be disclosed in the balance sheet:**

- (a) ***assets and liabilities* classified by their nature and in an order that reflects their relative liquidity**
- (b) ***equity.***

5.1.1 The most useful approach to the classification of assets and liabilities of a *financial institution* is to group them by their nature and list them in the approximate order of their liquidity. This basis of presentation assists users of the *financial report* in assessing the liquidity and solvency position of a financial institution. Current and non-current classes are not required to be presented separately.

**5.2 The amounts of the following assets and liabilities *recognised*, further classified by nature and measurement basis, must be disclosed:**

- (a) cash and liquid assets
- (b) receivables due from other financial institutions
- (c) bills held by overseas operations of the *entity* that are eligible for rediscounting with a central bank
- (d) securities held, distinguishing between *trading securities* and others
- (e) loans (including advances and similar facilities)
- (f) deposits with regulatory authorities and industry support schemes
- (g) acceptances
- (h) payables due to other financial institutions
- (i) deposits, distinguishing between certificates of deposit and others
- (j) borrowings.

5.2.1 The specific disclosure requirements in this Standard are generally limited to those particular to financial institutions. Additional disclosure requirements are specified in other Standards. For example, lease assets and liabilities must be disclosed in accordance with Accounting Standard AASB 1008 "Accounting for Leases".

### **Maturity Analysis of Assets and Liabilities**

**5.3 A maturity analysis of the carrying amounts of the following assets and liabilities must be disclosed:**

**(a) receivables due from other financial institutions**

- (b) securities held, other than trading securities
- (c) loans (including advances and similar facilities), net of unearned revenue and specific provisions for impairment
- (d) payables due to other financial institutions
- (e) deposits and borrowings.

**5.4 The maturity analysis must disclose the following categories or time bands, or more detailed bands within those time bands, according to the time from the reporting date to their contractual maturity dates:**

- (a) at call
- (b) overdrafts
- (c) not longer than 3 months
- (d) longer than 3 and not longer than 12 months
- (e) longer than 1 and not longer than 5 years
- (f) longer than 5 years
- (g) no maturity specified.

**5.4.1** The controlled matching and mismatching of the maturities of assets and liabilities is fundamental to the effective management of a financial institution. An unmatched position has the potential to enhance the profitability of the entity's operations, but can also increase the risk of losses. Disclosure of the maturity profile of particular classes of assets and liabilities which are especially significant to financial institutions assists users of the financial report to better assess the entity's operations and its liquidity and solvency position. This maturity analysis complements the liquidity ranking of assets and liabilities in the balance sheet. An entity is encouraged to also disclose its liquidity management policies.

**5.4.2** Maturities can be expressed in terms of the remaining period to the repayment date or the original period to the repayment date. The view adopted in this Standard is that the remaining period to repayment provides the better basis for evaluating the liquidity of a financial institution. Nevertheless, a financial institution may also disclose repayment maturities based on the original period, in order

to provide additional information about its funding and business strategy.

- 5.4.3 Repayment maturities can also be expressed relative to the contractual repayment date or the expected repayment date. For example, many deposits with a financial institution which are withdrawable on demand are often maintained for long periods without withdrawal. A similar situation may apply to advances made by a financial institution, such as overdraft facilities. In such cases, the expected repayment date often is later than the contractual date. To provide a more complete picture of liquidity risks, overdrafts are required to be disclosed separately and the entity may elect to disclose additional information about expected repayment dates when they differ significantly from the contractual dates. Such additional disclosure would need to make clear that the expected dates are based on estimates by the management or governing body, and explain how the estimates are determined and the principal reasons for the differences from the contractual dates.
- 5.4.4 The categories and time bands listed in paragraph 5.4 are mutually exclusive. However, an entity may disclose more detailed periods to maturity than those specified in paragraph 5.4. For example, given the importance of short-term liquidity for financial institutions, entities may choose to split the "under 3 months" time band into "under 1 month" and "1 to 3 months" bands.

### **Concentrations of Deposits and Borrowings**

- 5.5 **In respect of concentrations of deposits and borrowings, both recognised and unrecognised, that arise from exposures to a single creditor or to a group of creditors having a similar characteristic such that their ability to meet their obligations or to continue to make funds available is expected to be affected similarly by changes in economic or other conditions, the following information must be disclosed:**
- (a) **a description of the similar characteristic that identifies each concentration arising from exposure to a group of creditors**
  - (b) **the carrying amount of the deposits and borrowings for each concentration.**
- 5.5.1 The disclosure of material concentrations in the sources of a financial institution's deposit and borrowing liabilities is a useful indication of the potential risks inherent in the entity's funding

arrangements. Significant depositors with, and lenders to, the entity

could affect its ability to carry on business, either in general or at the same level, if those creditors chose not to continue providing funds to the entity. This could involve a change by the creditors of their original obligations to the entity, by negotiating the repayment of loans made to the entity in advance of the contractual maturity dates. Alternatively, the creditors may not renew their customary lines of finance when maturity dates are reached.

- 5.5.2 Characteristics that may give rise to deposit or borrowing concentrations include the nature of the activities undertaken by creditors, such as the industry in which they operate, and the geographic area in which activities are undertaken. Industry-specific financial institutions may disclose the industry concentration by identifying the industry with which their depositors are associated. Identification of material concentrations is a matter for the exercise of judgement by the management or governing body, taking into account the circumstances of the entity and its creditors. Accordingly, no thresholds are specified for the identification of concentrations.

## **6 Commitments and Contingent Liabilities**

- 6.1 The nature and amount of each individual and each category of commitments of the following types which have not been recognised as a liability must be disclosed:**

- (a) commitments to extend credit
- (b) capital and other expenditure commitments contracted for as at the *reporting date*, in the following time bands according to the time which is expected to elapse from the reporting date to their expected date of payment:
  - (i) not longer than 1 year
  - (ii) longer than 1 and not longer than 2 years
  - (iii) longer than 2 and not longer than 5 years
  - (iv) longer than 5 years.

- 6.2 For each individual and each category of contingent liability, the following information must be disclosed:**

- (a) a brief description of its nature



- (b) wherever possible, the maximum amount that may become payable, which has not been recognised as a liability.

**6.3 Contingent liabilities include the following:**

- (a) liabilities of the *entity* which have not been recognised because:
  - (i) of significant uncertainty as to whether a sacrifice of future economic benefits will be required (for example, a guarantee provided to a financier for a loan taken out by another entity, where default on that loan is uncertain as at the reporting date); or
  - (ii) the amount of the liability cannot be measured reliably (for example, a claim for damages against the entity, where the entity is defending the claim even though professional advice indicates the defence is unlikely to succeed, and the amount of the claim cannot be measured reliably as at the reporting date due to the unique nature of the claim); and
- (b) items that are not recognised as liabilities because of significant uncertainty as to whether an obligation presently exists (for example, obligations which may arise from certain tax deductions which were claimed in previous *financial years* and which are now under review by the Australian Taxation Office. The entity would not recognise the tax effect of the amount of deductions under review as a liability where it believes those deductions were correctly claimed and intends to dispute any deductions disallowed, because of the uncertainty surrounding the existence of a present obligation to pay the relevant amount of tax).

6.3.1 Many *financial institutions* have significant commitments and contingent liabilities that are not recognised in the balance sheet. Commitments and contingent liabilities can represent an important part of the activities of a financial institution and may have a significant effect on the level of risks to which the entity is exposed, including liquidity and solvency risks. Commitments and contingent liabilities include the following:

- (a) approved but undrawn loans and credit card limits

- (b) direct credit substitutes, including financial guarantees
  - (c) transaction-related contingencies, including performance bonds and standby letters of credit
  - (d) short-term self-liquidating trade financing transactions secured by the underlying goods
  - (e) revolving underwriting facilities
  - (f) commitments to purchase *assets* or place deposits.
- 6.3.2 The disclosure of other expenditure commitments does not include future interest payments under *financial instruments*. The carrying amount of interest-bearing liabilities reflects the obligation to meet both principal and interest cash flows. Accordingly, the interest payments are already recognised in the balance sheet.
- 6.3.3 In most instances, the use of estimation techniques will provide measurements which are sufficiently reliable to enable a liability to be recognised. Accordingly, a liability would not be identified as a contingent liability under paragraph 6.3(a) merely because estimation procedures need to be used to determine its amount.
- 6.3.4 In accordance with the approach to materiality noted in paragraph 1.2.1 for all requirements of this Standard, individual commitments and contingent liabilities are required to be disclosed only when individually material, and categories are required to be disclosed only when the category is material.

## **7 Impaired Loans, Acquired Assets and Past-Due Loans**

### **7.1 In respect of each of the following classes of *assets*:**

- (a) *non-accrual loans without specific provisions for impairment*
- (b) **non-accrual loans with specific provisions for impairment**
- (c) *restructured loans*
- (d) *real estate assets acquired through the enforcement of security*

(e) other assets acquired through the enforcement of security

(f) *past-due loans*,

the following information must be disclosed:

(g) the carrying amount of the class before deducting any provision for impairment

(h) the aggregate amount of assets included in the class that are not *recognised*, before deducting any provision for impairment (but excluding assets that have been written off)

(i) any specific provision for impairment relating to the class.

7.2 The following information must be disclosed:

(a) the nature and *net fair value* of assets acquired through the enforcement of security during the *financial year*

(b) the net fair value of buildings acquired through the enforcement of security during the financial year which are to be used by the *entity* in its operations

(c) the interest and other *revenue* recognised in respect of:

(i) *impaired loans*

(ii) assets acquired through the enforcement of security

(d) the interest and other revenue foregone on impaired loans for the financial year

(e) the policies adopted in determining the specific and *general provisions for impairment*, identifying whether provisions for impairment are based on specific identification in relation to individual loans, estimation in relation to loan portfolios for which specific identification is impracticable, or some other basis, which must be described

- (f) a reconciliation of the opening and closing balances of:
  - (i) the specific provisions for impairment, in aggregate for impaired loans and assets acquired through the enforcement of security
  - (ii) the general provision for impairment,  
including the amounts recognised in the *profit and loss account* and write-offs of impaired loans and assets acquired through the enforcement of security
- (g) the aggregate write-downs of impaired loans and assets acquired through the enforcement of security recognised directly as an *expense*.

- 7.2.1 In the ordinary course of business, *financial institutions* suffer losses on loans, advances and other credit facilities as a result of their becoming wholly or partially uncollectable. The amount of *probable* losses that have been specifically identified is recognised as an expense and deducted from the appropriate category of assets as a specific provision for impairment. The amount of probable losses not specifically identified but which experience indicates is present in the portfolio of loans and similar facilities as at the *reporting date* is also recognised as an expense and deducted from the appropriate grouping of assets as a general provision for impairment. Any amount provided in excess of probable losses is accounted for as an appropriation of retained profits and a transfer to reserves.
- 7.2.2 The impairment of loans is reflected in the performance and financial position of a financial institution. Disclosures concerning impaired loans assist users of the *financial report* in assessing trends in the quality of the loan portfolio and the effectiveness with which the entity has employed its resources. Disclosure of direct write-downs and movements in provisions for impairment provides users of the financial report with information about the effect of changes in expected future cash flows from the loan portfolio and related assets.
- 7.2.3 This Standard does not specify how a financial institution should identify loans and similar assets that should be evaluated specifically for collectability. Nor does it specify how a lender should determine whether there is reasonable doubt that it will be able to collect all amounts of principal and interest due according to the contractual terms of a loan. In making these judgements, the

financial institution should apply its normal loan review procedures.

- 7.2.4 A number of categories are specified for the disclosure of impaired loans and assets acquired through the enforcement of security: non-accrual loans, restructured loans, real estate acquired through the enforcement of security, and other assets acquired through the enforcement of security. These categories encompass both recognised and unrecognised assets. A financial institution may anticipate losses on, for example, guarantees, letters of credit and other irrevocable commitments that have not been recognised in the balance sheet. Disclosure of the aggregate amounts of recognised and unrecognised assets in each category is required. Assets previously recognised but written off are not included as unrecognised assets.
- 7.2.5 The categories of impaired loans and assets acquired through the enforcement of security are defined in paragraph 10.1. Specific guidelines on the classification of loans into these broad categories have been developed by the Reserve Bank of Australia in consultation with the banking and finance industry. Impaired asset information reported by financial institutions under Reserve Bank requirements would satisfy the requirements of this Standard. Loans may be reclassified into a different category following a reassessment of the loans by the management or governing body.
- 7.2.6 The basic impaired loan category is non-accrual loans. Non-accrual loans are typically loans for which there is reasonable doubt about the recovery of all amounts of principal and interest.
- 7.2.7 Restructured loans have had the original terms changed as a concession to the borrower, and the revised terms are not comparable with those for new loans of comparable risk. However, where the recovery of all amounts of principal and interest under the revised terms is regarded as reasonably doubtful, a loan is classified as non-accrual rather than restructured. Loans that have been restructured but which are yielding less than the entity's average cost of funds are also classified as non-accrual loans. In classifying loans as non-accrual or restructured, an entity may use different costs of funds for different types of exposures, such as housing, other retail and commercial lending.
- 7.2.8 Assets acquired through the enforcement of security arrangements pursuant to loans or similar facilities exclude buildings so acquired which are to be used by the entity in its activities. When assets are acquired through the enforcement of security, some uncertainty exists concerning the value of such assets or the prospects for their disposal. In many cases, the proceeds from liquidating real estate

acquired through the enforcement of security fall short of the amounts owed under the loan or the previously appraised value of



the property. For this reason, the disclosure by financial institutions of both real estate and other assets acquired through security enforcement is warranted.

- 7.2.9 Past-due loans have not been operated within their key terms for at least 90 days. The 90-day threshold is based on industry practice. However, they are not impaired loans, since the recovery of all amounts of principal and interest, including interest at the contractual rate, is not assessed as reasonably doubtful. This conclusion may be based on the security available to the lender, in which case the facility is said to be "well secured". This Standard requires certain disclosures in relation to past-due loans because they are considered to involve more risk than loans which are being maintained in accordance with their contractual terms. Where loans have not been operated within key terms for at least 90 days and the recovery of all amounts of principal and interest is regarded as reasonably doubtful, the loans are classified as non-accrual loans rather than as past-due loans.

## **8 Fiduciary Activities**

### **8.1 The nature and extent of fiduciary activities undertaken, including the aggregate amount of funds involved classified according to their nature, must be disclosed.**

- 8.1.1 Many *financial institutions* act as trustees and in other fiduciary capacities, such as managing investment schemes on behalf of other *entities*. *Assets and liabilities* managed in a fiduciary capacity normally represent assets and liabilities of the entity on whose behalf the financial institution is acting. Nevertheless, there are potentially significant risks for the financial institution in acting in such a capacity. For example, a breach of fiduciary duty to the other party may require compensation. Disclosures concerning the nature and extent of fiduciary activities assist users of the *financial report* in assessing the performance of the financial institution, particularly when fee and commission *revenue* can be related to the amount of funds under management or subject to trusteeship. Safe custody functions are not regarded as fiduciary activities.

## **9 Comparative Information**

### **9.1 Subject to paragraph 9.2, information for the preceding corresponding *financial year* which corresponds to the**

disclosures specified for the current financial year must be disclosed.

- 9.2 If the disclosure requirements in this Standard have not previously applied to the *entity*, the information required by paragraph 9.1 need not be disclosed.

## 10 Definitions

### 10.1 In this Standard:

*accounts* is defined in the Corporations Law

*asset acquired through the enforcement of security* means an asset acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements, but excluding buildings so acquired which are to be used by the *entity* in its operations

*assets* means future economic benefits controlled by the entity as a result of past transactions or other past events

*borrowing corporation* is defined in the Corporations Law

*company* is defined in the Corporations Law

*consolidated accounts* is defined in the Corporations Law

*economic entity* means a group of entities comprising the *parent entity* and each of its *subsidiaries*

*entity* means any legal, administrative, or fiduciary arrangement, organisational structure or other party (including a person) having the capacity to deploy scarce resources in order to achieve objectives

*equity* means the residual interest in the assets of the entity after deduction of its *liabilities*

*equity instrument* means any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

*expenses* means consumptions or losses of future economic benefits in the form of reductions in assets or increases in

liabilities of the entity, other than those relating to distributions to owners, that result in a decrease in *equity* during the *financial year*

*fair value* means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction, and is determined as follows:

- (a) the quoted market price in an active and liquid market; or
- (b) when there is infrequent activity in a market, the market is not well established, small volumes are traded relative to the asset or liability to be valued, or a quoted market price is not available – an estimate of a price for the asset or liability in an active and liquid market

*financial asset* means an asset that is:

- (a) cash; or
- (b) a contractual right to receive cash or another *financial asset* from another entity; or
- (c) a contractual right to exchange *financial instruments* with another entity under conditions that are potentially favourable; or
- (d) an *equity instrument* of another entity

*financial institution* means:

- (a) an entity (including an *economic entity*) whose principal activity is to take deposits or borrow, or both take deposits and borrow, with the objective of lending or investing in financial assets other than equity instruments, but excluding:
  - (i) entities which take deposits or borrow principally from other entities in the economic entity; and
  - (ii) general insurers, life insurers and superannuation plans; or

- (b) an entity (including an economic entity) subject to the *Banking Act 1959* or any replacement legislation

*financial instrument* means a contract that gives rise to both a financial asset of one entity and a *financial liability* or equity instrument of another entity

*financial liability* means a liability that is a contractual obligation to:

- (a) deliver cash or another financial asset to another entity; or
- (b) exchange financial instruments with another entity under conditions that are potentially unfavourable

*financial report* means *accounts* or *consolidated accounts* or both

*financial statements* is defined in the Corporations Law

*financial year* is defined in the Corporations Law

*general provision for impairment* means the provision recognised for *probable* diminutions in value that have not been specifically identified

*general purpose financial report* means a *financial report* intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs

*holding company* is defined in the Corporations Law

*impaired loans* means *non-accrual loans* and *restructured loans*

*liabilities* means future sacrifices of economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events

*listed corporation* is defined in the Corporations Law

*net fair value* means:

- (a) **in relation to an asset, the *fair value* after deducting costs expected to be incurred were the asset to be exchanged**

- (b) in relation to a liability, the fair value plus costs expected to be incurred were the liability to be settled

*non-accrual loan* means a loan or similar facility:

- (a) for which there is reasonable doubt that the lender will be able to collect all amounts of principal and interest in accordance with the terms of the agreement; or
- (b) which does not meet the definition of a restructured loan only because it yields less than the entity's average cost of funds

*parent entity* means an entity which controls another entity

*past-due loan* means a loan or similar facility in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an *impaired loan*

*probable* means, in relation to a future event, that it is more likely than less likely that the event will occur

*profit and loss account* is defined in the Corporations Law

*recognised* means reported on, or incorporated in amounts reported on, the face of the *profit and loss account* or balance sheet (whether or not further disclosure of the item is made in notes)

*reporting date* means the end of the financial year to which the financial report relates

*reporting entity* means an entity (including an economic entity) in respect of which it is reasonable to expect the existence of users dependent on *general purpose financial reports* for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources, and includes but is not limited to the following:

- (a) a *listed corporation*
- (b) a *borrowing corporation*

- (c) a *company* which is not a subsidiary of a *holding company* incorporated in Australia and which is a

**subsidiary of a foreign company where that foreign company has its securities listed for quotation on a *stock market* or those securities are traded on a stock market**

***restructured loan* means a loan or similar facility which is not a non-accrual loan and for which:**

- (a) the original terms have been changed to grant to the borrower a concession that would not otherwise have been available, due to the borrower's financial difficulties in complying with the original terms; and**
- (b) the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and**
- (c) the yield on the facility following restructuring is equal to or greater than the entity's average cost of funds**

***revenues* means inflows or other enhancements, or savings in outflows, of future economic benefits in the form of increases in assets or reductions in liabilities of the entity, other than those relating to contributions by owners, that result in an increase in equity during the financial year**

***specific provision for impairment* means the provision recognised for specifically identified probable diminutions in value**

***stock market* is defined in the Corporations Law**

***subsidiary* means an entity which is controlled by a parent entity**

***trading securities* means marketable securities which are acquired and held with the intention of resale in the short term.**

- 10.1.1 Guidance as to the definitions of assets, liabilities, equity, *revenues* and *expenses* is contained in Statement of Accounting Concepts SAC 4 "Definition and Recognition of the Elements of Financial Statements".



## **Financial Institutions**

- 10.1.2 *Financial institutions* are traditionally identified as those entities which accept deposits from individuals and organisations with the

objective of lending the funds obtained to other parties, or otherwise investing the funds, so as to generate returns to the entity. Deposits are regarded as including instruments which are repayable on demand, such as trust units which are redeemable at the option of the holder. Banks, building societies, credit unions, finance companies and merchant banks are typical examples of financial institutions as defined in paragraph 10.1. The definition also includes cash management trusts and money market dealers. Friendly societies are regarded as financial institutions only when their principal activities satisfy paragraph (a) of the definition.

- 10.1.3 The definition also includes other types of entities which are broadly involved in financial intermediation. For example, entities which undertake a primary function of borrowing funds for lending on to related entities, with the ultimate objective of reducing the cost of borrowing for those entities, are included. This means that, for example, central borrowing authorities in government jurisdictions and intragroup financiers are normally regarded as financial institutions. However, entities that raise funds principally from other entities in the economic entity are excluded, regardless of whether the lending or investing is within or outside the economic entity. These entities are unlikely to have significant external users of their financial reports.
- 10.1.4 The definition of "financial institution" refers to investment in financial assets. Financial assets comprise a wide range of assets, including loans and advances, deposits with other entities and other financial arrangements. This means that entities which raise funds for investment principally in physical assets, such as plant and equipment, or intangible assets, or for use in (for example) exploration or production activities, are not financial institutions.
- 10.1.5 Entities that invest principally in equity investments are not regarded as financial institutions. Disclosures required by this Standard because they are of particular relevance to financial institutions, such as maturity analyses and impaired loan disclosures, are of less significance to entities that invest principally in equity instruments. This approach means that entities which hold shares in related or other entities as their principal activity are not financial institutions for the purposes of this Standard.
- 10.1.6 General insurers, life insurers and superannuation plans are specifically excluded from being treated as financial institutions for the purposes of this Standard.

## **CONFORMITY WITH INTERNATIONAL AND NEW ZEALAND ACCOUNTING STANDARDS**

### **Conformity with International Accounting Standards**

As at the date of issue of this Standard, compliance with this Standard and other Australian Standards will ensure conformity with International Accounting Standard IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", with the following exceptions:

- (a) where there are differences between the requirements of IAS 30 and IAS 32 "Financial Instruments: Disclosure and Presentation", this and other Standards conform with the requirements of IAS 32, rather than with the requirements of IAS 30
- (b) a parent entity need comply with only the basic profit and loss account and balance sheet disclosure requirements of this Standard when the parent entity's financial report is presented with the economic entity's financial report, and the economic entity's financial report applies the Standard; whereas IAS 30 does not require the preparation of parent entity financial reports or contain any exemption for parent entity reports when they are prepared. There is no difference in the scope of this Standard and IAS 30 in application to economic entity financial reports, which are the focus of the Board's harmonisation policy.

### **Conformity with New Zealand Accounting Standards**

As at the date of issue of this Standard, no corresponding accounting standard has been issued by the Institute of Chartered Accountants of New Zealand.

## APPENDIX

### EXTRACTS FROM AN EXAMPLE FINANCIAL REPORT FOR A FINANCIAL INSTITUTION

This Appendix forms part of the commentary and is provided for illustrative purposes only. The Appendix does not attempt to illustrate every possible disclosure that might be appropriate to the circumstances of financial institutions or that is required by this and other Accounting Standards. Other methods of presentation may comply with this Standard.

This Standard does not propose recognition or measurement approaches. Accordingly, the accounting policies described in Note 1 of this Appendix are only examples of policies that might be adopted by financial institutions.

#### XYZ Financial Institution Ltd.

##### Profit and Loss Account for the financial year ended 30 June 19X1

	Note	19X1 \$'000	19X0 \$'000
Interest revenue	2	X	X
Interest expense	2	<u>(X)</u>	<u>(X)</u>
Net interest revenue		X	X
Non-interest revenues	3	X	X
Bad and doubtful debts expense	9	(X)	(X)
Other expenses	4	<u>(X)</u>	<u>(X)</u>
OPERATING PROFIT OR LOSS BEFORE INCOME TAX		X	X
Income tax expense		<u>(X)</u>	<u>(X)</u>
OPERATING PROFIT OR LOSS AFTER INCOME TAX		<u>X</u>	<u>X</u>

**XYZ Financial Institution Ltd.**

**Balance Sheet  
as at 30 June 19X1**

	Note	19X1 \$'000	19X0 \$'000
<b>ASSETS</b>			
Cash and liquid assets	5	X	X
Due from other financial institutions		X	X
Trading securities	6	X	X
Acceptances of customers		X	X
Accrued receivables		X	X
Investment securities	7	X	X
Loans and advances	8,9	X	X
Other investments		X	X
Regulatory deposits	10	X	X
Property, plant and equipment		X	X
Other assets		X	X
<b>TOTAL ASSETS</b>		<u>X</u>	<u>X</u>
<b>LIABILITIES</b>			
Due to other financial institutions		X	X
Acceptances		X	X
Deposits and short-term borrowings	11	X	X
Creditors and other liabilities		X	X
Bonds, notes and debentures	12	X	X
<b>TOTAL LIABILITIES</b>		<u>X</u>	<u>X</u>
<b>NET ASSETS</b>		<u>X</u>	<u>X</u>
<b>EQUITY</b>			
Capital		X	X
Reserves		X	X
Retained profits	13	X	X
<b>TOTAL EQUITY</b>		<u>X</u>	<u>X</u>

[Note: A Statement of Cash Flows is not presented in this Appendix. Accounting Standard AASB 1026 "Statement of Cash Flows" presents an example of a cash flow statement for financial institutions.]

**XYZ Financial Institution Ltd.**  
**Notes to the Financial Statements**  
**for the financial year ended 30 June 19X1**

**1. Accounting Policies**

(a) *Compliance with Accounting Standards and Other Requirements*

The financial report has been drawn up in accordance with AASB Accounting Standards and other relevant reporting requirements. The accounting policies adopted are consistent with those of the comparative financial year.

(b) *Basis of Accounting*

The financial report has been prepared on the accrual basis of accounting using historical cost accounting except where otherwise indicated. The carrying amounts of all non-current assets are assessed as at the reporting date to ensure that they do not exceed their recoverable amounts. Recoverable amount is determined as the net amount expected to be recovered from the cash flows arising from the continued use and subsequent disposal of the asset or group of assets.

(c) *Loans and Advances*

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the profit and loss account.

**1. Accounting Policies (cont.)**

(d) *Trading Securities*

Securities held for trading purposes are usually traded within one year of acquisition, and are recorded at net fair value. Changes in net fair value during the financial year, including changes to the date of sale when securities are sold, are recognised as revenues or expenses on a net basis.

(e) *Investment Securities*

Investment securities are intended to be held to maturity, and are recorded at the lower of cost (adjusted for premium or discount) and recoverable amount.

(f) *Derivative Financial Instruments*

Instruments such as foreign exchange contracts, forward rate agreements, interest rate and currency swaps, futures and options are recorded at net fair value. Changes in net fair value during the financial year are recognised as revenues or expenses.

(g) *Fees and Commissions*

Fees are recognised as revenues or expenses on an accrual basis. Yield-related loan fees are recognised over the term of the loan.

(h) *Fiduciary Activities*

The entity acts as trustee or manager for numerous investment funds and trusts. Where liabilities are incurred by the entity acting as trustee, the entity has a right of indemnity from the assets of the relevant fund or trust. These liabilities and assets are not recognised in the balance sheet as they are not expected to result in transactions, and thus fail to satisfy the "probable occurrence" recognition criterion. The assets and liabilities of the funds and trusts are not consolidated as they are not controlled by the entity.

**2. Interest Revenue and Interest Expense**

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are daily averages. Weekly or month-end averages are

also used provided they are representative of the entity's operations during the period.

**2. Interest Revenue and Interest Expense (cont.)**

	Average Balance \$'000	Interest \$'000	Average Rate %
<i>Interest revenue 19X1</i>			
Deposits with other			
financial institutions	X	X	X
Trading securities	X	X	X
Investment securities	X	X	X
Loans and advances	X	X	X
Regulatory deposits	X	X	X
Other	X	X	X
	<u>X</u>	<u>X</u>	<u>X</u>
<i>Interest revenue 19X0</i>			
Deposits with other			
financial institutions	X	X	X
Trading securities	X	X	X
Investment securities	X	X	X
Loans and advances	X	X	X
Regulatory deposits	X	X	X
Other	X	X	X
	<u>X</u>	<u>X</u>	<u>X</u>
<i>Interest expense 19X1</i>			
Deposits from other			
financial institutions	X	X	X
Customer deposits	X	X	X
Short-term borrowings	X	X	X
Bonds, notes and debentures	X	X	X
Other	X	X	X
	<u>X</u>	<u>X</u>	<u>X</u>
<i>Interest expense 19X0</i>			
Deposits from other			
financial institutions	X	X	X
Customer deposits	X	X	X
Short-term borrowings	X	X	X
Bonds, notes and debentures	X	X	X



	Other	<u>X</u>	<u>X</u>	<u>X</u>
		<u>X</u>	<u>X</u>	<u>X</u>
			19X1	19X0
			\$'000	\$'000
<b>3.</b>	<b>Non-Interest Revenues</b>			
	Dividends		X	X
	Trading securities		X	X
	Investment securities		X	X
	Fees and commissions		X	X
	Bad debts recovered		X	X
	Other		X	X
			<u>X</u>	<u>X</u>
<b>4.</b>	<b>Other Expenses</b>			
	Fees and commissions		X	X
	General administration		X	X
	Other		X	X
			<u>X</u>	<u>X</u>
<b>5.</b>	<b>Cash and Liquid Assets</b>			
	Cash on hand and at banks		X	X
	Deposits at call		X	X
	Bills and remittances in collection		X	X
			<u>X</u>	<u>X</u>
<b>6.</b>	<b>Trading Securities</b>			
	Government securities		X	X
	Other public securities		X	X
	Other		X	X
			<u>X</u>	<u>X</u>
<b>7.</b>	<b>Investment Securities</b>			
	Government securities		X	X
	Other public securities		X	X
	Certificates of deposit		X	X
	Other		X	X
			<u>X</u>	<u>X</u>

	19X1 \$'000	19X0 \$'000
<b>7. Investment Securities (cont.)</b>		
<i>Maturity analysis</i>		
Not longer than 3 months	X	X
Longer than 3 and not longer than 12 months	X	X
Longer than 1 and not longer than 5 years	X	X
Longer than 5 years	X	X
No maturity specified	X	X
	<u>X</u>	<u>X</u>
<b>8. Loans and Advances</b>		
Overdrafts	X	X
Credit cards	X	X
Term loans	X	X
Other	X	X
Gross Loans and Advances	<u>X</u>	<u>X</u>
Specific provisions for impairment	(X)	(X)
Unearned revenue	(X)	(X)
	<u>X</u>	<u>X</u>
# General provision for impairment	(X)	(X)
Net Loans and Advances	<u>X</u>	<u>X</u>
<i>Maturity analysis</i>		
At call	X	X
Overdrafts	X	X
Not longer than 3 months	X	X
Longer than 3 and not longer than 12 months	X	X
Longer than 1 and not longer than 5 years	X	X
Longer than 5 years	X	X
	<u>X</u>	<u>X</u>
#	<u>X</u>	<u>X</u>
<b>9. Impairment of Loans and Advances</b>		
<i>Specific provisions for impairment</i>		
Opening balance	X	X
Doubtful debts expense	X	X
Bad debts written off	(X)	(X)
Other adjustments	X	X
Closing balance	<u>X</u>	<u>X</u>

	19X1 \$'000	19X0 \$'000
<b>9. Impairment of Loans and Advances (cont.)</b>		
<i>General provision for impairment</i>		
Opening balance	X	X
Doubtful debts expense	X	X
Bad debts written off	(X)	(X)
Other adjustments	X	X
Closing balance	<u>X</u>	<u>X</u>
<i>Bad and doubtful debts expense</i>		
Specific provisions for impairment	X	X
General provision for impairment	X	X
Bad debts written off directly	<u>X</u>	<u>X</u>
	<u>X</u>	<u>X</u>

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below.

	19X1 \$'000	19X0 \$'000
<i>Non-accrual loans</i>		
Without provisions	X	X
With provisions	X	X
Specific provision for impairment	<u>(X)</u>	<u>(X)</u>
	<u>X</u>	<u>X</u>
<i>Restructured loans</i>		
Balance	<u>X</u>	<u>X</u>
Interest revenue on non-accrual and restructured loans	X	X
Interest foregone on non-accrual and restructured loans	<u>X</u>	<u>X</u>
<i>Real estate acquired via security</i>		
Balance	X	X
Specific provision for impairment	<u>(X)</u>	<u>(X)</u>
	<u>X</u>	<u>X</u>
Revenue on real estate acquired	<u>X</u>	<u>X</u>

*Past-due loans*  
Balance

    X            X

**9. Impairment of Loans and Advances (cont.)**

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

"Past-due loans" are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If an impairment provision is required, the loan is included in non-accrual loans.

	19X1 \$'000	19X0 \$'000
<b>10. Regulatory Deposits</b>		
Banking deposits	X	X
Other deposits	X	X
	<u>X</u>	<u>X</u>

Banking deposits are non-callable deposits related to the level of deposits and borrowings. Regulatory deposits are not expected to be liquidated in the foreseeable future, although the securities included may be replaced.

	19X1 \$'000	19X0 \$'000
<b>11. Deposits and Short-term Borrowings</b>		
Certificates of deposit	X	X
Call deposits	X	X
Term deposits	X	X
Non-interest bearing deposits	X	X
Short-term borrowings	X	X
	<u>X</u>	<u>X</u>

	19X1 \$'000	19X0 \$'000
<b>11. Deposits and Short-term Borrowings (cont.)</b>		
<i>Maturity analysis</i>		
At call	X	X
Not longer than 3 months	X	X
Longer than 3 and not longer than 12 months	X	X
Longer than 1 and not longer than 5 years	X	X
Longer than 5 years	<u>X</u>	<u>X</u>
	<u>X</u>	<u>X</u>
<i>Concentrations of deposits</i>		
Rural depositors	X	X
Pacific Islands	X	X
	<u>X</u>	<u>X</u>

A significant amount of call and term deposits are obtained from farming and related enterprises. These deposits are subject to withdrawal based on the economics of rural industries. Several controlled entities operate in the Pacific Islands and have obtained deposits from major government organisations.

	19X1 \$'000	19X0 \$'000
<b>12. Bonds, Notes and Debentures</b>		
Commercial paper	X	X
Debentures	X	X
Subordinated bonds	X	X
Undated notes	X	X
	<u>X</u>	<u>X</u>
	<u>X</u>	<u>X</u>
<i>Maturity analysis</i>		
At call		
Not longer than 3 months	X	X
Longer than 3 and not longer than 12 months	X	X
Longer than 1 and not longer than 5 years	X	X
Longer than 5 years	X	X
	<u>X</u>	<u>X</u>
	<u>X</u>	<u>X</u>

	19X1 \$'000	19X0 \$'000
<b>13. Retained Profits</b>		
Retained profits or accumulated losses at the beginning of the financial year	X	X
Operating profit or loss after income tax	X	X
Transfers from reserves	X	X
Total available for appropriation	<u>X</u>	<u>X</u>
Dividends provided for or paid	(X)	(X)
Transfers to reserves	<u>(X)</u>	<u>(X)</u>
Retained profits or accumulated losses at the end of the financial year	<u>X</u>	<u>X</u>

**14. Fiduciary Activities**

The entity conducts investment management and other fiduciary activities as trustee or manager for numerous investment funds and trusts, including superannuation and approved deposit funds, equity trusts, property trusts and deceased estates and charitable bequests. The aggregate amounts of funds concerned, which are not included in the entity's balance sheet, are as follows:

	19X1 \$'000	19X0 \$'000
Funds managed	<u>X</u>	<u>X</u>
Trusteeship	<u>X</u>	<u>X</u>

## **DEVELOPMENT OF THE STANDARD**

This section does not form part of the Standard. It is a summary of the development of the Standard and the Australian Accounting Standards Board's consideration of the key issues dealt with in the Standard.

- 1 The issue of the Standard follows consideration of the responses received on Exposure Draft ED 63 "Additional Disclosures by Financial Institutions", which was prepared by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation and by the Australian Accounting Standards Board and released in March 1995. In addition, before finalising the Standard the Boards considered responses to a summary of the principal issues and comments in the submissions on ED 63, which included the Boards' tentative decisions on the issues. The summary was provided to all respondents to ED 63.
- 2 The Exposure Draft followed Discussion Paper No. 14 "Financial Reporting for Financial Institutions and Accounting for Financial Instruments", which was published by the Australian Accounting Research Foundation in 1990. That Discussion Paper included a detailed examination of the major issues facing a wide range of financial institutions. The financial institutions project has been assisted throughout its development by a project advisory panel.

### **Noteworthy Differences from ED 63**

- 3 The Boards responded to various concerns of respondents to ED 63 regarding the proposed applicability of the Standard. For example, concerns over the volume of disclosures proposed led to parent entities being required to provide only limited disclosures under this Standard when the parent entity's financial report is presented with the financial report for the economic entity, which applies the full requirements of the Standard. The applicability of the Standard was also limited by excluding from the definition of "financial institution" entities which take deposits or borrow principally from other entities in the economic entity. Entities subject to banking legislation were added to the definition.
- 4 Disclosures proposed for impaired loans, past-due loans and assets acquired through the enforcement of security have been simplified by removing disclosures of limited benefit. Many submissions supported the separate disclosure of general and specific provisions for impairment of loans, whereas ED 63 did not distinguish types of provisions. The Boards agreed that the more detailed disclosure is useful to the users of financial institutions' financial reports.



- 5 In response to comments from numerous respondents, the basic definitions of non-accrual loans, restructured loans, past-due loans and assets acquired through the enforcement of security were amended to be consistent with those in Reserve Bank of Australia guidelines. For example, "non-accrual loans" are defined by reference to reasonable doubt about the recovery of all amounts of principal and interest in accordance with the terms of the instrument, rather than by reference to non-recovery being probable. Nevertheless, the Boards consider that this approach does not necessarily indicate that future recognition and measurement standards for loan impairments will be based on reasonable doubt rather than probability.
- 6 The proposed maturity analysis disclosures in relation to certain assets and liabilities were revised by combining some of the proposed time bands and adding an "at call" band and several other categories, such as overdrafts. This was in response to a wide range of comments, including that the narrowness of the proposed time bands suggested a more precise classification than was warranted.
- 7 More detailed requirements have been specified in the Standard for disclosure of commitments and contingent liabilities. This followed the issue of Exposure Draft ED 67 "Information to be Disclosed in Financial Reports" in December 1995 and the Board's consideration of the resulting submissions.
- 8 Additional disclosure requirements have been included in the Standard in order to conform the Standard more closely with the requirements of International Accounting Standard IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions". This reflects the Board's objective of ensuring that compliance with Australian Standards will ensure compliance with International Accounting Standards to the extent possible. For example, trading and other securities, certificates of deposit, bills eligible for rediscounting with a central bank and general administrative expenses are now required to be disclosed.

### **Principal Features of ED 63 Retained in the Standard**

- 9 The Standard retains the essential features of ED 63. The required disclosures are additional to those required by other Accounting Standards. Some respondents preferred all financial institution disclosures to be included in one Standard, however that approach is not feasible given the range of disclosures relevant to financial institutions that are already included in other Standards.

- 10 Revenues and expenses are to be disclosed in the profit and loss account, classified by nature. In addition, a number of specific items of revenue and expense are to be disclosed, classified by measurement basis. The items that may be presented on a net basis have been clarified in the Standard, in response to comments in some submissions. An analysis of interest revenue and interest expense is also required in the financial report, incorporating information about average balances and average interest rates. Some respondents preferred this analysis to be presented outside the financial report.
- 11 Assets and liabilities are to be disclosed in the balance sheet classified by nature and in an order reflecting their relative liquidity. Particular asset and liability disclosures of significance to financial institutions are also required, again classified by measurement basis. Given the significance for financial institutions of matched or mismatched maturities of assets and liabilities, the Standard requires a maturity analysis of certain assets and liabilities. This information complements the liquidity ranking of assets and liabilities in the balance sheet. The maturity analysis disclosure was retained in the Standard following a review by the Boards of requirements in other Australian and overseas pronouncements. Concentrations of deposits and borrowings are also required to be disclosed.
- 12 As loan impairments are of particular importance to financial institutions, significant disclosure requirements concerning impaired loans, assets acquired through the enforcement of security and past-due loans are included in the Standard. The disclosures include the balances of the various categories, specific and general provisions for impairment, movements in those provisions and certain interest revenue and interest foregone amounts.
- 13 Disclosures of certain types of commitments, contingent liabilities, and fiduciary activities are required by the Standard. Their disclosure assists financial report users in better understanding the activities of financial institutions and the risks undertaken.