Analysis of Disclosure Requirements Relating to *Amendments to AASB 7: Tier 2* arising from:

(a) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (November 2010); and

(b) revised AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)

All disclosure requirements under AASB 7 are included in this staff analysis—that is, the existing AASB 7 disclosures as amended or added to by AASB 2010-6 (issued in November 2010), and the revised AASB 9 and AASB 2010-7 (issued in December 2010). The staff analysis also includes paragraph 82 of AASB 101, as a result of amendments to other Standards under AASB 2010-7.

Paragraphs 10, 11, 20(a)(i), 42A, 42B, 42C, 42D, 42E, 42F, 42G, 42H, B1, B5, B10(a), B22, B27, B29, B32, B33, B34, B35, B36, B37, B38 and B39 relate to the amendments and additions to AASB 7 and are <u>underlined</u>. Paragraphs 82(aa) and 82(ca) of AASB 101 are also <u>underlined</u>. The AASB's proposals in relation to those paragraphs are also <u>underlined</u>. Comment is requested on the <u>underlined</u> text.

Text that is not underlined relates to the AASB's previous decisions on Tier 2 disclosure requirements (issued in June 2010), and are included in this analysis for context and are not open to comment.

Analysis of Disclosure Requirements

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
	Disclosure **11.39 The disclosures below make reference to disclosures for financial liabilities measured at fair value through profit or loss. Entities that have only basic financial instruments (and therefore do not apply Section 12) will not have any financial liabilities measured at fair value through profit or loss and hence will not need to provide such disclosures.**	Paragraph 11.39 is contextual material relating specifically to the *IFRS for SMEs*, and based on paragraph 4 of 'Tier 2 Disclosure Principles', should not be included in the Tier 2 disclosure requirements.
Classes of Financial Instruments and Level of Disclosure **6 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.**		Paragraph 6 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
Significance of Financial Instruments for Financial Position and Performance **7 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.**	**11.42 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt**	Paragraph 7 and paragraph 11.42 of the *IFRS for SMEs* correspond. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 7 should be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
	instrument imposes on the entity).	
Statement of financial position **Categories of financial assets and financial liabilities** **8 The carrying amounts of each of the following categories, as specified in AASB 9, shall be disclosed either in the statement of financial position or in the notes:** **(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those mandatorily measured at fair value in accordance with AASB 9;** **(b)-(d) [deleted by the IASB]** **(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those that meet the definition of held for trading in AASB 9;** **(f) financial assets measured at amortised cost;** **(g) financial liabilities measured at amortised cost; and** **(h) financial assets measured at fair value through other comprehensive income.**	**Statement of financial position – categories of financial assets and financial liabilities** **11.41 An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes:** **(a) financial assets measured at fair value through profit or loss (paragraph 11.14(c)(i) and paragraphs 12.8 and 12.9).** **(b) financial assets that are debt instruments measured at amortised cost (paragraph 11.14(a)).** **(c) financial assets that are equity instruments measured at cost less impairment (paragraph 11.14(c)(ii) and paragraphs 12.8 and 12.9).** **(d) financial liabilities measured at fair value through profit or loss (paragraphs 12.8 and 12.9).** **(e) financial liabilities measured at amortised cost (paragraph 11.14(a)).** **(f) loan commitments measured at cost less impairment (paragraph 11.14(b)).**	Paragraph 8(a)(i) first phrase, corresponds to paragraph 11.41(a) of the *IFRS for SMEs* and based on paragraph 2 of 'Tier 2 Disclosure Principles', should be retained in the Tier 2 disclosure requirements. The words in paragraph 8(a)(i) beginning 'showing separately…' have no equivalent in the *IFRS for SMEs* and, based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements. Paragraph 8(e), first phrase, corresponds to paragraph 11.41(d) of the *IFRS for SMEs* and based on paragraph 2 of 'Tier 2 Disclosure Principles', should be retained in the Tier 2 disclosure requirements. The words in paragraph 8(e) beginning 'showing separately…' have no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements. Paragraphs 8(f) and 8(g) correspond to paragraphs 11.41(b) and 11.42(e) of the *IFRS for SMEs* respectively, and based on paragraph 2 of 'Tier 2 Disclosure Principles', should be retained in the Tier 2 disclosure requirements. Paragraph 8(h) 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 account for financial assets measured at fair value through other comprehensive

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
		income. As such, paragraph 8(h) is relevant to information needs of financial statements prepared under AASB 9. Based on paragraphs 5 and 6(e) of 'Tier 2 Disclosure Principles', in relation to user needs and disaggregated information, paragraph 8(h) should be retained in the Tier 2 disclosure requirements. Paragraph 11.41(c) of the *IFRS for SMEs* has no equivalent in AASB 7 and relates to a recognition and measurement difference because AASB 9 does not permit equity instruments to be measured at cost less impairment. As such, paragraph 11.41(c) is not relevant to information needs of financial statements prepared under AASB 9. Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to user needs, paragraph 11.41(c) of the *IFRS for SMEs* should not be included in the Tier 2 disclosure requirements. Paragraph 11.41(f) of the *IFRS for SMEs* has no direct equivalent in AASB 7 and based on paragraph 4 of 'Tier 2 Disclosure Principles', should not be included in the Tier 2 disclosure requirements.
Financial assets or financial liabilities at fair value through profit or loss **9 If the entity has designated as measured at fair value a financial asset (or group of financial assets) that would otherwise be measured at amortised cost, it shall disclose:** **(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting**		Paragraph 9 has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial assets and financial liabilities at fair value, that would otherwise be measured at amortised cost. However, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 9 should be excluded from the Tier 2

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
period; **(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;** **(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:** **(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to *market risk*; or** **(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.** **Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and** **(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.**		disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of AASB 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of AASB 9), it shall disclose: **(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13-B5.7.20 of AASB 9 for guidance on determining the effects of changes in a liability's credit risk);** **(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation;** **(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers; and** **(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.**		Paragraph 10 has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial liabilities at fair value, that would otherwise be measured at amortised cost. As such, sub-paragraphs 10(a), 10(c) and 10(d) are relevant to the information needs of users of financial statements prepared under AASB 9. Based on paragraphs 5 and 6(a) of 'Tier 2 Disclosure Principles', in relation to user needs and information relating to short-term cash flows/obligations, sub-paragraphs 10(a), 10(c) and 10(d) should be retained in the Tier 2 disclosure requirements. Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, sub-paragraph 10(b) should be excluded from the Tier 2 disclosure requirements.
10A If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of AASB 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of AASB 9), it shall disclose: **(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13-B5.7.20 of AASB 9 for guidance on**		Paragraph 10A has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial assets and financial liabilities at fair value, that would otherwise be measured at amortised cost. However, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 10A should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
determining the effects of changes in a liability's credit risk); and **(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.**		
11 The entity shall also disclose: **(a) <u>a detailed description of</u> the methods used to comply with the requirements in paragraphs 9(c), 10(a) <u>and 10A(a) and paragraph 5.7.7(a) of AASB 9, including an explanation of why the method is appropriate</u>;** **(b) if the entity believes that the disclosure it has given, <u>either in the statement of financial position or in the notes,</u> to comply with the requirements in paragraphs 9(c), 10(a) or <u>10A(a) or paragraph 5.7.7(a) of AASB 9</u> does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant; and** **<u>(c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of AASB 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of AASB 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of AASB 9.</u>**		<u>Paragraph 11 has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial assets and financial liabilities at fair value, that would otherwise be measured at amortised cost. However, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 11 should be excluded from the Tier 2 disclosure requirements.</u>

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Financial assets measured at fair value through other comprehensive income **11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of AASB 9, it shall disclose:** **(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income;** **(b) the reasons for using this presentation alternative;** **(c) the fair value of each such investment at the end of the reporting period;** **(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period; and** **(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.**		Paragraph 11A has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial assets and financial liabilities at fair value, that would otherwise be measured at amortised cost. However, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 11A should be excluded from the Tier 2 disclosure requirements.
11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose: **(a) the reasons for disposing of the investments;** **(b) the fair value of the investments at the date of derecognition; and** **(c) the cumulative gain or loss on disposal.**		Paragraph 11B has no equivalent in the *IFRS for SMEs*, and is regarded as relating to recognition and measurement difference because the *IFRS for SMEs* does not provide an election to designate financial assets and financial liabilities at fair value, that would otherwise be measured at amortised cost. However, based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 11B should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
Reclassification **12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of AASB 9. For each such event, an entity shall disclose:** **(a) the date of reclassification;** **(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements; and** **(c) the amount reclassified into and out of each category.** **12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified so that they are measured at amortised cost in accordance with paragraph 4.4.1 of AASB 9:** **(a) the effective interest rate determined on the date of reclassification; and** **(b) the interest income or expense recognised.** **12D If an entity has reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, it shall disclose:** **(a) the fair value of the financial assets at the end of the reporting period; and** **(b) the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.**		Paragraphs 12B, 12C and 12D require disclosures that relate to reclassification requirements as a result of the adoption of AASB 9 that are not included in the *IFRS for SMEs*. Based on paragraph 6(d) of 'Tier 2 Disclosure Principles', in relation to accounting policy choice, paragraphs 12B and 12D should be retained in the Tier 2 disclosure requirements. Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 12C should be excluded from the Tier 2 disclosure requirements, because they require specific and continuous annual disclosures about the reclassified financial assets until they are derecognised.
<u>Derecognition</u> **<u>13 [Deleted by the IASB]</u>**		Paragraph 13 has been replaced by paragraphs 42A – 42H.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Collateral **14 An entity shall disclose:** **(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of AASB 9; and** **(b) the terms and conditions relating to its pledge.**	**Collateral** **11.46 When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following:** **(a) the carrying amount of the financial assets pledged as collateral.** **(b) the terms and conditions relating to its pledge.**	Paragraph 14 and paragraph 11.46 of the *IFRS for SMEs* correspond. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 14 should be retained in the Tier 2 disclosure requirements.
15 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: **(a) the fair value of the collateral held;** **(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and** **(c) the terms and conditions associated with its use of the collateral.**		Paragraph 15 has no equivalent disclosure in the *IFRS for SMEs* and, based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
Allowance account for credit losses **16 When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.**		Paragraph 16 has no equivalent disclosure in the *IFRS for SMEs* and is regarded as an accounting policy choice relating to recognition and measurement difference. Accordingly, based on paragraphs 5 and 6(d) of 'Tier 2 Disclosure Principles', in relation to user needs and entity's accounting policy choice, paragraph 16 should be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
Compound financial instruments with multiple embedded derivatives **17 If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 28 of AASB 132) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.**		Paragraph 17 has no equivalent in the *IFRS for SMEs* and could be regarded as relating to a recognition and measurement difference since the *IFRS for SMEs* does not address compound instruments. Based on paragraphs 6(a) and 6(f) of 'Tier 2 Disclosure Principles', in relation to short-term cash flows/obligations, and transactions and other events encountered by such entities, paragraph 17 should be retained in the Tier 2 disclosure requirements.
Defaults and breaches **18 For *loans payable* recognised at the end of the reporting period, an entity shall disclose:** **(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;** **(b) the carrying amount of the loans payable in default at the end of the reporting period; and** **(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.**	**Defaults and breaches on loans payable** **11.47 For loans payable recognised at the reporting date for which there is a breach of terms or default of principal, interest, sinking fund, or redemption terms that has not been remedied by the reporting date, an entity shall disclose the following:** **(a) details of that breach or default.** **(b) the carrying amount of the related loans payable at the reporting date.** **(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.**	Paragraph 18 and paragraph 11.47 of the *IFRS for SMEs* correspond, however paragraph 11.47 of the *IFRS for SMEs* has a narrower scope and is therefore, less onerous than paragraph 18. Accordingly, paragraph 11.47 of the *IFRS for SMEs* should be included in the Tier 2 disclosure requirements, as a RDR paragraph, based on paragraph 3 of 'Tier 2 Disclosure Principles'.
19 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated		Paragraph 19 has no equivalent disclosure in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).		
Statement of comprehensive income **Items of income, expense, gains or losses** **20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:** **(a) net gains or net losses on:** **(i) financial assets <u>or financial liabilities</u> measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are mandatorily measured at fair value in accordance with AASB <u>9 (e.g. financial liabilities that meet the definiton of held for trading in AASB 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss;</u>** **(ii)-(iv) [deleted by the IASB]** **(v) financial liabilities measured at amortised cost;** **(vi) financial assets measured at amortised cost; and** **(vii) financial assets measured at fair value through other comprehensive income;** **(b) total interest income and total interest expense (calculated using the effective interest method)**	**Items of income, expense, gains or losses** **11.48 An entity shall disclose the following items of income, expense, gains or losses:** **(a) income, expense, gains or losses, including changes in fair value, recognised on:** **(i) financial assets measured at fair value through profit or loss.** **(ii) financial liabilities measured at fair value through profit or loss.** **(iii) financial assets measured at amortised cost.** **(iv) financial liabilities measured at amortised cost.** **(b) total interest income and total**	Paragraph 20(a)(i), first phrase, corresponds to paragraphs 11.48(a)(i) and 11.48(a)(ii) of the *IFRS for SMEs* and based on paragraph 2 of 'Tier 2 Disclosure Principles', should be retained in the Tier 2 disclosure requirements. The words in paragraph 20(a)(i) beginning 'showing separately… held for trading in AASB 9)' have no equivalent in the *IFRS for SMEs*, and based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements. <u>The last sentence in paragraph 20(a)(i) beginning 'For financial liabilities…' does not correspond to the *IFRS for SMEs* and is regarded as relating to a recognition and measurement difference because the *IFRS for SMEs* does not provide an election to measure financial liabilities at fair value, that would otherwise be measured at amortised cost. As such, the last sentence in paragraph 20(a)(i) is relevant to the information needs of users of financial statements prepared under AASB 9. Based on paragraphs 5 and 6(e) of 'Tier 2 Disclosure Principles', in relation to user needs and disaggregations, the last sentence in paragraph 20(a)(i) should be retained in the Tier 2 disclosure requirements.</u> Paragraphs 20(a)(v), 20(a)(vi), 20(b) and 20(e) correspond to paragraphs 11.48(a)(iv), 11.48(iii), 11,48(b) and 11.48(c) of the *IFRS for SMEs* respectively. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraphs 20(a)(v),

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
for financial assets that are measured at amortised cost or financial liabilities not at fair value through profit or loss; **(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:** **(i) financial assets measured at amortised cost or financial liabilities that are not at fair value through profit or loss; and** **(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;** **(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of AASB 139; and** **(e) the amount of any impairment loss for each class of financial asset.**	**interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not measured at fair value through profit or loss.** **(c) the amount of any impairment loss for each class of financial asset.**	20(a)(vi), 20(b) and 20(e) should be retained in the Tier 2 disclosure requirements. Paragraph 20(a)(vii) 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 account for financial assets measured at fair value through other comprehensive income. As such, paragraph 8(h) is relevant to information needs of financial statements prepared under AASB 9. Based on paragraphs 5 and 6(e) of 'Tier 2 Disclosure Principles', in relation to user needs and disaggregated information, paragraph 8(h) should be retained in the Tier 2 disclosure requirements. Paragraphs 20(c) and 20(d) have no equivalent in the *IFRS for SMEs* and based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.		Paragraph 20A has no equivalent in the *IFRS for SMEs* and, based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
Other disclosures **Accounting policies** **21 In accordance with paragraph 117 of AASB 101 *Presentation of Financial Statements* (as revised in 2007), an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases)**	**Disclosure of accounting policies for financial instruments** **11.40 In accordance with paragraph 8.5, an entity shall disclose, in the summary of significant accounting policies, the measurement basis (or bases) used for**	 Paragraph 21 and paragraph 11.40 of the *IFRS for SMEs* correspond. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 21 should be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.	**financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements.**	
	12.26 An entity applying this section shall make all of the disclosures required in Section 11 incorporating in those disclosures financial instruments that are within the scope of this section as well as those within the scope of Section 11. In addition, if the entity uses hedge accounting, it shall make the additional disclosures in paragraphs 12.27-12.29.	Paragraph 12.26 is contextual material relating specifically to the *IFRS for SMEs*. Based on paragraph 4 of 'Tier 2 Disclosure Principles', paragraph 12.26 should not be included in the Tier 2 disclosure requirements.
Hedge accounting **22 An entity shall disclose the following separately for each type of hedge described in AASB 139 (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):** **(a) a description of each type of hedge;** **(b) a description of the financial instruments designated as hedging instruments and their fair values at the end of the reporting period; and** **(c) the nature of the risks being hedged.**	**12.27 An entity shall disclose the following separately for hedges of each of the four types of risks described in paragraph 12.17:** **(a) a description of the hedge.** **(b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date.** **(c) the nature of the risks being hedged, including a description of the hedged item.**	Except for the restriction in hedge accounting to the four types of risks identified in the *IFRS for SMEs*, paragraph 22 corresponds to paragraph 12.27 of the *IFRS for SMEs*. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 22 should be retained in the Tier 2 disclosure requirements.
23 For cash flow hedges, an entity shall disclose: **(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;** **(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;**	**12.29 If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation (paragraphs 12.23-12.25) it shall**	Except for the restriction in hedge accounting to the four types of risks identified in the *IFRS for SMEs*, paragraph 23 corresponds to paragraph 12.29 of the *IFRS for SMEs*. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 23 should be retained in the

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
(c) the amount that was recognised in other comprehensive income during the period; **(d) the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item in the statement of comprehensive income; and** **(e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.**	**disclose the following:** **(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss.** **(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur.** **(c) the amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period (paragraph 12.23).** **(d) the amount that was reclassified from other comprehensive income to profit or loss for the period (paragraphs 12.23 and 12.25).** **(e) the amount of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows that was recognised in profit or loss (paragraph 12.24).**	Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
24 An entity shall disclose separately: **(a) in fair value hedges, gains or losses:** **(i) on the hedging instrument; and** **(ii) on the hedged item attributable to the hedged risk;** **(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and** **(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.**	**12.28 If an entity uses hedge accounting for a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 12.19-12.22) it shall disclose the following:** **(a) the amount of the change in fair value of the hedging instrument recognised in profit or loss.** **(b) the amount of the change in fair value of the hedged item recognised in profit or loss.**	Except for the restriction in hedge accounting to the four types of risks identified in the *IFRS for SMEs*, paragraph 24 corresponds to paragraph 12.28 of the *IFRS for SMEs*. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 24 should be retained in the Tier 2 disclosure requirements.
Fair value **25 Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.**		Paragraph 25 has no equivalent in the *IFRS for SMEs* and, based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.		Paragraph 26 has no equivalent in the *IFRS for SMEs* and, based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.	**11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, e.g. quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities.**	Paragraph 27, except for the last sentence, and paragraph 11.43 of the *IFRS for SMEs* correspond. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 27, except for the last sentence, should be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
	For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.	
27A To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: **(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);** **(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and** **(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).** **The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.**		Paragraph 27A has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments: **(a) the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.** **(b) any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.** **(c) for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:** **(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);** **(ii) total gains or losses recognised in other comprehensive income;** **(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and** **(iv) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant**		Paragraph 27B has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. **(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).** **(e) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.** **An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.**		

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs B5.4.6-B5.4.12 of AASB 9). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless conditions described in paragraph B5.4.8 of AASB 9 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument: **(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph B5.4.9 of AASB 9); and** **(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.**		Paragraph 28 has no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
29 Disclosures of fair value are not required: **(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables; or** **(b) [deleted by the IASB]** **(c) for a contract containing a discretionary participation feature (as described in AASB 4) if the fair value of that feature cannot be measured reliably.**		Paragraph 29 is in the nature of guidance and sub-paragraph 29(c) specifically relates to paragraph 30(a), which is proposed to be retained in the Tier 2 disclosure requirements. As such, paragraph 29 should be retained in the Tier 2 disclosure requirements based on paragraph 7 of 'Tier 2 Disclosure Principles'.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
30 In the cases described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including: **(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;** **(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;** **(c) information about the market for the instruments;** **(d) information about whether and how the entity intends to dispose of the financial instruments; and** **(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.**	**11.44 If a reliable measure of fair value is no longer available for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact.**	Paragraph 30(a) and paragraph 11.44 of the *IFRS for SMEs* correspond. Based on paragraph 2 of 'Tier 2 Disclosure Principles', paragraph 30(a) should be retained in the Tier 2 disclosure requirements. Paragraphs 30(b), 30(c), 30(d) and 30(e) have no equivalent in the *IFRS for SMEs*, and based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
Nature and Extent of Risks Arising from Financial Instruments **31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.** **32 The disclosures required by paragraphs 33-42 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, *liquidity risk***		Paragraphs 31, 32, 32A, 33, 34, 35, 36, 37, 38, 39, 40, 41 and 42 have no equivalent in the *IFRS for SMEs* and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
and market risk. **32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposures to risks.** **Qualitative disclosures** **33 For each type of risk arising from financial instruments, an entity shall disclose:** **(a) the exposures to risk and how they arise;** **(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and** **(c) any changes in (a) or (b) from the previous period.** **Quantitative disclosures** **34 For each type of risk arising from financial instruments, an entity shall disclose:** **(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer;** **(b) the disclosures required by paragraphs 36-42, to the extent not provided in accordance with (a); and** **(c) concentrations of risk if not apparent from the**		

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
disclosures made in accordance with (a) and (b). **35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.** **Credit risk** **36 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 (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;** **(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.** **(d) [deleted by the IASB]** ***Financial assets that are either past due or impaired*** **37 An entity shall disclose by class of financial asset:** **(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but**		

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
not impaired; and **(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired.** **(c) [deleted by the IASB]** ***Collateral and other credit enhancements obtained*** **38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Australian Accounting Standards, an entity shall disclose for such assets held at the reporting date:** **(a) the nature and carrying amount of the assets; and** **(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.** **Liquidity risk** **39 An entity shall disclose:** **(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.** **(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).**		

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
(c) a description of how it manages the liquidity risk inherent in (a) and (b). **Market risk** ***Sensitivity analysis*** **40 Unless an entity complies with paragraph 41, it shall disclose:** **(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;** **(b) the methods and assumptions used in preparing the sensitivity analysis; and** **(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.** **41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:** **(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and** **(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.**		

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Other market risk disclosures **42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.**		
<u>**Transfers of financial assets**</u> <u>**42A The disclosure requirements in paragraphs 42B-42H relating to transfers of financial assets supplement the other disclosure requirements of this Standard. An entity shall present the disclosures required by paragraphs 42B-42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset), if, and only if, it either:**</u> <u>**(a) transfers the contractual rights to receive the cash flows of that financial asset; or**</u> <u>**(b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.**</u>		<u>Paragraph 42A is in the nature of contextual material and should be excluded from the Tier 2 disclosure requirements based on paragraph 7 of 'Tier 2 Disclosure Principles'.</u>

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
42B An entity shall disclose information that enables users of its financial statements: **(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and** **(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.**		Paragraph 42B is the overall principle for the disclosures relating to tranfers of financial assets. Some of the requirements in the paragraphs supporting paragraph 42B(a) are equivalent to the *IFRS for SMEs* requirements, and are assessed below. Accordingly, paragraph 42B(a) should be retained in the Tier 2 disclosure requirements based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles'. Paragraph 42B(b) has no equivalent in the *IFRS for SMEs*, and the related paragraphs supporting paragraph 42B(b) are proposed to be excluded from the Tier 2 disclosure requirements. Accordingly, based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 42B(b) should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
42C For the purposes of applying the disclosure requirements in paragraphs 42E-42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E-42H, the following do not constitute continuing involvement: **(a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;** **(b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or** **(c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 19(a)-(c) of AASB 139 are met.**		Paragraph 42C has no equivalent in the *IFRS for SMEs* and relates to paragraphs 42E-42H, which are proposed to be excluded from the Tier 2 disclosure requirements. Accordingly, based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 42C should be excluded from the Tier 2 disclosure requirements.
Transferred financial assets that are not derecognised in their entirety **42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of**	**Derecognition** **11.45 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraphs 11.33-11.35), the entity shall disclose the following for each class**	Paragraphs 42D(a) and 42D(b) correspond to paragraphs 11.45(a) and 11.45(b) of the *IFRS for SMEs* respectively, and based on paragraph 2 of 'Tier 2 Disclosure Principles' should be retained in the Tier 2 disclosure requirements.

<table>
<tr><th>Disclosures in AASB 2010-6 (Nov 2010),
revised AASB 9 and AASB 2010-7 (Dec 2010)</th><th>Disclosure Requirements in
IFRS for SMEs, Sections 11 and 12</th><th>Comments</th></tr>
<tr><td>transferred financial assets that are not derecognised in their entirety:
(a) the nature of the <u>transferred</u> assets;
(b) the nature of the risks and rewards of ownership to which the entity is exposed;
<u>(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity’s use of the transferred assets;</u>
<u>(d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities);</u>
(e) when the entity continues to recognise all of the <u>transferred</u> assets, the carrying amounts of the <u>transferred</u> assets and the associated liabilities; and
(f) when the entity continues to recognise the assets to the extent of its continuing involvement <u>(see paragraphs 20(c)(ii) and 30 of AASB 139)</u>, the total carrying amount of the original assets <u>before the transfer</u>, the <u>carrying</u> amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.</td><td>of such financial assets:
(a) the nature of the assets.
(b) the nature of the risks and rewards of ownership to which the entity remains exposed.

(c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.</td><td><u>Paragraphs 42D(c), 42D(d) and 42D(e) have no equivalent in the IFRS for SMEs, and based on paragraph 3 of ‘Tier 2 Disclosure Principles’ should be excluded from the Tier 2 disclosure requirements.</u>

<u>Paragraph 42D(f), except for the words, ‘… the total carrying amount of the original asset before the transfer, …’ corresponds to paragraph 11.45(c) of the IFRS for SMEs. Accordingly, paragraph 11.45(c), except for the words, ‘… the total carrying amount of the original asset before the transfer, …’ should be retained in the Tier 2 disclosure requirements based on paragraph 3 of ‘Tier 2 Disclosure Principles’.</u></td></tr>
<tr><td><u>Transferred financial assets that are derecognised in their entirety</u>

<u>42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 20(a) and (c)(i) of AASB 139) but has continuing involvement in them,</u></td><td></td><td><u>Paragraphs 42E(a), 42E(b), 42E(c), 42E(d), 42E(e) and 42E(f) have no equivalent in the IFRS for SMEs. Based on paragraph 3 of ‘Tier 2 Disclosure Principles’, paragraphs 42E(a), 42E(b), 42E(c),</u></td></tr>
</table>

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date: **(a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised;** **(b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets;** **(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined;** **(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (e.g. the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date;** **(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement; and** **(f) qualitative information that explains and supports the quantitative disclosures required in (a)-(e).**		42E(d), 42E(e) and 42E(f) should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
42F An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.		Paragraph 42F relates to paragraph 42E, which is proposed to be excluded from the Tier 2 disclosure requirements. Accordingly, based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 42F should also be excluded from the Tier 2 disclosure requirements.
42G In addition, an entity shall disclose for each type of continuing involvement: **(a) the gain or loss recognised at the date of transfer of the assets;** **(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (e.g. fair value changes in derivative instruments); and** **(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (e.g. if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):** **(i) when the greatest transfer activity took place within that reporting period (e.g. the last five days before the end of the reporting period);** **(ii) the amount (e.g. related gains or losses) recognised from transfer activity in that part of the reporting period; and** **(iii) the total amount of proceeds from transfer activity in that part of the reporting period.** **An entity shall provide this information for each period for which a statement of comprehensive income is presented.**		Paragraphs 42G(a), 42G(b), 42G(c)(i), 42G(c)(ii) and 42G(c)(iii) have no equivalent in the *IFRS for SMEs*, and based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
<u>**Supplementary information**</u> <u>**42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.**</u>		<u>Paragraph 42H has no equivalent in the *IFRS for SMEs*, and based on paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.</u>
Appendix B **Application guidance** **B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in <u>AASB 9</u> (which determine how financial instruments are measured and where changes in fair value are recognised).** **…**		Paragraph B1 has no equivalent in the *IFRS for SMEs* and relates to paragraph 6, which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B1 should also be excluded from Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include: **(a) for financial liabilities designated as at fair value through profit or loss:** **(i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss;** **(ii) the criteria for so designating such financial liabilities on initial recognition; and** **(iii) how the entity has satisfied the conditions in paragraph <u>4.2.2 of AASB 9 for such designation;</u>** **<u>(aa) for financial assets designated as measured at fair value through profit or loss:</u>** **<u>(i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss; and</u>** **<u>(ii) how the entity has satisfied the criteria in paragraph 4.1.5 of AASB 9 for such designation;</u>** **<u>(b) [deleted by the IASB]</u>** **(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph <u>3.1.2 of AASB 9</u>);** **(d) …** **…**		Paragraph B5 has no equivalent in the *IFRS for SMEs* but is in the nature of guidance for the application of paragraph 21, which is proposed to be retained in the Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B5 should also be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to: **(a) granting loans <u>to customers</u> and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.** **(b) ...** **…**		Paragraph B10 has no equivalent in the *IFRS for SMEs* and relates to paragraph 36(a), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B10 should also be excluded from Tier 2 disclosure requirements.
B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (e.g. <u>debt instruments acquired or issued</u>) and on some financial instruments not recognised in the statement of financial position (e.g. some loan commitments). **…**		Paragraph 22 has no equivalent in the *IFRS for SMEs* and relates to paragraphs 40 and 41, which are proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B22 should also be excluded from Tier 2 disclosure requirements.
B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, <u>for example, from instruments measured at fair value through profit or loss</u>) is disclosed separately from the sensitivity of <u>other comprehensive income</u> (that arises, <u>for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income</u>). **…**		Paragraph B27 has no equivalent in the *IFRS for SMEs* and relates to paragraph 40(a), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B27 should also be excluded from Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Continuing involvement (paragraph 42C) **B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E–42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent's involvement in the assessment of whether it has continuing involvement in the transferred asset in its stand-alone financial statements (i.e. when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (i.e. when the reporting entity is the group).** **…**		Paragraph B29 has no equivalent in the *IFRS for SMEs* and relates to paragraphs 42C and 42E-42H, which are proposed to be excluded from the Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B29 should also be excluded from the Tier 2 disclosure requirements.
Transferred financial assets that are not derecognised in their entirety **B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.**		Paragraph B32 has no equivalent in the *IFRS for SMEs* but is in the nature of guidance for the application of paragraph 42D, and paragraphs 42D(a) and 42D(b), which are proposed to be retained in the Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B32 should be retained in the Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Types of continuing involvement (paragraphs 42E–42H) **B33 Paragraphs 42E-42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (e.g. guarantees or call options) or by type of transfer (e.g. factoring of receivables, securitisations and securities lending).**		Paragraph B33 has no equivalent in the *IFRS for SMEs* and relates to paragraphs 42E-42H, which are proposed to be excluded from the Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B33 should also be excluded from the Tier 2 disclosure requirements.
Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e)) **B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (e.g. forward contracts), cash flows that the entity may be required to pay (e.g. written put options) and cash flows that the entity might choose to pay (e.g. purchased call options).**		Paragraph B34 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B34 should also be excluded from Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	**Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12**	**Comments**
B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate: **(a) not later than one month;** **(b) later than one month and not later than three months;** **(c) later than three months and not later than six months;** **(d) later than six months and not later than one year;** **(e) later than one year and not later than three years;** **(f) later than three years and not later than five years; and** **(g) more than five years.**		Paragraph B35 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B35 should also be excluded from Tier 2 disclosure requirements.
B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.		Paragraph B36 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42E(e), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B36 should also be excluded from Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Qualitative information (paragraph 42E(f)) **B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:** **(a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets;** **(b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (i.e. its continuing involvement in the asset); and** **(c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.**		 Paragraph B37 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42E(f), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B37 should also be excluded from Tier 2 disclosure requirements.

Disclosures in AASB 2010-6 (Nov 2010), revised AASB 9 and AASB 2010-7 (Dec 2010)	Disclosure Requirements in *IFRS for SMEs*, Sections 11 and 12	Comments
Gain or loss on derecognition (paragraph 42G(a)) **B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (i.e. the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity also shall disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.**		Paragraph B38 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42G(a), which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B38 should also be excluded from Tier 2 disclosure requirements.
Supplementary information (paragraph 42H) **B39 The disclosures required in paragraphs 42D-42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.**		Paragraph B39 has no equivalent in the *IFRS for SMEs* and relates to paragraph 42H, which is proposed to be excluded from Tier 2 disclosure requirements. Accordingly, based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph B39 should also be excluded from the Tier 2 disclosure requirements.

Consequential Amendments to AASB 101 *Presentation of Financial Statements* as a result of AASB 2010-7

Disclosures in AASB 2010-7 (Dec 2010)	Disclosure requirements in *IFRS for SMEs*, Section 5	Comments
82 As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period: **(a) revenue;** **<ins>(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;</ins>** **(b) finance costs;** **(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;** **<ins>(ca) if a financial asset is reclassified so that it is measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date (as defined in AASB 9);</ins>** **(d) ...**	**5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period:** **(a) revenue.** **(b) finance costs.** **(c) share of the profit or loss of investments in associates (see Section 14 Investments in Associates) and jointly controlled entities (see Section 15 Investments in Joint Ventures) accounted for using the equity method.** **(d) …**	<ins>Paragraph 82, except for sub-paragraphs 82(aa) and 82(ca), corresponds to paragraph 5.5 of the *IFRS for SMEs*.</ins> <ins>Paragraph 82(aa) has no equivalent in the *IFRS for SMEs*, and based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 82(aa) should be excluded from the Tier 2 disclosure requirements.</ins> <ins>Paragraph 82(ca) requires disclosures that relate to reclassification requirements as a result of the adoption of AASB 9 that are not included in the *IFRS for SMEs*, and is regarded as relating to a recognition and measurement difference. Based on paragraph 6(d) of 'Tier 2 Disclosure Principles', in relation to accounting policy choice, paragraph 82(ca) should be retained in the Tier 2 disclosure requirements.</ins> <ins>Therefore, paragraph 82, except paragraph 82(aa), should be retained in the Tier 2 disclosure requirements.</ins>