

AASB 7 Financial Instruments: Disclosures (consistent with AASB 9 Financial Instruments) vs. IFRS for SMEs Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues

1. Executive Summary

Recognition and measurement differences between AASB 9 and IFRS for SMEs Section 11 and Section 12

AASB 9, as at December 2009, only prescribes requirements for financial asset classification and measurement and is mandatory for financial years beginning on or after 1 January 2013. Other measurement aspects, including measurement of financial liabilities, impairment and hedge accounting, are currently being considered separately by the IASB. Proposed disclosures included in ED 192 are intended for those entities that are planning to early-adopt the requirements in AASB 9 in the context of the Reduced Disclosure Regime (RDR). This document deals with a comparison of financial asset classification between *IFRS for SMEs* sections 11 and 12, and AASB 9.

Sections 11 and 12 of the *IFRS for SMEs* differs from AASB 9 with respect to classification and measurement in the following ways:

(a) *Classification of financial assets*

Under both AASB 9 and the *IFRS for SMEs*, financial instruments that meet specified criteria are measured at cost or amortised cost, and all others are measured at fair value through profit or loss. The election to present fair value changes for some equity investments through other comprehensive income under AASB 9 is not available in the *IFRS for SMEs*. Given that the change in classification can have direct consequences for measurement, staff are of the view that they should be considered for the purposes of RDR analysis, as if they are recognition and measurement differences between AASB 9 and the *IFRS for SMEs*.

(b) *Derivative financial assets*

The *IFRS for SMEs* does not require separate accounting for ‘embedded derivatives’ across all financial instruments. This is similar to the treatment of hybrid contracts under AASB 9 where the host is a financial asset. In addition, the *IFRS for SMEs* requires non-financial contracts that include an embedded derivative with economic characteristics not closely related to the host contract to be accounted for in their entirety at fair value. The treatment of embedded derivatives within a hybrid contract with a non-financial host is outside the scope of AASB 9, so must therefore be accounted for in accordance with the requirements in AASB 139.

The *IFRS for SMEs* permits a disclosure election between AASB 7 based on the AASB 139 recognition and measurement and sections 11 and 12 of the *IFRS for SMEs*. However, it does not specify an election for an entity to follow AASB 9 and the consequential amendments in AASB 7, because at the time when the *IFRS for SMEs* was issued, AASB 9 was not yet issued. As a result, staff believe that it is necessary for the consequential amendments made to AASB 7, as a result of the issuance of AASB 9, to be included in the RDR as a similar election for early-adopters of AASB 9.

Disclosure proposals

It is proposed that paragraphs 6, 9, 10, 11A, 11B, 12C, 15, 19, 20(a)(i) in part, 20(a)(v) in part, 20(c), 20(d), 20A, 25, 26, 27A, 27B, 309b) to 30(e), 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, and 42 be excluded from the RDR.

2. Analysis of disclosure requirements

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
	<p>Disclosure</p> <p>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.</p>	<p>Paragraph 11.39 has no equivalent in AASB 7 and, based on the reasoning in paragraph IN4 of this Appendix, should not be added to the RDR.</p>
<p>Classes of Financial Instruments and Level of Disclosure</p> <p>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.</p>		<p>Paragraph 6 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Significance of Financial Instruments for Financial Position and Performance</p> <p>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.</p>	<p>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 instrument imposes on the entity).</p>	<p>Paragraph 7 and paragraph 11.42 of the <i>IFRS for SMEs</i> correspond. Paragraph 7 should be retained in the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>Statement of financial position</p> <p>Categories of financial assets and financial liabilities</p> <p>8 The carrying amounts of each of the following categories, as specified in AASB 9 or AASB 139, shall be disclosed either in the statement of financial position or in the notes:</p> <p>(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.</p> <p>(b)-(d) [deleted by the IASB]</p> <p>(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 139.</p> <p>(f) financial assets measured at amortised cost.</p> <p>(g) financial liabilities measured at amortised cost.</p> <p>(h) financial assets measured at fair value through other comprehensive income.</p>	<p>Statement of financial position – categories of financial assets and financial liabilities</p> <p>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:</p> <p>(a) financial assets measured at fair value through profit or loss (paragraph 11.14(c)(i) and paragraphs 12.8 and 12.9).</p> <p>(b) financial assets that are debt instruments measured at amortised cost (paragraph 11.14(a)).</p> <p>(c) financial assets that are equity instruments measured at cost less impairment (paragraph 11.14(c)(ii) and paragraphs 12.8 and 12.9).</p> <p>(d) financial liabilities measured at fair value through profit or loss (paragraphs 12.8 and 12.9).</p> <p>(e) financial liabilities measured at amortised cost (paragraph 11.14(a)).</p> <p>(f) loan commitments measured at cost less impairment (paragraph 11.14(b)).</p>	<p>Paragraph 8(a)(i), first phrase, corresponds to paragraph 11.41(a)(i) of the <i>IFRS for SMEs</i>. The words in paragraph 8(a)(i) beginning ‘showing separately...’ have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraph 8(e)(i), first phrase, corresponds to paragraph 11.41(d) of the <i>IFRS for SMEs</i>. The words in paragraph 8(e)(i) beginning ‘showing separately...’ have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraphs 8(f) and 8(g) correspond to paragraphs 11.41(b) and 11.42(e) of the <i>IFRS for SMEs</i>. Paragraphs 8(f) and 8(g) should be retained in the RDR.</p> <p>Paragraphs 11.41(c) and 11.41(f) of the <i>IFRS for SMEs</i> have no direct equivalent in AASB 7 and based on the reasoning in paragraph IN4 of this Appendix, should not be added to the RDR.</p>
<p>Financial assets or financial liabilities at fair value through profit or loss</p> <p>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:</p>		<p>Paragraphs 9, 10, 11, 11A and 11B have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>(a) the maximum exposure to <i>credit risk</i> (see paragraph 36(a) of the financial asset (or group of financial assets) at the end of the reporting period;</p> <p>(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;</p> <p>(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:</p> <p style="padding-left: 20px;">(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to <i>market risk</i>; or</p> <p style="padding-left: 20px;">(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.</p> <p style="padding-left: 40px;">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</p> <p>(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.</p>		

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<p>10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, it shall disclose:</p> <p>(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 determined either:</p> <p>(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 (see Appendix B, paragraph B4); or</p> <p>(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 liability.</p> <p>Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity’s financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; and</p> <p>(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.</p>		

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<p>11 The entity shall disclose:</p> <ul style="list-style-type: none"> (a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a); and (b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) 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. <p>11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.4.4 of AASB 9, it shall disclose:</p> <ul style="list-style-type: none"> (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. (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers. 		

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<p>11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:</p> <ul style="list-style-type: none"> (a) the reasons for disposing of the investments. (b) the fair value of the investments at the date of derecognition. (c) the cumulative gain or loss on disposal. 		
<p>Reclassification</p> <p>12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.9 of AASB 9. For each such event, an entity shall disclose:</p> <ul style="list-style-type: none"> (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. (c) the amount reclassified into and out of each category. <p>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 4.9 of AASB 9:</p> <ul style="list-style-type: none"> (a) the effective interest rate determined on the date of reclassification; and (b) the interest income or expense recognised. <p>12D If an entity has reclassified financial assets so that they</p>		<p>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 <i>IFRS for SMEs</i>.</p> <p>Based on the reasoning in paragraph IN6(d) of this Appendix, paragraphs 12B and 12D should be retained in the RDR.</p> <p>Paragraph 12C should be excluded from the RDR on cost-benefit grounds since it requires specific and continuous annual disclosures about the reclassified financial assets until they are derecognised.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>are measured at amortised cost since its last annual reporting date, it shall disclose:</p> <ul style="list-style-type: none"> (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. 		
<p>Derecognition</p> <p>13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of AASB 139). The entity shall disclose for each class of such financial assets:</p> <ul style="list-style-type: none"> (a) the nature of the assets; (b) the nature of the risks and rewards of ownership to which the entity remains exposed; (c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities. 	<p>Derecognition</p> <p>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 of such financial assets:</p> <ul style="list-style-type: none"> (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. 	<p>Paragraphs 13(a), 13(b) and 13(c) corresponds to paragraph 11.45(a), 11.45(b) and 11.45(c) of the <i>IFRS for SMEs</i>. Paragraphs 13(a), 13(b) and 13(c) should be retained in the RDR.</p> <p>Paragraph 13(d) has no equivalent in the <i>IFRS for SMEs</i> due to recognition and measurement differences. Based on the reasoning in paragraph IN6(e) of this Appendix, paragraph 13(d) should be retained in the RDR.</p>
<p>Collateral</p> <p>14 An entity shall disclose:</p> <ul style="list-style-type: none"> (a) the carrying amount of financial assets it has 	<p>Collateral</p> <p>11.46 When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it</p>	<p>Paragraph 14 and paragraph 11.46 of the <i>IFRS for SMEs</i> correspond. Paragraph 14 should be retained in the RDR.</p>

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<p>pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of AASB 139; and</p> <p>(b) the terms and conditions relating to its pledge.</p>	<p>shall disclose the following:</p> <p>(a) the carrying amount of the financial assets pledged as collateral.</p> <p>(b) the terms and conditions relating to its pledge.</p>	
<p>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:</p> <p>(a) the fair value of the collateral held;</p> <p>(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and</p> <p>(c) the terms and conditions associated with its use of the collateral.</p>		<p>Paragraph 15 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Allowance account for credit losses</p> <p>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.</p>		<p>Paragraph 16 has no equivalent in the <i>IFRS for SMEs</i>, however it offers an accounting policy choice of presentation that would obviate the need to disclose a reconciliation of changes. Accordingly, based on reasoning in paragraph IN6(d) of this Appendix, paragraph 16 should be retained in the RDR.</p>
<p>Compound financial instruments with multiple embedded derivatives</p> <p>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</p>		<p>Paragraph 17 has no equivalent in the <i>IFRS for SMEs</i> and could be regarded as relating to a recognition and measurement difference since the <i>IFRS for SMEs</i> does not address compound instruments. Based on the reasoning in paragraph IN6(f) of this Appendix, paragraph 17 should be retained in the RDR.</p>

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<p>embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.</p>		
<p>Defaults and breaches</p> <p>18 For <i>loans payable</i> recognised at the reporting date, an entity shall disclose:</p> <ul style="list-style-type: none"> (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 reporting date; and (c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue. 	<p>Defaults and breaches on loans payable</p> <p>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:</p> <ul style="list-style-type: none"> (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. 	<p>Paragraph 18 and paragraph 11.47 of the <i>IFRS for SMEs</i> correspond. Paragraph 18 should be retained in the RDR.</p>
<p>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 repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date).</p>		<p>Paragraph 19 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Statement of comprehensive income</p> <p>Items of income, expense, gains or losses</p> <p>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:</p>	<p>Items of income, expense, gains or losses</p> <p>11.48 An entity shall disclose the following items of income, expense, gains or losses:</p> <ul style="list-style-type: none"> (a) income, expense, gains or losses, including changes in fair value, recognised on: <ul style="list-style-type: none"> (i) financial assets measured at fair value 	<p>Paragraph 20(a)(i), first phrase, corresponds to paragraph 11.48(a)(i) of the <i>IFRS for SMEs</i>. Paragraph 20(a)(i), first phrase, should be retained in the RDR. The words in paragraph 20(a)(i) beginning ‘showing separately...’ have no equivalent in the IFRS for SMEs and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the</p>

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<p>(a) net gains or net losses on:</p> <p>(i) financial assets measured at fair value through profit or loss, showing separately those on financial assets designated as such upon initial recognition, and those that are mandatorily measured at fair value in accordance with AASB 9;</p> <p>(ii)-(iv) [deleted by the IASB]</p> <p>(v) financial liabilities at fair value through profit or loss, showing separately those on financial liabilities designated as such upon initial recognition, and those on financial liabilities that meet the definition of held for trading in AASB 139;</p> <p>(vi) financial assets measured at amortised cost;</p> <p>(vii) financial liabilities measured at amortised cost; and</p> <p>(viii) financial assets measured at fair value through other comprehensive income.</p> <p>(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or financial liabilities not at fair value through profit or loss;</p> <p>(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:</p> <p>(i) financial assets measured at amortised</p>	<p>through profit or loss.</p> <p>(ii) financial liabilities measured at fair value through profit or loss.</p> <p>(iii) financial assets measured at amortised cost.</p> <p>(iv) financial liabilities measured at amortised cost.</p> <p>(b) total interest income and total 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.</p> <p>(c) the amount of any impairment loss for each class of financial asset.</p>	<p>RDR.</p> <p>Paragraph 20(a)(v), first phrase, corresponds to paragraph 11.48(a)(ii) of the <i>IFRS for SMEs</i>. The words in paragraph 20(a)(v) beginning ‘showing separately...’ have no equivalent in the IFRS for SMEs and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p> <p>Paragraphs 20(a)(vi), 20(a)(vii), 20(b) and 20(e) correspond to paragraph 11.48(a)(iii), 11.48(iv), 11.48(b) and 11.48(c) of the <i>IFRS for SMEs</i>. Paragraphs 20(a)(vi), 20(a)(vii), 20(b) and 20(e) should be retained in the RDR.</p> <p>Paragraph 20(a)(viii) does not correspond to the <i>IFRS for SMEs</i> however, based on the reasoning in paragraph IN6(e) of this Appendix, should be retained in the RDR.</p> <p>Paragraphs 20(c) and 20(d) have no equivalent in the <i>IFRS for SMEs</i> and based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

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<p>cost or financial liabilities that are not at fair value through profit or loss; and</p> <p>(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;</p> <p>(d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of AASB 139; and</p> <p>(e) the amount of any impairment loss for each class of financial asset.</p>		
<p>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.</p>		<p>Paragraph 20A has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Other disclosures</p> <p>Accounting policies</p> <p>21 In accordance with paragraph 117 of AASB 101 <i>Presentation of Financial Statements</i> (as revised in 2007), an entity discloses, in the summary of significant accounting policies, 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.</p>	<p>Disclosure of accounting policies for financial instruments</p> <p>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 financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements.</p>	<p>Paragraph 21 and paragraph 11.40 of the <i>IFRS for SMEs</i> correspond. Paragraph 21 should be retained in the RDR.</p>
	<p>Disclosures</p> <p>12.26 An entity applying this section shall make all of the</p>	<p>Paragraph 12.26 has no equivalent in AASB 7 and, based on the reasoning in paragraph IN4 of this</p>

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	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.	Appendix, should not be added to the RDR.
<p>Hedge accounting</p> <p>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):</p> <ul style="list-style-type: none"> (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 reporting date; and (c) the nature of the risks being hedged. 	<p>12.27 An entity shall disclose the following separately for hedges of each of the four types of risks described in paragraph 12.17:</p> <ul style="list-style-type: none"> (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. 	<p>Except for the restriction in hedge accounting to the four types of risks identified in the <i>IFRS for SMEs</i>, paragraph 22 corresponds to paragraph 12.27 of the <i>IFRS for SMEs</i>.</p> <p>Paragraph 22 should be retained in the RDR.</p>
<p>23 For cash flow hedges, an entity shall disclose:</p> <ul style="list-style-type: none"> (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 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 	<p>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 disclose the following:</p> <ul style="list-style-type: none"> (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 	<p>Except for the restriction in hedge accounting to the four types of risks identified in the <i>IFRS for SMEs</i>, paragraph 23 corresponds to paragraph 12.29 of the <i>IFRS for SMEs</i>.</p> <p>Paragraph 23 should be retained in the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>(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.</p>	<p>hedging instrument that was recognised in other comprehensive income during the period (paragraph 12.23).</p> <p>(d) the amount that was reclassified from other comprehensive income to profit or loss for the period (paragraphs 12.23 and 12.25).</p> <p>(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).</p>	
<p>24 An entity shall disclose separately:</p> <p>(a) in fair value hedges, gains or losses:</p> <p style="padding-left: 20px;">(i) on the hedging instrument; and</p> <p style="padding-left: 20px;">(ii) on the hedged item attributable to the hedged risk;</p> <p>(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and</p> <p>(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.</p>	<p>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:</p> <p>(a) the amount of the change in fair value of the hedging instrument recognised in profit or loss.</p> <p>(b) the amount of the change in fair value of the hedged item recognised in profit or loss.</p>	<p>Except for the restriction in hedge accounting to the four types of risks identified in the <i>IFRS for SMEs</i>, paragraph 24 corresponds to paragraph 12.28 of the <i>IFRS for SMEs</i>.</p> <p>Paragraph 24 should be retained in the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>Fair value</p> <p>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.</p> <p>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.</p>		<p>Paragraphs 25 and 26 have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>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.</p>	<p>11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, eg 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. 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.</p>	<p>Paragraph 27 and paragraph 11.43 of the <i>IFRS for SMEs</i> correspond. Paragraph 27 should be retained in the RDR.</p>
<p>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:</p> <p>(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</p> <p>(b) inputs other than quoted prices included within Level 1 that are observable for the asset or</p>		<p>Paragraphs 27A and 27B have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and</p> <p>(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</p> <p>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.</p> <p>27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:</p> <p>(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.</p> <p>(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</p>		

Text in AASB 7	Text in IFRS for SMEs Sections 11 and 12	Preliminary Staff Comment
<p>liabilities.</p> <p>(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:</p> <p>(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);</p> <p>(ii) total gains or losses recognised in other comprehensive income;</p> <p>(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and</p> <p>(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 transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.</p> <p>(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).</p>		

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>(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.</p> <p>An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.</p>		
<p>28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of AASB 139). 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 AG76 of AASB 139 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:</p> <p>(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 AG76A of AASB 139); and</p>		<p>The first three sentences of paragraph 28 are in the nature of guidance and should be retained in the RDR based on the reasoning in paragraph IN7 of this Appendix.</p> <p>The fourth sentence in paragraph 28 beginning ‘If such a difference exists...’ has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>(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.</p>		
<p>29 Disclosures of fair value are not required:</p> <p>(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;</p> <p>(b) for derivatives linked to investments in equity instruments that do not have a quoted market price in an active market that are measured at cost in accordance with AASB 139 because their fair value cannot be measured reliably; or</p> <p>(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.</p>		<p>Paragraph 29 is in the nature of guidance and should be retained in the RDR based on the reasoning in paragraph IN7 of this Appendix.</p>
<p>30 In the cases described in paragraph 29(b) and (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:</p> <p>(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;</p> <p>(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;</p> <p>(c) information about the market for the</p>	<p>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.</p>	<p>Paragraph 30(a) and paragraph 11.44 of the <i>IFRS for SMEs</i> correspond. Paragraph 30(a) should be retained in the RDR.</p> <p>Paragraphs 30(b), 30(c), 30(d) and 30(e) have no equivalent in the <i>IFRS for SMEs</i>, and based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>instruments;</p> <p>(d) information about whether and how the entity intends to dispose of the financial instruments; and</p> <p>(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.</p>		
<p>Nature and Extent of Risks Arising from Financial Instruments</p> <p>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 reporting date.</p> <p>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, <i>liquidity risk</i> and market risk.</p> <p>Qualitative disclosures</p> <p>33 For each type of risk arising from financial instruments, an entity shall disclose:</p> <p>(a) the exposures to risk and how they arise;</p> <p>(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and</p> <p>(c) any changes in (a) or (b) from the previous period.</p>		<p>Paragraphs 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41 and 42 have no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>Quantitative disclosures</p> <p>34 For each type of risk arising from financial instruments, an entity shall disclose:</p> <ul style="list-style-type: none"> (a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in AASB 124 <i>Related Party Disclosures</i>), 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 (a), unless the risk is not material (see paragraphs 29-31 of AASB 101 for a discussion of materiality); and (c) concentrations of risk if not apparent from (a) and (b). <p>35 If the quantitative data disclosed as at the reporting date are unrepresentative of an entity’s exposure to risk during the period, an entity shall provide further information that is representative.</p>		
<p>Credit risk</p> <p>36 An entity shall disclose by class of financial instrument:</p> <ul style="list-style-type: none"> (a) the amount that best represents its maximum exposure to credit risk at the reporting date 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); (b) in respect of the amount disclosed in (a), a 		

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>description of collateral held as security and other credit enhancements;</p> <p>(c) information about the credit quality of financial assets that are neither <i>past due</i> nor impaired; and</p> <p>(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.</p> <p><i>Financial assets that are either past due or impaired</i></p> <p>37 An entity shall disclose by class of financial asset:</p> <p>(a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired;</p> <p>(b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and</p> <p>(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.</p> <p><i>Collateral and other credit enhancements obtained</i></p> <p>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</p>		

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>Standards, an entity shall disclose:</p> <ul style="list-style-type: none"> (a) the nature and carrying amount of the assets obtained; 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. <p>Liquidity risk</p> <p>39 An entity shall disclose:</p> <ul style="list-style-type: none"> (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). (c) a description of how it manages the liquidity risk inherent in (a) and (b). <p>Market risk</p> <p><i>Sensitivity analysis</i></p> <p>40 Unless an entity complies with paragraph 41, it shall disclose:</p> <ul style="list-style-type: none"> (a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in 		

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>the relevant risk variable that were reasonably possible at that date;</p> <p>(b) the methods and assumptions used in preparing the sensitivity analysis; and</p> <p>(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.</p> <p>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:</p> <p>(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</p> <p>(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.</p> <p><i>Other market risk disclosures</i></p> <p>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.</p>		
<p>44H AASB 9, issued in November 2009, amended paragraphs 2–5, 8, 9, 12, 20, 29 and 30, added</p>		<p>Paragraph 44H, 44I and 44J have no equivalent in the <i>IFRS for SMEs</i> because they relate to transitional</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
<p>paragraphs 11A, 11B, 12B–12D and 20A and deleted paragraph 12A. It also amended the last paragraph of Appendix A (Defined terms) and paragraphs B1, B5, B10, B22 and B27, and deleted Appendix D (Amendments to AASB 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement—<i>The Fair Value Option</i> have not been applied). An entity shall apply those amendments when it applies AASB 9.</p> <p>44I When an entity first applies AASB 9, it shall disclose for each class of financial assets at the date of initial application:</p> <ul style="list-style-type: none"> (a) the original measurement category and carrying amount determined in accordance with IAS 39; (b) the new measurement category and carrying amount determined in accordance with AASB 9; (c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that AASB 9 requires an entity to reclassify and those that an entity elects to reclassify. <p>An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.</p> <p>44J When an entity first applies AASB 9, it shall disclose qualitative information to enable users to understand:</p> <ul style="list-style-type: none"> (a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of 		<p>requirements as a result of adopting AASB 9 and could be regarded as relating to recognition and measurement differences. Based on the reasoning in paragraph IN6(d) in this Appendix, paragraphs 44H, 44I and 44J should be retained in the RDR.</p>

Text in AASB 7	Text in <i>IFRS for SMEs</i> Sections 11 and 12	Preliminary Staff Comment
applying AASB 9. (b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.		

AASB 9 Financial Instruments: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* (with consequential amendments as a result of AASB 9, issued November 2009), showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

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.

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.

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 or AASB 139, 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 139;
 - (f) financial assets measured at amortised cost.
 - (g) financial liabilities measured at amortised cost.
 - (h) financial assets measured at fair value through other comprehensive income.

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 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.

10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of AASB 139, 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 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 (see Appendix B, paragraph B4); 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 liability.

Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund; 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 disclose:

- (a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a); and
- (b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) 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.

11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.4.4 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.
- (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

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.
- (c) the cumulative gain or loss on disposal.

Reclassification

12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.9 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.
- (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 4.9 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.

Derecognition

13 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 15-37 of AASB 139). The entity shall disclose for each class 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) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and

- (d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

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 37(a) of AASB 139; and
 - (b) the terms and conditions relating to its pledge.
- 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.

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.

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.

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.
- 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 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 measured at fair value through profit or loss, showing separately those on financial assets designated as such upon initial recognition, and those that are mandatorily measured at fair value in accordance with AASB 9;
 - (ii)-(iv) [deleted by the IASB]
 - (v) financial liabilities at fair value through profit or loss, showing separately those on financial liabilities designated as such upon initial recognition, and those on financial liabilities that meet the definition of held for trading in AASB 139;
 - (vi) financial assets measured at amortised cost;
 - (vii) financial liabilities measured at amortised cost; and
 - (viii) financial assets measured at fair value through other comprehensive income.
 - (b) total interest income and total interest expense (calculated using the effective interest method) 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.
- 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.

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) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

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.
- 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;
 - (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 nonfinancial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.
- 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.

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.
- 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.
- 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.

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.

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 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.
- 28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74-AG79 of AASB 139). 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 AG76 of AASB 139 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 AG76A of AASB 139); 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.
- 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;
- (b) for derivatives linked to investments in equity instruments that do not have a quoted market price in an active market that are measured at cost in accordance with AASB 139 because their fair value cannot be measured reliably; or
- (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.
- 30 In the cases described in paragraph 29(b) and (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.

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* and market risk.

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 (a), unless the risk is not material (see paragraphs 29-31 of AASB 101 for a discussion of materiality); and
- (c) concentrations of risk if not apparent from (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);
- (b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;
- (c) information about the credit quality of financial assets that are neither *past due* nor impaired; and
- (d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

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 not impaired;
- (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; and

- (c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

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:

- (a) the nature and carrying amount of the assets obtained; 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).
- (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.

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.

44H AASB 9, issued in November 2009, amended paragraphs 2–5, 8, 9, 12, 20, 29 and 30, added paragraphs 11A, 11B, 12B–12D and 20A and deleted paragraph 12A. It also amended the last paragraph of Appendix A (Defined terms) and paragraphs B1, B5, B10, B22 and B27, and deleted Appendix D (Amendments to AASB 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement—*The Fair Value Option* have not been applied). An entity shall apply those amendments when it applies AASB 9.

44I When an entity first applies AASB 9, it shall disclose for each class of financial assets at the date of initial application:

- (a) the original measurement category and carrying amount determined in accordance with IAS 39;
- (b) the new measurement category and carrying amount determined in accordance with AASB 9;
- (c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that AASB 9 requires an entity to reclassify and those that an entity elects to reclassify.

An entity shall present these quantitative disclosures in tabular format unless another format is more appropriate.

44J When an entity first applies AASB 9, it shall disclose qualitative information to enable users to understand:

- (a) how it applied the classification requirements in AASB 9 to those financial assets whose classification has changed as a result of applying AASB 9.
- (b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss