

Compiled AASB Standard

AASB 7

Financial Instruments: Disclosures

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2011 but before 1 July 2011. Early application is permitted only for annual reporting periods ending on or after 1 July 2008. It incorporates relevant amendments made up to and including 23 June 2010.

Prepared on 26 November 2010 by the staff of the Australian Accounting Standards Board.



Australian Government

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IMPLEMENTATION GUIDANCE ON IFRS 7
(available on the AASB website)

BASIS FOR CONCLUSIONS ON IFRS 7
(available on the AASB website)

Australian Accounting Standard AASB 7 *Financial Instruments: Disclosures* (as amended) is set out in paragraphs 1 – 44L and Appendices A, B and D. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 7 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

COMPILATION DETAILS

Accounting Standard AASB 7 *Financial Instruments: Disclosures* as amended

This compiled Standard applies to annual reporting periods beginning on or after 1 January 2011 but before 1 July 2011. It takes into account amendments up to and including 23 June 2010 and was prepared on 26 November 2010 by the staff of the Australian Accounting Standards Board (AASB).

This compilation is not a separate Accounting Standard made by the AASB. Instead, it is a representation of AASB 7 (August 2005) as amended by other Accounting Standards, which are listed in the Table below.

Table of Standards

Standard	Date made	Application date (annual reporting periods ... on or after ...)	Application, saving or transitional provisions
AASB 7	31 Aug 2005	<i>(beginning)</i> 1 Jan 2007	see (a) below
AASB 2007-4	30 Apr 2007	<i>(beginning)</i> 1 Jul 2007	see (b) below
AASB 2007-8	24 Sep 2007	<i>(beginning)</i> 1 Jan 2009	see (c) below
AASB 2007-10	13 Dec 2007	<i>(beginning)</i> 1 Jan 2009	see (c) below
AASB 2008-2	5 Mar 2008	<i>(beginning)</i> 1 Jan 2009	see (d) below
AASB 2008-3	6 Mar 2008	<i>(beginning)</i> 1 Jul 2009	see (e) below
AASB 2008-5	24 Jul 2008	<i>(beginning)</i> 1 Jan 2009	see (f) below
AASB 2008-10	22 Oct 2008	<i>(ending)</i> 1 Jul 2008	see (g) below
AASB 2008-12	18 Dec 2008	<i>(ending)</i> 1 Jul 2008	see (g) below
AASB 2009-2	22 Apr 2009	<i>(beginning)</i> 1 Jan 2009 and <i>(ending)</i> 30 Apr 2009	see (h) below
AASB 2009-6	25 Jun 2009	<i>(beginning)</i> 1 Jan 2009 and <i>(ending)</i> 30 Jun 2009	see (i) below
AASB 2009-7	25 Jun 2009	<i>(beginning)</i> 1 Jul 2009	see (j) below
AASB 2009-11	7 Dec 2009	<i>(beginning)</i> 1 Jan 2013	not compiled*
AASB 2010-1	3 Feb 2010	<i>(beginning)</i> 1 Jul 2010	see (k) below
AASB 2010-3	23 Jun 2010	<i>(beginning)</i> 1 Jul 2010	see (k) below
AASB 2010-4	23 Jun 2010	<i>(beginning)</i> 1 Jan 2011	see (l) below
AASB 2010-2	30 Jun 2010	<i>(beginning)</i> 1 Jul 2013	not compiled*
AASB 2010-6	8 Nov 2010	<i>(beginning)</i> 1 Jul 2011	not compiled*

- * The amendments made by this Standard are not included in this compilation, which presents the principal Standard as applicable to annual reporting periods beginning on or after 1 January 2011 but before 1 July 2011.
- (a) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2007.
 - (b) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2007.
 - (c) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods.
 - (d) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.
 - (e) Entities may elect to apply this Standard to annual reporting periods beginning on or after 30 June 2007 but before 1 July 2009, provided that AASB 3 *Business Combinations* (March 2008) and AASB 127 *Consolidated and Separate Financial Statements* (March 2008) are also applied to such periods.
 - (f) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009.
 - (g) Entities are not permitted to apply this Standard to earlier annual reporting periods.
 - (h) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009 and to annual reporting periods beginning on or after 1 January 2009 that end before 30 April 2009.
 - (i) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided that AASB 101 *Presentation of Financial Statements* (September 2007) is also applied to such periods, and to annual reporting periods beginning on or after 1 January 2009 that end before 30 June 2009.
 - (j) Entities may elect to apply this Standard to annual reporting periods beginning before 1 July 2009 that end on or after 1 July 2008.
 - (k) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2010.
 - (l) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2011.

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
1	amended	AASB 2007-10 [38]
Aus2.1	amended	AASB 2007-8 [7, 8]
Aus2.4	amended	AASB 2007-8 [8]
3	amended	AASB 2008-2 [6]
	amended	AASB 2008-5 [12]
	amended	AASB 2008-3 [20]

Paragraph affected	How affected	By ... [paragraph]
6	amended	AASB 2007-8 [6]
7	amended	AASB 2007-10 [38]
8 (and preceding heading)	amended	AASB 2007-8 [6]
12	amended	AASB 2008-10 [9]
12A	added	AASB 2008-10 [10]
18	amended	AASB 2007-10 [39]
20 (and preceding heading)	amended	AASB 2007-8 [28, 29]
21	amended	AASB 2007-8 [30]
23	amended	AASB 2007-8 [31]
26	amended	AASB 2007-8 [6]
27	amended amended amended	AASB 2007-8 [32] AASB 2007-10 [38] AASB 2009-2 [8]
27A-27B	added	AASB 2009-2 [8]
30	amended	AASB 2007-10 [38]
31	amended	AASB 2007-10 [38]
32A	added	AASB 2010-4 [10]
34	amended	AASB 2010-4 [10]
36-38	amended	AASB 2010-4 [10]
39	amended	AASB 2009-2 [9]
43 (preceding heading)	amended amended	AASB 2007-4 [24] AASB 2009-2 [10]
44A	note added	AASB 2007-8 [33]
44B	note added paragraph added (in place of note)	AASB 2008-3 [21] AASB 2010-3 [8]
44C	note added	AASB 2008-2 [7]
44D	added	AASB 2008-5 [13]
Aus44E	added renumbered as 44E and amended	AASB 2008-12 [4] AASB 2009-7 [9]
Aus44F	added renumbered as 44F and amended	AASB 2008-12 [4] AASB 2009-7 [10]
44G	added amended	AASB 2009-2 [10] AASB 2010-1 [8]
44K	added	AASB 2010-3 [8]
44L	added	AASB 2010-4 [10]
Appendix A, definition of 'liquidity risk'	amended	AASB 2009-2 [11]

Paragraph affected	How affected	By ... [paragraph]
Appendix A, list of terms defined in AASB 132 or AASB 139	amended	AASB 2009-6 [31]
B3	amended	AASB 2007-10 [40]
B5	amended amended	AASB 2007-8 [34] AASB 2007-10 [38]
B10A	added	AASB 2009-2 [12]
B11 (and preceding heading)	amended	AASB 2009-2 [12]
B11A-B11F	added	AASB 2009-2 [12]
B12-B13	deleted	AASB 2009-2 [12]
B14	amended deleted	AASB 2007-8 [6, 35] AASB 2009-2 [12]
B15-B16	deleted	AASB 2009-2 [12]
B22	amended	AASB 2007-8 [6]
B26	amended	AASB 2007-4 [24]
D1	amended	AASB 2007-4 [24]

General Terminology Amendments

References to 'reporting date' were amended to 'end of the reporting period' by AASB 2007-8. These amendments are not shown in the above Table of Amendments.

COMPARISON WITH IFRS 7

AASB 7 and IFRS 7

AASB 7 *Financial Instruments: Disclosures* as amended incorporates IFRS 7 *Financial Instruments: Disclosures* as issued and amended by the International Accounting Standards Board (IASB). Paragraphs that have been added to this Standard (and do not appear in the text of IFRS 7) are identified with the prefix “Aus”, followed by the number of the preceding IASB paragraph and decimal numbering.

Compliance with IFRS 7

Entities that comply with AASB 7 as amended will simultaneously be in compliance with IFRS 7 as amended.

ACCOUNTING STANDARD AASB 7

The Australian Accounting Standards Board made Accounting Standard AASB 7 *Financial Instruments: Disclosures* under section 334 of the *Corporations Act 2001* on 31 August 2005.

This compiled version of AASB 7 applies to annual reporting periods beginning on or after 1 January 2011 but before 1 July 2011. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 23 June 2010 (see Compilation Details).

ACCOUNTING STANDARD AASB 7

FINANCIAL INSTRUMENTS: DISCLOSURES

Objective

- 1 The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate:
 - (a) the significance of financial instruments for the entity's financial position and performance; and
 - (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- 2 The principles in this Standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Application

Aus2.1 This Standard applies to:

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial statements of each other reporting entity; and**

- (c) **financial statements that are, or are held out to be, general purpose financial statements.**

Aus2.2 This Standard applies to annual reporting periods beginning on or after 1 January 2007.

[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

Aus2.3 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2007. An entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act may apply this Standard to such annual reporting periods, when an election has been made in accordance with subsection 334(5) of the Corporations Act. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.

Aus2.4 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material in accordance with AASB 1031 *Materiality*.

Aus2.5 When applied or operative, this Standard supersedes:

- (a) ***AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions* as notified in the *Commonwealth of Australia Gazette No S 204, 22 July 2004*; and**
- (b) **paragraphs 51-95 of *AASB 132 Financial Instruments: Disclosure and Presentation* as notified in the *Commonwealth of Australia Gazette No S 204, 22 July 2004*.**

Aus2.6 Both AASB 130 and the disclosure requirements of AASB 132 remain applicable until superseded by this Standard.

Aus2.7 This Standard will be registered on the Federal Register of Legislative Instruments in accordance with the *Legislative Instruments Act 2003*.

Aus2.8 Notwithstanding paragraph Aus2.3, if an entity applies this Standard to annual reporting periods beginning before 1 January 2006 and it does not apply AASB 139 as amended by AASB 2005-4 it shall for that period apply this Standard as amended by Appendix D to this Standard.

Scope

- 3 This Standard shall be applied by all entities to all types of financial instruments, except:**
- (a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* or AASB 131 *Interests in Joint Ventures*. However, in some cases, AASB 127, AASB 128 or AASB 131 permits an entity to account for an interest in a subsidiary, associate or joint venture using AASB 139; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in AASB 132;**
 - (b) employers' rights and obligations arising from employee benefit plans, to which AASB 119 *Employee Benefits* applies;**
 - (c) [deleted by the IASB]**
 - (d) insurance contracts as defined in AASB 4 *Insurance Contracts*. However, this Standard applies to derivatives that are embedded in insurance contracts if AASB 139 *Financial Instruments: Measurement and Recognition* requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to *financial guarantee contracts* if the issuer applies AASB 139 in recognising and measuring the contracts, but shall apply AASB 1023 *General Insurance Contracts* if the issuer elects, in accordance with paragraph 2.2(f) of AASB 1023, to apply AASB 1023 in recognising and measuring them;**
 - (e) financial instruments, contracts and obligations under share-based payment transactions to which AASB 2 *Share-based Payment* applies, except that this Standard applies to contracts within the scope of paragraphs 5-7 of AASB 139; and**
 - (f) instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of AASB 132.**

- 4 This Standard applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of AASB 139. Unrecognised financial instruments include some financial instruments that, although outside the scope of AASB 139, are within the scope of this Standard (such as some loan commitments).
- 5 This Standard applies to contracts to buy or sell a non-financial item that are within the scope of AASB 139 (see paragraphs 5-7 of AASB 139).

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 defined in AASB 139, shall be disclosed either in the statement of financial position or in the notes:
 - (a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with AASB 139;
 - (b) held-to-maturity investments;
 - (c) loans and receivables;

- (d) available-for-sale financial assets;
- (e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with AASB 139; and
- (f) financial liabilities measured at amortised cost.

Financial assets or financial liabilities at fair value through profit or loss

- 9 If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:
- (a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) 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 loan or receivable (or group of loans or receivables) 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 loan or receivable 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.

Reclassification

12 If the entity has reclassified a financial asset (in accordance with paragraphs 51-54 of AASB 139) as one measured:

- (a) at cost or amortised cost, rather than at fair value; or
- (b) at fair value, rather than at cost or amortised cost,

it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.

- 12A If the entity has reclassified a financial asset out of the fair value through profit or loss category in accordance with paragraph 50B or 50D of AASB 139 or out of the available-for-sale category in accordance with paragraph 50E of AASB 139, it shall disclose:
- (a) the amount reclassified into and out of each category;
 - (b) for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;
 - (c) if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;
 - (d) for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset recognised in profit or loss or other comprehensive income in that reporting period and in the previous reporting period;
 - (e) for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income if the financial asset had not been reclassified, and the gain, loss, income and expense recognised in profit or loss; and
 - (f) the effective interest rate and estimated amounts of cash flows the entity expects to recover, as at the date of reclassification of the financial asset.

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 or financial liabilities 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 classified as held for trading in accordance with AASB 139;
 - (ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period;

- (iii) held-to-maturity investments;
 - (iv) loans and receivables; and
 - (v) financial liabilities measured at amortised cost;
- (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are 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 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.

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 non-financial 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 an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its 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 financial assets or financial liabilities 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.
- 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 exposure 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 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 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).

- (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.

Effective Date and Transition

- 43 [Deleted by the AASB]
- 44 [Deleted by the AASB]
- 44A [Deleted by the AASB]
- 44B AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* deleted paragraph 3(c). An entity shall apply that amendment for annual reporting periods beginning on or after 1 July 2009. If an entity applies AASB 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of AASB 3 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A-65E of AASB 3 (as amended in 2010).
- 44C [Deleted by the AASB]
- 44D Paragraph 3(a) was amended by AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in July 2008. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact and apply for that earlier period the amendments to paragraph 1 of AASB 128, paragraph 1 of AASB 131 and paragraph 4 of AASB 132 issued in July 2008. An entity is permitted to apply the amendment prospectively.
- 44E AASB 2008-10 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets*, issued in October 2008, amended paragraph 12 and added paragraph 12A. An entity shall apply those amendments on or after 1 July 2008.
- 44F AASB 2008-12 *Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition*, issued in December 2008, added paragraph 44E. An entity shall apply that amendment on or after 1 July 2008.
- 44G AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*, issued in April 2009, amended paragraphs 27, 39 and B11 and added paragraphs 27A, 27B, B10A and B11A-B11F. An entity shall apply

those amendments for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009. An entity need not provide the disclosures required by the amendments for:

- (a) any annual or interim period, including any statement of financial position, presented within an annual comparative period ending before 31 December 2009, or
- (b) any statement of financial position as at the beginning of the earliest comparative period as at a date before 31 December 2009.

Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.¹

44K Paragraph 44B was added by AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010. An entity shall apply the last two sentences of paragraph 44B for annual reporting periods beginning on or after 1 July 2010. Earlier application is permitted.

44L AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* issued in June 2010 added paragraph 32A and amended paragraphs 34 and 36-38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Withdrawal of IAS 30

45 [Deleted by the AASB]

¹ Paragraph 44G was amended as a consequence of AASB 2010-1 *Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters* issued in February 2010. The AASB amended paragraph 44G to clarify its conclusions and intended transition for AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*.

APPENDIX A

DEFINED TERMS

This appendix is an integral part of AASB 7.

credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Loans payable are financial liabilities, other than short-term trade payables on normal credit terms.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk , interest rate risk and other price risk .
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
past due	A financial asset is past due when a counterparty has failed to make a payment when contractually due.

The following terms are defined in paragraph 11 of AASB 132 or paragraph 9 of AASB 139 and are used in this Standard with the meaning specified in AASB 132 and AASB 139:

- (a) amortised cost of a financial asset or financial liability;
- (b) available-for-sale financial assets;
- (c) derecognition;
- (d) derivative;
- (e) effective interest method;
- (f) equity instrument;
- (g) fair value;
- (h) financial asset;
- (i) financial asset or financial liability at fair value through profit or loss;
- (j) financial asset or financial liability held for trading;
- (k) financial guarantee contract;
- (l) financial instrument;
- (m) financial liability;
- (n) forecast transaction;
- (o) hedging instrument;
- (p) held-to-maturity instruments;
- (q) loans and receivables; and
- (r) regular way purchase or sale.

APPENDIX B

APPLICATION GUIDANCE

This appendix is an integral part of AASB 7.

Classes of Financial Instruments and Level of Disclosure (paragraph 6)

- 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 AASB 139 (which determine how financial instruments are measured and where changes in fair value are recognised).
- B2 In determining classes of financial instrument, an entity shall, at a minimum:
- (a) distinguish instruments measured at amortised cost from those measured at fair value; and
 - (b) treat as a separate class or classes those financial instruments outside the scope of this Standard.
- B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.

Significance of Financial Instruments for Financial Position and Performance

Financial liabilities at fair value through profit or loss (paragraphs 10 and 11)

B4 If an entity designates a financial liability as at fair value through profit or loss, paragraph 10(a) requires it to disclose the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk. Paragraph 10(a)(i) permits an entity to determine this amount as the amount of change in the liability's fair value that is not attributable to changes in market conditions that give rise to market risk. If the only relevant changes in market conditions for a liability are changes in an observed (benchmark) interest rate, this amount can be estimated as follows:

- (a) first, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return;
- (b) next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the observed (benchmark) interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in (a); and
- (c) the difference between the observed market price of the liability at the end of the period and the amount determined in (b) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed.

This example assumes that changes in fair value arising from factors other than changes in the instrument's credit risk or changes in interest rates are not significant. If the instrument in the example contains an embedded derivative, the change in fair value of the embedded derivative is excluded in determining the amount to be disclosed in accordance with paragraph 10(a).

Other disclosure – accounting policies (paragraph 21)

- 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 assets or financial liabilities designated as at fair value through profit or loss:
 - (i) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss;
 - (ii) the criteria for so designating such financial assets or financial liabilities on initial recognition; and
 - (iii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of AASB 139 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a financial asset or financial liability at fair value through profit or loss in AASB 139, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a financial asset or financial liability at fair value through profit or loss in AASB 139, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy;
 - (b) the criteria for designating financial assets as available for sale;
 - (c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 38 of AASB 139);
 - (d) when an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses:
 - (i) the criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used; and

- (ii) the criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets (see paragraph 16);
- (e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income;
- (f) the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (see paragraph 20(e)); and
- (g) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms (see paragraph 36(d)).

Paragraph 122 of AASB 101 (as revised in 2007) also requires entities to disclose, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Nature and Extent of Risks Arising from Financial Instruments (paragraphs 31-42)

B6 [Deleted by the AASB]

Quantitative disclosures (paragraph 34)

- B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and reliability.
- B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of

risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:

- (a) a description of how management determines concentrations;
- (b) a description of the shared characteristic that identifies each concentration (e.g. counterparty, geographical area, currency or market); and
- (c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.

Maximum credit risk exposure (paragraph 36(a))

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

- (a) any amounts offset in accordance with AASB 132; and
- (b) any impairment losses recognised in accordance with AASB 139.

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 and receivables to customers 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) entering into derivative contracts, for example, foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the end of the reporting period will equal the carrying amount;
- (c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability; and
- (d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because

it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

B10A In accordance with paragraph 34(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either:

- (a) occur significantly earlier than indicated in the data, or
- (b) be for significantly different amounts from those indicated in the data (e.g. for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement),

the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 39(a) or (b).

B11 In preparing the maturity analyses required by paragraphs 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following 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 one year; and
- (d) later than one year and not later than five years.

B11A In complying with paragraphs 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).

B11B Paragraph 39(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an

understanding of the timing of the cash flows. For example, this would be the case for:

- (a) an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.
- (b) all loan commitments.

B11C Paragraphs 39(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure:

- (a) when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (e.g. demand deposits) are included in the earliest time band.
- (b) when an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.
- (c) for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

B11D The contractual amounts disclosed in the maturity analyses as required by paragraphs 39(a) and (b) are the contractual undiscounted cash flows, for example:

- (a) gross finance lease obligations (before deducting finance charges);
- (b) prices specified in forward agreements to purchase financial assets for cash;
- (c) net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;
- (d) contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and
- (e) gross loan commitments.

Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

B11E Paragraph 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraphs 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (e.g. financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

- (a) has committed borrowing facilities (e.g. commercial paper facilities) or other lines of credit (e.g. stand-by credit facilities) that it can access to meet liquidity needs;
- (b) holds deposits at central banks to meet liquidity needs;
- (c) has very diverse funding sources;
- (d) has significant concentrations of liquidity risk in either its assets or its funding sources;
- (e) has internal control processes and contingency plans for managing liquidity risk;
- (f) has instruments that include accelerated repayment terms (e.g. on the downgrade of the entity's credit rating);
- (g) has instruments that could require the posting of collateral (e.g. margin calls for derivatives);
- (h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or
- (i) has instruments that are subject to master netting agreements.

B12-B16 [Deleted by the IASB]

Market risk – sensitivity analysis (paragraphs 40 and 41)

B17 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:

- (a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading; and
- (b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.

If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (e.g. prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose:

- (a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (i.e. interest expense) for the current year if interest rates had varied by reasonably possible amounts; and
- (b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.

- B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:
- (a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of ± 50 basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by ± 50 basis points (i.e. that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by ± 50 basis points, unless there is evidence that interest rates have become significantly more volatile; and
 - (b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.
- B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (e.g. whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (e.g. the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.
- B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments.

Interest rate risk

B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (e.g. loans and receivables and debt instruments issued) and on some financial instruments not recognised in the statement of financial position (e.g. some loan commitments).

Currency risk

B23 *Currency risk* (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, that is in a currency other than the functional currency in which they are measured. For the purpose of this Standard, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.

Other price risk

B25 *Other price risk* arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.

B26 Two examples of financial instruments that give rise to equity price risk are (a) a holding of equities in another entity and (b) an investment in a trust that in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments.

B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, e.g. from instruments classified as at fair value through profit or loss and impairments of available-for-sale financial assets) is disclosed separately from the sensitivity of equity (that arises, e.g. from instruments classified as available for sale).

B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by

the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

APPENDIX C

Amendments to other Australian Accounting Standards

This appendix is for information purposes.

The following amendments are made by AASB 2005-10 *Amendments to Australian Accounting Standards*. The amendments in this appendix are to be applied for annual periods beginning on or after 1 January 2007. If an entity applies the Standard for an earlier period, these amendments would be applied for that earlier period. In this appendix, new text is underlined and deleted text is struck through.

- C1 In Australian Accounting Standards and Interpretations, references to AASB 132 *Financial Instruments: Disclosure and Presentation* are replaced by references to AASB 132 *Financial Instruments: Presentation*, unless otherwise stated below.
- C2 AASB 132 *Financial Instruments: Disclosure and Presentation* is amended as described below.

The title is amended to 'AASB 132 *Financial Instruments: Presentation*'.

Paragraph 1 is deleted and paragraphs 2-4(a) are amended as follows:

2. ~~This Standard contains requirements for the presentation of financial instruments and identifies the information that should be disclosed about them. The presentation requirements apply~~ The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The Standard requires disclosure of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. This Standard also requires disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them, and management's policies for controlling those risks.

3. The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in AASB 139 *Financial Instruments: Recognition and Measurement*, and for disclosing information about them in AASB 7 *Financial Instruments: Disclosures*.

Scope

4. **This Standard shall be applied by all entities to all types of financial instruments except:**
 - (a) **those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with ~~under~~ AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* or AASB 131 *Interests in Joint Ventures*. However, in some cases, AASB 127, AASB 128 or AASB 131 permits an entity to account for entities shall apply this Standard to an interest in a subsidiary, associate or joint venture that according to AASB 127, AASB 128 or AASB 131 is accounted for under using AASB 139 *Financial Instruments: Recognition and Measurement*; in those ~~In these~~ cases, entities shall apply the disclosure requirements in AASB 127, AASB 128 ~~and~~ or AASB 131 in addition to those in this Standard. Entities shall also apply this Standard to all derivatives ~~on linked to~~ interests in subsidiaries, associates or joint ventures.**

Paragraphs 5 and 7 are deleted.

The second sentence of paragraph 40 is amended as follows:

40. ... In addition to the requirements of this Standard, disclosure of interest and dividends is subject to the requirements of AASB 101 and AASB 7. ~~AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*...~~

The last sentence of paragraph 47 is amended as follows:

47. ... When an entity has a right of set-off, but does not intend to settle net or to realise the asset and settle the liability simultaneously, the effect of the right on the entity's credit risk exposure is disclosed in accordance with paragraph ~~76~~ 36 of AASB 7.

The last sentence of paragraph 50 is amended as follows:

50. ... When financial assets and financial liabilities subject to a master netting arrangement are not offset, the effect of the arrangement on an entity's exposure to credit risk is disclosed in accordance with paragraph ~~76~~ 36 of AASB 7.

Paragraphs 51-95 are deleted.

In the Appendix (Application Guidance), paragraphs AG24 and AG40 and the last sentence of paragraph AG39 are deleted.

- C3 AASB 101 *Presentation of Financial Statements* is amended as described below.

Paragraph 4 is deleted.

In paragraph 56, 'AASB 132' is replaced by 'AASB 7 *Financial Instruments: Disclosures*', and in paragraphs 105(d)(ii) and 124, 'AASB 132' is replaced by 'AASB 7'.

The last sentence of paragraph 71(b) is amended as follows:

- 71(b) ... For example, a ~~bank~~ financial institution may amends the above descriptions to provide information that is relevant to the operations of a financial institution ~~apply the more specific requirements in AASB 130~~.

The fourth sentence of paragraph 84 is amended as follows:

84. ... For example, a ~~bank~~ financial institution may amends the descriptions to provide information that is relevant to the operations of a financial institution. ~~apply the more specific requirements in AASB 130~~.

- C4 AASB 114 *Segment Reporting* is amended as described below.

In paragraphs 27(a) and (b), 31, 32, 46 and 74, the phrase 'the board of directors and [to] [the] chief executive officer' is replaced by 'key management personnel'.

In paragraphs 27(b), 30 and 32 the phrase 'the directors and management' is replaced by 'key management personnel'.

The first sentence of paragraph 27 is amended as follows:

27. **An entity's internal organisational and management structure and its system of internal financial reporting to key management personnel (e.g. the board of directors and the chief executive officer) shall normally be the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity and, therefore, for determining which reporting format is primary and which is secondary, except as provided in subparagraphs (a) and (b) below: ...**

The third sentence of paragraph 28 is amended as follows:

28. ... Therefore, except in rare circumstances, an entity will report segment information in its financial report on the same basis as it reports internally to key management personnel ~~to management~~. ...

The first sentence of paragraph 33 is amended as follows:

33. Under this Standard, most entities will identify their business and geographical segments as the organisational units for which information is reported to key management personnel ~~the board of directors (particularly the supervisory non-management directors, if any) and to the chief executive officer (, or the senior operating decision maker, which in some cases may be a group of several people,)~~ for the purpose of evaluating each unit's past performance and for making decisions about future allocations of resources. ...

- C5 In paragraph 31 of AASB 117 *Leases*, 'AASB 132 *Financial Instruments: Disclosure and Presentation*' is replaced by 'AASB 7 *Financial Instruments: Disclosures*', and in paragraphs 35, 47 and 56, 'AASB 132' is replaced by 'AASB 7'.
- C6 In paragraph 72 of AASB 133 *Earnings per Share*, 'AASB 132' is replaced by 'AASB 7 *Financial Instruments: Disclosures*'.
- C7 AASB 139 *Financial Instruments: Recognition and Measurement* is amended as described below.

Paragraph 1 is amended as follows:

1. The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting ~~and disclosing~~ information about financial instruments are ~~set out~~ in AASB 132 *Financial*

Instruments: Disclosure and Presentation. Requirements for disclosing information about financial instruments are in AASB 7 Financial Instruments: Disclosures.

In paragraph 45, 'AASB 132' is replaced by 'AASB 7'.

Paragraph 48 is amended as follows:

48. In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, ~~or AASB 132 or AASB 7~~, an entity shall apply paragraphs AG69-AG82 of Appendix A.

C8 AASB 139 *Financial Instruments: Recognition and Measurement* is amended as described below.

In paragraph 9, the definition of a financial asset or financial liability at fair value through profit or loss is amended as follows:

9. ... ~~In AASB 132, paragraphs 66, 94 and AG40~~ AASB 7, paragraphs 9-11 and B4 require the entity to provide disclosures about financial assets and financial liabilities it has designated as at fair value through profit or loss, ...

C9 In AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, paragraph 36A is amended, and a heading and paragraph 36C are added as follows:

36A In its first Australian-equivalents-to-IFRSs financial report, an entity that adopts Australian equivalents to IFRSs before 1 January 2006 shall present at least one year of comparative information, but this comparative information need not comply with AASB 132, AASB 139, AASB 4, AASB 1023 ~~and or~~ AASB 1038. An entity that chooses to present comparative information that does not comply with AASB 132, AASB 139, AASB 4, AASB 1023 ~~and or~~ AASB 1038 in its first year of transition shall:

- (a) apply the recognition and measurement requirements of its previous GAAP in the comparative information ~~to for~~ financial instruments within the scope of AASB 132 and AASB 139 and ~~to for~~ insurance contracts within the scope of AASB 4, AASB 1023 and AASB 1038;

...

In the case of an entity that chooses to present comparative information that does not comply with AASB 132, AASB 139, AASB 4, AASB 1023 and AASB 1038, references to the 'date of transition to Australian equivalents to IFRSs' shall mean, in the case of those Standards only, the beginning of the first Australian-equivalents-to-IFRSs reporting period. Such entities are required to comply with paragraph 15(c) of AASB 101 to provide additional disclosures when compliance with the specific requirements in Australian-equivalents-to-IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Exemption from the requirement to provide comparative disclosures for AASB 7

36C An entity that adopts Australian-equivalents-to-IFRSs before 1 January 2006 and chooses to adopt AASB 7 *Financial Instruments: Disclosures* in its first Australian-equivalents-to-IFRSs financial report need not present the comparative disclosures required by AASB 7 in that financial report.

C10 AASB 4 *Insurance Contracts* is amended as described below.

Paragraph 2(b) is amended as follows:

2(b) financial instruments that it issues with a *discretionary participation feature* (see paragraph 35). ~~AASB 132 *Financial Instruments: Disclosure and Presentation*~~ AASB 7 *Financial Instruments: Disclosures* requires disclosure about financial instruments, including financial instruments that contain such features.

Paragraph 35(d) is added as follows:

35(d) although these contracts are financial instruments, an issuer applying paragraph 19(b) of AASB 7 to contracts with a discretionary participation feature shall disclose the total interest expense recognised in profit or loss, but need not calculate such interest expense using the effective interest method.

After paragraph 37, the heading and paragraphs 38 and 39 are amended and paragraph 39A is added as follows:

Amount, timing and uncertainty of cash flows
Nature and extent of risks arising from
insurance contracts

- 38 **An insurer shall disclose information that ~~helps~~ enables users of its financial report to ~~understand~~ evaluate the ~~amount, timing and uncertainty of future cash flows~~ nature and extent of risks arising from insurance contracts.**
- 39 To comply with paragraph 38, an insurer shall disclose:
- (a) ~~its objectives, policies and processes for~~ managing risks arising from insurance contracts and the methods used to manage and its policies for mitigating those risks;
 - (b) ~~those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.~~ [Deleted by the IASB];
 - (c) information about *insurance risk* (both before and after risk mitigation by reinsurance), including information about:
 - (i) ~~the sensitivity to insurance risk (see paragraph 39A) of profit or loss and equity to changes in variables that have a material effect on them;~~
 - (ii) concentrations of insurance risk, including a description of how management determines concentrations and a description of the shared characteristic that identifies each concentration (e.g. type of insured event, geographical area, or currency); and
 - (iii) actual claims compared with previous estimates (i.e. claims development). The disclosure about claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments, but need not go back more than ten years. An insurer need not disclose this information for claims for which uncertainty about the amount and timing of claims payments is typically resolved within one year;

- (d) ~~the information about interest rate risk and credit risk, liquidity risk and market risk that AASB 132 paragraphs 31-42 of AASB 7 would require if the insurance contracts were within the scope of AASB 132 AASB 7. However:~~
- (i) an insurer need not provide the maturity analysis required by paragraph 39(a) of AASB 7 if it discloses information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities instead. This may take the form of an analysis, by estimated timing, of the amounts recognised in the balance sheet;
- (ii) if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may use that sensitivity analysis to meet the requirement in paragraph 40(a) of AASB 7. Such an insurer shall also provide the disclosures required by paragraph 41 of AASB 7; and
- (e) information about exposures to ~~interest rate risk or~~ market risk ~~under~~ arising from embedded derivatives contained in a host insurance contract if the insurer is not required to, and does not, measure the embedded derivatives at fair value.

39A To comply with paragraph 39(c)(i), an insurer shall disclose either (a) or (b) as follows:

- (a) a sensitivity analysis that shows how profit or loss and equity would have been affected had changes in the relevant risk variable that were reasonably possible at the reporting date occurred; the methods and assumptions used in preparing the sensitivity analysis; and any changes from the previous period in the methods and assumptions used. However, if an insurer uses an alternative method to manage sensitivity to market conditions, such as an embedded value analysis, it may meet this requirement by disclosing that alternative sensitivity analysis and the disclosures required by paragraph 41 of AASB 7; and
- (b) qualitative information about sensitivity, and information about those terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of the insurer's future cash flows.

APPENDIX D

Amendments to AASB 7 if AASB 2005-4 *Amendments to Australian Accounting Standards* (relating to the fair value option) has not been applied

This Appendix is an integral part of AASB 7.

In June 2005 the AASB amended AASB 139 *Financial Instruments: Recognition and Measurement* by the issue of AASB 2005-4 *Amendments to Australian Accounting Standards* in order to replicate the IASB's Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments to AASB 139 by AASB 2005-4 apply to annual periods beginning on or after 1 January 2006. If an entity applies AASB 7 for annual periods beginning before 1 January 2006 and it does not apply AASB 139 as amended by AASB 2005-4, it shall use AASB 7 for that period amended as follows. In the amended paragraphs, new text is underlined and deleted text is struck through.

D1 The heading above paragraph 9 and paragraph 11 are amended as follows, and paragraph 9 is deleted.

Financial assets or financial liabilities at fair value through profit or loss

11 The entity shall disclose:

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

Paragraph B5(a) is amended as follows:

- (a) the criteria for designating, on initial recognition, for financial assets or financial liabilities ~~designated~~ as at fair value through profit or loss;

- (i) ~~the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss;~~
- (ii) ~~the criteria for so designating such financial assets or financial liabilities on initial recognition; and~~
- (iii) ~~how the entity has satisfied the conditions in paragraph 9, 11A or 12 of IAS 39 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy;~~

DELETED IFRS 7 TEXT

Deleted IFRS 7 text is not part of AASB 7.

Paragraph 44A

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraphs 20, 21, 23(c) and (d), 27(c) and B5 of Appendix B. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

Paragraph 44B

IFRS 3 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period.

Paragraph 44C

An entity shall apply the amendment in paragraph 3 for annual periods beginning on or after 1 January 2009. If an entity applies *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amendments to IAS 32 and IAS 1), issued in February 2008, for an earlier period, the amendment in paragraph 3 shall be applied for that earlier period.