

**Compiled AASB Standard**

**AASB 7**

# **Financial Instruments: Disclosures**

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**FOR NOT-FOR-PROFIT (NFP) ENTITIES ONLY**

This compiled Standard applies to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014. Early application is permitted. It incorporates relevant amendments made up to and including 18 December 2012.

Prepared on 3 October 2013 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 – 44R 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 July 2013 but before 1 January 2014 for not-for-profit entities. It takes into account amendments up to and including 18 December 2012 and was prepared on 3 October 2013 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**

<b>Standard</b>	<b>Date made</b>	<b>Application date (annual reporting periods ... on or after ...)</b>	<b>Application, saving or transitional provisions</b>
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 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	see (m) below
AASB 2010-6	8 Nov 2010	<i>(beginning)</i> 1 Jul 2011	see (n) below
AASB 2010-7	6 Dec 2010	<i>(beginning)</i> 1 Jan 2015	not compiled*
AASB 2011-7	29 Aug 2011	<i>(beginning)</i> 1 Jan 2014	not compiled*
AASB 2011-8	2 Sep 2011	<i>(beginning)</i> 1 Jan 2013	see (o) below

<b>Standard</b>	<b>Date made</b>	<b>Application date (annual reporting periods ... on or after ...)</b>	<b>Application, saving or transitional provisions</b>
AASB 2011-9	5 Sep 2011	(beginning) 1 Jul 2012	see (p) below
AASB 2012-1	21 Mar 2012	(beginning) 1 Jul 2013	see (q) below
AASB 2012-2	29 Jun 2012	(beginning) 1 Jan 2013	see (r) below
AASB 2012-7	10 Sep 2012	(beginning) 1 Jul 2013	see (s) below
AASB 2012-10	18 Dec 2012	(beginning) 1 Jan 2013	see (t) below
AASB 2013-5	14 Aug 2013	(beginning) 1 Jan 2014	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 July 2013 but before 1 January 2014 for not-for-profit entities.
- (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.
- (m) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* is also applied to such periods.
- (n) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2011.
- (o) AASB 2011-8 has been amended by AASB 2011-10 (made 5 September 2011) and AASB 2012-6 (made 10 September 2012).  
Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013, provided that AASB 13 *Fair Value Measurement* is also applied to such periods.
- (p) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 July 2012.
- (q) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards*, AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* are also applied to such periods.
- (r) This Standard also applies explicitly to interim periods within annual reporting periods beginning on or after 1 January 2013.
- (s) Entities may elect to apply this Standard, or its amendments to individual Standards, to annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that AASB 1053 *Application of Tiers of Australian Accounting Standards* and the other Standards listed in paragraph 5 of this Standard (as relevant) are also applied to such periods.
- (t) Entities may elect to apply this Standard to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013.

## 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]
Aus2.9 preceding heading)	added	AASB 2010-2 [18]
Aus2.9	added amended amended	AASB 2010-2 [18] AASB 2012-1 [6, 7] AASB 2012-7 [7]
Aus2.10-Aus2.11	added	AASB 2010-2 [18]

<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [paragraph]</b>
3	amended amended amended amended	AASB 2008-2 [6] AASB 2008-5 [12] AASB 2008-3 [20] AASB 2011-8 [23]
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]
13 (and preceding heading)	deleted	AASB 2010-6 [7]
13A-13F (and preceding heading)	added	AASB 2012-2 [5]
18	amended	AASB 2007-10 [39]
RDR18.1	added	AASB 2010-2 [18]
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 deleted	AASB 2007-8 [32] AASB 2007-10 [38] AASB 2009-2 [8] AASB 2011-8 [24]
RDR27.1	added deleted	AASB 2010-2 [18] AASB 2012-1 [7]
27A	added deleted	AASB 2009-2 [8] AASB 2011-8 [24]
27B	added amended deleted	AASB 2009-2 [8] AASB 2011-9 [13] AASB 2011-8 [24]
28	amended	AASB 2011-8 [25]
29	amended	AASB 2011-8 [25A]
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]
42A (preceding heading)	added	AASB 2010-6 [7]



<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [paragraph]</b>
42A	added amended	AASB 2010-6 [7] AASB 2012-10 [19]
42B-42H (and preceding headings)	added	AASB 2010-6 [7]
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]
44M	added	AASB 2010-6 [8]
44P	added	AASB 2011-8 [26]
44Q	added	AASB 2011-9 [13]
44R	added	AASB 2012-2 [6]
Appendix A, definition of 'liquidity risk'	amended	AASB 2009-2 [11]
Appendix A, definition of 'other price risk'	amended	AASB 2011-8 [27]
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]

<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [paragraph]</b>
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]
B29 (preceding heading)	added	AASB 2010-6 [9]
B29	added amended	AASB 2010-6 [9] AASB 2012-10 [20]
B30-B31	added	AASB 2010-6 [9]
B32 (preceding heading)	added amended	AASB 2010-6 [9] AASB 2012-10 [21]
B32	added footnote added	AASB 2010-6 [9] AASB 2012-7 [8]
B33-B37 (and preceding headings)	added	AASB 2010-6 [9]
B38 (preceding heading)	added	AASB 2010-6 [9]
B38	added amended	AASB 2010-6 [9] AASB 2012-10 [22]
B39 (and preceding heading)	added	AASB 2010-6 [9]
B40-B53 (and related headings)	added	AASB 2012-2 [7]
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.

### **Deletion of Appendix C**

Appendix C *Amendments to other Australian Accounting Standards* was deleted by AASB 2012-10.

## **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” or “RDR”, 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, with the exception of entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

## **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 July 2013 but before 1 January 2014 for not-for-profit entities. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 18 December 2012 (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.**

## Reduced disclosure requirements

**Aus2.9** The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:

- (a) paragraphs 6, 9-11, 12A(b), 12A(e), 13A-13F, 15, 18, 19, 20(c), 20(d), 25-28, 30(b)-(e), 31-42, 42C, 42D(d), 42D(e), 42E(a), 42E(b), 42E(d)-(f), 42F-42H, B1-B4, B7-B29 and B33-B53;
- (b) in paragraph 8(a), the text “, showing separately ... AASB 139”;
- (c) in paragraph 8(e), the text “, showing separately ... AASB 139”;
- (d) in paragraph 20(a)(i), the text “, showing separately ... AASB 139”;
- (e) in paragraph 20(a)(v), the text “, showing separately ... AASB 139”;
- (f) in paragraph 23(d), the text “, showing the ... income”; and
- (g) in paragraph 42D(f), the text “the total carrying amount of the original assets before the transfer,”.

**Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.**

**Aus2.10** The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are identified in this Standard by shading of the relevant text.

**Aus2.11** **RDR paragraphs in this Standard apply only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.**

## 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 and, for those interests measured at fair value, the requirements of AASB 13 *Fair Value Measurement*. 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.

13 [Deleted by the IASB]

#### **Offsetting financial assets and financial liabilities**

13A The disclosures in paragraphs 13B-13E supplement the other disclosure requirements of this Standard and are required for all recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of

whether they are set off in accordance with paragraph 42 of AASB 132.

13B An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A.

13C To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A:

- (a) the gross amounts of those recognised financial assets and recognised financial liabilities;
- (b) the amounts that are set off in accordance with the criteria in paragraph 42 of AASB 132 when determining the net amounts presented in the statement of financial position;
- (c) the net amounts presented in the statement of financial position;
- (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:
  - (i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of AASB 132; and
  - (ii) amounts related to financial collateral (including cash collateral); and
- (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

13D The total amount disclosed in accordance with paragraph 13C(d) for an instrument shall be limited to the amount in paragraph 13C(c) for that instrument.

13E An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 13C(d), including the nature of those rights.

13F If the information required by paragraphs 13B-13E is disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes.

### **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.

- RDR18.1 For *loans payable* recognised at the end of the reporting period for which there is a breach of terms or default of principal, interest, sinking fund, or redemption terms that has not been remedied by the end of the reporting period, an entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose the following:
- (a) details of that breach or default;
  - (b) the carrying amount of the related loans payable at the end of the reporting period; and
  - (c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

- 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.

27-27B [Deleted by the IASB]

- 28 In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph AG76 of AASB 139). In such cases, the entity shall disclose by class of financial asset or financial liability:
- (a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph AG76(b) of AASB 139).
  - (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.

- (c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.

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 price in an active market for an identical instrument (i.e. a Level 1 input), or derivatives linked to such equity instruments, that is measured at cost in accordance with AASB 139 because its fair value cannot otherwise 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.

**Transfers of financial assets**

- 42A The disclosure requirements in paragraphs 42B-42H relating to transfers of financial assets supplement the other disclosure requirements of this Standard. An entity shall present the disclosures required by paragraphs 42B-42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset) if, and only if, it either:
- (a) transfers the contractual rights to receive the cash flows of that financial asset; or
  - (b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

42B An entity shall disclose information that enables users of its financial statements:

- (a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- (b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

42C For the purposes of applying the disclosure requirements in paragraphs 42E-42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E-42H, the following do not constitute continuing involvement:

- (a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;
- (b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or
- (c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 19(a)-(c) of AASB 139 are met.

### **Transferred financial assets that are not derecognised in their entirety**

42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:

- (a) the nature of the transferred assets.

- (b) the nature of the risks and rewards of ownership to which the entity is exposed.
- (c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.
- (d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).
- (e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.
- (f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 20(c)(ii) and 30 of AASB 139), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

### **Transferred financial assets that are derecognised in their entirety**

42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 20(a) and (c)(i) of AASB 139) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

- (a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.
- (b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.



(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.

(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (e.g. the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.

(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.

(f) qualitative information that explains and supports the quantitative disclosures required in (a)-(e).

42F An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.

42G In addition, an entity shall disclose for each type of continuing involvement:

(a) the gain or loss recognised at the date of transfer of the assets.

(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (e.g. fair value changes in derivative instruments).

(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (e.g. if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):

(i) when the greatest transfer activity took place within that reporting period (e.g. the last five days before the end of the reporting period),

- (ii) the amount (e.g. related gains or losses) recognised from transfer activity in that part of the reporting period, and
- (iii) the total amount of proceeds from transfer activity in that part of the reporting period. An entity shall provide this information for each period for which a statement of comprehensive income is presented.

### **Supplementary information**

42H An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.

### **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.<sup>1</sup>

- 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.

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<sup>1</sup> 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*.

- 44M AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*, issued in November 2010, deleted paragraph 13 and added paragraphs 42A-42H and B29-B39. An entity shall apply those amendments for annual reporting periods beginning on or after 1 July 2011. Earlier application is permitted. If an entity applies the amendments from an earlier date, it shall disclose that fact. An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.
- 44P AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*, issued in September 2011, amended paragraphs 3, 28 and 29 and Appendix A and deleted paragraphs 27-27B. An entity shall apply those amendments when it applies AASB 13.
- 44Q AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*, issued in September 2011, amended paragraph 27B. An entity shall apply that amendment when it applies AASB 101 as amended in September 2011.
- 44R AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*, issued in June 2012, added paragraphs 13A-13F and B40-B53. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual reporting periods. An entity shall provide the disclosures required by those amendments retrospectively.

## **Withdrawal of IAS 30**

- 45 [Deleted by the AASB]

## APPENDIX A

### DEFINED TERMS

*This appendix is an integral part of AASB 7.*

<b>credit risk</b>	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
<b>currency risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
<b>interest rate risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
<b>liquidity risk</b>	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.
<b>loans payable</b>	Loans payable are financial liabilities, other than short-term trade payables on normal credit terms.
<b>market risk</b>	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: <b>currency risk</b> , <b>interest rate risk</b> and <b>other price risk</b> .
<b>other price risk</b>	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 <b>interest rate risk</b> or <b>currency risk</b> ), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.
<b>past due</b>	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  $\pm 50$  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  $\pm 50$  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  $\pm 50$  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.

### **Continuing involvement (paragraph 42C)**

- B29 The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 42E-42H is made at the level of the reporting entity. For example, if a subsidiary transfers to an unrelated third party a financial asset in which the parent of the subsidiary has continuing involvement, the subsidiary does not include the parent's involvement in the assessment of whether it has continuing involvement in the transferred asset in its separate or individual financial statements (i.e. when the subsidiary is the reporting entity). However, a parent would include its continuing involvement (or that of another member of the group) in a financial asset transferred by its subsidiary in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (i.e. when the reporting entity is the group).
- B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future.
- B31 Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

### **Transferred financial assets that are not derecognised in their entirety (paragraph 42D)**

- B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition.<sup>2</sup> Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.

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<sup>2</sup> A cross-reference to a paragraph that contains disclosure requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements does not amend the requirements for such entities.

### **Types of continuing involvement (paragraphs 42E–42H)**

B33 Paragraphs 42E-42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (e.g. guarantees or call options) or by type of transfer (e.g. factoring of receivables, securitisations and securities lending).

### **Maturity analysis for undiscounted cash outflows to repurchase transferred assets (paragraph 42E(e))**

B34 Paragraph 42E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (e.g. forward contracts), cash flows that the entity may be required to pay (e.g. written put options) and cash flows that the entity might choose to pay (e.g. purchased call options).

B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(e). For example, an entity might determine that the following maturity time bands are appropriate:

- (a) not later than one month;
- (b) later than one month and not later than three months;
- (c) later than three months and not later than six months;
- (d) later than six months and not later than one year;
- (e) later than one year and not later than three years;
- (f) later than three years and not later than five years; and
- (g) more than five years.

B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.

### **Qualitative information (paragraph 42E(f))**

B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:

- (a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets.
- (b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (i.e. its continuing involvement in the asset).
- (c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.

### **Gain or loss on derecognition (paragraph 42G(a))**

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (i.e. the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.

### **Supplementary information (paragraph 42H)**

B39 The disclosures required in paragraphs 42D-42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

## **Offsetting financial assets and financial liabilities (paragraphs 13A-13F)**

### **Scope (paragraph 13A)**

B40 The disclosures in paragraphs 13B-13E are required for all recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. In addition, financial instruments are within the scope of the disclosure requirements in paragraphs 13B-13E if they are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with paragraph 42 of AASB 132.

B41 The similar agreements referred to in paragraphs 13A and B40 include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to in paragraph B40 include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements. Examples of financial instruments that are not within the scope of paragraph 13A are loans and customer deposits at the same institution (unless they are set off in the statement of financial position), and financial instruments that are subject only to a collateral agreement.

### **Disclosure of quantitative information for recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C)**

B42 Financial instruments disclosed in accordance with paragraph 13C may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, while a derivative will be measured at fair value). An entity shall include instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

### **Disclosure of the gross amounts of recognised financial assets and recognised financial liabilities within the scope of paragraph 13A (paragraph 13C(a))**

B43 The amounts required by paragraph 13C(a) relate to recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. The amounts required by paragraph 13C(a) also relate

to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement irrespective of whether they meet the offsetting criteria. However, the disclosures required by paragraph 13C(a) do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of AASB 132. Instead, such amounts are required to be disclosed in accordance with paragraph 13C(d).

### **Disclosure of the amounts that are set off in accordance with the criteria in paragraph 42 of AASB 132 (paragraph 13C(b))**

B44 Paragraph 13C(b) requires that entities disclose the amounts set off in accordance with paragraph 42 of AASB 132 when determining the net amounts presented in the statement of financial position. The amounts of both the recognised financial assets and the recognised financial liabilities that are subject to set-off under the same arrangement will be disclosed in both the financial asset and financial liability disclosures. However, the amounts disclosed (in, for example, a table) are limited to the amounts that are subject to set-off. For example, an entity may have a recognised derivative asset and a recognised derivative liability that meet the offsetting criteria in paragraph 42 of AASB 132. If the gross amount of the derivative asset is larger than the gross amount of the derivative liability, the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with paragraph 13C(a)) and the entire amount of the derivative liability (in accordance with paragraph 13C(b)). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with paragraph 13C(a)), it will only include the amount of the derivative asset (in accordance with paragraph 13C(b)) that is equal to the amount of the derivative liability.

### **Disclosure of the net amounts presented in the statement of financial position (paragraph 13C(c))**

B45 If an entity has instruments that meet the scope of these disclosures (as specified in paragraph 13A), but that do not meet the offsetting criteria in paragraph 42 of AASB 132, the amounts required to be disclosed by paragraph 13C(c) would equal the amounts required to be disclosed by paragraph 13C(a).

B46 The amounts required to be disclosed by paragraph 13C(c) must be reconciled to the individual line item amounts presented in the statement of financial position. For example, if an entity determines that the aggregation or disaggregation of individual financial statement

line item amounts provides more relevant information, it must reconcile the aggregated or disaggregated amounts disclosed in paragraph 13C(c) back to the individual line item amounts presented in the statement of financial position.

### **Disclosure of the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b) (paragraph 13C(d))**

B47 Paragraph 13C(d) requires that entities disclose amounts that are subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b). Paragraph 13C(d)(i) refers to amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of AASB 132 (for example, current rights of set-off that do not meet the criterion in paragraph 42(b) of AASB 132, or conditional rights of set-off that are enforceable and exercisable only in the event of default, or only in the event of insolvency or bankruptcy of any of the counterparties).

B48 Paragraph 13C(d)(ii) refers to amounts related to financial collateral, including cash collateral, both received and pledged. An entity shall disclose the fair value of those financial instruments that have been pledged or received as collateral. The amounts disclosed in accordance with paragraph 13C(d)(ii) should relate to the actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral.

### **Limits on the amounts disclosed in paragraph 13C(d) (paragraph 13D)**

B49 When disclosing amounts in accordance with paragraph 13C(d), an entity must take into account the effects of over-collateralisation by financial instrument. To do so, the entity must first deduct the amounts disclosed in accordance with paragraph 13C(d)(i) from the amount disclosed in accordance with paragraph 13C(c). The entity shall then limit the amounts disclosed in accordance with paragraph 13C(d)(ii) to the remaining amount in paragraph 13C(c) for the related financial instrument. However, if rights to collateral can be enforced across financial instruments, such rights can be included in the disclosure provided in accordance with paragraph 13D.

**Description of the rights of set-off subject to enforceable master netting arrangements and similar agreements (paragraph 13E)**

B50 An entity shall describe the types of rights of set-off and similar arrangements disclosed in accordance with paragraph 13C(d), including the nature of those rights. For example, an entity shall describe its conditional rights. For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in paragraph 42 of AASB 132, the entity shall describe the reason(s) why the criteria are not met. For any financial collateral received or pledged, the entity shall describe the terms of the collateral agreement (for example, when the collateral is restricted).

**Disclosure by type of financial instrument or by counterparty**

B51 The quantitative disclosures required by paragraph 13C(a)-(e) may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements).

B52 Alternatively, an entity may group the quantitative disclosures required by paragraph 13C(a)-(c) by type of financial instrument, and the quantitative disclosures required by paragraph 13C(c)-(e) by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts in paragraph 13C(c)-(e) is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

**Other**

B53 The specific disclosures required by paragraphs 13C-13E are minimum requirements. To meet the objective in paragraph 13B an entity may need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position.



## 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 43**

An entity shall apply this IFRS for annual periods beginning on or after 1 January 2007. Earlier application is encouraged. If an entity applies this IFRS for an earlier period, it shall disclose that fact.

### **Paragraph 44**

If an entity applies this IFRS for annual periods beginning before 1 January 2006, it need not present comparative information for the disclosures required by paragraphs 31-42 about the nature and extent of risks arising from financial instruments.

### **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 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.

### **Paragraph 45**

This IFRS supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

### **Paragraph B6**

The disclosures required by paragraphs 31-42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the

information incorporated by cross-reference, the financial statements are incomplete.