

November 2009

Amendments to other IFRSs and guidance
International Financial Reporting Standard®

IFRS 9 Financial Instruments



International
Accounting Standards
Board®

IFRS 9
Financial Instruments
**Amendments to other IFRSs
and guidance**

This booklet contains Appendix C of IFRS 9 *Financial Instruments* (see separate booklet). It also contains amendments to the guidance on other IFRSs. IFRS 9 and its accompanying documents are published by the International Accounting Standards Board (IASB), 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7246 6410

Fax: +44 (0)20 7246 6411

Email: iasb@iasb.org

Web: www.iasb.org

The IASB, the International Accounting Standards Committee Foundation (IASCF), the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

IFRS 9 and its accompanying documents are published in three parts.

ISBN for this part: 978-1-907026-49-2

ISBN for complete publication (three parts): 978-1-907026-46-1

Copyright © 2009 IASCF®

International Financial Reporting Standards (including International Accounting Standards and SIC and IFRIC Interpretations), Exposure Drafts, and other IASB publications are copyright of the IASCF. The approved text of International Financial Reporting Standards and other IASB publications is that published by the IASB in the English language. Copies may be obtained from the IASCF. Please address publications and copyright matters to:

IASB Foundation Publications Department,
1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.
Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749
Email: publications@iasb.org Web: www.iasb.org

All rights reserved. No part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IASCF.



International
Accounting Standards
Board®

The IASB logo/the IASCF logo/‘Hexagon Device’, the IASC Foundation Education logo, ‘IASC Foundation’, ‘eIFRS’, ‘IAS’, ‘IASB’, ‘IASC’, ‘IASCF’, ‘IASs’, ‘IFRIC’, ‘IFRS’, ‘IFRSs’, ‘International Accounting Standards’, ‘International Financial Reporting Standards’ and ‘SIC’ are Trade Marks of the IASCF.

IFRS 9 FINANCIAL INSTRUMENTS

CONTENTS

page

IFRS 9 *FINANCIAL INSTRUMENTS*

APPENDIX

Amendments to other IFRSs

4

Amendments to guidance on other IFRSs

55

Appendix C Amendments to other IFRSs

Except where otherwise stated, an entity shall apply the amendments in this appendix when it applies IFRS 9. Amended paragraphs are shown with new text underlined and deleted text struck through.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 (as revised in November 2008)

- C1 In IFRS 1 *First-time Adoption of International Financial Reporting Standards* (as revised in November 2008), paragraph 29 is amended and paragraphs 29A and 39B are added as follows:
- 29 An entity is permitted to designate a previously recognised financial asset ~~or financial liability~~ as a financial asset ~~or financial liability~~ at measured at fair value through profit or loss ~~or a financial asset as available for sale~~ in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets ~~or financial liabilities~~ so designated ~~into each category~~ at the date of designation and their classification and carrying amount in the previous financial statements.
- 29A An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.
- 39B IFRS 9 *Financial Instruments* amended paragraphs 29, B1 and D19, added paragraphs 29A, B8, D19A–D19C, E1 and E2. An entity shall apply those amendments when it applies IFRS 9.
- C2 In Appendix B, paragraph B1 is amended, and a heading and paragraph B8 are added as follows:
- B1 An entity shall apply the following exceptions:
- (a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);
 - (b) hedge accounting (paragraphs B4–B6); ~~and~~

- (c) non-controlling interests (paragraph B7); and
- (d) classification and measurement of financial assets (paragraph B8).

Classification and measurement of financial assets

- B8 An entity shall assess whether a financial asset meets the conditions in paragraph 4.2 of IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- C3 In Appendix D (Exemptions from other IFRSs), paragraph D19 is amended and paragraphs D19A–D19C are added as follows.
- D19 IAS 39 permits a financial liability asset to be designated on initial recognition as available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss. Despite this requirement exceptions apply in the following circumstances:
- (a) an entity is permitted to make an available for sale designation at the date of transition to IFRSs.
 - (b) an entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at that date.
- D19A An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5 of IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.4.4 of IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- D19C If it is impracticable (as defined in IAS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58–65 and AG84–AG93 of IAS 39, the fair value of the financial asset at the date of transition to IFRSs shall be the new amortised cost of that financial asset at the date of transition to IFRSs.

In Appendix E (Short-term exemptions from IFRSs), a heading and paragraphs E1 and E2 are added as follows:

Exemption from the requirement to restate comparative information for IFRS 9

- E1 In its first IFRS financial statements, an entity that (a) adopts IFRSs for annual periods beginning before 1 January 2012 and (b) applies IFRS 9 shall present at least one year of comparative information. However, this comparative information need not comply with IFRS 9 or IFRS 7, to the extent that the disclosures required by IFRS 7 relate to assets within the scope of IFRS 9. For such entities, references to the 'date of transition to IFRSs' shall mean, in the case of IFRS 9 and IFRS 7 only, the beginning of the first IFRS reporting period.
- E2 An entity that chooses to present comparative information that does not comply with IFRS 9 and IFRS 7 in its first year of transition shall:
- (a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of IAS 39 and IFRS 9 to comparative information about assets within the scope of IFRS 9.
 - (b) disclose this fact together with the basis used to prepare this information.
 - (c) treat any adjustment between the statement of financial position at the comparative period's reporting date (ie the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the *first IFRS reporting period* (ie the first period that includes information that complies with IFRS 9 and IFRS 7) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of IAS 8. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.
 - (d) apply paragraph 17(c) of IAS 1 to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the

impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

IFRS 1 (issued 2003)

C4 In IFRS 1 *First-time Adoption of International Financial Reporting Standards* (issued in June 2003 and amended at May 2008), paragraphs 25A, 26 and 43A are amended and paragraph 25AA, a heading and paragraphs 34D–34G, a heading above paragraph 36D and paragraphs 36D, 36E and 47M are added.

25A IAS 39 *Financial Instruments: Recognition and Measurement* permits a financial ~~asset~~ liability to be designated on initial recognition as ~~available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or~~ financial liability at fair value through profit or loss provided it meets certain criteria. Despite this requirement, a first-time adopter of IFRSs ~~exceptions apply in the following circumstances,~~

- (a) ~~any entity is permitted to make an available for sale designation at the date of transition to IFRSs.~~
- (b) ~~an entity that presents its first IFRS financial statements for an annual period beginning on or after 1 September 2006 such an entity~~ is permitted to designate, at the date of transition to IFRSs, any ~~financial asset or~~ financial liability as at fair value through profit or loss provided the ~~asset or~~ liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at that date.
- (c) ~~an entity that presents ...~~
- (e) ~~... at the same time they are designated as at fair value through profit or loss.~~

25AA IFRS 9 *Financial Instruments* permits a financial asset to be designated on initial recognition as a financial asset measured at fair value through profit or loss provided that the financial asset meets the criterion in paragraph 4.5 of IFRS 9. Despite this requirement, a first-time adopter of IFRSs is permitted to designate, at the date of transition to IFRSs, any financial asset as measured at fair value through profit or loss provided the asset meets the criterion in paragraph 4.5 of IFRS 9 at that date.

- 26 This IFRS prohibits retrospective application of some aspects of other IFRSs relating to:
- (a) ...
 - (d) assets classified as held for sale and discontinued operations (paragraphs 34A and 34B); ~~and~~
 - (e) some aspects of accounting for non-controlling interests (paragraph 34C); ~~and~~
 - (f) classification and measurement of financial assets (paragraphs 34D–34G).

Classification and measurement of financial assets

- 34D An entity shall assess whether a financial asset meets the conditions in paragraph 4.2 of IFRS 9 *Financial Instruments* on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- 34E An entity may designate a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.5 of IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- 34F An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.4.4 of IFRS 9 on the basis of the facts and circumstances that exist at the date of transition to IFRSs.
- 34G If it is impracticable (as defined in IAS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58–65 and AG84–AG93 of IAS 39, the fair value of the financial asset at the date of transition to IFRSs shall be the new amortised cost of that financial asset at the date of transition to IFRSs.

Exemption from the requirement to restate comparative information for IFRS 9

- 36D In its first IFRS financial statements, an entity that (a) adopts IFRSs for annual periods beginning before 1 January 2012 and (b) applies IFRS 9 shall present at least one year of comparative information. However, this comparative information need not comply with IFRS 9 or IFRS 7, to the extent that the disclosures required by IFRS 7 relate to assets within the scope of IFRS 9. For such entities,

IFRS 9 FINANCIAL INSTRUMENTS

references to the 'date of transition to IFRSs' shall mean, in the case of IFRS 9 and IFRS 7 only, the beginning of the first IFRS reporting period.

- 36E An entity that chooses to present comparative information that does not comply with IFRS 9 and IFRS 7 in its first year of transition shall:
- (a) apply the recognition and measurement requirements of its previous GAAP in place of the requirements of IAS 39 and IFRS 9 to comparative information about assets within the scope of IFRS 9.
 - (b) disclose this fact together with the basis used to prepare this information.
 - (c) treat any adjustment between the statement of financial position at the comparative period's reporting date (ie the statement of financial position that includes comparative information under previous GAAP) and the statement of financial position at the start of the *first IFRS reporting period* (ie the first period that includes information that complies with IFRS 9 and IFRS 7) as arising from a change in accounting policy and give the disclosures required by paragraph 28(a)–(e) and (f)(i) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date.
 - (d) apply paragraph 17(c) of IAS 1 to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- 43A An entity is permitted to designate a previously recognised financial asset ~~or financial liability as a financial asset or financial liability as measured~~ at fair value through profit or loss in accordance with paragraph 25AA or a previously recognised financial liability as a financial liability at fair value through profit or loss ~~or a financial asset as available for sale~~ in accordance with paragraph 25A. The entity shall disclose the fair value of financial assets or financial liabilities ~~so designated into each category~~ at the

date of designation and their classification and carrying amount in the previous financial statements.

47M IFRS 9, issued in November 2009, amended paragraphs 25A, 26 and 43A and added paragraphs 25AA, 34D–34G, 36D and 36E. An entity shall apply those amendments when it applies IFRS 9.

IFRS 3 *Business Combinations*

IFRS 3 (2008)

C5 In IFRS 3 *Business Combinations* (as revised in 2008), paragraphs 16, 42 and 58 are amended and paragraph 64A is added as follows:

- 16 In some situations, IFRSs provide for different accounting depending on how an entity classifies or designates a particular asset or liability. Examples of classifications or designations that the acquirer shall make on the basis of the pertinent conditions as they exist at the acquisition date include but are not limited to:
- (a) classification of particular financial assets and liabilities as ~~measured a financial asset or liability~~ at fair value ~~through profit or loss~~, or ~~at amortised cost as a financial asset available for sale or held to maturity~~, in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*;
 - (b) designation of a derivative instrument as a hedging instrument in accordance with IAS 39; and
 - (c) assessment of whether an embedded derivative should be separated from ~~the a~~ host contract outside the scope of IFRS 9 in accordance with IAS 39 (which is a matter of ‘classification’ as this IFRS uses that term).
- 42 In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. In prior reporting periods, the acquirer may have recognised changes in the value of its equity interest in the acquiree in other comprehensive income ~~(for example, because the investment was classified as available for sale)~~. If so, the amount that was recognised in other comprehensive income shall be

IFRS 9 FINANCIAL INSTRUMENTS

recognised on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

58 ...

- (b) Contingent consideration classified as an asset or a liability that:
- (i) is a financial instrument and is within the scope of IFRS 9 or IAS 39 shall be measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with ~~that~~ IFRS 9 or IAS 39 as applicable.
 - (ii) is not within the scope of IFRS 9 or IAS 39 shall be accounted for in accordance with IAS 37 or other IFRSs as appropriate.

64A IFRS 9, issued in November 2009, amended paragraphs 16, 42 and 58. An entity shall apply those amendments when it applies IFRS 9.

IFRS 4 Insurance Contracts

C6 Paragraphs 3 and 45 are amended and paragraph 41C is added as follows:

- 3 This IFRS does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see IAS 32 *Financial Instruments: Presentation*, IAS 39 *Financial Instruments: Recognition and Measurement*, ~~and IFRS 7 and IFRS 9 *Financial Instruments*~~), except in the transitional provisions in paragraph 45.
- 45 ~~Notwithstanding paragraph 4.9 of IFRS 9, w~~When an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as measured 'at fair value ~~through profit or loss~~'. This reclassification is permitted if an insurer changes accounting policies when it first applies this IFRS and if it makes a subsequent policy change permitted by paragraph 22. The reclassification is a change in accounting policy and IAS 8 applies.
- 41C IFRS 9, issued in November 2009, amended paragraphs 3 and 45. An entity shall apply those amendments when it applies IFRS 9.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- C7 In paragraph 5(c), the reference to 'IAS 39 *Financial Instruments: Recognition and Measurement*' is replaced with 'IFRS 9 *Financial Instruments*'.

IFRS 7 Financial Instruments: Disclosures

- C8 In the rubric, the reference to 'Appendices A-D' is amended to 'Appendices A-C'. In paragraph 4 the references to 'IAS 39' and in paragraph 5 the first reference to 'IAS 39' are replaced with 'IAS 39 and IFRS 9'. A heading and paragraphs 11A, 11B, 12B-12D, 20A and 44H-44J are added, paragraphs 12 and 12A are deleted and paragraphs 2, 3, 8, 9, 20, 29 and 30 are amended as follows:
- 2 The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 *Financial Instruments: Presentation*, ~~and IAS 39 *Financial Instruments: Recognition and Measurement*~~ and IFRS 9 *Financial Instruments*.
 - 3 This IFRS 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 IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates* or IAS 31 *Interests in Joint Ventures*. However, in some cases, IAS 27, IAS 28 or IAS 31 permits an entity to account for an interest in a subsidiary, associate or joint venture using IAS 39 ~~and IFRS 9~~; in those cases, entities shall apply the requirements of this IFRS. Entities shall also apply this IFRS to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in IAS 32.
 - 8 The carrying amounts of each of the following categories, as ~~specified defined~~ in IFRS 9 or IAS 39, shall be disclosed either in the statement of financial position or in the notes:
 - (a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those mandatorily classified as measured

IFRS 9 FINANCIAL INSTRUMENTS

at fair value held for trading in accordance with IFRS 9 IAS 39;

(b)-(d)~~]~~

(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 that meet the definition of classified as held for trading in accordance with IAS 39; and,

(f) financial ~~assets~~ liabilities measured at amortised cost.

(g) ~~financial liabilities measured at amortised cost.~~

(h) financial assets measured at fair value through other comprehensive income.

9 If the entity has designated a ~~loan or receivable (or group of loans or receivables)~~ as measured at fair value through profit or loss a financial asset (or group of financial assets) that would otherwise be measured at amortised cost, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the ~~loan or receivable~~ financial asset (or group of ~~loans or receivables~~ financial assets) at the end of the reporting period.

(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk.

(c) the amount of change, during the period and cumulatively, in the fair value of the ~~loan or receivable~~ financial asset (or group of ~~loans or receivables~~ financial assets) that is attributable to changes in the credit risk of the financial asset determined either:

...

(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~~ financial asset was designated.

...

Financial assets measured at fair value through other comprehensive income

- 11A If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.4.4 of IFRS 9, it shall disclose:
- (a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.
 - (b) the reasons for using this presentation alternative.
 - (c) the fair value of each such investment at the end of the reporting period.
 - (d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.
 - (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.
- 11B If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:
- (a) the reasons for disposing of the investments.
 - (b) the fair value of the investments at the date of derecognition.
 - (c) the cumulative gain or loss on disposal.
- 12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.9 of IFRS 9. For each such event, an entity shall disclose:
- (a) the date of reclassification.
 - (b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.
 - (c) the amount reclassified into and out of each category.
- 12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified so that

IFRS 9 FINANCIAL INSTRUMENTS

they are measured at amortised cost in accordance with paragraph 4.9 of IFRS 9:

- (a) the effective interest rate determined on the date of reclassification; and
- (b) the interest income or expense recognised.

12D If an entity has reclassified financial assets so that they are measured at amortised cost since its last annual reporting date, it shall disclose:

- (a) the fair value of the financial assets at the end of the reporting period; and
- (b) the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.

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 measured~~ at fair value through profit or loss, showing separately those on financial assets ~~or financial liabilities~~ designated as such upon initial recognition, and those ~~on financial assets or financial liabilities~~ that are mandatorily measured at fair value classified as held for trading in accordance with IFRS 9 IAS 39;
 - ~~(ii)-(iv) [deleted]~~
 - (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 at fair value through profit or loss, showing separately those on financial liabilities designated as such upon initial

recognition, and those on financial liabilities that meet the definition of held for trading in IAS 39.

(vi) financial assets measured at amortised cost.

(vii) financial liabilities measured at amortised cost.;

(viii) financial assets measured at fair value through other comprehensive income.

- (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets ~~or financial liabilities~~ that are measured at amortised cost or financial liabilities not at fair value through profit or loss;
- (c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:
- (i) financial assets ~~or financial liabilities~~ measured at amortised cost or financial liabilities that are not at fair value through profit or loss; and
- (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;
- (d) ...

20A An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

29 Disclosures of fair value are not required:

- (a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;
- (b) ~~for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to investments in equity instruments that do not have a quoted market price in an active market that are such equity instruments, that is~~ measured at cost in accordance with

IFRS 9 FINANCIAL INSTRUMENTS

IAS 39 because ~~its~~ their fair value cannot be measured reliably; or

- (c) for a contract containing a discretionary participation feature (as described in IFRS 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~~ contracts and their fair value, including:
- (a) ...
- 44H IFRS 9, issued in November 2009, amended paragraphs 2–5, 8, 9, 12, 20, 29 and 30, added paragraphs 11A, 11B, 12B–12D and 20A and deleted paragraph 12A. It also amended the last paragraph of Appendix A (Defined terms) and paragraphs B1, B5, B10, B22 and B27, and deleted Appendix D (Amendments to IFRS 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement—*The Fair Value Option* have not been applied). An entity shall apply those amendments when it applies IFRS 9.
- 44I When an entity first applies IFRS 9, it shall disclose for each class of financial assets at the date of initial application:
- (a) the original measurement category and carrying amount determined in accordance with IAS 39;
 - (b) the new measurement category and carrying amount determined in accordance with IFRS 9;
 - (c) the amount of any financial assets in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that IFRS 9 requires an entity to reclassify and those that an entity elects to reclassify.

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

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

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

C9 In Appendix A (Defined terms), the last paragraph is amended as follows:

The following terms are defined in paragraph 11 of IAS 32 or paragraph 9 of IAS 39 and are used in the IFRS with the meaning specified in IAS 32 and IAS 39.

- amortised cost of a financial asset or financial liability
- ~~• available for sale financial assets~~
- derecognition
- derivative
- effective interest method
- equity instrument
- fair value
- financial asset
- ~~financial asset or financial liability at fair value through profit or loss~~
- ~~• financial asset or financial liability held for trading~~
- financial guarantee contract
- financial instrument
- financial liability
- forecast transaction
- hedging instrument
- held for trading
- ~~• held to maturity investments~~
- ~~• loans and receivables~~
- regular way purchase or sale

IFRS 9 FINANCIAL INSTRUMENTS

C10 In Appendix B (Application guidance), paragraphs B1, B5, B10, B22 and B27 are amended as follows:

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 IAS 39 and IFRS 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

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 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.

- (aa) for financial assets designated as measured at fair value through profit or loss:
 - (i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss;
 - (ii) how the entity has satisfied the criteria in paragraph 4.5 of IFRS 9 for such designation.
 - (b) ~~the criteria for designating financial assets as available for sale.~~
 - (c) ...
- 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) ...
- B22 *Interest rate risk* arises on interest-bearing financial instruments recognised in the statement of financial position (eg ~~loans and receivables and~~ debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (eg some loan commitments).
- B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments measured classified as at fair value through profit or loss and impairments of available-for-sale financial assets) is disclosed separately from the sensitivity of other comprehensive income equity (that arises, for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive income classified as available for sale).
- C11 Appendix D (Amendments to IFRS 7 if the Amendments to IAS 39 Financial Instruments: Recognition and Measurement—*The Fair Value Option* have not been applied) is deleted.

IAS 1 Presentation of Financial Statements

C12 In paragraph 7, the definition of 'other comprehensive income' and paragraphs 68, 82, 93 and 95 are amended and paragraph 139E is added as follows:

7 ...

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs.

The components of other comprehensive income include:

(a) ...

(d) ~~gains and losses on remeasuring available-for-sale financial assets (see IAS 39 *Financial Instruments: Recognition and Measurement*) from investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.4.4 of IFRS 9 *Financial Instruments*;~~

(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge (see IAS 39).

68 The operating cycle of an entity ... Current assets also include assets held primarily for the purpose of trading (examples include some financial assets ~~that meet the definition of~~ classified as held for trading in accordance with IAS 39) and the current portion of non-current financial assets.

82 **As a minimum, the statement of comprehensive income shall include line items that present the following amounts for the period:**

(a) revenue;

(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(b) finance costs;

(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

(ca) if a financial asset is reclassified so that it is measured at fair value, any gain or loss arising from a difference between the previous carrying amount and its fair value at the reclassification date (as defined in IFRS 9);

(d) ...

93 Other IFRSs specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. ~~For example, gains realised on the disposal of available for sale financial assets are included in profit or loss of the current period.~~ These amounts may have been recognised in other comprehensive income ...

95 Reclassification adjustments arise, for example, on disposal of a foreign operation (see IAS 21), ~~on derecognition of available for sale financial assets (see IAS 39)~~ and when a hedged forecast transaction affects profit or loss (see paragraph 100 of IAS 39 in relation to cash flow hedges).

139E IFRS 9, issued in November 2009, amended the definition of 'other comprehensive income' in paragraph 7 and paragraphs 68, 82, 93 and 95. An entity shall apply those amendments when it applies IFRS 9.

IAS 2 Inventories

C13 Paragraph 2(b) is amended and paragraph 40A added as follows:

2 This Standard applies to all inventories, except:

...

(b) financial instruments (see IAS 32 *Financial Instruments: Presentation*, and IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*); and

...

40A IFRS 9, issued in November 2009, amended paragraph 2(b). An entity shall apply that amendment when it applies IFRS 9.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

C14 Paragraph 53 is amended and paragraph 54A is added as follows:

53 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, ~~when an entity corrects a prior period error in measuring financial assets previously classified as held to maturity investments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, it does not change their basis of measurement for that period if management decided later not to hold them to maturity.~~ In addition, when an entity corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with IAS 19 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were authorised for issue. The fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

54A IFRS 9 *Financial Instruments*, issued in November 2009, amended paragraph 53. An entity shall apply that amendment when it applies IFRS 9.

IAS 12 Income Taxes

C15 In the rubric the reference to 'paragraphs 1-95' is amended to 'paragraphs 1-96'. Paragraph 20 is amended and paragraph 96 is added as follows:

20 IFRSs permit or require certain assets to be carried at fair value or to be revalued (see, for example, IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, ~~IFRS 9 *Financial Instruments*~~ ~~IAS 39 *Financial Instruments: Recognition and Measurement*~~ and IAS 40 *Investment Property*). In some jurisdictions, the revaluation or other restatement of an asset to fair value affects taxable profit (tax loss) for the current period. As a result, ...

- 96 IFRS 9, issued in November 2009, amended paragraph 20. An entity shall apply that amendment when it applies IFRS 9.

IAS 18 Revenue

- C16 In the rubric the reference to 'paragraphs 1-38' is amended to 'paragraphs 1-39'. Paragraph 6(d) and the last sentence of paragraph 11 are amended and paragraph 39 is added as follows:
- 6 This Standard does not deal with revenue arising from:
- ...
- (d) changes in the fair value of financial assets and financial liabilities or their disposal (see IFRS 9 *Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement*);
- 11 In most cases ... The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue in accordance with paragraphs 29 and 30 and in accordance with IAS 39 and IFRS 9.
- 39 IFRS 9, issued in November 2009, amended paragraphs 6(d) and 11. An entity shall apply those amendments when it applies IFRS 9.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

- C17 Paragraphs 3(a), 4 and 52(a) are amended and paragraph 60C is added as follows:
- 3 This Standard shall be applied:** [footnote omitted]
- (a) **in accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*;**
- ...
- 4 IFRS 9 and IAS 39 apply ~~applies~~ to many foreign currency derivatives and, accordingly, these are excluded from the scope of this Standard. However, those foreign currency derivatives that are not within the scope of IFRS 9 and IAS 39 (eg some foreign currency derivatives that are embedded in other contracts) are within the scope of this Standard. In addition, this Standard applies when an

entity translates amounts relating to derivatives from its functional currency to its presentation currency.

52 An entity shall disclose:

(a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with IFRS 9 and IAS 39; and

(b) ...

60C IFRS 9, issued in November 2009, amended paragraphs 3(a), 4 and 52(a). An entity shall apply those amendments when it applies IFRS 9.

IAS 27 Consolidated and Separate Financial Statements

IAS 27 (2008)

C18 In paragraph IN10 after the reference to 'IAS 39 *Financial Instruments: Recognition and Measurement*' is added 'and IFRS 9 *Financial Instruments*'. Paragraphs 35, 37, 38 and 40 are amended and paragraph 45D is added as follows:

35 If a parent loses control of a subsidiary, ... For example, if a subsidiary has cumulative exchange differences relating to a foreign operation available for sale financial assets and the parent loses control of the subsidiary, the parent shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation those assets. Similarly, ...

37 The fair value of any investment retained in the former subsidiary at the date when control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 *Financial Instruments* ~~IAS 39 *Financial Instruments: Recognition and Measurement*~~ or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

38 When an entity prepares separate financial statements, it shall account for investments in subsidiaries, jointly controlled entities and associates either:

(a) at cost, or

- (b) in accordance with IFRS 9 and IAS 39.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5. The accounting for measurement of investments ~~accounted for~~ in accordance with IFRS 9 and IAS 39 is not changed in such circumstances.

- 40 Investments in jointly controlled entities and associates that are accounted for in accordance with IFRS 9 and IAS 39 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

45D IFRS 9, issued in November 2009, amended paragraphs 35, 37, 38 and 40. An entity shall apply those amendments when it applies IFRS 9.

IAS 27 (2003)

C19 In IAS 27 *Consolidated and Separate Financial Statements* (as revised in December 2003) paragraphs 31, 32, 37 and 39 are amended and paragraph 43A is added as follows:

- 31 An investment in an entity shall be accounted for in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* from the date that it ceases to be a subsidiary, provided that it does not become an associate as defined in IAS 28 or a jointly controlled entity as described in IAS 31.
- 32 The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of a financial asset in accordance with IFRS 9 IAS 39.
- 37 When separate financial statements are prepared, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for either:
- (a) at cost, or
 - (b) in accordance with IFRS 9 and IAS 39.

The same accounting shall be applied for each category of investments. Investments in subsidiaries, jointly controlled entities and associates that are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 shall be accounted for in accordance with that IFRS.

39 Investments in jointly controlled entities and associates that are accounted for in accordance with IFRS 9 and IAS 39 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

43A IFRS 9, issued in November 2009, amended paragraphs 31, 32, 37 and 39. An entity shall apply those amendments when it applies IFRS 9.

IAS 28 Investments in Associates

IAS 28 (2008)

C20 IAS 28 *Investments in Associates* (as amended in May 2008) is amended as described below.

Paragraph IN5 is amended as follows:

IN5 The Standard does not apply to investments that would otherwise be associates or interests of venturers in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are ~~classified as held for trading and~~ accounted for at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. Those investments are measured at fair value with changes in fair value recognised in profit or loss in the period in which they occur.

Paragraphs 1 and 18-19A are amended and paragraph 41D is added as follows:

- 1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:**
- (a) venture capital organisations, or**

(b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

~~that are measured upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. An entity shall measure such~~ Such investments shall be measured at fair value ~~through profit or loss~~ in accordance with ~~IFRS 9~~ IAS 39, with ~~changes in fair value recognised in profit or loss in the period of the change~~. An entity holding such an investment shall make the disclosures required by paragraph 37(f).

- 18 An investor shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with ~~IFRS 9 and~~ IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31. On the loss of significant influence, ...
- 19 When an investment ceases to be an associate and is accounted for in accordance with ~~IFRS 9 and~~ IAS 39, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with ~~IFRS 9~~ IAS 39.
- 19A If an investor loses significant influence over an associate, ... For example, if an associate has ~~cumulative exchange differences relating to a foreign operation~~ available for sale financial assets and the investor loses significant influence over the associate, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to ~~the foreign operation~~ those assets. If ...
- 41D IFRS 9, issued in November 2009, amended paragraphs 1 and 18–19A. An entity shall apply those amendments when it applies IFRS 9.

IAS 28 (2003)

- C21 IAS 28 *Investments in Associates*, issued in December 2003 and amended at 31 December 2007, is amended as described below.

Paragraph IN5 is amended as follows:

- IN5 The Standard does not apply to investments that would otherwise be associates or interests of venturers in jointly controlled entities

IFRS 9 FINANCIAL INSTRUMENTS

held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are ~~classified as held for trading and~~ accounted for at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. Those investments are measured at fair value with changes in fair value recognised in profit or loss in the period in which they occur.

Paragraphs 1, 18 and 19 are amended and paragraph 41A is added as follows:

1 This Standard shall be applied in accounting for investments in associates. However, it does not apply to investments in associates held by:

- (a) venture capital organisations, or**
- (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds**

~~that are measured upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for~~ in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. **An entity shall measure such** ~~Such~~ investments ~~shall be measured~~ at fair value through profit or loss in accordance with IFRS 9 IAS 39, with ~~changes in fair value recognised in profit or loss in the period of the change.~~

18 An investor shall discontinue the use of the equity method from the date that it ceases to have significant influence over an associate and shall account for the investment in accordance with IFRS 9 and IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31.

19 The carrying amount of the investment at the date that it ceases to be an associate shall be regarded as its cost on initial recognition measurement as a financial asset in accordance with IFRS 9 IAS 39.

41A IFRS 9, issued in November 2009, amended paragraphs 1, 18 and 19. An entity shall apply those amendments when it applies IFRS 9.

IAS 31 *Interests in Joint Ventures*

IAS 31 as amended in May 2008

C22 IAS 31 *Interests in Joint Ventures* (as amended in May 2008) is amended as described below.

Paragraph IN5 is amended as follows:

IN5 The Standard does not apply to investments that would otherwise be interests of venturers in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are ~~classified as held for trading and~~ accounted for at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. Those investments are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

Paragraphs 1, 45–45B and 51 are amended and paragraph 58C is added as follows:

1 This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

- (a) venture capital organisations, or
- (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds

~~that are measured upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. An entity shall measure such~~ Such investments ~~shall be measured at fair value through profit or loss in accordance with IFRS 9 IAS 39, with changes in fair value recognised in profit or loss in the period of the change.~~ A venturer holding such an interest shall make the disclosures required by paragraphs 55 and 56.

45 When an investor ceases to have joint control over an entity, it shall account for any remaining investment in accordance with IFRS 9

and IAS 39 from that date, provided that the former jointly controlled entity does not become a subsidiary or associate. From

...

- 45A When an investment ceases to be a jointly controlled entity and is accounted for in accordance with IFRS 9 and IAS 39, the fair value of the investment when it ceases to be a jointly controlled entity shall be regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 IAS 39.**
- 45B If an investor loses joint control of an entity, ... For example, if a jointly controlled entity has cumulative exchange differences relating to a foreign operation ~~available for sale financial assets~~ and the investor loses joint control of the entity, the investor shall reclassify to profit or loss the gain or loss previously recognised in other comprehensive income in relation to the foreign operation those assets. If ...
- 51 An investor in a joint venture that does not have joint control shall account for that investment in accordance with IFRS 9 and IAS 39 or, if it has significant influence in the joint venture, in accordance with IAS 28.**
- 58C IFRS 9, issued in November 2009, amended paragraphs 1, 45–45B and 51. An entity shall apply those amendments when it applies IFRS 9.

IAS 31 (2003)

- C23 IAS 31 *Interests in Joint Ventures*, issued in December 2003 and amended at 31 December 2007, is amended as described below:

Paragraph IN5 is amended as follows:

- IN5 The Standard does not apply to investments that would otherwise be interests of venturers in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities when those investments are ~~classified as held for trading and~~ accounted for at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. Those investments are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they occur.

Paragraphs 1 and 51 are amended and paragraph 58A is added as follows:

1 This Standard shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place. However, it does not apply to venturers' interests in jointly controlled entities held by:

- (a) venture capital organisations, or**
- (b) mutual funds, unit trusts and similar entities including investment-linked insurance funds**

~~that are measured upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. An entity shall measure such~~ Such investments shall be measured at fair value through profit or loss in accordance with IFRS 9 ~~IAS 39~~, with changes in fair value recognised in profit or loss in the period of the change.

51 An investor in a joint venture that does not have joint control shall account for that investment in accordance with IFRS 9 and IAS 39 or, if it has significant influence in the joint venture, in accordance with IAS 28.

58A IFRS 9, issued in November 2009, amended paragraphs 1 and 51. An entity shall apply those amendments when it applies IFRS 9.

IAS 32 Financial Instruments: Presentation

C24 Paragraphs 3, 12 and 31 are amended and paragraph 97F is added as follows:

- 3 The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, and for disclosing information about them in IFRS 7 *Financial Instruments: Disclosures*.
- 12 The following terms are defined in paragraph 9 of IAS 39 and are used in this Standard with the meaning specified in IAS 39.
 - amortised cost of a financial asset or financial liability

IFRS 9 FINANCIAL INSTRUMENTS

- ~~available for sale financial assets~~
- derecognition
- derivative
- effective interest method
- ~~financial asset or financial liability at fair value through profit or loss~~
- financial guarantee contract
- firm commitment
- forecast transaction
- hedge effectiveness
- hedged item
- hedging instrument
- held for trading
- ~~held to maturity investments~~
- ~~loans and receivables~~
- regular way purchase or sale
- transaction costs.

31 ~~IFRS 9 and~~ IAS 39 deals with the measurement of financial assets and financial liabilities respectively. Equity instruments ...

97F IFRS 9, issued in November 2009, amended paragraphs 3, 12, 31, AG2 and AG30. An entity shall apply those amendments when it applies IFRS 9.

C25 In the Appendix (Application Guidance), paragraphs AG2 and AG30 are amended as follows:

AG2 The Standard does not deal with the recognition or measurement of financial instruments. Requirements about ~~the~~ recognition and measurement are set out in IFRS 9 for ~~of~~ financial assets and IAS 39 for financial liabilities.

AG30 Paragraph 28 applies only to issuers of non-derivative compound financial instruments. Paragraph 28 does not deal with compound financial instruments from the perspective of holders. IFRS 9 deals with the classification and measurement of financial assets that

~~are compound instruments from the holder's perspective. IAS 39 deals with the separation of embedded derivatives from the perspective of holders of compound financial instruments that contain debt and equity features.~~

IAS 36 Impairment of Assets

C26 In IAS 36, paragraphs 2(e) and 5 are amended and paragraph 140F is added as follows:

2 ...

(e) ~~financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*~~ **IFRS 9 *Financial Instruments***;

5 This Standard does not apply to financial assets within the scope of ~~IAS 39~~ **IFRS 9**, investment property measured at fair value in accordance with IAS 40, or biological assets related to agricultural activity measured at fair value less costs to sell in accordance with IAS 41. However, ...

140F IFRS 9, issued in November 2009, amended paragraphs 2(e) and 5. An entity shall apply those amendments when it applies IFRS 9.

IAS 39 *Financial Instruments: Recognition and Measurement*

C27 IAS 39 *Financial Instruments: Recognition and Measurement* is amended as described below.

In the Introduction paragraphs IN1–IN26 are deleted. A new Introduction is added as follows:

The IASB has decided to replace IAS 39 over a period of time. The first instalment, dealing with classification and measurement of financial assets, was issued as IFRS 9 *Financial Instruments* in November 2009. As a consequence, part of IAS 39 is being superseded and will become obsolete for annual periods beginning on or after 1 January 2013. Proposals to replace the requirements on impairment and derecognition have been published and further proposals are expected in 2009 and 2010. The remaining requirements of IAS 39 continue in effect until superseded by future instalments of IFRS 9.

Paragraph 1 is amended as follows:

- 1 The objective of this Standard is to establish principles for recognising and measuring ~~financial assets~~, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in IAS 32 *Financial Instruments: Presentation*. Requirements for disclosing information about financial instruments are in IFRS 7 *Financial Instruments: Disclosures*. Requirements for classifying and measuring financial assets are in IFRS 9 *Financial Instruments*.

In paragraph 9, a definition of 'held for trading' is added and the heading 'Definitions of four categories of financial instruments' and the definition of 'financial asset or financial liability at fair value through profit or loss' are amended as follows:

Definitions of ~~four~~ categories of financial instruments

...

A financial asset or financial liability is held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

~~A financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions.~~

- (a) ~~It is classified as~~ meets the definition of held for trading. ~~A financial asset or financial liability is classified as held for trading if:~~
 - (i) ~~it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;~~
 - (ii) ~~on initial recognition it is part of a portfolio of identified financial instruments that are managed~~

- ~~together and for which there is evidence of a recent actual pattern of short-term profit taking; or~~
- (iii) ~~it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).~~
- (b) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted by paragraph 11A, or when doing so results in more relevant information, because either
- ...
- (ii) a group of ~~financial assets~~, financial liabilities or ~~both financial assets and financial liabilities~~ is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 *Related Party Disclosures* (as revised in ~~2003~~ 2009)), for example the entity's board of directors and chief executive officer.

In IFRS 7, paragraphs ~~9-10 and 11 and B4~~ require the entity to provide disclosures about ~~financial assets and~~ financial liabilities it has designated as at fair value through profit or loss, including how it has satisfied these conditions (see paragraphs ~~B4 and B5 of IFRS 7~~). For instruments qualifying in accordance with (ii) above, that disclosure includes a narrative description of how designation as at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.

~~Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured (see paragraph 46(c) and Appendix A paragraphs AG80 and AG81), shall not be designated as at fair value through profit or loss.~~

It should be noted that paragraphs 48, 48A, 49 and Appendix A paragraphs AG69-AG82, which set out requirements for determining a reliable measure of the fair value of a ~~financial asset or~~ financial liability, apply equally to all items that are measured at fair value, whether by designation or otherwise, or whose fair value is disclosed.

...

In paragraph 9 the following terms are deleted:

- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets

Paragraphs 10–11A, 13 and 14 are amended as follows:

10 An embedded derivative is a component of a hybrid (combined) ~~contract instrument~~ that also includes a non-derivative host contract—with the effect that some of the cash flows of the combined ~~contract instrument~~ vary in a way similar to a stand-alone derivative. An ...

11 An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

...

- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and**
- (c) the hybrid (combined) ~~contract instrument~~ is not measured at fair value with changes in fair value recognised in profit or loss (ie a derivative that is embedded in a ~~financial asset or financial liability~~ at fair value through profit or loss is not separated); and**
- (d) the host is outside the scope of IFRS 9.**

If an embedded derivative is separated, the host contract shall be accounted for ~~under this Standard if it is a financial instrument, and in accordance with the other appropriate IFRS Standards if it is not a financial instrument.~~ This Standard does not address whether an embedded derivative shall be presented separately in the statement of financial position.

11A Notwithstanding paragraph 11, if a contract contains one or more embedded derivatives and the host is outside the scope of IFRS 9, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

...

- 13 If an entity is unable to determine reliably the fair value of an embedded derivative on the basis of its terms and conditions ~~(for example, because the embedded derivative is based on an unquoted equity instrument)~~, the fair value of the embedded derivative is the difference between the fair value of the hybrid ~~(combined) contract instrument~~ and the fair value of the host ~~contract~~, if those can be determined under this Standard. If the entity is unable to determine the fair value of the embedded derivative using this method, paragraph 12 applies and the hybrid ~~(combined) contract instrument~~ is designated as at fair value through profit or loss.
- 14 **An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. (See paragraph 38 with respect to regular way purchases of financial assets.)**

Paragraphs 26(b), 27(b), 31, 33 and 34(b) are amended as follows:

- 26 **On derecognition of a financial asset in its entirety, the difference between:**
- (a) **the carrying amount (measured at the date of derecognition) and**
 - (b) **the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (see paragraph 55(b))**
- shall be recognised in profit or loss.**
- 27 **... The difference between:**
- (a) **the carrying amount (measured at the date of derecognition) allocated to the part derecognised and**
 - (b) **the sum of (i) the consideration received for the part derecognised (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income (paragraph 55(b))**
- shall be recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated**

~~between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.~~

- 31 When an entity continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. Despite the other measurement requirements in this Standard and IFRS 9, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is ...
- (a) ...
- 33 For the purpose of subsequent measurement, recognised changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in accordance with paragraph 55 and IFRS 9 paragraph 5.4.1, and shall not be offset.
- 34 ... The difference between:
- (a) the carrying amount ~~(measured at the date of derecognition)~~ allocated to the part that is no longer recognised; and
- (b) ~~the sum of (i) the consideration received for the part no longer recognised and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income (see paragraph 55(b))~~

~~shall be recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised, on the basis of the relative fair values of those parts.~~

In the section titled 'Measurement' the following are deleted: the headings above paragraphs 45, 63, 66 and 67; and paragraphs 45, 46, 50B-52, 61 and 66-70. The heading above paragraphs 43 and 58 and paragraphs 43, 44, 47, 48, 50, 50A, 53-58 and 63 are amended as follows:

Initial measurement of financial assets and financial liabilities

- 43 When a ~~financial asset or~~ financial liability is recognised initially, an entity shall measure it at its fair value ~~minus~~ **plus**, in the case of a ~~financial asset or~~ financial liability not at fair value through

profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

- 44 When an entity uses settlement date accounting for an asset that is subsequently measured at ~~cost or~~ amortised cost, the asset is recognised initially at its fair value on the trade date (see Appendix A paragraphs AG53–AG56).
- 47 **After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for:**
- (a) **financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost (see Appendix A paragraphs AG80 and AG81).**
- ...
- 48 **In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard, IAS 32, ~~or~~ IFRS 7 or IFRS 9, an entity shall apply paragraphs AG69–AG82 of Appendix A.**
- 50 **An entity: ~~shall not reclassify a financial liability except in accordance with paragraphs 53 and 54.~~**
- (a) ~~shall not reclassify ...~~
- ~~... after initial recognition.~~
- 50A The following changes in circumstances are not reclassifications for the purposes of paragraph 50:
- (a) a derivative that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
 - (b) a derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge;
 - (c) ~~[deleted]~~
- 53 **If a reliable measure becomes available for a ~~financial asset or~~ financial liability for which such a measure was previously not available, and the ~~asset or~~ liability is required to be measured at**

fair value if a reliable measure is available (see paragraphs ~~46(e) and 47(a)~~), the ~~asset or liability~~ shall be remeasured at fair value, and the difference between its carrying amount and fair value shall be accounted for in accordance with paragraph 55.

- 54 ~~If, as a result of a change in intention or ability or in the rare circumstances that a reliable measure of fair value is no longer available (see paragraphs 46(e) and 47(a)), or because the two preceding financial years' referred to in paragraph 9 have passed, it becomes appropriate to carry a financial asset or an entity shall measure the financial liability at cost or amortised cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that the date of reclassification becomes its new cost, or amortised cost, as applicable. Any previous gain or loss on that asset that has been recognised in other comprehensive income in accordance with paragraph 55(b) shall be accounted for as follows:~~
- ~~(a) In the case of a ...~~
 - ~~(b) ... in accordance with paragraph 67.~~
- 55 A gain or loss arising from a change in the fair value of a ~~financial asset or financial liability~~ measured at fair value through profit or loss that is not part of a hedging relationship (see paragraphs 89-102), shall be recognised in profit or loss, ~~as follows~~
- ~~(a) A gain or loss ...~~
 - ~~(b) ... the entity's right to receive payment is established (see IAS 18).~~
- 56 For ~~financial assets and financial liabilities carried~~ measured at amortised cost (see paragraphs ~~46 and 47~~), a gain or loss is recognised in profit or loss when the ~~financial asset or financial liability~~ is derecognised ~~or impaired~~, and through the amortisation process. However, for ~~financial assets or financial liabilities~~ that are hedged items (see paragraphs 78-84 and Appendix A paragraphs AG98-AG101) the accounting for the gain or loss shall follow paragraphs 89-102.
- 57 If an entity recognises financial assets using settlement date accounting (see paragraph 38 and Appendix A paragraphs AG53 and AG56), any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets ~~carried at cost or~~ measured at amortised cost

(other than impairment losses). For assets ~~carried~~ measured at fair value, however, the change in fair value shall be recognised in profit or loss or in equity, as appropriate under ~~paragraph 55~~ paragraph 5.4.1 of IFRS 9.

Impairment and uncollectibility of financial assets measured at amortised cost

- 58 An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 (~~for financial assets carried at amortised cost~~), paragraph 66 (~~for financial assets carried at cost~~) or paragraph 67 (~~for available for sale financial assets~~) to determine the amount of any impairment loss.
- 63 If there is objective evidence that an impairment loss on financial assets measured ~~loans and receivables or held to maturity investments carried~~ at amortised cost has been incurred, the amount of the loss is measured as ...

Paragraph 79 is deleted and paragraphs 88(d), 89(b), 90 and 96(c) are amended as follows:

- 88 A hedging relationship qualifies for hedge accounting under paragraphs 89-102 if, and only if, all of the following conditions are met.
- ...
- (d) The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured (see paragraphs ~~46 and 47(a)~~ and Appendix A paragraphs AG80 and AG81 for guidance on determining fair value).
- ...
- 89 If a fair value hedge meets the conditions in paragraph 88 during the period, it shall be accounted for as follows:
- ...
- (b) the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in profit or loss. This applies if the hedged

~~item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available for sale financial asset.~~

- 90 If only particular risks attributable to a hedged item are hedged, recognised changes in the fair value of the hedged item unrelated to the hedged risk are recognised as set out in paragraph 55 of this Standard and paragraph 5.4.1 of IFRS 9.
- 96 ...
- (c) if an entity's documented risk management strategy for a particular hedging relationship excludes from the assessment of hedge effectiveness a specific component of the gain or loss or related cash flows on the hedging instrument (see paragraphs 74, 75 and 88(a)), that excluded component of gain or loss is recognised in accordance with paragraph 55 of this Standard and paragraph 5.4.1 of IFRS 9.

Paragraphs 103L and 103M are added as follows:

103L IFRS 9, issued in November 2009, amended paragraphs 1, 9–11A, 13, 14, 26(b), 27(b), 31, 33, 34(b), 43, 44, 47, 48, 50, 50A, 53–58, 63, 88(d), 89(b), 90, 96(c), AG3, AG3A, AG4B–AG4E, AG4H, AG4I, AG8, AG50, AG53, AG56, AG64, AG76A, AG80, AG81, AG83, AG84, AG95, AG96 and AG114(a) and deleted paragraphs 45, 46, 50B–52, 61, 66–70, 79, AG16–AG26, AG30(b), AG30(f) and AG65–AG68. An entity shall apply those amendments when it applies IFRS 9.

103M At the date of initial application of IFRS 9, an entity:

- (a) may designate a financial liability as measured at fair value through profit or loss in accordance with paragraph 9(b)(i) of IAS 39.
- (b) shall revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with paragraph 9(b)(i) of IAS 39 and such designation does not satisfy that condition at the date of initial application of IFRS 9.
- (c) may revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with paragraph 9(b)(i) of IAS 39 and such designation satisfies that condition at the date of initial application of IFRS 9.

Such designation shall be made on the basis of the facts and circumstances that exist at the date of initial application of IFRS 9. That classification shall be applied retrospectively.

C28 Appendix A of IAS 39 (Application guidance) is amended as described below.

Paragraphs AG3, AG3A, AG4B-AG4E, AG4H and AG4I are amended as follows:

AG3 ... If neither the equity method nor proportionate consolidation is appropriate, the entity applies this Standard and IFRS 9 *Financial Instruments* to that strategic investment.

AG3A This Standard and IFRS 9 ~~apply~~ applies to the financial assets and financial liabilities of insurers, other than rights and obligations that paragraph 2(e) excludes because they arise under contracts within the scope of IFRS 4.

AG4B Paragraph 9 of this Standard and paragraph 4.5 of IFRS 9 allows an entity to designate a financial asset, a financial liability, or a group of financial instruments (financial assets, financial liabilities or both) as at fair value through profit or loss provided that doing so results in more relevant information.

AG4C The decision of an entity to designate a financial asset or financial liability as at fair value through profit or loss is similar to an accounting policy choice (although, unlike an accounting policy choice, it is not required to be applied consistently to all similar transactions). When an entity has such a choice, paragraph 14(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the chosen policy to result in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flows. For example, in ~~the~~ the case of designation of a financial liability as at fair value through profit or loss, paragraph 9 sets out the two circumstances when the requirement for more relevant information will be met. Accordingly, to choose such designation in accordance with paragraph 9, the entity needs to demonstrate that it falls within one (or both) of these two circumstances.

AG4D Under IAS 39 and IFRS 9 measurement of a financial asset or financial liability and classification of recognised changes in its value are determined by the item's classification and whether the

item is part of a designated hedging relationship. Those requirements can create a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) when, for example, in the absence of designation as at fair value through profit or loss, a financial asset would be classified as measured at fair value in accordance with IFRS 9 available for sale (with most changes in fair value recognised in other comprehensive income) and a liability the entity considers related would be measured at amortised cost (with changes in fair value not recognised). In such circumstances, an entity may conclude that its financial statements would provide more relevant information if both the asset and the liability were ~~classified~~ measured as at fair value through profit or loss.

AG4E The following examples show when this condition could be met. In all cases, an entity may use this condition to designate financial assets or financial liabilities as at fair value through profit or loss only if it meets the principle in paragraph 9(b)(i) or paragraph 4.5 of IFRS 9.

- (a) ~~[(deleted) An entity has liabilities ... the value of liabilities.~~
- (b) An entity has liabilities under insurance contracts whose measurement incorporates current information (as permitted by IFRS 4, paragraph 24), and financial assets it considers related that would otherwise be ~~classified as available for sale~~ or measured at amortised cost.
- (c) ...
- (d) An entity has financial assets, financial liabilities or both that share a risk, such as interest rate risk, that gives rise to opposite changes in fair value that tend to offset each other and the entity does not qualify for hedge accounting because none of the instruments is a derivative. Furthermore, in the absence of hedge accounting there is a significant inconsistency in the recognition of gains and losses. For example:
 - (i) ~~the entity has financed a portfolio of fixed rate assets that would otherwise be classified as available for sale with fixed rate debentures whose changes in fair value tend to offset each other. Reporting both the assets and the debentures at fair value through profit or loss corrects the inconsistency that would otherwise arise~~

~~from measuring the assets at fair value with changes recognised in other comprehensive income and the debentures at amortised cost.~~

- (iii) the entity has financed a specified group of loans by issuing traded bonds whose changes in fair value tend to offset each other. If, in addition, the entity regularly buys and sells the bonds but rarely, if ever, buys and sells the loans, reporting both the loans and the bonds at fair value through profit or loss eliminates the inconsistency in the timing of recognition of gains and losses that would otherwise result from measuring them both at amortised cost and recognising a gain or loss each time a bond is repurchased.

Paragraph 9(b)(ii): A group of ~~financial assets~~, financial liabilities or ~~both financial assets and financial liabilities~~ is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

AG4H An entity may manage and evaluate the performance of a group of ~~financial assets~~, financial liabilities or ~~both financial assets and financial liabilities~~ in such a way that measuring that group at fair value through profit or loss results in more relevant information. The focus in this instance is on the way the entity manages and evaluates performance, rather than on the nature of its financial instruments.

AG4I ~~For example, the following examples show when this condition could be met. In all cases,~~ an entity may use this condition to designate ~~financial assets or~~ financial liabilities as at fair value through profit or loss ~~only~~ if it meets the principle in paragraph 9(b)(ii) ~~and-~~

- (a) ~~The entity is a venture capital organisation ... IAS 28 or IAS 31.~~
- (b) The entity has financial assets and financial liabilities that share one or more risks and those risks are managed and evaluated on a fair value basis in accordance with a documented policy of asset and liability management. An example could be an entity that has issued 'structured products' containing multiple embedded derivatives and

manages the resulting risks on a fair value basis using a mix of derivative and non-derivative financial instruments.
~~A similar ... financial instruments.~~

~~(e) The entity is an insurer ... subject to the insurer's discretion.~~

AG8 If an entity revises its estimates of payments or receipts, the entity shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate calculated in accordance with paragraph 92. The adjustment is recognised in profit or loss as income or expense. ~~If a financial asset is reclassified in accordance with paragraph 50B, 50D or 50E, and the entity subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase shall be recognised as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.~~

The heading above paragraph AG14 and paragraphs AG29 and AG31–AG35 are amended as follows and the headings above paragraphs AG16 and AG26 and paragraphs AG16–AG26 and AG30(b) and (f) are deleted.

Financial assets and financial liabilities held for trading

AG14 ...

AG29 Generally, multiple embedded derivatives in a single hybrid contract instrument are treated as a single compound embedded derivative. However, embedded derivatives that are classified as equity (see IAS 32) are accounted for separately from those classified as assets or liabilities. In addition, if an hybrid contract instrument has more than one embedded derivative and those derivatives relate to different risk exposures and are readily separable and independent of each other, they are accounted for separately from each other.

AG31 An example of a hybrid contract instrument is a financial instrument that gives the holder a right to put the financial instrument back to the issuer in exchange for an amount of cash or other financial assets that varies on the basis of the change in an

equity or commodity index that may increase or decrease (a 'puttable instrument'). Unless the issuer ...

AG32 In the case of a puttable instrument that can be put back at any time for cash equal to a proportionate share of the net asset value of an entity (such as units of an open-ended mutual fund or some unit-linked investment products), the effect of separating an embedded derivative and accounting for each component is to measure the hybrid contract ~~combined instrument~~ at the redemption amount that is payable at the end of the reporting period if the holder exercised its right to put the instrument back to the issuer.

AG33 The economic characteristics and risks of an embedded derivative are closely related to the economic characteristics and risks of the host contract in the following examples. In these examples, an entity does not account for the embedded derivative separately from the host contract.

(a) An embedded derivative in which the underlying is an interest rate or interest rate index that can change the amount of interest that would otherwise be paid or received on an interest-bearing host debt contract or insurance contract is closely related to the host contract unless the hybrid contract ~~combined instrument~~ can be settled in such a way that the holder would not recover substantially all of its recognised investment or the embedded derivative could at least double the holder's initial rate of return on the host contract and could result in a rate of return that is at least twice what the market return would be for a contract with the same terms as the host contract.

(b) ...

AG33A When an entity becomes a party to a hybrid (combined) contract ~~instrument~~ that contains one or more embedded derivatives, paragraph 11 requires the entity to identify any such embedded derivative, assess whether it is required to be separated from the host contract and, for those that are required to be separated, measure the derivatives at fair value at initial recognition and subsequently. These requirements can be more complex, or result in less reliable measures, than measuring the entire instrument at fair value through profit or loss. For that reason this Standard permits the entire hybrid contract ~~instrument~~ to be designated as at fair value through profit or loss.

AG33B Such designation may be used whether paragraph 11 requires the embedded derivatives to be separated from the host contract or prohibits such separation. However, paragraph 11A would not justify designating the hybrid (combined) ~~contract instrument~~ as at fair value through profit or loss in the cases set out in paragraph 11A(a) and (b) because doing so would not reduce complexity or increase reliability.

AG34 As a consequence of the principle in paragraph 14 and paragraph 3.1.1 of IFRS 9, an entity recognises ...

AG35 The following are examples of applying the principle in paragraph 14 and paragraph 3.1.1 of IFRS 9:

(a) ...

Paragraphs AG50, AG53 and AG56 are amended as follows:

AG50 To the extent that a transfer of a financial asset does not qualify for derecognition, the transferee does not recognise the transferred asset as its asset. The transferee derecognises the cash or other consideration paid and recognises a receivable from the transferor. If the transferor has both a right and an obligation to reacquire control of the entire transferred asset for a fixed amount (such as under a repurchase agreement), the transferee may ~~measure account for~~ its receivable at amortised cost if it meets the criteria in paragraph 4.2 in IFRS 9 as a loan or receivable.

AG53 A regular way purchase or sale of financial assets is recognised using either trade date accounting or settlement date accounting as described in paragraphs AG55 and AG56. An entity shall apply the same method ~~The method used is applied~~ consistently for all purchases and sales of financial assets that are classified in the same way in accordance with IFRS 9 belong to the same category of financial assets defined in paragraph 9. For this purpose assets that are meet the definition of held for trading form a separate ~~category classification~~ from assets designated as measured at fair value through profit or loss. In addition, investments in equity instruments accounted for using the option provided in paragraph 5.4.4 of IFRS 9 form a separate classification.

AG56 ... In other words, the change in value is not recognised for assets measured ~~carried at cost or~~ amortised cost; it is recognised in profit or loss for assets classified as financial assets measured at fair value through profit or loss; and it is recognised in other

comprehensive income for investments in equity instruments accounted for in accordance with paragraph 5.4.4 of IFRS 9 assets classified as available for sale.

Paragraphs AG65–AG68 are deleted. The headings above paragraph AG64 and paragraphs AG64 and AG76A are amended as follows:

Measurement (paragraphs 43–7065)

Initial measurement of financial assets and financial liabilities (paragraph 43)

AG64 The fair value of a financial ~~instrument liability~~ on initial recognition is normally the transaction price (ie the fair value of the consideration ~~given or received~~, see also paragraph AG76). However, if part of the consideration given or received is for something other than the financial ~~instrument liability~~, the fair value of the financial ~~instrument liability~~ is estimated, using a valuation technique (see paragraphs AG74–AG79). ~~For example, the fair value of a long term loan or receivable that carries no interest can be estimated as the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.~~

AG76A The subsequent measurement of the financial asset or financial liability and the subsequent recognition of gains and losses shall be consistent with the requirements of this Standard or IFRS 9 as appropriate. The application ...

The heading above paragraph AG80 and paragraphs AG80 and AG81 are amended as follows:

No active market: derivatives on unquoted equity instruments

AG80 The fair value of ~~investments in equity instruments that do not have a quoted market price in an active market and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments~~ (see paragraphs ~~46 and 47~~) is

reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that instrument or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

AG81 There are many situations in which the variability in the range of reasonable fair value estimates of ~~investments in equity instruments that do not have a quoted market price and~~ derivatives that are linked to and must be settled by delivery of ~~such an~~ unquoted equity instruments (see paragraphs ~~46(e) and~~ 47) is likely not to be significant. Normally it is possible to estimate the fair value of ~~such derivatives a financial asset~~ that an entity has acquired from an outside party. However, if the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the instrument at fair value.

The headings above paragraph AG84 and paragraphs AG83 and AG84 are amended as follows:

AG83 An entity applies IAS 21 to ~~financial assets and~~ financial liabilities that are monetary items in accordance with IAS 21 and denominated in a foreign currency. Under IAS 21, any foreign exchange gains and losses on ~~monetary assets and~~ monetary liabilities are recognised in profit or loss. An exception is a monetary item that is designated as a hedging instrument in either a cash flow hedge (see paragraphs 95–101) or a hedge of a net investment (see paragraph 102). ~~For the purpose of recognising foreign exchange gains and losses under IAS 21, a monetary available for sale financial asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such a financial asset, exchange differences resulting from changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in accordance with paragraph 55(b). For available for sale financial assets that are not monetary items under IAS 21 (for example, equity instruments), the gain or loss that is recognised in other comprehensive income under paragraph 55(b) includes any related foreign exchange component.~~ If there is a hedging relationship between a non-derivative monetary asset and a non-derivative monetary liability, changes in the foreign currency component of those financial instruments are recognised in profit or loss.

Impairment and uncollectibility of financial assets measured at amortised cost (paragraphs 58–~~70~~65)

~~Financial assets carried at amortised cost~~ (paragraphs 63–65)

AG84 Impairment of a financial asset ~~carried~~ measured at amortised cost is measured using the financial instrument's original effective interest rate because discounting at the current market rate of interest would, in effect, impose fair value measurement on financial assets that are otherwise measured at amortised cost. If the terms of a financial asset measured at amortised cost loan, receivable or held to maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a financial asset measured at amortised cost loan, receivable or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss under paragraph 63 is the current effective interest rate(s) determined under the contract. As a practical expedient, a creditor may measure impairment of a financial asset measured ~~carried~~ at amortised cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Paragraphs AG95 and AG96 are amended as follows:

AG95 A financial asset measured ~~held to maturity investment~~ ~~carried~~ at amortised cost may be designated as a hedging instrument in a hedge of foreign currency risk.

AG96 ~~An investment in an~~ A derivative that is linked to and must be settled by delivery of unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured ~~or a derivative that is linked to and must be settled by delivery of such an unquoted equity instrument~~ (see paragraphs ~~46 and~~ 47) cannot be designated as a hedging instrument.

Paragraph AG114(a) is amended as follows:

AG114 ...

- (a) As part of its risk management process the entity identifies a portfolio of items whose interest rate risk it wishes to hedge. The portfolio may comprise only assets, only liabilities or both assets and liabilities. The entity may identify two or more portfolios ~~(eg the entity may group its available-for-sale assets into a separate portfolio)~~, in which case it applies the guidance below to each portfolio separately.

In the heading above paragraph AG133, the reference to ‘paragraphs 103–108B’ is amended to ‘paragraphs 103–108C’.

IFRIC 10 Interim Financial Reporting and Impairment

C29 In the rubric the reference to ‘paragraphs 1–10’ is amended to ‘paragraphs 1–11’. In the ‘References’ section, a reference to IFRS 9 *Financial Instruments* is added. Paragraphs 1, 2, 7 and 8 are amended, paragraph 11 is added and paragraphs 5 and 6 are deleted as follows:

- 1 An entity is required to assess goodwill for impairment at the end of each reporting period, ~~to assess investments in equity instruments and in financial assets carried at cost for impairment at the end of each reporting period~~ and, if required, to recognise an impairment loss at that date in accordance with IAS 36 ~~and IAS 39~~. However, ...
- 2 The Interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 ~~and certain financial assets in IAS 39~~, and the effect of that interaction on subsequent interim and annual financial statements.
- 7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill ~~and investments in equity instruments and in financial assets carried at cost~~ if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period?
- 8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill ~~or an investment in either an equity instrument or a financial asset carried at cost~~.

- 11 IFRS 9, issued in November 2009, amended paragraphs 1, 2, 7 and 8 and deleted paragraphs 5 and 6. An entity shall apply those amendments when it applies IFRS 9.

IFRIC 12 Service Concession Arrangements

- C30 In the 'References' section, a reference to IFRS 9 *Financial Instruments* is added. Paragraphs 23–25 are amended and paragraph 28A is added as follows:
- 23 IASs 32 and 39 and IFRSs 7 ~~and 9~~ apply to the financial asset recognised under paragraphs 16 and 18.
- 24 The amount due from or at the direction of the grantor is accounted for in accordance with ~~IFRS 9 IAS 39~~ as:
- (a) ~~at amortised cost a loan or receivable; or~~
 - (b) ~~measured at fair value through profit or loss an available-for-sale financial asset; or,~~
 - (c) ~~if so designated upon initial recognition, a financial asset at fair value through profit or loss, if the conditions for that classification are met.~~
- 25 If the amount due from the grantor is accounted for ~~either as a loan or receivable or as an available-for-sale financial asset at amortised cost, IFRS 9 IAS 39~~ requires interest calculated using the effective interest method to be recognised in profit or loss.
- 28A IFRS 9, issued in November 2009, amended paragraphs 23–25. An entity shall apply those amendments when it applies IFRS 9.

Amendments to guidance on other IFRSs

The following amendments to guidance on IFRSs are necessary in order to ensure consistency with IFRS 9 Financial Instruments and the related amendments to other IFRSs. In the amended paragraphs, new text is underlined and deleted text is struck through.

IFRS 1 First-time Adoption of International Financial Reporting Standards

IGA1 In the guidance on implementing IFRS 1 (both June 2003 and November 2008 versions), the heading above paragraph IG52 and paragraphs IG52-IG55, IG56, IG58, IG58A and IG59 are amended as follows:

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments

IG52 An entity recognises and measures all financial assets and financial liabilities in its opening IFRS statement of financial position in accordance with IFRS 9 and IAS 39 respectively, except as specified in paragraphs B2–B6 of the IFRS, which address derecognition and hedge accounting.

IG53 An entity recognises all financial assets and financial liabilities (including all derivatives) that qualify for recognition in accordance with IAS 39 and IFRS 9 and have not yet qualified for derecognition in accordance with IAS 39, except non-derivative financial assets and non-derivative financial liabilities derecognised in accordance with previous GAAP before 1 January 2004, to which the entity does not choose to apply paragraph B3 (see paragraphs B2 and B3 of the IFRS). For example, an entity that does not apply paragraph B3 does not recognise assets transferred in a securitisation, transfer or other derecognition transaction that occurred before 1 January 2004 if those transactions qualified for derecognition in accordance with previous GAAP. However, if the entity uses the same securitisation arrangement or other derecognition arrangement for further transfers after 1 January 2004, those further transfers qualify for derecognition only if they meet the derecognition criteria of IAS 39.

- IG54 An entity does not recognise financial assets and financial liabilities that do not qualify for recognition in accordance with IAS 39 or IFRS 9, or have already qualified for derecognition in accordance with IAS 39.
- IG55 When IAS 39 requires an entity to separate an embedded derivative from a host contract outside the scope of IFRS 9 Financial Instruments, the initial carrying amounts of the components at the date when the instrument first satisfies the recognition criteria in IAS 39 reflect circumstances at that date (IAS 39 paragraph 11). If the entity cannot determine the initial carrying amounts of the embedded derivative and host contract reliably, it ~~treats~~ designates the entire combined contract as a financial instrument held for trading at fair value through profit or loss (IAS 39 paragraph 12). ~~This results in fair value measurement (except when the entity cannot determine a reliable fair value, see IAS 39 paragraph 46(e)), with changes in fair value recognised in profit or loss.~~
- IG56 In preparing its opening IFRS statement of financial position, an entity applies the criteria in IAS 39 and IFRS 9 to identify on the basis of the facts and circumstances that exist at the date of transition to IFRSs those financial assets and financial liabilities that are measured at fair value and those that are measured at amortised cost. The resulting classifications are applied retrospectively. In particular:
- (a) ~~to comply with ...~~
 - ...
 - (e) ~~... any of the previous categories.~~
- IG58 An entity's estimates of ~~loan~~ impairments of financial assets measured at amortised cost at the date of transition to IFRSs are consistent with estimates made for the same date ...
- IG58A An entity shall treat an adjustment to the carrying amount of a financial asset or financial liability as a transition adjustment to be recognised in the opening balance of retained earnings at the date of transition to IFRSs only to the extent that it results from adopting IAS 39 and IFRS 9. Because all derivatives, other than those that are financial guarantee contracts or are designated and effective hedging instruments, are ~~classified as held for trading measured at fair value through profit or loss~~, the differences between the previous carrying amount (which may

IFRS 9 FINANCIAL INSTRUMENTS

have been zero) and the fair value of the derivatives are recognised as an adjustment of the balance of retained earnings at the beginning of the financial year in which IAS 39 and IFRS 9 are ~~is~~ initially applied (other than for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

IG59 An entity may, in accordance with its previous GAAP, have measured investments at fair value and recognised the revaluation gain outside profit or loss. If an investment is classified as at fair value through profit or loss, the pre-~~IAS 39~~ IFRS 9 revaluation gain that had been recognised outside profit or loss is reclassified into retained earnings on initial application of ~~IAS 39~~ IFRS 9. If, on initial application of ~~IAS 39~~ IFRS 9, an investment ~~in an equity instrument~~ is classified as ~~available for sale at fair value through other comprehensive income~~, then the pre-~~IAS 39~~ IFRS 9 revaluation gain is recognised in a separate component of equity. Subsequently, the entity recognises gains and losses on the ~~available for sale~~ financial asset in other comprehensive income (~~except dividends, which are recognised in profit or loss~~) and accumulates the cumulative gains and losses in that separate component of equity, ~~until the investment is impaired, sold, collected or otherwise disposed of~~. On subsequent derecognition ~~or impairment of the available for sale financial asset~~, the entity ~~reclassifies to profit or loss the cumulative gain or loss remaining in equity (IAS 39 paragraph 55(b))~~; may transfer that separate component of equity within equity.

IGA2 IG Example 11 in paragraph IG63 is amended as follows:

The table 'Reconciliation of equity at 1 January 20X4 (date of transition to IFRSs)' is amended to read as follows:

Note		Previous	Effect of	
		GAAP	transition	IFRSs
		CU	CU	CU
1	Property, plant and equipment	8,299	100	8,399
2	Goodwill	1,220	150	1,370
2	Intangible assets	208	(150)	58

continued...

AMENDMENTS TO OTHER IFRSs AND GUIDANCE NOVEMBER 2009

<i>...continued</i>				
3	Financial assets	3,471	420	3,891
	Total non-current assets	13,198	520	13,718
	Trade and other receivables	3,710	0	3,710
4	Inventories	2,962	400	3,362
5	Other receivables	333	431	764
	Cash and cash equivalents	748	0	748
	Total current assets	7,753	831	8,584
	Total assets	20,951	1,351	22,302
	Interest-bearing loans	9,396	0	9,396
	Trade and other payables	4,124	0	4,124
6	Employee benefits	0	66	66
7	Restructuring provision	250	(250)	0
	Current tax liability	42	0	42
8	Deferred tax liability	579	460	1,039
	Total liabilities	14,391	276	14,667
	Total assets less total liabilities	6,560	1,075	7,635
	Issued capital	1,500	0	1,500
5	Hedging reserve	0	302	302
9	Retained earnings	5,060	773	5,833
	Total equity	6,560	1,075	7,635

Note 3 to the reconciliation of equity at 1 January 20X4 is amended as follows:

3	Financial assets are all classified as available for sale at fair value through profit or loss in accordance with IFRSs and are carried at their fair value of CU3,891. They were carried at cost of CU3,471 in accordance with previous GAAP. The resulting gains of CU294 (CU420, less related deferred tax of CU126) are included in the revaluation surplus <u>retained earnings</u> .
---	--

IFRS 9 FINANCIAL INSTRUMENTS

Note 9 to the reconciliation of equity at 1 January 20X4 is amended to read as follows:

9	The adjustments to retained earnings are as follows:	
		CU
	Depreciation (note 1)	100
	Financial assets	420
	Production overhead (note 4)	400
	Pension liability (note 6)	(66)
	Restructuring provision (note 7)	250
	Tax effect of the above	<u>(331)</u>
	Total adjustment to retained earnings	<u><u>773</u></u>

The reconciliation of total comprehensive income for 20X4 is amended to read as follows:

Reconciliation of total comprehensive income for 20X4				
Note		<i>Previous GAAP</i>	<i>Effect of transition to IFRSs</i>	<i>IFRSs</i>
		CU	CU	CU
	Revenue	20,910	0	20,910
1, 2, 3	Cost of sales	(15,283)	(97)	(15,380)
	Gross profit	<u>5,627</u>	<u>(97)</u>	<u>5,530</u>
6	Other income	0	180	180
1	Distribution costs	(1,907)	(30)	(1,937)
1, 4	Administrative expenses	(2,842)	(300)	(3,142)
	Finance income	1,446	0	1,446
	Finance costs	(1,902)	0	(1,902)
	Profit before tax	<u>422</u>	<u>(247)</u>	<u>175</u>
5	Tax expense	(158)	74	(84)
	Profit (loss) for the year	264	(173)	91
7	Cash flow hedges	0	(40)	(40)

continued...

<i>...continued</i>				
8	Tax relating to other comprehensive income	0	(29)	(29)
		<u>0</u>	<u>(69)</u>	<u>(69)</u>
	Other comprehensive income			
	Total comprehensive income	<u>264</u>	<u>(242)</u>	<u>22</u>

Note 6 to the reconciliation of total comprehensive income for 20X4 is amended as follows:

6	Available for sale Financial assets <u>at fair value through profit or loss</u> carried at fair value in accordance with IFRSs increased in value by CU180 during 20X4. They were carried at cost in accordance with previous GAAP. The entity sold available for sale financial assets during the year, recognising a gain of CU40 in profit or loss. Of that realised gain CU30 had been included in the revaluation surplus as at 1 January 20X4 and is reclassified from revaluation surplus to profit or loss (as a reclassification adjustment).
---	---

IFRS 4 Insurance Contracts

IGA3 The guidance on implementing IFRS 4 is amended as described below.

In the table in IG Example 1, the ‘Treatment in Phase I’ column of contract type 1.18 is amended as follows:

Insurance risk is insignificant. Therefore, the contract is a financial instrument asset within the scope of IAS 39 IFRS 9. Servicing fees are within the scope of IAS 18 (recognise as services are provided, subject to various conditions).

IG Example 4 in paragraph IG10 is amended as follows:

IG Example 4: Shadow accounting
<i>Background</i>
...
At the inception of a contract, insurer A has DAC of CU20 relating to that contract and the present value, at inception, of EGP is CU100. In other words, DAC is 20 per cent of EGP at inception. Thus, for each CU1 of realised gross profits, insurer A amortises DAC by CU0.20. For example, if insurer A sells assets and recognises a gain of CU10, insurer A amortises DAC by CU2 (20 per cent of CU10).
<i>continued...</i>

...continued

Before adopting IFRSs for the first time in 20X5, insurer A measured financial assets on a cost basis. (Therefore, EGP under those national requirements considers only realised gains and losses.) However, under IFRSs, it classifies its financial assets as measured at fair value through profit or loss, available for sale. Thus, insurer A measures the assets at fair value and recognises changes in their fair value in other comprehensive income. In 20X5, insurer A recognises unrealised gains of CU10 on the assets backing the contract.

In 20X6, insurer A sells the assets for an amount equal to their fair value at the end of 20X5 and, to comply with IAS 39, reclassifies the now-realised gain of CU10 from equity to profit or loss as a reclassification adjustment.

Application of paragraph 30 of the IFRS

...

IFRS 7 Financial Instruments: Disclosures

IGA4 In the guidance on implementing IFRS 7, the table in paragraph IG13A is amended to read as follows:

Description	Fair value measurement at end of the reporting period using:			
		Level 1	Level 2	Level 3
	31 Dec 20X2	CU million	CU million	CU million
Financial assets at fair value through profit or loss				
Trading securities	100	40	55	5
Trading derivatives	39	17	20	2
Financial assets at fair value through other comprehensive income				
Equity investments	75	30	40	5
Total	<u>214</u>	<u>87</u>	<u>115</u>	<u>12</u>

(Note: For liabilities, a similar table might be presented.)

IGA5 The table in paragraph IG13B is amended to read as follows:

Assets measured at fair value based on Level 3				
	Fair value measurement at the end of the reporting period			Total
	Financial assets at fair value			
	Trading securities	Trading derivatives	Equity investments	
	CU million	CU million	CU million	CU million
Opening balance	6	5	3	14
Total gains or losses				
in profit or loss	(2)	(2)	–	(4)
in other comprehensive income	–	–	1	1
Purchases	1	2	1	4
Issues	–	–	–	–
Settlements	–	(1)	–	(1)
Transfers out of Level 3	–	(2)	–	(2)
Closing balance	<u>5</u>	<u>2</u>	<u>5</u>	<u>12</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(1)</u>	<u>(1)</u>	<u>–</u>	<u>(2)</u>
Gains or losses included in profit or loss for the period (above) are presented in trading income and in other income as follows:				
				Trading Income
Total gains or losses included in profit or loss for the period				<u>(4)</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period				<u>(2)</u>
(Note: For liabilities, a similar table might be presented.)				

IGA6 Paragraph IG14 is amended as follows:

IG14 ... In these circumstances, the difference will be recognised in profit or loss in subsequent periods in accordance with IAS 39 (for financial liabilities) or IFRS 9 (for financial assets) and the entity's accounting policy. Such recognition ...

In the illustrative disclosure following paragraph IG14, the references to 'IAS 39' are replaced with 'IFRS 9'.

IGA7 Paragraph IG36 is amended as follows:

IG36 The following example illustrates the application of the disclosure requirement in paragraph 40(a):

Interest rate risk

At 31 December 20X2, if interest rates at that date had been 10 basis points lower with all other variables held constant, post-tax profit for the year would have been CU1.7 million (20X1—CU2.4 million) higher, arising mainly as a result of lower interest expense on variable borrowings, ~~and other comprehensive income would have been CU2.8 million (20X1—CU3.2 million) higher, arising mainly as a result of an increase in the fair value of fixed rate financial assets classified as available for sale.~~ If interest rates had been 10 basis points higher, with all other variables held constant, post-tax profit would have been CU1.5 million (20X1—CU2.1 million) lower, arising mainly as a result of higher interest expense on variable borrowings, ~~and other comprehensive income would have been CU3.0 million (20X1—CU3.4 million) lower, arising mainly as a result of a decrease in the fair value of fixed rate financial assets classified as available for sale.~~ Profit is more sensitive to interest rate decreases than increases because of borrowings with capped interest rates. The sensitivity is lower in 20X2 than in 20X1 because of a reduction in outstanding borrowings that has occurred as the entity's debt has matured (see note X). [footnote omitted] ...

IAS 1 Presentation of Financial Statements

IGA8 In the guidance on implementing IAS 1, the heading above paragraph IG7 and paragraphs IG7–IG9 are deleted. Paragraph IG2 is amended as follows:

IG2 The guidance is in ~~three~~ two sections. Paragraphs IG3–IG6 provide examples of the presentation of financial statements. Paragraphs IG7–IG9 ~~have been deleted, provide an example of the~~

~~determination of reclassification adjustments for available-for-sale financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement.~~ Paragraphs IG10 and IG11 provide examples of capital disclosures.

- IGA9 In the illustrative financial statements, references to 'Available-for-sale financial assets' are replaced by 'Investments in equity instruments'. The heading and table 'Disclosure of components of other comprehensive income' are amended to read as follows:

Part I: Illustrative presentation of financial statements

Disclosure of components of other comprehensive income

[footnote omitted]

Notes

Year ended 31 December 20X7

(in thousands of currency units)

	20X7	20X6
Other comprehensive income:		
Exchange differences on translating foreign operations	5,334	10,667
Investments in equity instruments	(24,000)	26,667
Cash flow hedges:		
Gains (losses) arising during the year	(4,667)	(4,000)
Less: Reclassification adjustments for gains (losses) included in profit or loss	3,333	–
Less: Adjustments for amounts transferred to initial carrying amount of hedged items	667	–
Gains on property revaluation	933	3,367
Actuarial gains (losses) on defined benefit pension plans	(667)	1,333
Share of other comprehensive income of associates	400	(700)
Other comprehensive income	(18,667)	37,334
Income tax relating to components of other comprehensive income	4,667	(9,334)
Other comprehensive income for the year	(14,000)	28,000

IGA10 Footnote (b) is deleted and the second paragraph in footnote (k) to the illustrative financial statements is amended as follows:

- (k) The amount included in the translation, investments in equity instruments available for sale and cash flow hedge reserves represent other comprehensive income for each component, net of tax and non-controlling interests, eg other comprehensive income related to investments in equity instruments available for sale financial assets for 20X6 of 16,000 is 26,667, less tax 6,667, less non-controlling interests 4,000.

IGA11 The second paragraph in footnote (l) to the illustrative financial statements is amended as follows:

- (l) The amount included in the translation, investment in equity instruments available for sale and cash flow hedge reserves represent other comprehensive income for each component, net of tax and non-controlling interests, eg other comprehensive income related to the translation of foreign operations for 20X7 of 3,200 is 5,334, less tax 1,334, less non-controlling interests 800.

IAS 18 Revenue

IGA12 In the appendix to IAS 18, examples 5 and 14(a) are amended as follows:

5 ...

For a sale and repurchase agreement on an asset other than a financial asset, the terms of the agreement need to be analysed to ascertain whether, in substance, the seller has transferred the risks and rewards of ownership to the buyer and hence revenue is recognised. When the seller has retained the risks and rewards of ownership, even though legal title has been transferred, the transaction is a financing arrangement and does not give rise to revenue. For a sale and repurchase agreement on a financial asset, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement apply applies.

14 *Financial service fees*

...

- (a) *Fees that are an integral part of the effective interest rate of a financial instrument.*

...

- (i) *Origination fees received by the entity relating to the creation or acquisition of a financial asset other than one that under IFRS 9 IAS 39 is measured classified as a financial asset 'at fair value through profit or loss'.*

Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument and, together with the related transaction costs [footnote omitted] (as defined in IAS 39), are deferred and recognised as an adjustment to the effective interest rate.

...

IAS 27 Consolidated and Separate Financial Statements

IGA13 In the guidance on implementing IAS 27 *Consolidated and Separate Financial Statements*, IAS 28 *Investments in Associates*, and IAS 31 *Interests in Joint Ventures*, paragraph IG7 is amended as follows:

IG7 IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* does not apply to interests in subsidiaries, associates and jointly controlled entities that are consolidated, accounted for using the equity method or proportionately consolidated in accordance with IAS 27, IAS 28 and IAS 31 respectively. When instruments containing potential voting rights in substance currently give access to the economic benefits associated with an ownership interest, and the investment is accounted for in one of the above ways, the instruments are not subject to the requirements of IAS 39 and IFRS 9. In all other cases, instruments containing potential voting rights are accounted for in accordance with IAS 39 and IFRS 9.

IAS 39 Financial Instruments: Recognition and Measurement

IGA14 In the guidance on implementing IAS 39 the following Questions and Answers (Q&A) are deleted:

- Section B Definitions: B.12–B.23
- Section C Embedded Derivatives: C.3, C.5, C.11

- Section E Measurement: E.3.1, E.3.2, E.4.9, E.4.10
- Section F Hedged items: F.1.1, F.1.10, F.2.9–F.2.11, F.2.19, F.2.20

IGA15 In the answer to Question B.4, the last paragraph is amended as follows:

If the fixed leg is prepaid during the term, that would be regarded as a termination of the old swap and an origination of a new instrument that is evaluated under IAS 39 and IFRS 9.

IGA16 In the answer to Question B.5, the reference to 'IAS 39' in the second last sentence is replaced with 'IAS 39 or IFRS 9'.

IGA17 Question B.26 is amended as follows:

~~Financial assets that are excluded from fair valuation and have a fixed maturity should be measured at amortised cost.~~ How is amortised cost calculated for financial assets measured at amortised cost in accordance with IFRS 9?

IGA18 In Q&As C.1 and C.2, references to 'hybrid instrument' are replaced with 'hybrid contract'.

IGA19 Q&A C.6 is amended as follows:

~~Entity A issues and acquires a five-year floating rate debt instrument issued by Entity B. At the same time, it enters into a five-year pay-fixed variable, receive-variable fixed interest rate swap with Entity B. Entity A regards the combination of the debt instrument and swap as a synthetic fixed rate instrument and classifies the instrument as a held-to-maturity investment, since it has the positive intention and ability to hold it to maturity. Entity A contends that separate accounting for the swap is inappropriate since IAS 39.AG33(a) requires an embedded derivative to be classified together with its host instrument if the derivative is linked to an interest rate that can change the amount of interest that would otherwise be paid or received on the host debt contract. Is the entity's analysis correct?~~

No. Embedded derivative instruments are terms and conditions that are included in non-derivative host contracts. It is generally inappropriate to treat two or more separate financial instruments as a single combined instrument ('synthetic instrument' accounting) for the purpose of applying IAS 39 or IFRS 9. Each of the financial instruments has its own terms and conditions and each may be transferred or settled separately. Therefore, the debt instrument and the swap are classified separately. The transactions described here differ from the transactions discussed in Question B.6, which had no substance apart from the resulting interest rate swap.

AMENDMENTS TO OTHER IFRSs AND GUIDANCE NOVEMBER 2009

IGA20 In Q&A C.10, references to ‘combined instrument’ are replaced with ‘combined contract’.

IGA21 The tables in Q&A D.2.1 are amended to read as follows:

Settlement date accounting			
Balances	Financial assets measured at amortised cost	Financial assets measured at fair value with changes presented in other comprehensive income	Financial assets measured at fair value through profit or loss
29 December 20X1			
Financial asset	–	–	–
Financial liability	–	–	–
31 December 20X1			
Receivable	–	2	2
Financial asset	–	–	–
Financial liability	–	–	–
Other comprehensive income (fair value adjustment)	–	(2)	–
Retained earnings (through profit or loss)	–	–	(2)
4 January 20X2			
Receivable	–	–	–
Financial asset	1,000	1,003	1,003
Financial liability	–	–	–
Other comprehensive income (fair value adjustment)	–	(3)	–
Retained earnings (through profit or loss)	–	–	(3)

IFRS 9 FINANCIAL INSTRUMENTS

Settlement date accounting			
Balances	Financial assets measured at amortised cost	Financial assets measured at fair value with changes presented in other comprehensive income	Financial assets measured at fair value through profit or loss
29 December 20X1			
Financial asset	1,000	1,000	1,000
Financial liability	(1,000)	(1,000)	(1,000)
31 December 20X1			
Receivable	–	–	–
Financial asset	1,000	1,002	1,002
Financial liability	(1,000)	(1,000)	(1,000)
Other comprehensive income (fair value adjustment)	–	(2)	–
Retained earnings (through profit or loss)	–	–	(2)
4 January 20X2			
Receivable	–	–	–
Financial asset	1,000	1,003	1,003
Financial liability	–	–	–
Other comprehensive income (fair value adjustment)	–	(3)	–
Retained earnings (through profit or loss)	–	–	(3)

IGA22 The tables in Q&A D.2.2 are amended to read as follows:

Settlement date accounting		
Balances	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss
29 December 20X2		
Receivable	–	–
Financial asset	1,000	1,010
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	–	10
31 December 20X2		
Receivable	–	–
Financial asset	1,000	1,000
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	–	10
4 January 20X3		
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	10	10

IFRS 9 FINANCIAL INSTRUMENTS

Trade date accounting		
Balances	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss
29 December 20X2		
Receivable	1,010	1,010
Financial asset	–	–
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	10	10
31 December 20X2		
Receivable	1,010	1,010
Financial asset	–	–
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	10	10
4 January 20X3		
Other comprehensive income (fair value adjustment)	–	–
Retained earnings (through profit or loss)	10	10

IGA23 In the answer to Question D.2.3, the second paragraph is amended as follows:

To illustrate: on 29 December 20X2 (trade date) Entity A enters into a contract to sell Note Receivable A, which is ~~carried~~ measured at amortised cost, in exchange for Bond B, which meets the definition of ~~will be classified as~~ held for trading and is measured at fair value. Both assets have a fair value of CU1,010 on 29 December, while the amortised cost of Note Receivable A is CU1,000. Entity A uses settlement date accounting for ~~loans and receivables~~ financial assets measured at amortised cost and trade date accounting for assets that meet the definition of held for

trading. On 31 December 20X2 (financial year-end), the fair value of Note Receivable A is CU1,012 and the fair value of Bond B is CU1,009. On 4 January 20X3, the fair value of Note Receivable A is CU1,013 and the fair value of Bond B is CU1,007. The following entries are made:

...

IGA24 The answer to Question E.1.1 is amended as follows:

For financial assets not measured at fair value through profit or loss, ~~incremental costs that are directly attributable to the acquisition of the asset, for example fees and commissions,~~ transaction costs are added to the fair value at initial recognition amount originally recognised. For financial liabilities, transaction costs are deducted from the fair value at initial recognition, ~~directly related costs of issuing debt are deducted from the amount of debt originally recognised~~. For financial instruments that are measured at fair value through profit or loss, transaction costs are not added to the fair value measurement at initial recognition.

For financial instruments that are ~~carried~~ measured at amortised cost, ~~such as held to maturity investments, loans and receivables, and financial liabilities that are not at fair value through profit or loss,~~ transaction costs are subsequently included in the calculation of amortised cost using the effective interest method and, in effect, amortised through profit or loss over the life of the instrument.

~~For available for sale financial assets, transaction costs are recognised in other comprehensive income as part of a change in fair value at the next remeasurement. If an available for sale financial asset has fixed or determinable payments and does not have an indefinite life, the transaction costs are amortised to profit or loss using the effective interest method. If an available for sale financial asset does not have fixed or determinable payments and has an indefinite life, the transaction costs are recognised in profit or loss when the asset is derecognised or becomes impaired.~~

Transaction costs expected to be incurred on transfer or disposal of a financial instrument are not included in the measurement of the financial instrument.

IGA25 Q&A E.3.3 is amended as follows:

IAS 21.32 and IAS 21.48 states that all exchange differences resulting from translating the financial statements of a foreign operation should be recognised in other comprehensive income until disposal of the net investment. This would include exchange differences arising from

~~financial instruments carried at fair value, which would include both financial assets classified as measured at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* and financial assets that are available for sale.~~

~~IAS 39.55 requires that changes in fair value of financial assets classified as at fair value through profit or loss should be recognised in profit or loss and changes in fair value of available-for-sale investments should be recognised in other comprehensive income.~~

If the foreign operation is a subsidiary whose financial statements are consolidated with those of its parent, in the consolidated financial statements how are ~~IAS 39.55~~ IFRS 9 and IAS 21.39 applied?

~~IAS 39~~ IFRS 9 applies in the accounting for financial instruments in the financial statements of a foreign operation and IAS 21 applies in translating the financial statements of a foreign operation for incorporation in the financial statements of the reporting entity.

To illustrate: Entity A is domiciled in Country X and its functional currency and presentation currency are the local currency of Country X (LCX). A has a foreign subsidiary (Entity B) in Country Y whose functional currency is the local currency of Country Y (LCY). B is the owner of a debt instrument, which ~~is~~ meets the definition of held for trading and ~~is~~ therefore measured ~~carried~~ at fair value ~~under IAS 39~~.

...

IGA26 Q&A E.3.4 is amended as follows:

E.3.4 IFRS 9, IAS 39 and IAS 21 Interaction between IFRS 9, IAS 39 and IAS 21

IFRS 9 and IAS 39 includes requirements about the measurement of financial assets and financial liabilities and the recognition of gains and losses on remeasurement in profit or loss. IAS 21 includes rules about the reporting of foreign currency items and the recognition of exchange differences in profit or loss. In what order are IAS 21, ~~and~~ IFRS 9 and IAS 39 applied?

Statement of financial position

Generally, the measurement of a financial asset or financial liability at fair value, cost or amortised cost is first determined in the foreign currency in which the item is denominated in accordance with IFRS 9 and IAS 39. Then, the foreign currency amount is translated into the

functional currency using the closing rate or a historical rate in accordance with IAS 21 (IAS 39.AG83). For example, if a monetary financial asset (such as a debt instrument) is ~~measured~~ ~~carried~~ at amortised cost ~~in accordance with IFRS 9 under IAS 39~~, amortised cost is calculated in the currency of denomination of that financial asset. Then, the foreign currency amount is recognised using the closing rate in the entity's financial statements (IAS 21.23). That applies regardless of whether a monetary item is measured at cost, amortised cost or fair value in the foreign currency (IAS 21.24). A non-monetary financial asset (such as an investment in an equity instrument) is translated using the closing rate if it is ~~carried~~ ~~measured~~ at fair value in the foreign currency (IAS 21.23(c)) ~~and at a historical rate if it is not carried at fair value under IAS 39 because its fair value cannot be reliably measured (IAS 21.23(b) and IAS 39.46(e)).~~

...

Profit or loss

...

Any exchange difference arising on recognising a *monetary item* at a rate different from that at which it was initially recognised during the period, or recognised in previous financial statements, is recognised in profit or loss or in other comprehensive income in accordance with IAS 21 (IAS 39.AG83, IAS 21.28 and IAS 21.32), unless the monetary item is designated as a cash flow hedge of a highly probable forecast transaction in foreign currency, in which case the requirements for recognition of gains and losses on cash flow hedges in IAS 39 apply (IAS 39.95). Differences arising from recognising a monetary item at a foreign currency amount different from that at which it was previously recognised are accounted for in a similar manner, since all changes in the carrying amount relating to foreign currency movements should be treated consistently. All other changes in the statement of financial position measurement of a monetary item are recognised in profit or loss or in other comprehensive income in accordance with ~~IFRS 9 or IAS 39~~. ~~For example, although an entity recognises gains and losses on available for sale monetary financial assets in other comprehensive income (IAS 39.55(b)), the entity nevertheless recognises the changes in the carrying amount relating to changes in foreign exchange rates in profit or loss (IAS 21.23(a)).~~

Any changes in the carrying amount of a *non-monetary item* are recognised in profit or loss or in other comprehensive income in accordance with ~~IFRS 9 or~~ IAS 39 (IAS 39.AG83). ~~For example, for available-for-sale financial assets the entire change in the carrying amount, including the effect of changes in foreign currency rates, is recognised in other comprehensive income.~~ If the non-monetary item is designated as a cash flow hedge of an unrecognised firm commitment or a highly probable forecast transaction in foreign currency, the requirements for recognition of gains and losses on cash flow hedges in IAS 39 apply (IAS 39.95).

When some portion of the change in carrying amount is recognised in other comprehensive income and some portion is recognised in profit or loss, ~~for example, if the amortised cost of a foreign currency bond classified as available for sale has increased in foreign currency (resulting in a gain in profit or loss) but its fair value has decreased in the functional currency (resulting in a loss recognised in other comprehensive income),~~ an entity cannot offset those two components for the purposes of determining gains or losses that should be recognised in profit or loss or in other comprehensive income.

IGA27 The answer to Question E.4.2 is amended as follows:

No. ~~IAS 39.43 Paragraph 5.1 of IFRS 9~~ requires a financial asset to be initially measured at fair value. For a loan asset, the fair value is the amount of cash lent adjusted for any fees and costs (unless a portion of the amount lent is compensation for other stated or implied rights or privileges). In addition, ~~paragraph 5.2.2 of IFRS 9 requires an entity to apply the impairment requirements in IAS 39.~~ IAS 39.58 requires that an impairment loss is recognised only if there is objective evidence of impairment as a result of a past event that occurred after initial recognition. Accordingly, it is inconsistent with ~~IAS 39.43 paragraph 5.1 of IFRS 9~~ and IAS 39.58 to reduce the carrying amount of a loan asset on initial recognition through the recognition of an immediate impairment loss.

IGA28 Question E.4.5 is amended as follows:

A financial institution calculates impairment in the unsecured portion of ~~loans and receivables~~ financial assets measured at amortised cost on the basis of a provision matrix that specifies fixed provision rates for the number of days a ~~loan~~ financial asset has been classified as non-performing (zero per cent if less than 90 days, 20 per cent if 90–180 days, 50 per cent if 181–365 days and 100 per cent if more than 365 days). Can the results be considered to be appropriate for the purpose of calculating the impairment loss on the financial assets measured at amortised cost ~~loans and receivables~~ under IAS 39.63?

IGA29 The last sentence of the answer to Question F.1.4 is deleted.

IGA30 The answer to Question F.2.1 is amended as follows:

No. Derivative instruments ~~are~~ always meet the definition of deemed held for trading and are measured at fair value with gains and losses recognised in profit or loss unless they are designated and effective hedging instruments (IAS 39.9 and IFRS 9 paragraphs 4.1–4.5, 5.4.1 and 5.4.3). As an exception, IAS 39.AG94 permits the designation of a purchased option as the hedged item in a fair value hedge.

IGA31 The answer to Question F.2.5 is amended as follows:

Yes. A derivative instrument that will be settled gross can be designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be paid or received in the future transaction that will occur on gross settlement of the derivative contract itself because there would be an exposure to variability in the purchase or sale price without the derivative. This applies to all fixed price contracts that are accounted for as derivatives under IAS 39 and IFRS 9.

For example, if an entity enters into a fixed price contract to sell a commodity and that contract is accounted for as a derivative under IAS 39 and IFRS 9 (for example, because the entity has a practice of settling such contracts net in cash or of taking delivery of the underlying and selling it within a short period after delivery for the purpose of generating a profit from short-term fluctuations in price or dealer's margin), the entity may designate the fixed price contract as a cash flow hedge of the variability of the consideration to be received on the sale of the asset (a future transaction) even though the fixed price contract is the contract under which the asset will be sold. Also, ...

IGA32 Q&A F.2.13 is amended as follows:

Is fair value hedge accounting permitted for exposure to interest rate risk in fixed rate loans that are ~~classified as loans and receivables~~ measured at amortised cost?

Yes. Under IFRS 9, IAS 39, ~~loans and receivables~~ some fixed rate loans are ~~carried~~ measured at amortised cost. Banking institutions in many countries hold the bulk of their fixed rate loans to collect their contractual cash flows ~~and receivables until maturity~~. Thus, changes in the fair value of such fixed rate loans ~~and receivables~~ that are due to changes in market interest rates will not affect profit or loss. IAS 39.86 specifies that a fair value hedge is a hedge of the exposure to changes in fair value that is attributable to a particular risk and that can affect profit

or loss. Therefore, IAS 39.86 may appear to preclude fair value hedge accounting for fixed rate loans and receivables. However, ~~it follows from IAS 39.79 that loans and receivables can be hedged items with respect to interest rate risk since they are not designated as held-to-maturity investments.~~ The entity could sell them and the change in fair values would affect profit or loss. Thus, fair value hedge accounting is permitted for fixed rate loans and receivables.

IGA33 The last paragraph of the answer to Question F.2.17 is amended as follows:

To illustrate: Entity A acquires a 10 per cent fixed rate government bond with a remaining term to maturity of ten years. Entity A classifies the bond as ~~available for sale~~ measured at amortised cost. To hedge itself against fair value exposure on the bond associated with the present value of the interest rate payments until year 5, Entity A acquires a five-year pay-fixed, receive-floating swap. ...

IGA34 In the answer to Question F.5.6, references to 'IAS 39.55(a)' are replaced with 'IAS 39.55'.

IGA35 In the answer to Question F.6.4, the reference to 'IAS 39' in the second sentence is amended to 'IAS 39 or IFRS 9'.

IGA36 Q&A G.1 is amended as follows:

~~IAS 39 and IFRS 9 requires financial assets classified as available for sale (AFS) and remeasurement of financial assets and financial liabilities measured at fair value through profit or loss to be remeasured to fair value. Unless a financial asset or a financial liability is designated as a cash flow hedging instrument, fair value changes for financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss, and fair value changes for AFS assets financial assets designated at fair value through other comprehensive income are recognised in other comprehensive income. What disclosures are required regarding the amounts of the fair value changes during a reporting period?~~

IFRS 7.20 requires items of income, expense and gains and losses to be disclosed. This disclosure requirement encompasses items of income, expense and gains and losses that arise on remeasurement to fair value. Therefore, an entity provides disclosures of fair value changes, distinguishing between changes that are recognised in profit or loss and

changes that are recognised in other comprehensive income. Further breakdown is provided of changes that relate to:

- (a) ~~AFS assets, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount that was reclassified from equity to profit or loss for the period as a reclassification adjustment;~~
- (~~b~~a) financial assets or financial liabilities at fair value through profit or loss, showing separately those fair value changes on financial assets or financial liabilities (i) designated as such upon initial recognition and (ii) ~~mandatorily~~ classified as ~~such held for trading~~ in accordance with IAS 39 ~~IFRS 9~~; and
- (~~e~~b) hedging instruments.

In addition, IFRS 7.20A requires an entity to disclose the amount of gain or loss recognised in other comprehensive income for financial assets measured at fair value through other comprehensive income, including any amount transferred within equity.

IFRS 7 neither requires nor prohibits disclosure of components of the change in fair value by the way items are classified for internal purposes. For example, an entity may choose to disclose separately the change in fair value of those derivatives that ~~in accordance with~~ meet the definition of held for trading in IAS 39 ~~it categorises as held for trading~~, but the entity classifies as part of risk management activities outside the trading portfolio.

In addition, IFRS 7.8 requires disclosure of the carrying amounts of financial assets or financial liabilities at fair value through profit or loss, showing separately: (i) those designated as such upon initial recognition and (ii) those ~~mandatorily classified as such held for trading~~ in accordance with IAS 39 ~~and IFRS 9~~.

IFRIC 12 Service Concession Arrangements

IGA37 In the illustrative examples accompanying IFRIC 12, paragraphs IE7 and IE28 are amended as follows:

- IE7 IFRS 9 Financial Instruments may require the entity to measure the ~~The~~ amounts due from the grantor at amortised cost, unless the entity designates those amounts as measured at fair value through profit or loss ~~meet the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. If the~~ The receivable is measured at amortised cost in accordance with

IFRS 9 FINANCIAL INSTRUMENTS

~~IFRS 9, it is measured~~ initially at fair value ~~and. It is~~ subsequently ~~measured~~ at amortised cost, ie the amount initially recognised plus the cumulative interest on that amount calculated using the effective interest method minus repayments.

IE28 ~~IFRS 9 Financial Instruments may require the entity to measure the~~
~~The~~ amount due from or at the direction of the grantor in exchange for the construction services at amortised cost ~~meets~~
~~the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement.~~ If ~~the~~ ~~The~~ receivable is measured at amortised cost in accordance with IFRS 9, it is measured initially at fair value ~~and. It is~~ subsequently ~~measured~~ at amortised cost, ie the amount initially recognised plus the cumulative interest on that amount minus repayments.