

PROPOSED FINANCIAL REPORTING STANDARD

ED/FRS 107

Exposure Draft

Investments in Debt Instruments

Proposed amendments to FRS 107

Comments to be received by 9 January 2009

This exposure draft Investments in Debt Instruments (proposed amendments to FRS 107) is issued by the Accounting Standards Council (ASC) for comment only and does not necessarily represent the views of ASC. The proposals may be modified in the light of the comments received before being issued in final form as amendments to FRS 107.

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explain the problem and provide a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by 9 January 2009 preferably by email to MOF_Feedback_ASC@mof.gov.sg or addressed to:

Accounting Standards Council
c/o Ministry of Finance
100 High Street #10-01
The Treasury
Singapore 179434

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Introduction

- 1 IFRS 7 *Financial Instruments: Disclosures* was issued in 2005 with mandatory application for annual periods beginning on or after 1 January 2007. This exposure draft contains proposals by the International Accounting Standards Board to amend IFRS 7. The proposals would require disclosures about investments in debt instruments that facilitate a comparison between such investments that are classified in different categories.
- 2 Those taking part in the public round-table meetings held by the Board and the US Financial Accounting Standards Board in November and December 2008 in response to the global financial crisis advised the Board that disaggregated information about impairment losses on available-for-sale debt instruments would be useful. Most suggested that disaggregation of the impairment loss should identify the incurred loss portion, ie the loss amount that would be recognised under the impairment model for debt instruments measured at amortised cost ('incurred loss model').
- 3 The Board believes that even more comprehensive disclosures would allow users of financial statements to compare investments in all debt instruments (other than those classified as at fair value through profit or loss), and so would improve financial reporting.
- 4 This exposure draft proposes additional disclosure requirements for all investments in debt instruments other than those classified as at fair value through profit or loss. The proposals are to require:
 - (a) information in tabular format about the effect on pre-tax profit or loss as if these instruments were accounted for (i) at fair value and (ii) at amortised cost.
 - (b) a summary of the different measurement bases of these instruments in tabular format that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

Invitation to comment

The ASC invites comments on the amendments to FRS 107 proposed in this exposure draft, particularly on the questions set out below. Comments are helpful if they:

- (a) comment on the questions as stated,
- (b) indicate the specific paragraph or group of paragraphs to which they relate,
- (c) contain a clear rationale, and
- (d) include any alternative ASC should consider, if applicable.

Respondents need not comment on all of the questions and are encouraged to comment on any additional issues that, in their view, warrant consideration.

ASC is not requesting comments on matters not addressed in this exposure draft.

Comments should be submitted in writing so as to be received no later than **9 January 2009**.

Question 1

The exposure draft proposes in paragraph 30A(a) to require entities to disclose the pre-tax profit or loss as though all investments in debt instruments (other than those classified as at fair value through profit or loss) had been (i) classified as at fair value through profit or loss and (ii) accounted for at amortised cost.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

Question 2

The exposure draft proposes to require disclosing the pre-tax profit or loss amount that would have resulted under two alternative classification assumptions.

Should reconciliations be required between profit or loss and the profit or loss that would have resulted under the two scenarios? If so, why and what level of detail should be required for such reconciliations?

Question 3

The exposure draft proposes in paragraph 30A(b) to require entities to disclose for all investments in debt instruments (other than those classified as at fair value through profit or loss) a summary of the different measurement bases of these instruments that sets out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

Do you agree with that proposal? If not, why? What would you propose instead, and why?

Question 4

The exposure draft proposes a scope that excludes investments in debt instruments classified as at fair value through profit or loss.

Do you agree with that proposal? If not, would you propose including investments in debt instruments designated as at fair value through profit or loss or those classified as held for trading or both, and if so, why?

Question 5

Do you agree with the proposed effective date? If not, why? What would you propose instead, and why?

Question 6

Are the transition requirements appropriate? If not, why? What would you propose instead, and why?

PROPOSED FINANCIAL REPORTING STANDARD

ED/FRS 107

Proposed amendments to Financial Reporting Standard 107 *Financial Instruments: Disclosures*

After paragraph 30 a new heading and paragraphs 30A and 44G are added.

Significance of financial instruments for financial position and performance

Other disclosures

Investments in debt instruments

30A An entity shall disclose the following for all investments in debt instruments other than those classified as at fair value through profit or loss:

- (a) pre-tax profit or loss as though the instruments had been:
 - (i) classified as at fair value through profit or loss; and
 - (ii) accounted for at amortised cost.
- (b) the following amounts in a way that permits comparison of:
 - (i) the carrying amount in the statement of financial position;
 - (ii) fair value; and
 - (iii) amortised cost.

An entity shall provide the information required by this paragraph in tabular format.

Effective date and transition

44G An entity shall apply paragraph 30A for annual periods ending on or after [15 December 2008]. However, comparative information relating to periods before the date of initial adoption is not required.

Guidance on implementing FRS 107 *Financial Instruments: Disclosures*

After paragraph IG6 a heading is amended (new text is underlined). After paragraph IG14 a heading and paragraph IG14A are added.

Significance of financial instruments for financial position and performance (paragraphs 7–30A, B4 and B5)

Investments in debt instruments (paragraph 30A)

IG14A FRS 107 requires disclosures about all investments in debt instruments other than those classified as at fair value through profit or loss. A tabular format is required. An entity might disclose the following for those investments to comply with paragraph 30A. (Comparative information is not included in the following example.)

Investments in debt instruments (other than those classified as at fair value through profit or loss)	20X1
	Pre-tax profit or loss in each scenario CU million
If all investments in debt instruments had been classified as financial assets at fair value through profit or loss	X
If all investments in debt Instruments (other than those classified as at fair value through profit or loss) had been accounted for at amortised cost	X

continued...

...continued

Investments in debt instruments (other than those classified as at fair value through profit or loss)

Investments in debt instruments classified as:	31 December 20X1		
	Carrying amount in the statement of financial position	Fair value	Amortised cost
	CU million	CU million	CU million
Loans and receivables	X	X	X
Held-to-maturity investments	X	X	X
Available-for-sale financial assets	X	X	X
Total	X	X	X