

PROPOSED AMENDMENTS FROM
“ANNUAL IMPROVEMENTS TO IFRS ACCOUNTING STANDARDS—VOLUME 11”
(FINANCIAL INSTRUMENTS RELATED AMENDMENTS)

Part 1: Amendments to IPSAS 30, *Financial Instruments: Disclosures*

Paragraph 52R is added. For ease of reading, this paragraph has not been underlined.

Effective Date and Transition

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- 52R. [Annual Improvements to IFRS Accounting Standards—Volume 11], issued in [MMMM YYYY], amended paragraph AG40. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, [YYYY]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Application Guidance

Paragraph AG40 is amended. New text is underlined and deleted text is struck through.

Derecognition

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Gain or Loss on Derecognition (paragraph 49G(a))

AG40 Paragraph 49G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognized asset (i.e., the interest in the asset derecognized and the interest retained by the entity) were different from the fair value of the previously recognized asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs D58–D59 of IPSAS 46~~paragraph 32~~.

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Part 2: Amendments to Guidance on Implementing *IPSAS 30, Financial Instruments: Disclosures*

Paragraphs IG1, IG14 and IG20B are amended. New text is underlined and deleted text is struck through. Footnotes to the headings are not reproduced.

Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IPSAS 30. The guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IPSAS 30, nor does it create additional requirements.

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Significance of Financial Instruments for Financial Position and Financial Performance (paragraphs 10–36, AG4 and AG5)

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Fair Value (paragraphs 31-34)

IG16. ~~The fair value at initial recognition of financial instruments that are not traded in active markets is determined in accordance with paragraph AG151 of IPSAS 41. However, when, after initial recognition, an entity will use a measurement technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that measurement technique. In some cases, the transaction price of a financial instrument differs from its fair value at initial recognition, and that fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) nor based on a valuation technique that uses only data from observable markets. In these circumstances, the difference will be recognized in surplus or deficit in subsequent periods in accordance with IPSAS 41 and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would consider in setting a price (see paragraph AG151 of IPSAS 41). An entity might disclose the following to comply with paragraph 34(a)-(b) (paragraph 34(c) is not illustrated):~~

Background

On January 1, 20X1 an entity purchases for CU15 million financial assets that are not traded in an active market. The entity has only one class of such financial assets.

The transaction price is of CU15 million ~~is the fair value at initial recognition~~.

The entity determines that the transaction price differs from the fair value of the financial assets at ~~After~~ initial recognition, The the entity applies will apply a measurement technique to establish the financial assets' fair value. This measurement technique includes variables other than data from observable markets.

At initial recognition, the fair value of the financial assets measured using that same ~~same~~ measurement technique is would have resulted in an amount of CU14 million, which differs from the transaction price fair value ~~by~~ CU1 million.

At January 1, 20X1, prior to this transaction, the The entity has a balance of existing differences of CU5 million yet to be recognized in surplus or deficit at January 1, 20X1.

Background

Application of Requirements

The entity's 20X2 disclosure would include the following:

Accounting Policies

The entity uses the following measurement technique to measure the fair value of financial instruments that are not traded in an active market: [description of technique not included in this example]. Differences may arise between the ~~fair value at initial recognition (which, in accordance with IPSAS 41, is generally the transaction price)~~ and the fair value measured amount determined at initial recognition using the measurement technique. Any such differences are [description of the entity's accounting policy].

In the Notes to the Financial Statements

As discussed in note X, the entity uses [name of measurement technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with IPSAS 41, the fair value of an instrument at initial recognition inception is generally the transaction price. If the transaction price differs from the fair value measured amount determined at initial recognition inception using the measurement technique, that difference is [description of the entity's accounting policy].

The differences yet to be recognized in surplus or deficit are as follows:

	Dec 31, X2	Dec 31, X1
	CU million	CU million
Balance at beginning of year	5.3	5.0
New transactions	—	1.0
Amounts recognized in surplus or deficit during the year	(0.7)	(0.8)
Other increases	—	0.2
Other decreases	(0.1)	(0.1)
Balance at end of year	4.5	5.3

Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49 and AG6–AG30)

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Credit Risk (paragraphs 43–45, AG9 and AG10)

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Illustrating the Application of Paragraphs 42H and 42I

IG22B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 42H–42I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

Part 3: Amendments to IPSAS 41, *Financial Instruments*

Paragraph 2(b)(ii) is amended. Paragraph 2(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

Scope

2. This Standard shall be applied by all entities to all types of financial instruments except:

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- (b) rights and obligations under leases to which IPSAS 43, *Leases* applies. However:
 - (i) Finance lease receivables (i.e., net investments in finance leases) and operating lease receivables recognized by a lessor are subject to the derecognition and impairment requirements of this Standard;
 - (ii) Lease liabilities recognized by a lessee are subject to the derecognition requirements in paragraphs paragraph 35 and 37 of this Standard; and

Measurement

Paragraph 60 is amended. Paragraphs 57–59 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Initial Measurement

- 57. **Except for short-term receivables and payables within the scope of paragraph 60, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.**
- 58. **However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph AG117.**
- 59. When an entity uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade date (see paragraphs AG17–AG20).
- 60. Despite the requirement in paragraph 57, at initial recognition, an entity shall measure short-term receivables at the amount determined by applying their transaction consideration ~~(as defined in IPSAS 47)~~ if the trade receivables do not contain a significant financing component (in accordance with IPSAS 47, or when the entity applies the practical expedient in paragraph 126 of IPSAS 47). An entity may measure short-term payables at the transaction consideration if the effect of discounting is immaterial.

Effective Date and Transition

Paragraphs 156K and 199 and the subheading before paragraph 199 are added. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined.

Effective Date

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- 156K. [Annual Improvements to IFRS Accounting Standards—Volume 11], issued in [MMMM YYYY], amended paragraph 2(b)(ii) and 60. An entity shall apply those amendments for annual reporting periods beginning on or after January 1, [YYYY]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Transition

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Transition for [Annual Improvements to IFRS Accounting Standards—Volume 11]

199. An entity shall apply the amendment to paragraph 2(b)(ii) made by [Annual Improvements to IFRS Accounting Standards—Volume 11] to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.