Accounting Standards Board

7 December 2018

ACCOUNTING STANDARDS BOARD

PROPOSED REVISION OF THE STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

FINANCIAL INSTRUMENTS

(ED 167)

Issued by the
Accounting Standards Board
June 2018

ED 167

Acknowledgement

The Standard of Generally Recognised Accounting Practice (GRAP) on *Financial Instruments* is drawn primarily from the International Financial Reporting Standard (IFRS® Standard) 9 on *Financial Instruments,* IFRS® Standard 7 on *Financial Instruments: Disclosures*, International Accounting Standard (IAS® Standard) 32 on *Financial Instruments: Presentation,* and the IFRS for SMEs® Standard issued by the International Accounting Standards Board (IASB®). The IASB has issued a comprehensive body of IFRS® Standards and IFRIC® Interpretations. Extracts of the IFRS Standard listed in the previous sentence are reproduced in this Standard of GRAP with the permission of the IASB.

The approved text of the IFRS Standards and IFRIC Interpretations is that published by the IASB in the English language and copies may be obtained from:

IFRS Foundation Publications Department

30 Cannon Street

London, EC4M 6XH

United Kingdom

Internet: http://www.ifrs.org

Contents

Standard of Generally Recognised Accounting Practice

Financial Instruments

Introduction

Standards of Generally Recognised Accounting Practice (GRAP)

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

(a) departments (including national, provincial and government components);

(b) public entities;

(c) trading entities (as defined in the PFMA);

(d) constitutional institutions;

(e) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(f) Parliament and the provincial legislatures.

The above are collectively referred to as "entities".

The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued by the International Accounting Standards Board® for:

(a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities;* and

(b) entities under the ownership control of any of these entities.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

This Standard is set out in paragraphs 1.1 to 9.3. All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP,* the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Chapter 1 – Objective and scope

Reference

Objective

1.1 The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. GRAP 104.01

Scope

1.2 ***An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for financial instruments except:*** GRAP 104.02 IFRS 9 2.1 IAS 32.4

(a) the recognition and measurement of financial instruments issued by the entity that meets the definition of a residual interest;

(b) employers' rights and obligations under employee benefit plans, to which the Standard of GRAP on Employee Benefits applies;

(c) rights to payments to reimburse the entity for expenditure it is required to make to settle a liability that it recognises as a provision in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets (GRAP 19), or for which, in an earlier period, it recognised a provision in accordance with that Standard; and

(d) the initial recognition and initial measurement of financial instruments acquired in a transfer of functions between entities under common control (see the Standard of GRAP on Transfer of Functions Between Entities Under Common Control) or a merger (see the Standard of GRAP on Mergers).

1.3 ***This Standard does not apply to the following instruments, except where indicated otherwise:*** GRAP 104.03 IFRS 9 2.1 IAS 32.4

(a) Interests in controlled entities, associates or joint ventures that are ~~held by an entity and~~ accounted for in accordance with the Standards of GRAP on Consolidated and Separate Financial Statements (GRAP 6), Investments in Associates (GRAP 7) or Interests in Joint Ventures (GRAP 8). <u>However, in some cases, GRAP 6, 7 or 8 require or permit an entity to account for an interest in a controlled entity, associate or joint venture in accordance with some or all of the requirements of this Standard.</u> ~~An entity shall apply this Standard to an interest in a controlled entity, associate or joint venture which, according to GRAP 6, GRAP 7 or GRAP 8, is accounted for under this Standard.~~ Entities shall also apply this Standard to derivatives on an interest in a controlled entity, associate or joint venture (see Appendix A paragraphs <u>AG1.2 to</u>

AG1.3~~AG2. and AG3~~.), unless the derivative meets the definition of a residual interest.

(b) Any forward contracts between an acquirer and a seller to buy or sell an acquiree that will result in a~~n~~ transfer of functions between entities not under common control ~~entity combination~~ at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.

(c) Rights and obligations under leases to which the Standard of GRAP on Leases applies. However:

(i) lease receivables recognised by a lessor are subject to the impairment, derecognition, presentation and disclosure provisions of this Standard (see paragraphs 5.17 to 5.35 ~~.57 to .79~~, 6.1 to 6.15~~.84 to .133~~ 7.1 to 8.60 and Appendix A paragraphs AG5.60 to AG5.115~~AG120. to AG143~~., AG7.1 to AG8.60~~AG151. to AG180.~~);

(ii) finance lease payables recognised by a lessee are subject to the derecognition, presentation and disclosure provisions of this Standard (see paragraphs 6.16 to 6.19, and 7.1 to 8.60 ~~.80 to.133~~ and Appendix A paragraphs AG6.5 to AG6.21 and AG7.1 to AG8.51 ~~AG144. to AG180~~); and

(iii) derivatives that are embedded in leases are subject to the embedded derivatives provisions of this Standard (see paragraphs 4.9 to 4.15 ~~.18 to .22~~ and Appendix A paragraphs AG4.55 to AG4.66~~AG58. to AG68~~.). Where an embedded derivative is separated from a lease, the presentation and disclosure requirements of this Standard also apply to the derivative (see paragraphs 7.1 to 8.60 ~~.84 to .133~~ and Appendix A paragraphs AG7.1 to AG8.51~~AG151. to AG180~~).

(d) Rights and obligations arising under i~~I~~nsurance contracts ~~as defined~~ within ~~in~~ the scope of the International Financial Reporting Standard(s) (IFRS® Standards) on insurance~~ Insurance Contracts (IFRS 4)~~. This Standard shall, however, apply to:

(i) an issuer's rights and obligations arising under an insurance contract that meets the definition of a financial guarantee contract;

(ii) derivatives that are embedded in insurance contracts if this Standard requires the entity to account for them separately; ~~and~~

(iii) the presentation and disclosure of financial instruments that are within the scope of IFRS Standards 4 on insurance since they contain a discretionary participation feature (see paragraphs 7.1 to 8.60~~.84 to .133~~ and Appendix A paragraphs AG7.1 to AG8.51~~AG151.~~

~~to AG180).~~; and

(iv) the disclosure of investment components that are separated from contracts within the scope of IFRSs if IFRSs require such separation.

~~(e) Financial guarantee contracts that are issued by an entity and recognised, measured and/or disclosed in accordance with GRAP 19. The derecognition and disclosure requirements of this Standard apply to all financial guarantees issued by an entity (see paragraphs .80 to .133 and Appendix A paragraphs AG4. to AG7., AG144. to AG180).~~

(e) Loan commitments other than those loan commitments described in paragraph 1.7 ~~2.3~~. However, an issuer of loan commitments shall apply the impairment requirements of this Standard to loan commitments that are not otherwise within the scope of this Standard. Also, all loan commitments are subject to the derecognition requirements of this Standard. ~~that are issued by an entity and recognised, measured and/or disclosed in accordance with GRAP 19. All loan commitments are subject to the derecognition and disclosure provisions of this Standard (see paragraphs.80 to .133 and Appendix A paragraphs AG8. to AG10., AG144. to AG180)~~.

(f) Contractual rights and obligations arising from non-exchange revenue transactions to which the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23) applies. However, receivables and payables recognised by an entity as a result of contractual non-exchange revenue transactions are subject to the subsequent measurement, derecognition, presentation and disclosure requirements of this Standard.

~~This Standard shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, except for contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.~~ GRAP 104.04 [moved to heading "contracts to buy or sell non-financial items]"

1.4 An entity is permitted in terms of this Standard to apply hedge accounting as described in ~~International Financial Reporting~~ IFRS Standards on financial instruments. Where an entity chooses to apply hedge accounting, it must comply in full with the requirements for hedge accounting prescribed in ~~International Financial Reporting~~ IFRS Standards. GRAP 104.05

Residual interests

1.5 Residual interests are those contracts that represent an entitlement to the net assets of an entity. This Standard does not establish principles for the recognition and measurement for the issuer of a residual interest. However, issuers of a residual interest are required to apply paragraphs 3.3 to 3.14 ~~.25 to .35~~ and paragraphs 7.1 to 7.8.~~84 to .91~~. GRAP 104.06

1.6 In their separate financial statements, holders of a residual interest are required to apply all the requirements of this Standard, unless they hold residual interests that are an investment in a controlled entity, associate or joint venture, and that investment is measured at cost in their separate financial statements in accordance with GRAP 6, GRAP 7 and GRAP 8. GRAP 105.07

~~Financial guarantee contracts (see Appendix A paragraphs AG4. to AG7.)~~

~~Entities frequently guarantee the debt of other entities or employees. Obligations from financial guarantee contracts are recognised, measured and/or disclosed in accordance with GRAP 19 and derecognised in accordance with this Standard. As financial guarantee contracts expose an entity to certain financial risks, the disclosure requirements of this Standard also apply to such contracts.~~ GRAP 104.08

Loan commitments ~~(see Appendix A paragraphs AG8. to AG10.)~~

1.7 The following loan commitments are within the scope of this Standard: GRAP 104.09

Deleted and replaced with paragraph 2.3 of IFRS 9

(a) Loan commitments that the entity designates as financial liabilities at fair value through surplus or deficit ~~profit or loss~~ (see paragraph 4.8 ~~4.2.2~~). An entity that has a past practice of selling the assets resulting from its loan commitments shortly after origination shall apply this Standard to all its loan commitments in the same class.

(b) Loan commitments that can be settled net in cash or by delivering or issuing another financial instrument. These loan commitments are derivatives. A loan commitment is not regarded as settled net merely because the loan is paid out in instalments (for example, a ~~mortgage~~ construction loan that is paid out in instalments in line with the progress of construction).

(c) Commitments to provide a loan at a below market interest rate, including concessionary loans (see paragraph 4.7 ~~4.2.1~~(d)).

~~Loan commitments are commitments to provide credit, in the form of a loan, under pre-specified terms and conditions. Obligations arising from loan commitments are recognised, measured and/or disclosed in accordance with GRAP 19 and derecognised in accordance with this Standard. Since loan commitments expose an entity to certain financial risks, the disclosure requirements of this Standard~~

~~also apply to such contracts.~~

Rights and obligations arising from non-exchange revenue transactions (see Appendix A paragraphs AG2.11 to AG2.15~~AG28. to AG32.~~)

1.8 Contractual rights and obligations under non-exchange revenue transactions may give rise to receivables and payables that meet the definition of financial assets and financial liabilities. These receivables and payables are initially recognised and initially measured in accordance with GRAP 23 and subsequently measured, derecognised, presented and disclosed in accordance with this Standard. GRAP 104.10

Contracts to buy or sell non-financial items (see Appendix A paragraphs AG1.7 to AG1.10~~AG11. to AG14.~~)

1.9 ***This Standard shall be applied to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of ~~except for~~ contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. However, this Standard shall be applied to those contracts that an entity designates as measured at fair value through surplus or deficit in accordance with paragraph 1.10 ~~2.5.~~*** GRAP 104.04 IFRS 9 2.4 IAS 32.8

1.10 ***A contract to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contract was a financial instrument, may be irrevocably designated as measured at fair value through surplus or deficit ~~profit or loss~~ even if it was entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. This designation is available only at inception of the contract and only if it eliminates or significantly reduces a recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from not recognising that contract because it is excluded from the scope of this Standard (see paragraph 1.9 ~~2.4~~).*** IFRS 9 2.5

1.11 There are various ways in which a contract to buy or sell a non-financial item can be settled net in cash or another financial instrument or by exchanging financial instruments. These include: GRAP 104.11 IFRS 9 2.6 IAS 32.9

(a) when the terms of the contract permit either party to settle it net in cash or another financial instrument or by exchanging financial instruments;

(b) when the ability to settle net in cash or another financial instrument, or by exchanging financial instruments, is not explicit in the terms of the contract, but the entity has a practice of settling similar contracts net in cash or another financial instrument, or by exchanging financial instruments (whether with the counterparty, by entering into offsetting contracts or by selling the contract before its exercise or lapse);

(c) when, for similar contracts, the entity has a practice 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; and

(d) when the non-financial item that is the subject of the contract is readily convertible to cash.

A contract to which (b) or (c) applies is not entered into for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements, and, accordingly, is ~~thus~~ within the scope of this Standard. Other contracts to which paragraph 1.9~~.04~~ applies are evaluated to determine whether they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirement, and accordingly, whether they are within the scope of this Standard.

1.12 A written option to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, in accordance with paragraph 1.11(a) or (d) is within the scope of this Standard. Such a contract cannot be entered into for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

GRAP 104.12

IFRS 9 2.7

IAS 32.10

Chapter 2 - Definitions

Reference

Definitions (see Appendix A paragraphs AG2.1 to AG2.25 ~~AG15. to AG68~~.)

GRAP 104.13
IFRS 9 Appendix A
IAS 32.11
IFRS 7 Appendix

2.1 ***The following terms are used in this Standard with the meanings specified:***

12 month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance ~~minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility~~.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs AG5.50 to AG5.52 ~~B5.4.1–B5.4.3~~), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the remaining life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Credit-impaired financial asset is a financial asset that is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) ***a breach of contract, such as a default or past due event;***

(c) ***the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;***

(d) ***it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;***

(e) ***the disappearance of an active market for that financial asset because of financial difficulties; or***

(f) ***the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.***

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). An entity shall estimate cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. The cash flows that are considered shall include cash flows from the sale of collateral held (where applicable) or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term of the financial instrument.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk rating grades are the ratings of credit risk based on the risk of default occurring on the financial instrument.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract within the scope of this Standard (see paragraphs 1.2 to 1.12 ~~.02 to .12~~) with all three of the

following characteristics:

(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at a future date.

(See paragraphs AG2.16 to AG2.19~~AG46. to AG54.~~)

~~Dividends are distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.~~

The effective interest method is the ~~a~~ method that is used in the calculation of ~~calculating~~ the amortised cost of a financial asset or a financial liability ~~(or group of financial assets or financial liabilities)~~ and in the allocation and recognition of ~~allocating the~~ interest revenue ~~income~~ or interest expense in surplus or deficit in ~~over~~ the relevant period. ~~The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions (GRAP 9)), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).~~

(See paragraphs AG5.50 to AG5.59 ~~AG42. to AG45.~~)

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by

considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs AG5.50 to AG5.52~~B5.4.1–B5.4.3~~), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

(a) cash;

(b) a residual interest of another entity; or

(c) a contractual right to:

- ***(i) receive cash or another financial asset from another entity; or***
- ***(ii) exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.***

(See paragraphs AG2.1 to AG2.15 ~~AG15. to AG32.~~)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

(See paragraphs AG2.1 to AG2.15 ~~AG15. to AG32.~~)

A financial liability is any liability that is a contractual obligation to:

(a) deliver cash or another financial asset to another entity; or

(b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

(See paragraphs AG2.1 to AG2.15~~AG15. to AG32.~~)

Financial liability at fair value through surplus or deficit ~~profit or loss~~ is a financial liability that meets one of the following conditions:

(a) It meets the definition of held for trading.

(b) Upon initial recognition it is designated by the entity as at fair value through surplus or deficit ~~profit or loss~~ in accordance with paragraph 4.8 or 4.13 ~~4.2.2 or 4.3.5.~~

~~(c) It is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1.~~

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Forecast transaction is an uncommitted but anticipated future transaction.

Gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any loss allowance.

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

(a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(b) on initial recognition 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) is a derivative (except for a derivative that is a financial guarantee contract ~~or a designated and effective hedging instrument~~).

Impairment gain or loss is a gain~~s~~ or loss~~es~~ that is~~are~~ recognised in surplus or deficit ~~profit or loss~~ in accordance with paragraph 5.23 ~~5.5.8~~ and 5.36 ~~that arises from applying the impairment requirements in Section 5.5~~.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss allowance is the allowance for expected credit losses on financial assets measured in accordance with paragraph 4.2 ~~4.1.2~~, lease receivables ~~and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 4.1.2A~~ and the provision for expected credit losses on loan commitments and financial guarantee contracts.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk that an entity will encounter ~~encountered by an entity in the event of~~ difficulty in meeting obligations associated with

financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Modification gain or loss is the amount arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. The entity recalculates the gross carrying amount of a financial asset as the present value of the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset that are discounted at the financial asset's original effective interest rate (or the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets)~~ or, when applicable, the revised effective interest rate calculated in accordance with paragraph 6.5.10~~. When estimating the expected cash flows of a financial asset, an entity shall consider all contractual terms of the financial asset (for example, prepayment, call and similar options) but shall not consider the expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset, in which case an entity shall also consider the initial expected credit losses that were considered when calculating the original credit-adjusted effective interest rate.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.

Purchased or originated credit impaired financial asset is a purchased or originated financial asset(s), other than a receivable, that is ~~are~~ credit-impaired on initial recognition.

Reclassification date is:

(d) the first day of the first reporting period following the change in management ~~business~~ model that results in an entity reclassifying

financial assets; and

(e) ***the date on which a reliable measure of fair value ceases to be, or becomes, available for an investment in a residual interest that meets the criteria in paragraph 4.5.***

A residual interest is any contract that ~~manifests~~ represents an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

(a) equity instruments or similar forms of unitised capital;

(b) a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

(c) a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

(See paragraphs AG2.24 to AG2.25~~AG55. to AG56.~~)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability (see Appendix A paragraph AG5.57~~AG57.~~). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

~~The following categories of financial instruments are defined and used in this Standard with the meanings specified:~~ GRAP 104.14

~~Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:~~

~~(f) the entity designates at fair value at initial recognition in accordance with paragraph .17; or~~

~~(g) are held for trading.~~

~~(See paragraphs AG33. to AG41.)~~

~~Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.~~

~~Financial instruments at fair value comprise financial assets or financial liabilities that are:~~

~~(a) derivatives;~~

~~***(b) combined instruments that are designated at fair value in accordance with paragraphs .20 or .21;***~~

~~***(c) instruments held for trading. A financial instrument is held for trading if:***~~

~~***(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or***~~

~~***(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;***~~

~~***(d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition in accordance with paragraph .17; and***~~

~~***(e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.***~~

~~***(See paragraphs AG33. to AG41.)***~~

2.2 In this Standard, 'entity' includes, amongst others, individuals, partnerships, incorporated bodies, trusts and organs of state. GRAP 104.15 IAS 32.14

~~Contractual arrangements~~

2.3 In this Standard, 'contract' and 'contractual' refer to an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable by law. Contracts, and thus financial instruments, may take a variety of forms and need not be in writing. GRAP 104.16 IAS 32.13

~~Option to designate a financial asset or a financial liability at fair value~~

~~***At initial recognition, an entity may designate a non-derivative financial instrument with fixed or determinable payment at fair value under the following circumstances:***~~ GRAP 104.17 Deleted as new requirements in IFRS 9

~~***(a) It may designate non-derivative financial assets with fixed or determinable payments at fair value. An entity is required to disclose the criteria used to make such a designation in its accounting policies.***~~

~~***(b) It may only designate non-derivative financial liabilities with fixed or determinable payment at fair value if such a designation eliminates or significantly reduces a measurement or recognition inconsistency (referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases.***~~

~~Embedded derivatives~~ ~~(see Appendix A paragraphs AG58. to AG68.)~~

~~An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.~~ GRAP 104.18 [moved to classification section]

~~An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:~~ GRAP 104.19 [moved to classification section]

~~(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (see Appendix A paragraphs AG61. and AG64.);~~

~~(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and~~

~~(c) the hybrid (combined) instrument is not measured at fair value (i.e. a derivative that is embedded in a financial instrument at fair value is not separated).~~

~~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 other appropriate 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.~~

~~Notwithstanding paragraph .19, if a contract contains a host contract that is a financial instrument and one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract to be measured at fair value unless:~~ GRAP 104.20 [moved to classification section]

~~(a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or~~

~~(b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its~~

~~amortised cost.~~

~~If an entity is required by this Standard to separate an embedded derivative from its host contract, but is unable to measure reliably the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid (combined) contract as at fair value. This designation can only be applied if the host contract is a financial instrument.~~

GRAP 104.53

[moved to classification section]

~~Where an entity is required by this Standard to separate an embedded derivative from a host contract that is a financial instrument, it measures the embedded derivative at fair value and the host at amortised cost or cost (unless it applies the designation in paragraph .20). If an entity cannot reliably measure the fair value of the embedded derivative either at initial recognition or during the life of the instrument, it measures the entire combined instrument at fair value. Where the fair value of the embedded derivative cannot be determined at subsequent reporting dates, this may require a reclassification of the host contract from amortised cost or cost to fair value (see paragraphs .51 to .54 on reclassifications).~~

GRAP 104.53

[deleted]

Chapter 3 – Initial recognition

Reference

Initial recognition

3.1 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 paragraphs AG3.12 to AG3.13~~AG78. and AG79.~~). When an entity first recognises a financial asset, it shall classify it in accordance with paragraphs 4.1 to 4.6 ~~4.1.1-4.1.5~~ and measure it in accordance with paragraphs 5.1 to 5.3 ~~5.1.1-5.1.3~~. When an entity first recognises a financial liability, it shall classify it in accordance with paragraphs 4.7 to 4.8 ~~4.2.1 and 4.2.2~~ and measure it in accordance with paragraph 5.1~~.1~~.

GRAP 104.23
IFRS 9 3.1.1

3.2 An entity recognises and derecognises financial assets using trade date accounting.

GRAP 104.24
IFRS 9 3.1.2

Distinguishing liabilities and residual interests (see Appendix A paragraphs AG3.1 to AG3.5 ~~AG69. to AG71.~~)

3.3 The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or a residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

GRAP 104.25
IAS 32.15

3.4 When an issuer applies the definitions in paragraph 2.1 ~~.13~~ to determine whether a financial instrument is a residual interest rather than a financial liability, the instrument is a residual interest if, and only if, the instrument includes no contractual obligation to:

(a) deliver cash or another financial asset to another entity; or

(b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

GRAP 104.26
IAS 32.16
[no references to transactions settled in own equity and new requirements for puttable instruments]

No contractual obligation to deliver cash or another financial asset

3.5 A critical feature in differentiating a financial liability from a residual interest is the existence of a contractual obligation of one party to the financial instrument (the issuer) either to deliver cash or another financial asset to the other party (the holder), or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the issuer. Although the holder of a residual interest may be entitled to receive a pro rata share of any dividends or similar distributions, the issuer does not have a contractual

GRAP 104.27
IAS 32.17

obligation to make such distributions because it cannot be required to deliver cash or another financial asset to another party.

3.6 The substance of a financial instrument, rather than its legal form, governs its classification on the entity's statement of financial position. Substance and legal form are commonly consistent, but not always. Some financial instruments take the legal form of a residual interest but are liabilities in substance. Others may combine features associated with residual interests and features associated with financial liabilities. For example: GRAP 104.28 IAS 32.18 [no references to new requirements for puttable instruments]

(a) A~~a~~ preference share that provides for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability~~;~~.

(b) A~~a~~ financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability ~~This is so~~ even when the amount of cash or other financial asset is determined on the basis of an index or other item that has the potential to increase or decrease~~, or when the legal form of the puttable instrument gives the holder a right to a residual interest in the assets of an issuer~~. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability. ~~For example, preference shares that grant holders a right to redeem their interests in the issuer at any time for cash equal to their proportionate share of the asset value of the issuer; or~~

~~(c) a financial instrument that requires the issuer to settle an obligation in cash or another financial instrument only in the event of liquidation of the issuer, is a residual interest.~~

3.7 If an entity does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability. For example: GRAP 104.29 IAS 32.19

(a) A~~a~~ restriction on the ability of an entity to satisfy a contractual obligation, such as lack of access to foreign currency or the need to obtain approval for payment from a regulatory authority, does not negate the entity's contractual obligation or the holder's contractual right under the instrument.~~; or~~

(b) A~~a~~ contractual obligation that is conditional on a counterparty exercising its right to redeem is a financial liability because the entity does not have the unconditional right to avoid delivering cash or another financial asset.

3.8 A financial instrument that does not explicitly establish a contractual obligation to deliver cash or another financial asset may establish an obligation indirectly GRAP 104.30 IAS 32.20 [no through its terms and conditions. For example, a financial instrument may contain a non-financial obligation that must be settled if, and only if, the entity fails to make distributions or to redeem the instrument. If the entity can avoid a transfer of cash or another financial asset only by settling the non-financial obligation, the financial instrument is a financial liability. reference to transactions settled in own equity]

Contingent settlement provisions

3.9 A financial instrument may require the entity to deliver cash or another financial asset, or otherwise to settle it in such a way that it would be a financial liability, in the event of the occurrence or non-occurrence of uncertain future events (or on the outcome of uncertain circumstances) that are beyond the control of both the issuer and the holder of the instrument, such as a change in a stock market index, consumer price index, interest rate or taxation requirements, or the issuer's future revenues, net income or debt-to-equity ratio. The issuer of such an instrument does not have the unconditional right to avoid delivering cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability). Therefore, it is a financial liability of the issuer unless: IAS 32.25 [added as may be relevant to some agreements with SOEs; deleted (c) as there are no requirements in GRAP 104 for settling transactions in an entity's own equity]

(a) the part of the contingent settlement provision that could require settlement in cash or another financial asset (or otherwise in such a way that it would be a financial liability) is not genuine; and

(b) the issuer can be required to settle the obligation in cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) only in the event of liquidation of the issuer.~~; or~~

~~(c) the instrument has all the features and meets the conditions in paragraphs 16A and 16B.~~

Compound financial instruments (see Appendix A paragraphs AG3.6 to AG3.11 ~~AG72. to AG77.~~)

3.10 The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and residual interest component. Such components shall be classified separately as financial liabilities, financial assets or residual interests in accordance with paragraph 3.3 ~~.25~~. *GRAP 104.31* *IAS 32.28*

3.11 An entity recognises separately the components of a financial instrument that (a) creates a financial liability of the entity and (b) grants an option to the holder of the instrument to convert it into a residual interest of the entity. For example, a bond or similar instrument convertible by the holder into a fixed number of GRAP 104.32 IAS 32.29

ordinary shares of the entity is a compound financial instrument. From the perspective of the entity, such an instrument comprises two components: a financial liability (a contractual arrangement to deliver cash or another financial asset) and a residual interest (a call option granting the holder the right, for a specified period of time, to convert it into a fixed number of ordinary shares of the entity). Accordingly, in all cases, the entity presents the liability and residual interest components separately in its statement of financial position.

3.12 Classification of the liability and residual interest components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. Holders may not always act in the way that might be expected because, for example, the tax consequences resulting from conversion may differ among holders. Furthermore, the likelihood of conversion will change from time to time. The entity's contractual obligation to make future payments remains outstanding until it is extinguished through conversion, maturity of the instrument or some other transaction. GRAP 104.33 IAS 32.30

3.13 This Standard deals with the measurement of financial assets and financial liabilities. Residual interests evidence an interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its residual interest and liability components, the residual interest component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount determined separately for the liability component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the residual interest component (such as an equity conversion option) is included in the liability component. The sum of the carrying amounts assigned to the liability and residual interest components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognising the components of the instrument separately. GRAP 104.34 IAS 32.31

3.14 Under the approach described in paragraph 3.13 ~~.34~~, the issuer of a bond convertible into ordinary shares first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated residual interest component. The carrying amount of the residual interest represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. GRAP 104.35 IAS 32.32

Chapter 4 – Classification

Classification

Classification of financial assets

4.1 ***Unless paragraph 4.6 ~~4.1.5~~ applies, an entity shall classify financial assets as subsequently measured at amortised cost~~, fair value through other comprehensive income~~ or fair value through surplus or deficit ~~profit or loss~~ on the basis of both:*** IFRS 9 4.1.1

- ***(a) the entity's management ~~business~~ model for managing the financial assets; and***
- ***(b) the contractual cash flow characteristics of the financial asset.***

4.2 ***A financial asset shall be measured at amortised cost if both of the following conditions are met:*** IFRS 9 4.1.2

- ***(a) the financial asset is held within a management ~~business~~ model whose objective is to hold financial assets in order to collect contractual cash flows; and***
- ***(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.***

Paragraphs AG4.1 to AG4.44 ~~B4.1.1–B4.1.26~~ provide guidance on how to apply these conditions.

~~A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:~~ IFRS 9 4.1.2A

- ***~~(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and~~***
- ***~~(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.~~***

~~Paragraphs B4.1.1–B4.1.26 provide guidance on how to apply these conditions.~~

4.3 ***For the purpose of applying paragraph~~s~~ 4.~~1.~~2(b)~~ and 4.1.2A(b)~~:*** IFRS 9 4.1.3

- ***(a) P~~p~~rincipal is the fair value of the financial asset at initial recognition.***

Paragraph AG4.18~~B4.1.7B~~ provides additional guidance on the meaning of principal.

(b) I~~i~~nterest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin (where applicable). Paragraphs AG4.17~~B4.1.7A~~ and AG4.23 to AG4.27~~B4.1.9A–B4.1.9E~~ provide additional guidance on the meaning of interest, including the meaning of the time value of money.

4.4 A financial asset shall be measured at fair value through surplus or deficit ~~profit or loss~~ unless it is measured at amortised cost in accordance with paragraph 4.~~1.~~2 or cost in accordance with paragraph 4.5 ~~or at fair value through other comprehensive income in accordance with paragraph 4.1.2A. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income (see paragraphs 5.7.5–5.7.6).~~ IFRS 9 4.1.4

4.5 Investments in residual interests are measured at fair value through surplus or deficit. As a practical expedient, an investment in a residual interest whose fair value cannot be reliably measured is measured at cost. If a reliable measure of fair value becomes available, the investment should be measured at fair value through surplus or deficit. New

Option to designate a financial asset at fair value through surplus or deficit ~~profit or loss~~

4.6 Despite paragraphs 4.1 to 4.5 ~~4.1.1–4.1.4~~, an entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through surplus or deficit ~~profit or loss~~ if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on the on different bases (see paragraphs AG4.47 to AG4.50~~B4.1.29-B4.1.32~~). IFRS 9 4.1.5

Classification of financial liabilities

4.7 An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for: IFRS 9 4.2.1

(a) F~~f~~inancial liabilities at fair value through surplus or deficit ~~profit or~~

~~loss~~. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

(b) F~~f~~inancial liabilities that arise when a transfer of a financial asset does not qualify for derecognition ~~or when the continuing involvement approach applies~~. Paragraph~~s 3.2.15 and 3.2.17~~ 6.14 applies~~y~~ to the measurement of such financial liabilities.

(c) F~~f~~inancial guarantee contracts. After initial recognition, an issuer of such a contract shall (unless paragraph 4.7~~4.2.1~~(a) or (b)applies) subsequently measure it at the higher of:

(i) the amount of the loss allowance determined in accordance with paragraphs 5.17 to 5.35 ~~Section 5.5~~; and

(ii) the amount initially recognised (see paragraph 5.1~~.1~~) less, when appropriate, the cumulative amount of revenue ~~income~~ recognised in accordance with the principles of the Standard of GRAP on Revenue from Exchange Transactions (GRAP 9)(where applicable)~~IFRS 15~~.

(d) C~~c~~ommitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph 4.7~~4.2.1~~(a) applies) subsequently measure it at the higher of:

(i) the amount of the loss allowance determined in accordance with paragraphs 5.17 to 5.35 ~~Section 5.5~~ plus, for concessionary loans, any social benefit provided (see paragraphs 5.4, AG5.15 and AG5.17); and

(ii) the amount initially recognised (see paragraph 5.1~~.1~~) less, when appropriate, the cumulative amount of revenue ~~income~~ recognised in accordance with the principles of GRAP 9 (where applicable)~~IFRS 15~~.

(e) C~~c~~ontingent consideration recognised by an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfers of Functions Between Entities Not Under Common Control applies~~business combination to which IFRS 3 applies~~. Such contingent consideration shall subsequently be measured at fair value with changes recognised in surplus or deficit~~profit or loss~~.

Option to designate a financial liability at fair value through surplus or deficit~~profit or loss~~

4.8 ***An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through surplus or deficit~~profit or loss~~ when permitted by paragraph 4.13 ~~4.3.5~~, or when doing so results in more relevant information, because either:*** IFRS 9 4.2.2

(a) ***it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases (see paragraphs AG4.47 to AG4.50~~B4.1.29–B4.1.32~~); or***

(b) ***a group of financial liabilities or 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 the Standard of GRAP on Related Party Disclosures (GRAP 24) ~~IAS 24 Related Party Disclosures~~), for example, the entity's governing body ~~board of directors~~ and chief executive officer or permanent head (see paragraphs AG4.51 to AG4.54~~B4.1.33–B4.1.36~~).***

Embedded derivatives

4.9 An embedded derivative is a component of a hybrid contract ~~(combined) instrument~~ that also includes a non-derivative host contract—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. GRAP 104.18 IFRS 9 4.3.1

Hybrid contracts with financial asset hosts

4.10 If a hybrid contract contains a host that is an asset within the scope of this Standard, an entity shall apply the requirements in paragraphs 4.~~1.~~1-4.64.~~1.~~5 to IFRS 9 4.3.2

the entire contract.

Other hybrid contracts

4.11 ***If a hybrid contract contains a host that is not an asset within the scope of this Standard, ~~A~~an embedded derivative shall be separated from the host ~~contract~~ and accounted for as a derivative under this Standard if, and only if:*** GRAP 104.19 IFRS 9 4.3.3

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (see Appendix A paragraphs AG4.59 and AG4.62 ~~AG61. and AG64.~~);

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid contract ~~(combined) instrument~~ is not measured at fair value with the changes in fair value recognised in surplus or deficit (i.e. a derivative that is embedded in a financial instrument at fair value is not separated).

~~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 other appropriate 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.~~

4.12 ***If an embedded derivative is separated, the host contract shall be accounted for in accordance with the appropriate Standards. This Standard does not address whether an embedded derivative shall be presented separately in the statement of financial position.*** IFRS 9 4.3.4 [new]

4.13 ***Despite paragraphs 4.11 and 4.12 ~~4.3.3 and 4.3.4~~ ~~Notwithstanding paragraph .19~~, if a contract contains a host ~~contract~~ that is not an asset within the scope of this Standard ~~a financial instrument and one or more embedded derivatives~~, an entity may designate the entire hybrid ~~(combined)~~ contract ~~to be measured~~ as at fair value through surplus or deficit unless:*** GRAP 104.20 IFRS 9 4.3.5

(a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

(b) it is clear with little or no analysis when a similar hybrid ~~(combined)~~ instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

4.14 ***If an entity is required by this Standard to separate an embedded derivative from its host ~~contract~~, but is unable to measure ~~reliably~~ the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid ~~(combined)~~ contract as at fair value through surplus or deficit. ~~This designation can only be applied if the host contract is a financial instrument.~~*** GRAP 104.21 IFRS 9 4.3.6

4.15 If an entity is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the entity is unable to measure the fair value of the embedded derivative using this method, paragraph 4.14 ~~4.3.6~~ applies and the hybrid contract is designated at fair value through surplus or deficit ~~profit or loss~~. IFRS 9 4.3.7

Reclassification

4.16 ***An entity shall reclassify financial assets ~~When, and only~~ when:*** IFRS 9 4.4.1 [modified to include cost category of financial assets]

(a) ***an entity changes its management ~~business~~ model for managing financial assets it shall reclassify all affected financial assets in accordance with paragraphs 4.~~1.~~1–4.~~1.~~4. See paragraphs 5.37 to 5.39 ~~5.6.1–5.6.7~~, AG4.67 to AG4.69 ~~B4.4.1–B4.4.3~~ and AG5.115 to AG5.116 ~~B5.6.1–B5.6.2~~ for additional guidance on reclassifying financial assets~~.~~;***

(b) ***a reliable measure of fair value either becomes, or ceases to be, available for an investment in a residual interest. See paragraphs 5.40 to 5.41 and AG4.70 to AG4.71.***

4.17 ***An entity shall not reclassify any financial liability.*** IFRS 9 4.4.2

~~The following changes in circumstances are not reclassifications for the purposes of paragraphs 4.4.1–4.4.2:~~ IFRS 9 4.4.3

~~(a) an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;~~

~~(b) an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and~~

~~(c) changes in measurement in accordance with Section 6.7.~~

Chapter 5 – Measurement

Measurement

~~Initial measurement of financial assets and financial liabilities~~

Initial measurement

5.1 ***Except for receivables and payables within the scope of paragraph 5.~~1.~~3, at initial recognition, ~~When a financial asset or financial liability is recognised initially,~~ an entity shall measure a financial asset or financial liability ~~it~~ at its fair value plus or minus, in the case of a financial asset or a financial liability not ~~subsequently measured~~ 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 (see Appendix A paragraphs AG5.1 to AG5.11~~AG80. to AG89.~~).*** GRAP 104.36 IFRS 9 5.1.1

5.2 ***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 AG5.4~~B5.1.2A~~.*** IFRS 9 5.1.1.A

~~When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).~~ IFRS 9 5.1.2

5.3 Despite the requirement in paragraph 5.~~1.~~1, at initial recognition, an entity shall measure ~~trade~~ receivables and payables at their transaction price ~~(as defined in IFRS 15) if the trade receivables~~ if they do not contain a material ~~significant~~ financing transaction (see Appendix A paragraphs AG5.8 to AG5.11~~AG86. to AG89.~~).~~in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15).~~ IFRS 9 5.1.3

Concessionary loans and investments (see Appendix A paragraphs AG5.12 to AG5.33~~AG90. to AG96.~~)

5.4 ***An entity ~~first~~ assesses whether the substance of a concessionary loan or investment is ~~in fact~~ a loan or investment by applying the principles in paragraphs 3.3 to 3.14 ~~.25 to .35~~. On initial recognition, an entity analyses a concessionary loan or investment into its component parts and accounts for each component separately. An entity accounts*** GRAP 104.37

for that part of a concessionary loan <u>or investment</u> that is:

(a) a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements[1], where it is the issuer of the loan <u>or the investor</u>; or

(b) <u>a contribution from owners and/or</u> non-exchange revenue, in accordance with GRAP 23, where it is the recipient of the loan <u>or the investment proceeds</u>.

5.5 The part of the concessionary loan <u>or investment</u> that is a social benefit<u>, a contribution from owners,</u> or non-exchange revenue is determined as the difference between the fair value of the loan <u>or investment</u> and the <u>transaction price (</u>loan <u>or investment</u> proceeds<u>)</u>, either paid or received. GRAP 104.38

5.6 After initial recognition, an entity measures concessionary loans or <u>investments</u> in accordance with paragraph <u>5.7</u>~~.45~~. GRAP 104.39

~~**Concessionary loans granted**~~

~~Concessionary loans may be granted to entities for a number of social or economic reasons. For example, the department of agriculture may grant loans to emerging farmers on flexible terms as a means of promoting economic growth. The terms of concessionary loans are not market related and may provide flexible repayment terms, may grant payment holidays, or may not require the repayment of part or all of the capital advanced.~~ GRAP 104.40 [moved to AG and modified]

~~Where an entity grants concessionary loans it shall consider whether part of the consideration granted is a social benefit. Social benefits are defined broadly as cash transfers paid to individuals and households in a non-exchange transaction to protect them against certain social risks.~~ GRAP 104.41 [moved to AG and modified

~~An entity accounts for the components of a concessionary loan granted separately. The loan is recognised as a financial asset, while any social benefit is accounted for in accordance with the *Framework for the Preparation and Presentation of Financial Statements*.~~ GRAP 104.42 [moved to AG and modified

~~**Concessionary loans received**~~

~~An entity may receive concessionary loans for a variety of reasons. For example, an entity may receive a concessionary loan as development assistance from a multi-lateral agency.~~ GRAP 104.43 [deleted as repetition]

[1] In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting.*

~~An entity assesses on initial recognition whether part of the consideration received as a concessionary loan comprises non-exchange revenue. The entity accounts for the loan as a financial liability and non-exchange revenue in accordance with GRAP 23.~~ GRAP 104.44 [moved to AG and modified

Subsequent measurement of financial assets ~~and financial liabilities~~

5.7 ***After initial recognition, a~~A~~n entity shall measure ~~all~~ financial asset~~s~~ ~~and financial liabilities after initial recognition using the following categories defined~~ in accordance with paragraph .4.~~1.~~1 to 4.~~1.~~5 at:*** GRAP 104.45 IFRS 9 5.2.1

(a) amortised cost;

(b) ~~Financial instruments at~~ fair value through surplus or deficit (see Appendix A paragraphs AG5.35 to AG5.49~~AG98. to AG112.~~; or~~).~~

~~(c) Financial instruments at amortised cost (see Appendix A paragraphs AG113. to AG114. and AG120. to AG129.).~~

(d) ~~Financial instruments at~~ cost.

5.8 ***An entity shall apply the impairment requirements in paragraphs 5.17 to 5.35 ~~Section 5.5.~~ to financial assets that are measured at amortised cost in accordance with paragraph 4.~~1.~~2 and paragraph 5.36 to financial assets measured at cost in accordance with paragraph 4.5 ~~fair value through other comprehensive income in accordance with paragraph 4.1.2A. All financial assets measured at amortised cost, or cost, are subject to an impairment review in accordance with paragraphs .57 to .64.~~*** GRAP 104.46 IFRS 9 5.2.2.

~~An entity shall apply the hedge accounting requirements in paragraphs 6.5.8–6.5.14 (and, if applicable, paragraphs 89–94 of IAS 39 Financial Instruments: Recognition and Measurement for the fair value hedge accounting for a portfolio hedge of interest rate risk) to a financial asset that is designated as a hedged item.~~ IFRS 9 5.2.3

~~An entity subsequently measures financial assets and financial liabilities at fair value, amortised cost or cost. An entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of 'financial instruments at fair value', 'financial instruments at amortised cost' or 'financial instruments at cost' in paragraph .14.~~ GRAP 104.47

Subsequent measurement of financial liabilities

5.9 ***After initial recognition, an entity shall measure a financial liability in accordance with paragraphs 4.7 to 4.8 ~~4.2.1–4.2.2.~~*** IFRS 9 5.3.1

~~An entity shall apply the hedge accounting requirements in paragraphs 6.5.8–6.5.14 (and, if applicable, paragraphs 89–94 of IAS 39for the fair value hedge accounting for a portfolio hedge of interest rate risk) to a financial liability that is designated as a hedged item.~~ IFRS 9 5.3.2

Fair value measurement ~~considerations~~

5.10 ***In determining the fair value of a financial asset or a financial liability for the purpose of applying this Standard an entity shall apply paragraphs AG5.35 to AG5.49 ~~AG98. to AG112.~~ of Appendix A.*** GRAP 104.48 Draft IPSAS 64

5.11 The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. GRAP 104.49 Draft IPSAS 65

5.12 The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. GRAP 104.50 Draft IPSAS 66

Amortised cost measurement

Financial assets

Effective interest method

5.13 ***Interest revenue shall be calculated by using the effective interest method (see Appendix A and paragraphs AG5.50 to AG5.56 ~~B5.4.1–B5.4.7~~). This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:*** IFRS 9 5.4.1

(a) ***P~~p~~urchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.***

(b) ***F~~f~~inancial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.***

5.14 An entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.13 ~~5.4.1~~(b), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.13 ~~5.4.1~~(b) were applied (such as an improvement in the borrower's credit rating. IFRS 9 5.4.2

Modification of contractual cash flows

5.15 When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in surplus or deficit ~~profit or loss~~. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit- IFRS 9 5.4.3

adjusted effective interest rate for purchased or originated credit-impaired financial assets)~~ or, when applicable, the revised effective interest rate calculated in accordance with paragraph 6.5.10~~. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Write-off

5.16 ***An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event ~~(see paragraph B3.2.16(r))~~.*** IFRS 9 5.4.4

Impairment

Recognition of expected credit losses

General approach

5.17 ***An entity shall recognise a loss allowance for expected credit losses on a financial asset that is measured in accordance with paragraphs 4.~~1.~~2 ~~or 4.1.2A~~, a lease receivable, ~~a contract asset~~ or a loan commitment and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 1.3(e)~~2.1(g)~~, 4.7 ~~4.2.1~~(c) or ~~4.2.1~~(d)*** IFRS 5.5.1

~~An entity shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.~~ IFRS 9 5.5.2

5.18 ***Subject to paragraphs 5.28 to 5.30 ~~5.5.13–5.5.16~~, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.*** IFRS 9 5.5.3

5.19 The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable IFRS 9 5.5.4

and supportable information, including that which is forward-looking.

5.20 ***Subject to paragraphs 5.28 to 5.30 ~~5.5.13–5.5.16~~, if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.*** IFRS 9 5.5 5

5.21 For loan commitments and financial guarantee contracts, the date that the entity becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. IFRS 9 5.5.6

5.22 If an entity has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that paragraph 5.18 ~~5.5.3~~ is no longer met, the entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date. IFRS 9 5.5.7

5.23 An entity shall recognise in surplus or deficit ~~profit or loss~~, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with this Standard. IFRS 9 5.5.8

Determining significant increases in credit risk

5.24 At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. IFRS 5.5.9

5.25 An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (see paragraphs AG5.81 to AG5.83~~B5.5.22–B5.5.24~~). IFRS 5.5.10

5.26 If reasonable and supportable forward-looking information is available without undue cost or effort, an entity cannot rely solely on past due information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, an entity may use past due information to determine whether there have been significant increases in credit risk since initial recognition. Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply. IFRS 9 5.5.11

Modified financial assets

5.27 If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument in accordance with paragraph 5.18 ~~5.5.3~~ by comparing: IFRS 9 5.5.12

(a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and

(b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

Purchased or originated credit impaired financial assets

5.28 ***Despite paragraphs 5.18 and 5.20 ~~5.5.3 and 5.5.5~~, at the reporting date, an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.*** IFRS 9 5.5.13

5.29 At each reporting date, an entity shall recognise in surplus or deficit ~~profit or loss~~ the amount of the change in lifetime expected credit losses as an impairment gain or loss. An entity shall recognise favourable changes in IFRS 9 5.5.14

lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Simplified approach for ~~trade~~ receivables~~, contract assets~~ and lease receivables

5.30 ***Despite paragraphs 5.18 and 5.20 ~~5.5.3 and 5.5.5~~, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for receivables and lease receivables.~~:~~*** IFRS 9 5.5.15

~~***(a) trade***~~ ***receivables*** ~~***or contract assets that result from transactions that are within the scope of IFRS 15, and that:***~~

~~***(i) do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15); or***~~

(ii) ~~***contain a significant financing component in accordance with IFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.***~~ ***and***

~~***(b) lease receivables that result from transactions that are within the scope of IFRS 16, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.***~~

5.31 ***The requirements for purchased or originated credit impaired financial assets (see paragraphs 2.1 and 5.28 to 5.29) do not apply to receivables.*** Own paragraph

~~An entity may select its accounting policy for trade receivables, lease receivables and contract assets independently of each other.~~ IFRS 9 5.5.16

Measurement of expected credit losses

5.32 ***An entity shall measure expected credit losses of a financial*** IFRS 9 5.5.17

instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

5.33 When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. IFRS 9 5.5.18

5.34 The maximum period to consider when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with ~~business~~ practice. IFRS 9 5.5.19

5.35 However, some financial instruments include both a loan and an undrawn commitment component and the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For such financial instruments, and only those financial instruments, the entity shall measure expected credit losses over the period that the entity is exposed to credit risk and expected credit losses would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. IFRS 9 5.5.20

Financial assets measured at cost

5.36 ***If there is objective evidence that an impairment loss has been incurred, using the definition of a 'credit impaired financial asset',' on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (see Appendix A paragraphs AG5.47 to AG5.48 ~~AG110. and AG111.~~). Such impairment losses shall not be reversed.*** GRAP 104.64

[moved from later in document]

Reclassification of financial assets

5.37 ***If an entity reclassifies financial assets in accordance with paragraph 4.16 ~~4.4.1~~, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest. Paragraphs 5.38 to 5.41 ~~5.6.2–5.6.7~~ set out the requirements for reclassifications.*** IFRS 9 5.6.1

5.38 ***If an entity reclassifies a financial asset out of the amortised cost measurement category and into the fair value through surplus or deficit ~~profit or loss~~ measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in surplus or deficit ~~profit or loss~~.*** IFRS 9 5.6.2

5.39 ***If an entity reclassifies a financial asset out of the fair value through surplus or deficit ~~profit or loss~~ measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount. (See paragraph AG5.117~~B5.6.2~~ for guidance on determining an effective interest rate and a loss allowance at the reclassification date.)*** IFRS 9 5.6.3

~~If an entity reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. (See paragraph B5.6.1.)~~ IFRS 9 5.6.4

~~If an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial~~ IFRS 9 5.6.5

~~asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment (see IAS 1 Presentation of Financial Statements). The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. (See paragraph B5.6.1.)~~

~~If an entity reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value. (See paragraph B5.6.2 for guidance on determining an effective interest rate and a loss allowance at the reclassification date.)~~ IFRS 9 5.6.6

~~If an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1) at the reclassification date.~~ IFRS 9 5.6.7

5.40 ***If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, an entity shall reclassify the investment from fair value through surplus or deficit to cost. The carrying amount at the date that fair value is no longer available becomes the cost.*** GRAP 104.53 [moved from later]

5.41 ***If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available~~, and the instrument would have been required to be measured at fair value~~, an entity reclassifies the investment ~~instrument~~ from cost to fair value through surplus or deficit and recognises the difference between its carrying amount and fair value in accordance with paragraph 5.42 ~~.55~~.*** GRAP 104.54 [moved from later]

Gains and losses

5.42 ***A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in surplus or deficit ~~profit or loss~~ unless:*** IFRS 9 5.7.1 GRAP 104.55

~~(a) it is part of a hedging relationship (see paragraphs 6.5.8–6.5.14 and, if applicable, paragraphs 89–94 of IAS 39 for the fair value hedge accounting for a portfolio hedge of interest rate risk);~~

~~(b) it is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income in accordance with paragraph 5.7.5;~~

~~(c)~~ it is a financial liability designated as at fair value through surplus or deficit ~~profit or loss~~ and the entity is required to present the effects of changes in the liability's credit risk in the statement of changes in net assets ~~other comprehensive income in~~ accordance with paragraph 5.44 ~~5.7.7.; or~~

~~(d)~~ ***~~it is a financial asset measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A and the entity is required to recognise some changes in fair value in other comprehensive income in accordance with paragraph 5.7.10.~~***

~~Dividends are recognised in profit or loss only when:~~ IFRS 9 5.7.1A

~~(a) the entity's right to receive payment of the dividend is established;~~

~~(b) it is probable that the economic benefits associated with the dividend will flow to the entity; and~~

(c) ~~the amount of the dividend can be measured reliably.~~

5.43 ***A gain or loss on a financial asset that is measured at amortised cost ~~and is not part of a hedging relationship (see paragraphs 6.5.8–6.5.14 and, if applicable, paragraphs 89–94 of IAS 39 for the fair value hedge accounting for a portfolio hedge of interest rate risk)~~ shall be recognised in surplus or deficit ~~profit or loss~~ when the financial asset is derecognised, reclassified in accordance with paragraph 5.38~~5.6.2~~, through the amortisation process or in order to recognise impairment gains or losses. An entity shall apply paragraphs 5.38 ~~5.6.2 and 5.6.4~~ if it reclassifies financial assets out of the amortised cost measurement category. A gain or loss on a financial liability that is measured at amortised cost ~~and is not part of a hedging relationship (see paragraphs 6.5.8–6.5.14 and, if applicable, paragraphs 89–94 of IAS 39 for the fair value hedge accounting for a portfolio hedge of interest rate risk)~~ shall be recognised in surplus or deficit ~~profit or loss~~ when*** IFRS 9 5.7.2

the financial liability is derecognised and through the amortisation process. (See paragraph AG5.118~~B5.7.2~~ for guidance on foreign exchange gains or losses.)

~~A gain or loss on financial assets or financial liabilities that are hedged items in a hedging relationship shall be recognised in accordance with paragraphs 6.5.8–6.5.14 and, if applicable, paragraphs 89–94 of IAS 39 for the fair value hedge accounting for a portfolio hedge of interest rate risk.~~ IFRS 9 5.7.3

~~If an entity recognises financial assets using settlement date accounting (see paragraphs 3.1.2, B3.1.3 and B3.1.6), 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 measured at amortised cost. For assets measured at fair value, however, the change in fair value shall be recognised in profit or loss or in other comprehensive income, as appropriate in accordance with paragraph 5.7.1. The trade date shall be considered the date of initial recognition for the purposes of applying the impairment requirements.~~ IFRS 9 5.7.4

~~Investments in equity instruments~~

~~At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this Standard that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. (See paragraph B5.7.3 for guidance on foreign exchange gains or losses.)~~ IFRS 9 5.7.5

~~If an entity makes the election in paragraph 5.7.5, it shall recognise in profit or loss dividends from that investment in accordance with paragraph 5.7.1A.~~ IFRS 9 5.7.6

Liabilities designated as at fair value through surplus or deficit ~~profit or loss~~

5.44 ***An entity shall present a gain or loss on a financial liability that is designated as at fair value through surplus or deficit ~~profit or loss~~ in accordance with paragraph 4.8 ~~4.2.2~~ or paragraph 4.13 ~~4.3.5~~. as*** IFRS 9 5.7.7

follows:

(a) ***the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in the statement of changes in net assets ~~other comprehensive income~~ (see paragraphs AG5.127 to AG 5.134 ~~B5.7.13–B5.7.20~~), and***

(b) ***the remaining amount of change in the fair value of the liability shall be presented in surplus or deficit ~~profit or loss~~***

unless the treatment of the effects in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in surplus or deficit ~~profit or loss~~ (in which case paragraph 5.45 ~~5.7.8~~ applies). Paragraphs AG5.119 to AG5.121 ~~B5.7.5-B5.7.7~~ and AG5.124 to AG5.126 ~~B5.7.10-B5.7.12~~ provide guidance on determining whether an accounting mismatch would be created or enlarged.

5.45 ***If the requirements in paragraph 5.44 ~~5.7.7~~ would create or enlarge an accounting mismatch in surplus or deficit ~~profit or loss~~, an entity shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in surplus or deficit ~~profit or loss~~.*** IFRS 9 5.7.8

5.46 Despite the requirements in paragraph~~s 5.7.7 and 5.7.8~~ 5.4.4 and 5.4.5, an entity shall present in surplus or deficit ~~profit or loss~~ all gains and losses on loan commitments and financial guarantee contracts that are designated as at fair value through surplus or deficit ~~profit or loss~~. IFRS 9 5.7.9

~~**Assets measured at fair value through other comprehensive income**~~

~~***A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance with paragraph 4.1.2Ashall be recognised in other comprehensive income, except for impairment gains or losses (see Section 5.5) and foreign exchange gains and losses (see paragraphs B5.7.2–B5.7.2A), until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1). If the financial asset is reclassified out of the fair value through other comprehensive***~~ IFRS 9.5.7.10

~~***income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income in accordance with paragraphs 5.6.5 and 5.6.7. Interest calculated using the effective interest method is recognised in profit or loss.***~~

~~***As described in paragraph 5.7.10, if a financial asset is measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A, the amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.***~~ IFRS 9.5.7.11

~~Reclassifications~~ ~~(see Appendix A paragraphs AG115. to AG118.)~~

~~***An entity may not reclassify a financial instrument while it is issued or held unless it is:***~~ GRAP 104.51

~~***(a) a combined instrument that is required to be measured at fair value in accordance with paragraphs .21, .22 and .52; or***~~

~~***(b) an investment in a residual interest that meets the requirements for reclassification in paragraphs .53 and .54.***~~

~~Combined instruments~~

~~Where an entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it is required by paragraph .21 to measure the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value. The difference between the carrying amount and fair value of the instrument is recognised in accordance with paragraph .55.~~ GRAP 104.52

~~Investments in residual interests~~

~~If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, an entity shall reclassify the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.~~ GRAP 104.53 [moved to reclassification section]

~~If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, an entity reclassifies the instrument from cost to fair value and recognises the~~ GRAP 104.54 [moved to reclassification section]

~~difference between its carrying amount and fair value in accordance with paragraph .55.~~

~~Gains and losses~~ ~~(see Appendix A paragraphs AG119.)~~

~~***A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.***~~ GRAP 104.55

~~***For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.***~~ GRAP 104.56

~~Impairment and uncollectibility of financial assets~~

~~***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 is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss.***~~ GRAP 104.57

~~A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment, since it may have been the combined effect of several events that did so. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:~~ GRAP 104.58

~~(a) significant financial difficulty of the issuer or obligor;~~

~~(b) a breach of contract, such as a default or delinquency in interest or principal payments;~~

~~(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;~~

~~(d) it is probable that the borrower will enter sequestration or other financial reorganisation;~~

~~(e) the disappearance of an active market for that financial asset because of financial difficulties; or~~

~~(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:~~

~~(i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or~~

~~(ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).~~

~~The disappearance of an active market because an entity's financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity's credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate).~~ GRAP 104.59

~~In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, for example, when a borrower is in financial difficulties and there is limited available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgement to estimate the amount of any impairment loss. Similarly an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstances (see paragraph AG125.). The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.~~ GRAP 104.60

~~Financial assets measured at amortised cost (see Appendix A paragraphs AG120. to AG128.)~~

~~If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying~~ GRAP 104.61

~~amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.~~

~~An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.~~ GRAP 104.62

~~If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in surplus or deficit.~~ GRAP 104.63

~~Financial assets measured at cost~~

~~If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (see Appendix A paragraphs AG110. and AG111.). Such impairment losses shall not be reversed.~~ GRAP 104.64

[moved to impairment section]

ED 167

Chapter 6 – Derecognition

Derecognition

Derecognition of financial assets (see Appendix A paragraphs <u>AG6.1 to AG6.14</u> ~~AG130. to AG143.~~)

6.1 ***An entity derecognises financial assets using trade date accounting.*** GRAP 104.65

6.2 In consolidated financial statements, paragraphs <u>6.3 to 6.8</u> ~~67 to .72~~ and Appendix A paragraphs <u>AG6.1 to AG6.14</u> ~~AG130. to AG143.~~ are applied at a consolidated level. Hence, an entity first consolidates all controlled entities in accordance with GRAP 6 and then applies paragraphs ~~.67 to .72~~ <u>6.3 to 6.8</u> and Appendix A paragraphs <u>AG6.1 to AG6.14</u> ~~AG130. to AG143~~. GRAP 104.66

6.3 ***Before evaluating whether, and to what extent, derecognition is appropriate under paragraphs <u>6.6 to 6.13</u> ~~.70 to .76~~, an entity determines whether those paragraphs should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety, as follows:*** GRAP 104.67

(a) Paragraphs <u>6.3 to 6.8</u> ~~.68 to .72~~ are applied to a part of a financial asset (or a part of a group of similar financial assets) if, and only if, the part being considered for derecognition meets one of the following three conditions:

(i) The part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an interest rate strip whereby the counterparty obtains the right to the interest cash flows, but not the principal cash flows from a debt instrument, paragraphs <u>6.3 to 6.8</u> ~~.68 to .72~~ are applied to the interest cash flows.

(ii) The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an arrangement whereby the counterparty obtains the rights to a 90% share of all cash flows of a debt instrument, paragraphs <u>6.3 to 6.8</u> ~~.68 to .72~~ are applied to 90% of those cash flows. If there is more than one counterparty, each counterparty is not required to have a proportionate share of the cash flows, provided that the transferring entity has a fully proportionate share.

(iii) The part comprises only a fully proportionate (pro rata) share of

specifically identified cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an arrangement whereby the counterparty obtains the rights to a 90% share of interest cash flows from a financial asset, paragraphs6.3 to 6.8 ~~.68 to .72~~ are applied to 90% of those interest cash flows. If there is more than one counterparty, each counterparty is not required to have a proportionate share of the specifically identified cash flows, provided that the transferring entity has a fully proportionate share.

(b) In all other cases, paragraphs 6.3 to 6.8 ~~.68 to .72~~ are applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety). For example, when an entity transfers (i) the rights to the first or the last 90% of cash collections from a financial asset (or a group of financial assets), or (ii) the rights to 90% of the cash flows from a group of receivables, but provides a guarantee to compensate the buyer for any credit losses up to 8% of the principal amount of the receivables, paragraphs 6.3 to 6.8 ~~.68 to .72~~ are applied to the financial asset (or a group of similar financial assets) in its entirety.

In paragraphs 6.3 to 6.8 ~~.68 to .72~~, the term 'financial asset' refers to either a part of a financial asset (or a group of similar financial assets) as identified in (a) above or, otherwise, a financial asset (or a group of similar financial assets) in its entirety.

6.4 An entity shall derecognise a financial asset only when: GRAP 104.68

(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;

(b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

(c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:

(i) derecognise the asset; and

(ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and

obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

Waiver of rights relating to financial assets (see Appendix A paragraph AG6.2 to AG6.3 ~~AG131. to AG132.~~)

6.5 An entity may waive the right to receive contractual receipts under the terms of an existing arrangement. The following outline scenarios of when a waiver of rights may arise: ~~For example,~~ GRAP 104.69

(a) A~~a~~ municipality may waive its right to contractual receipts ~~amounts~~ due on consumer accounts where those consumers become eligible to have their debts waived in accordance with the municipality's indigent policy. Where the waiver of rights results in the provision of a social benefit, it is accounted for in accordance with paragraph 5.4 ~~.37~~(a).

(b) An entity may waive its rights to contractual receipts because of a subsequent event such as the issuing of a court order. A court may order that, instead of being entitled to a right to receive cash or another financial asset, the entity instead has a right to another asset, good and/or services, i.e. the debt will be settled through the seizure of property or other goods/services rather than through cash or equivalent means. In these instances, an entity derecognises the financial asset (or part of the financial asset) that represents the entity's right to cash or another financial asset, and recognises the right to receive another asset in terms of the *Framework for the Preparation and Presentation of Financial Statement*[1].

Assessing the transfer of risks and rewards, and control (see Appendix A paragraphs AG6.4 to AG6.6 ~~AG133. to AG138.~~)

6.6 The transfer of risks and rewards (see paragraph 6.4~~.68~~) is evaluated by comparing the entity's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. An entity has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer (e.g. because the entity has sold a financial asset subject to an agreement to buy it back at a fixed price or the sale price plus a lender's return). An entity has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset (e.g. because the entity has sold a financial asset subject only to an option to buy it back at its fair GRAP 104.70

value at the time of repurchase).

6.7 Often it will be obvious whether the entity has transferred or retained substantially all of the risks and rewards of ownership and there will be no need to perform any computations. In other cases, it will be necessary to compute and compare the entity's exposure to the variability in the present value of the future net cash flows before and after the transfer. The computation and comparison is made using as the discount rate an appropriate current market interest rate. All reasonably possible variability in net cash flows is considered, with greater weight being given to those outcomes that are more likely to occur. GRAP 104.71

6.8 Whether the entity has transferred control of the asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control. GRAP 104.72

Transfers that qualify for derecognition (see Appendix A paragraphs AG6.10 to AG6.11 ~~AG139. to AG140.~~)

6.9 If an entity transfers a financial asset in a transfer that qualifies for derecognition (see paragraph 6.4 ~~.68~~) in its entirety and retains the right to service the financial asset for a fee, it shall recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset in accordance with paragraph 6.12 ~~.76~~. GRAP 104.73

6.10 If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognise the new financial asset, financial liability or servicing liability at fair value. GRAP 104.74

6.11 On derecognition of a financial asset in its entirety, the difference between: GRAP 104.75

(a) the carrying amount; and

(b) the sum of the consideration received (including any new asset obtained less any new liability assumed)

shall be recognised in surplus or deficit.

6.12 ***If the transferred asset is part of a larger financial asset (e.g. when an entity transfers interest cash flows that are part of a debt instrument) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised. The difference between:*** GRAP 104.76

(a) the carrying amount allocated to the part derecognised; and

(b) the sum of the consideration received for the part derecognised (including any new asset obtained less any new liability assumed)

shall be recognised in surplus or deficit.

6.13 When an entity allocates the previous carrying amount of a larger financial asset between the part that continues to be recognised and the part that is derecognised, the fair value of the part that continues to be recognised needs to be determined. When the entity has a history of selling parts similar to the part that continues to be recognised or other market transactions exist for such parts, recent prices of actual transactions provide the best estimate of its fair value. When there are no price quotes or recent market transactions to support the fair value of the part that continues to be recognised, the best estimate of the fair value is the difference between the fair value of the larger financial asset as a whole and the consideration received from the transferee for the part that is derecognised. GRAP 104.77

Transfers that do not qualify for derecognition

6.14 ***If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognise the transferred asset in its entirety and shall recognise a financial liability for the consideration received. In subsequent periods, the entity shall recognise any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset and the associated liability nor the revenue and the associated expenses may be offset.*** GRAP 104.78

Non-cash collateral

6.15 ***If a transferor provides non-cash collateral (such as debt instruments or a residual interest) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has*** GRAP 104.79

defaulted. The transferor and transferee shall account for the collateral as follows:

(a) if the transferee has the right by contract or custom to sell or repledge the collateral, the transferor shall reclassify that asset in its statement of financial position (e.g. as a loaned asset, a pledged investment in a residual interests or repurchase receivable) separately from other assets;

(b) if the transferee sells collateral pledged to it, it shall recognise the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral;

(c) if the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall derecognise the collateral, and the transferee shall recognise the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognise its obligation to return the collateral; and

(d) except as provided in (c), the transferor shall continue to carry the collateral as its asset, and the transferee shall not recognise the collateral as an asset.

Derecognition of financial liabilities (see Appendix A paragraphs AG6.15 to AG6.21 ~~AG144. to AG150.~~)

6.16 An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived (see also GRAP 23 for the waiver of debt as part of a non-exchange transaction). GRAP 104.80

6.17 An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability. GRAP 104.81

6.18 The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction, are accounted for in accordance with GRAP 23. GRAP 104.82

6.19 If an entity repurchases a part of a financial liability, the entity shall allocate the previous carrying amount of the financial liability between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognised and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognised shall be recognised in surplus or deficit. GRAP 104.83

Chapter 7 – Presentation

Reference

Presentation

Interest, dividends or similar distributions, losses and gains (see Appendix A paragraph AG7.1 ~~AG151.~~)

7.1 ***Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as revenue or expense in surplus or deficit. Distributions to holders of residual interests shall be recognised by the entity directly in net assets. Transaction costs incurred on residual interests shall be accounted for as a deduction from net assets.*** GRAP 104.84 IAS 32.35

7.2 Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs incurred on residual interests shall be accounted for in accordance with the International Accounting Standard on *Income Taxes* (IAS 12). GRAP 104.85 IAS 32.35A

7.3 The classification of a financial instrument as a financial liability or a residual interest determines whether interest, dividends or similar distributions, losses and gains relating to that instrument are recognised as revenue or expense in surplus or deficit. Thus, payments for dividends or similar distributions on instruments wholly recognised as liabilities are recognised as expenses in the same way as interest on a bond. Similarly, gains and losses associated with redemptions or refinancing of financial liabilities are recognised in surplus or deficit, whereas redemptions or refinancing of residual interests are recognised as changes in net assets. Changes in the fair value of a residual interest are not recognised in the financial statements. GRAP 104.86 IAS 32.36

7.4 An entity typically incurs various costs in issuing or acquiring its own residual interests. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. Any related transaction costs are accounted for as a deduction from net assets to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. The costs of such a transaction that is abandoned are recognised as an expense. GRAP 104.87 IAS 32.37

7.5 Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and residual interest components of the instrument in proportion to the allocation of proceeds. Transaction costs that relate jointly to more than one transaction are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. GRAP 104.88 IAS 32.38

7.6 The amount of transaction costs accounted for as a deduction from net assets in the period is disclosed separately in accordance with the Standard of GRAP on *Presentation of Financial Statements* (GRAP 1). GRAP 104.89 IAS 32.39

7.7 Dividends or similar distributions classified as an expense may be ~~are~~ presented in the statement of financial performance either with interest on other liabilities or as a separate item. In addition to the requirements of this paragraph and paragraph 8.30~~.116~~ of this Standard, disclosure of interest and dividends or similar distributions is subject to the requirements of GRAP 1. Disclosures of the tax effects (where applicable) are made in accordance with IAS 12. In some circumstances, because of the differences between interest and dividends or similar distributions with respect to matters such as tax deductibility, it is desirable to disclose them separately in the statement~~(s)~~ of financial performance ~~profit or loss and other comprehensive income~~. Disclosures of the tax effects are made in accordance with IAS 12. GRAP 104.90 IAS 32.40

7.8 Gains and losses related to changes in the carrying amount of a financial liability are recognised as revenue or expenses in surplus or deficit even when they relate to an instrument that includes a right to the residual interest in the assets of the entity in exchange for cash or another financial asset (see paragraph 3.6~~.28~~(b)). Under GRAP 1 the entity presents any gain or loss arising from remeasurement of such an instrument separately in the statement of financial performance when it is relevant in explaining the entity's performance. GRAP 104.91 IAS 32.41

Offsetting a financial asset and a financial liability (see Appendix A paragraph AG8.38 to AG8.51 ~~AG152. to AG153.~~)

7.9 A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity: GRAP 104.92 IAS 32.42

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability (see paragraph 6.14~~.78~~).

7.10 This Standard requires the presentation of financial assets and financial liabilities on a net basis when doing so reflects an entity's expected future cash flows from settling two or more separate financial instruments. When an entity has the right to receive or pay a single net amount and intends to do so, it has, in effect, only a single financial asset or financial liability. In other circumstances, financial assets GRAP 104.93 IAS 32.43

and financial liabilities are presented separately from each other consistently with their characteristics as resources or obligations of the entity. An entity shall disclose the information required in paragraphs 8.15 to 8.18 ~~13B–13E~~ of this Standard. ~~IFRS 7 for recognised financial instruments that are within the scope of paragraph 13A of IFRS 7.~~

7.11 Offsetting a recognised financial asset and a recognised financial liability and presenting the net amount differs from the derecognition of a financial asset or a financial liability. Although offsetting does not give rise to recognition of a gain or loss, the derecognition of a financial instrument not only results in the removal of the previously recognised item from the statement of financial position but also may result in recognition of a gain or loss. GRAP 104.94 IAS 32.44

7.12 A right of set-off is a debtor's legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor. In unusual circumstances, a debtor may have a legal right to apply an amount due from a third party against the amount due to a creditor provided that there is an agreement between the three parties that clearly establishes the debtor's right of set-off. Because the right of set-off is a legal right the laws applicable to the relationships between the parties need to be considered. GRAP 104.95 IAS 32.45

7.13 The existence of an enforceable right to set off a financial asset and a financial liability affects the rights and obligations associated with a financial asset and a financial liability and may affect an entity's exposure to credit and liquidity risk. However, the existence of the right, by itself, is not a sufficient basis for offsetting. In the absence of an intention to exercise the right or to settle simultaneously, the amount and timing of an entity's future cash flows are not affected. When an entity intends to exercise the right or to settle simultaneously, presentation of the asset and liability on a net basis reflects more appropriately the amounts and timing of the expected future cash flows, as well as the risks to which those cash flows are exposed. An intention by one or both parties to settle on a net basis without the legal right to do so is not sufficient to justify offsetting because the rights and obligations associated with the individual financial asset and financial liability remain unaltered. GRAP 104.96 IAS 32.46

7.14 An entity's intentions with respect to settlement of particular assets and liabilities may be influenced by its normal operating practices, the requirements of the financial markets and other circumstances that may limit the ability to settle net or to settle simultaneously. When an entity has a right of set-off, but does not intend to settle net or to realise the asset and settle the liability simultaneously, the effect of the right on the entity's credit risk exposure is disclosed in accordance with paragraph 8.57 ~~12~~8. GRAP 104.97 IAS 32.47

7.15 Simultaneous settlement of two financial instruments may occur through, for GRAP 104.98

example, the operation of a clearing house in an organised financial market or a face-to-face exchange. In these circumstances the cash flows are, in effect, equivalent to a single net amount and there is no exposure to credit or liquidity risk. In other circumstances, an entity may settle two instruments by receiving and paying separate amounts, becoming exposed to credit risk for the full amount of the asset or liquidity risk for the full amount of the liability. Such risk exposures may be significant even though relatively brief. Accordingly, realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the transactions occur at the same moment. IAS 32.48

7.16 The conditions set out in paragraph 7.9 ~~.92~~ are generally not satisfied and offsetting is usually inappropriate when: GRAP 104.99 IAS 32.49

(a) several different financial instruments are used to emulate the features of a single financial instrument (a 'synthetic instrument');

(b) financial assets and financial liabilities arise from financial instruments having the same primary risk exposure (for example, assets and liabilities within a portfolio of forward contracts or other derivative instruments) but involve different counterparties;

(c) financial or other assets are pledged as collateral for non-recourse financial liabilities;

(d) financial assets are set aside in trust by a debtor for the purpose of discharging an obligation without those assets having been accepted by the creditor in settlement of the obligation (for example, a sinking fund arrangement); or

(e) obligations incurred as a result of events giving rise to losses are expected to be recovered from a third party by virtue of a claim made under an insurance contract.

7.17 An entity that undertakes a number of financial instrument transactions with a single counterparty may enter into a 'master netting arrangement' with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract. These arrangements are commonly used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of operations. A master netting arrangement does not provide a basis for offsetting unless both of the criteria in paragraph 7.9~~.92~~ are satisfied. When financial assets and financial liabilities subject to a master netting arrangement are not offset, the effect of the arrangement on an entity's exposure to credit risk is disclosed in GRAP 104.100 IAS 32.50

accordance with paragraph 8.56~~.128 (paragraph 36 of IFRS 7)~~.

Chapter 8 – Disclosure

Reference

Disclosure (see Appendix A paragraphs AG8.1 to AG8.51 ~~AG154. to AG180.~~)

8.1 The disclosures in paragraphs 8.1 to 8.60~~.103 to .133~~ enable users of the financial statements to evaluate: GRAP 104.101 IFRS 7.1

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

8.2 These disclosures apply to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities recognised in accordance with this Standard. Unrecognised financial instruments include some financial instruments that, although outside the recognition and measurement requirements of this Standard, require certain disclosures under this Standard (such as financial guarantee contracts and loan commitments). GRAP 104.102 IFRS 7.4

Accounting policies (see Appendix A paragraph B8.1~~AG154.~~)

8.3 In accordance with paragraph .124 of GRAP 1, an entity discloses~~, in the summary of~~ its significant accounting policies comprising~~,~~ 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. GRAP 104.103 IFRS 7.21

Classes of financial instruments and level of disclosure (see Appendix A paragraphs AG8.2 to AG8.4 ~~AG155. to AG157.~~)

8.4 When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position. GRAP 104.104 IFRS 7.6

Significance of financial instruments for financial position and performance

8.5 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its GRAP 104.105 IFRS 7.7

financial position and performance.

Statement of financial position

Categories of financial assets and financial liabilities

~~***The carrying amounts of each of the categories of financial instruments, as defined in paragraph .14, shall be disclosed in the notes:***~~ GRAP 104.106

~~***(a) financial instruments at fair value, showing separately:***~~

~~***(i) financial assets designated at fair value; and***~~

~~***(ii) financial liabilities designated at fair value;***~~

~~***(b) financial instruments at amortised cost; and***~~

~~***(c) financial instruments at cost.***~~

~~***An entity may present financial assets and financial liabilities in separate line items under (a) or (b), for example, derivatives and instruments held-for-trading where this disclosure is useful in understanding the significance of these instruments to an entity's financial position and performance.***~~

8.6 ***The carrying amounts of each of the following categories, as specified in this Standard ~~IFRS 9~~, shall be disclosed either in the statement of financial position or in the notes:*** IFRS 7.8

(a) F~~f~~inancial assets measured at fair value through surplus or deficit ~~profit or loss~~, showing separately (i) those designated as such upon initial recognition ~~or subsequently in accordance with paragraph 6.7.1 of IFRS 9~~ and (ii) those mandatorily measured at fair value through surplus or deficit ~~profit or loss~~ in accordance with this Standard ~~IFRS 9~~.

(b) F~~f~~inancial liabilities at fair value through surplus or deficit ~~profit or loss~~, showing separately (i) those designated as such upon initial recognition ~~or subsequently in accordance with paragraph 6.7.1 of IFRS 9~~ and (ii) those that meet the definition of held for trading ~~IFRS 9~~.

(c) F~~f~~inancial assets measured at amortised cost.

(d) F~~f~~inancial liabilities measured at amortised cost.

~~***(e)Ffinancial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in***~~

~~accordance with paragraph 5.7.5 of IFRS 9.~~

Financial assets or financial liabilities at fair value through surplus or deficit ~~profit or loss~~

8.7 For concessionary loans, and financial assets (or group of financial assets) that an ~~If the~~ entity has designated as measured at fair value through surplus or deficit ~~profit or loss a financial asset (or group of financial assets)~~ that would otherwise be measured at ~~fair value through other comprehensive income or~~ amortised cost, it shall disclose: IFRS 7.9

(a) T~~t~~he maximum exposure to credit risk (see paragraph 8.56~~36~~(a)) of the financial asset (or group of financial assets) at the end of the reporting period.

(b) T~~t~~he amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 8.56 ~~36~~(b)).

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

(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.

(d) T~~t~~he 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 financial asset was designated.

8.8 If the entity has designated a financial liability as at fair value through surplus or deficit ~~profit or loss~~ in accordance with paragraph 4.8 ~~4.2.2 of IFRS 9~~ and is required to present the effects of changes in that liability's credit risk in the statement of changes in net assets ~~other comprehensive income~~ (see paragraph 5.44 ~~5.7.7 of IFRS 9~~), it shall disclose: IFRS 7.10

(a) T~~t~~he amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs AG5.127 to AG5.134 ~~B5.7.13–B5.7.20 of IFRS 9~~ for guidance on determining the effects of changes in a liability's credit risk).

(b) T~~t~~he difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

(c) A~~a~~ny transfers of the cumulative gain or loss within net assets ~~equity~~ during the period including the reason for such transfers.

(d) I~~i~~f a liability is derecognised during the period, the amount (if any) presented in the statement of changes in net assets ~~other comprehensive income~~ that was realised at derecognition.

8.9 ***If an entity has designated a financial liability as at fair value through surplus or deficit ~~profit or loss in accordance with IFRS 9~~ and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in surplus or deficit ~~profit or loss~~ (see paragraphs 5.44 and 5.45 ~~5.7.7 and 5.7.8 of IFRS 9~~), it shall disclose:*** IFRS 7.10A

(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs AG5.127 to AG5.134 ~~B5.7.13–B5.7.20 of IFRS 9~~ for guidance on determining the effects of changes in a liability's credit risk); and

(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.

8.10 ***The entity shall also disclose:*** IFRS 7.11

(a) A~~a~~ detailed description of the methods used to comply with the requirements in paragraphs 8.7~~9~~(c)~~, 10(a)~~ 8.8(a) and 8.9~~10A(a)~~ and paragraph 5.44(a) ~~5.7.7(a) of IFRS 9~~, including an explanation of why the method is appropriate.

(b) I~~i~~f the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 8.7~~9~~(c)~~, 10(a)~~ , ~~8.8(a)~~ or 8.9~~10A~~(a) or paragraph 5.44(a) ~~5.7.7(a) of IFRS 9~~ does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

(c) ***A~~a~~ detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in the statement of changes in net assets ~~other comprehensive income~~ would create or enlarge an accounting mismatch in surplus or deficit ~~profit or loss~~ (see paragraphs 5.43 and 5.45 ~~5.7.7 and 5.7.8 of IFRS 9~~). If an entity is required to present the effects of changes in a liability's credit risk in surplus or deficit ~~profit or loss~~ (see paragraph 5.45 ~~5.7.8 of IFRS 9~~), the disclosure must include a detailed description of the economic relationship described in paragraph AG5.120 ~~B5.7.6 of IFRS 9~~.***

~~Investments in equity instruments designated at fair value through other comprehensive income~~

~~If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of IFRS 9, it shall disclose:~~ IFRS 7.11A

~~(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.~~

~~If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:~~ IFRS 7.11B

~~(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.~~

Reclassification

~~If the entity has reclassified a financial instrument:~~ GRAP 104.107

~~(a) at cost, rather than fair value; or~~

~~***(b) at fair value, rather than amortised cost or cost ,***~~

~~***in accordance with paragraphs .51 to .54, it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.***~~

8.11 An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.16 ~~4.4.1 of IFRS 9~~. For each such event, an entity shall disclose: IFRS 7.12B

(a) T~~t~~he date of reclassification.

(b) A~~a~~ detailed explanation of the change in management ~~business~~ model and a qualitative description of its effect on the entity's financial statements.

(c) T~~t~~he amount reclassified into and out of each category.

8.12 For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through surplus or deficit ~~profit or loss~~ category so that they are measured at amortised cost ~~or fair value through other comprehensive income in accordance with~~ paragraph 4.16~~4.4.1~~ of this Standard ~~IFRS 9~~: IFRS 7.12C

(a) the effective interest rate determined on the date of reclassification; and

(b) the interest revenue recognised.

8.13 If, since its last annual reporting date, an entity has reclassified ~~financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or~~ out of the fair value through surplus or deficit ~~profit or loss~~ category so that they are measured at amortised cost ~~or fair value through other comprehensive income~~ it shall disclose: IFRS 7.12D

(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 surplus or deficit ~~profit or loss or other comprehensive income~~ during the reporting period if the financial assets had not been reclassified.

Offsetting financial assets and financial liabilities

8.14 The disclosures in paragraphs 8.15 to 8.18 ~~13B–13E~~ supplement the other disclosure requirements of this Standard ~~IFRS~~ and are required for all recognised financial instruments that are set off in accordance with IFRS 7.13A

paragraph 7.9~~42 of IAS 32~~. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with paragraph 7.9~~42 of IAS 32~~.

8.15 An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 8.14 ~~13A~~. IFRS 7.13B

8.16 To meet the objective in paragraph 8.15~~13B~~, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 8.14~~A~~: IFRS 7.13C

(a) the gross amounts of those recognised financial assets and recognised financial liabilities;

(b) the amounts that are set off in accordance with the criteria in paragraph 7.9~~42 of IAS 32~~ when determining the net amounts presented in the statement of financial position;

(c) the net amounts presented in the statement of financial position;

(d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 8.16~~13C~~(b), including:

  (i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 7.9~~42 of IAS 32~~; and

  (ii) amounts related to financial collateral (including cash collateral); and

(e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

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

8.17 The total amount disclosed in accordance with paragraph 8.16~~13C~~(d) for an instrument shall be limited to the amount in paragraph 8.16~~13C~~(c) for that instrument. IFRS 7.13D

8.18 An entity shall include a description in the disclosures of the rights of set-off IFRS 7.13E associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 8.16~~13C~~(d), including the nature of those rights.

8.19 If the information required by paragraphs 8.15 to 8.18~~13B–13E~~ is disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes. IFRS 7.13F

Derecognition

8.20 An entity may have transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition (see paragraphs 6.1 to 6.4 ~~.65 to .78~~). The entity shall disclose for each class of such financial assets: GRAP 104.108

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed; and

(c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities.

Collateral

8.21 An entity shall disclose: GRAP 104.109

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 6.15~~.79~~(a); and IFRS 7.14

(b) the terms and conditions relating to its pledge.

8.22 When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: GRAP 104.110 IFRS 7.15

(a) fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, whether the entity has an obligation to return it, and whether the collateral held is sufficient for the debts owing; and

(b) the terms and conditions associated with its use of the collateral.

~~**Allowance account for credit losses**~~

~~***When financial assets are impaired by credit losses and the entity records the impairment in a separate account (pe.g. an allowance account used to***~~ GRAP 104.111

~~***record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.***~~

Compound financial instruments with multiple embedded derivatives

8.23 ***If an entity has issued an instrument that contains both a liability and a residual interest component (see paragraph 3.10 ~~.31~~) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.*** GRAP 104.112 IFRS 7.1

Concessionary loans and investments

8.24 ***If an entity has granted or received a concessionary loan and investments, it shall disclose:*** GRAP 104.113 [own paragraph]

(a) the existence of such loans and investments;

(b) their significant terms and conditions; ~~and~~

(c) the nominal value of the loan and investment balances at year end; and~~.~~

(d) the circumstances that led to the purchase or origination a credit impaired concessionary loan (see paragraph 8.27).

8.25 ***For concessionary loans granted by an entity and measured at amortised cost, an entity discloses the following:*** [own paragraph – drawn from ED63]

(a) A reconciliation between the opening and closing carrying amounts of the loans, including:

(i) nominal value of new loans granted during the period;

(ii) the concessionary component recognised on initial recognition;

(iii) loans repaid during the period;

(iv) impairment losses recognised;

(v) any increase during the period in the discounted amount arising from the passage of time; and

(vi) other changes.

(b) nominal value of the loans at the end of the period;

(c) the purpose and terms of the various types of loans; and

(d) valuation assumptions, including whether the valuation approach in

paragraph AG5.19 was applied.

8.26 ***For concessionary loans granted by an entity and measured at fair value, an entity discloses the following:*** [own paragraph – drawn from ED63]

(a) ***A reconciliation between the opening and closing carrying amounts of the loans, including:***

(i) ***nominal value of new loans granted during the period;***

(ii) ***the concessionary component recognised on initial recognition;***

(iii) ***loans repaid during the period;***

(iv) ***the fair value adjustment during the period (separate from initial recognition); and***

(v) ***other changes.***

(b) ***nominal value of the loans at the end of the period;***

(c) ***the purpose and terms of the various types of loans; and***

(d) ***valuation assumptions, including whether the valuation approach in paragraph AG5.19 was applied.***

8.27 ***For concessionary loans granted by an entity that are credit impaired on purchase or origination, an entity discloses a reconciliation of the opening and closing balance of the nominal value of any new loans granted, on an undiscounted basis, separately disclosing the:*** [own paragraph added]

(a) ***concessionary component of the loan, which reflects any capital or interest cash flows that need not be repaid, and the difference between interest cash flows on a market basis (or using the time value of money where the practical expedient is applied) and those using the nominal interest rate; and***

(b) ***expected credit losses recognised on initial recognition.***

An entity provides this disclosure in addition to paragraph 8.25.

Defaults and breaches

8.28 ***For loans payable recognised at the end of the reporting period, an entity shall disclose:*** GRAP 104.114 IFRS 7.18

(a) ***details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;***

(b) ***the carrying amount of the loans payable in default at the end of the***

reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

8.29 If, during the period, there were breaches of loan agreement terms other than those described in paragraph 8.28 ~~.114~~ an entity shall disclose the same information as required by paragraph 8.28 ~~.114~~ if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period). GRAP 104.115 IFRS 7.19

Statement of financial performance

Items of revenue, expense, gains or losses

~~An entity shall disclose the following items of revenue, expense, gains or losses either in the statement of financial performance or in the notes:~~ GRAP 104.116

~~(a) net gains or net losses on:~~

~~(i) financial instruments at fair value;~~

~~(ii) financial instruments at amortised cost; and~~

~~(iii) financial instruments at cost;~~

~~(b) total interest income and total interest expense (calculated using the effective interest method) for financial instruments at amortised cost.~~

~~(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:~~

~~(i) financial instruments at amortised cost; and~~

~~(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;~~

~~(d) interest income on impaired financial assets accrued in accordance with paragraph AG129; and~~

~~(e) the amount of any impairment loss for each class of financial asset.~~

8.30 An entity shall disclose the following items of revenue ~~income~~, expense, gains or losses either in the statement of financial performance ~~comprehensive income~~ or in the notes: IFRS 7.20

(a) net gains or net losses on:

(i) ~~F~~financial assets or financial liabilities measured at fair value through surplus or deficit ~~profit or loss~~, showing separately those on financial assets or financial liabilities designated as such upon initial recognition ~~or subsequently in accordance with paragraph 6.7.1 of IFRS 9~~, and those on financial assets or financial liabilities that are mandatorily measured at fair value through surplus or deficit ~~profit or loss in accordance with IFRS 9~~ (e.g. financial liabilities that meet the definition of held for trading ~~in IFRS 9~~). For financial liabilities designated as at fair value through surplus or deficit ~~profit or loss~~, an entity shall show separately the amount of gain or loss recognised in the statement of changes in net assets ~~other comprehensive income~~ and the amount recognised in surplus or deficit ~~profit or loss~~.

(ii) ~~F~~financial liabilities measured at amortised cost.

(iii) ~~F~~financial assets measured at amortised cost.

~~(iv) Iinvestments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9.~~

~~(v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.~~

(b) ~~T~~total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost ~~or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9 (showing these amounts separately)~~; or financial liabilities that are not measured at fair value through surplus or deficit ~~profit or loss~~.

(c) ~~F~~fee income and expense (other than amounts included in determining the effective interest rate) arising from:

(i) financial assets and financial liabilities that are not at fair value through surplus or deficit ~~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.***

~~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.~~ IFRS 7.20A

Notes to the financial statements

Fair value disclosures

8.31 The disclosure of the fair values of financial instruments measured at amortised cost is encouraged, but not required. Where an entity elects to disclose the fair values of financial instruments measured at amortised cost, it applies paragraph 8.32 ~~.118~~ below. GRAP 104.117

8.32 ***An entity shall disclose for each class of instrument measured or disclosed at fair value, the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.*** GRAP 104.118

8.33 ***For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 8.34 ~~.120~~.*** GRAP 104.119

8.34 ***For fair value measurements recognised in the statement of financial position, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:*** GRAP 104.120

(a) ***quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);***

(b) ***inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and***

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

8.35 For fair value measurements recognised in the statement of financial position an entity is encouraged, but not required to disclose for each class of financial instruments: GRAP 104.121

(a) Any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to surplus or deficit, and total assets or total liabilities.

(b) For fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:

(i) total gains or losses for the period recognised in surplus or deficit, and a description of where they are presented in the statement of financial performance;

(ii) purchases, sales, issues and settlements (each type of movement disclosed separately); and

(iii) transfers into or out of Level 3 (e.g. transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3;

(c) the amount of total gains or losses for the period in (c)(i) above, included in surplus or deficit, that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of financial performance; and

(d) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to surplus or deficit, and total assets or total liabilities.

An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.

~~Other disclosures~~

~~An entity may disclose the nominal values of financial assets and financial liabilities where this information is useful to the users of the financial statements.~~ GRAP 104.122

Nature and extent of risks arising from financial instruments (see Appendix A paragraph AG8.5~~AG158.~~)

8.36 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. GRAP 104.123 IFRS 7.31

8.37 The disclosures required by paragraphs 8.39 to 8.60 ~~.125 to .133~~ focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk. GRAP 104.124 IFRS 7.32

8.38 Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks. IFRS 7.32A

Qualitative disclosures

8.39 For each type of risk arising from financial instruments, an entity shall disclose: GRAP 104.125 IFRS 7.33

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in (a) or (b) from the previous period.

Quantitative disclosures (see Appendix A paragraphs AG8.6 to AG8.37 ~~AG159. to AG180.~~)

8.40 For each type of risk arising from financial instruments, an entity shall disclose: GRAP 104.126 IFRS 7.34

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to ~~key~~ management ~~personnel~~ of the entity (as defined in GRAP 24 ~~the Standard of GRAP on Related Party Disclosures~~), for example the entity's governing body, chief executive officer or permanent head ~~board of directors, governing body or senior management~~;

(b) the disclosures required by paragraphs 8.42 to 8.60 ~~.128 to .133~~, to the extent not provided in (a), unless the risk is not material (see paragraphs .36 to .38 of GRAP 1 for a discussion of materiality); and

(c) concentrations of risk if not apparent from (a) and (b).

8.41 If the quantitative data disclosed as at the end of the reporting period is unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative. GRAP 104.127 IFRS 7.35

Credit risk (see Appendix A paragraphs AG8.8 to AG8.19 ~~AG161. to AG162.~~)

~~An entity shall disclose by class of financial instrument:~~ GRAP 104.128

~~(a) the amount that best represents its maximum exposure to credit risk (usually the carrying amounts of instruments) at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset in accordance with paragraphs .92 to .100);~~

~~(b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements;~~

~~(c) information about the credit quality of financial assets that are neither past due nor impaired; and~~

~~(d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.~~

~~Financial assets that are either past due or impaired~~

~~An entity shall disclose by class of financial asset:~~ GRAP 104.129

~~(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired;~~

~~(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired; and~~

~~***(c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements.***~~

Scope and objectives

8.42 ***An entity shall apply the disclosure requirements in paragraphs 8.47 to 8.55 ~~35F–35N~~ to financial instruments to which the impairment requirements in this Standard ~~IFRS 9~~ are applied. However:*** IFRS 7.35A

(a) ***for ~~trade~~ receivables~~, contract assets~~ and lease receivables, paragraph 8.51 ~~35J~~(a) applies to those ~~trade~~ receivables~~, contract assets~~ or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.30 ~~5.5.15 of IFRS 9~~, if those financial assets are modified while more than 30 days past due; and***

(b) ***paragraph 8.52~~35K~~(b) does not apply to lease receivables.***

8.43 ***The credit risk disclosures made in accordance with paragraphs 8.47 to 8.55 ~~35F–35N~~ shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:*** IFRS 7.35B

(a) ***information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;***

(b) ***quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and***

(c) ***information about an entity's credit risk exposure (i.e. the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.***

8.44 An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete. IFRS 7.35C

8.45 To meet the objectives in paragraph 8.43 ~~35B~~, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. IFRS 7.35D

8.46 If the disclosures provided in accordance with paragraphs 8.47 to 8.55 ~~35F–35N~~ are insufficient to meet the objectives in paragraph 8.43~~35B~~, an entity shall disclose additional information that is necessary to meet those objectives. IFRS 7.35E

The credit risk management practices

8.47 An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate: IFRS 7.35F

(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:

(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.25 ~~5.5.10 of IFRS 9~~, including the classes of financial instruments to which it applies; and

(ii) the presumption in paragraph 5.26~~5.5.11 of IFRS 9~~, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;

(b) an entity's definitions of default, including the reasons for selecting those definitions;

(c) how the instruments were grouped if expected credit losses were measured on a collective basis;

(d) how an entity determined that financial assets are credit-impaired financial assets;

(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and

(f) how the requirements in paragraph 5.27 ~~5.5.12 of IFRS 9~~ for the

modification of contractual cash flows of financial assets have been applied, including how an entity:

(i) ***determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.20 ~~5.5.5 of IFRS 9~~; and***

(ii) ***monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.18~~5.5.3 of IFRS 9~~.***

8.48 ***An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in paragraphs 5.17 to 5.35 ~~Section 5.5 of IFRS 9~~. For this purpose an entity shall disclose:*** IFRS 7.35G

(a) ***the basis of inputs and assumptions and the estimation techniques used to:***

(i) ***measure the 12-month and lifetime expected credit losses;***

(ii) ***determine whether the credit risk of financial instruments has increased significantly since initial recognition; and***

(iii) ***determine whether a financial asset is a credit-impaired financial asset.***

(b) ***how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and***

(c) ***changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.***

Quantitative and qualitative information about amounts arising from expected credit losses

8.49 ***To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:*** IFRS 7.35H

(a) ***the loss allowance measured at an amount equal to 12-month expected***

credit losses;

(b) ***the loss allowance measured at an amount equal to lifetime expected credit losses for:***

(i) ***financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;***

(ii) ***financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and***

(iii) ***~~trade~~ receivables~~, contract assets~~ or lease receivables for which the loss allowances are measured in accordance with paragraph 5.30 ~~5.5.15 of IFRS 9~~.***

(c) ***financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.***

8.50 ***To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 8.49 ~~35H~~, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 8.49~~35H~~(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:*** IFRS 7.35I

(a) ***changes because of financial instruments originated or acquired during the reporting period;***

(b) ***the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets ~~in accordance with IFRS 9~~;***

(c) ***changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and***

(d) ***changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.***

8.51 ***To enable users of financial statements to understand the nature and effect*** IFRS 7.35J

of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose:

(a) ***the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and***

(b) ***the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.***

8.52 ***To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:*** IFRS 7.35K

(a) ***T~~t~~he amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not qualify for offset ~~in accordance with IAS 32~~).***

(b) ***A~~a~~ narrative description of collateral held as security and other credit enhancements, including:***

(i) ***a description of the nature and quality of the collateral held;***

(ii) ***an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and***

(iii) ***information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.***

(c) ***Q~~q~~uantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.***

8.53 ***An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.*** IFRS 7.35L

Credit risk exposure

8.54 ***To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:*** IFRS 7.35M

(a) ***for which the loss allowance is measured at an amount equal to 12-month expected credit losses;***

(b) ***for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:***

(i) ***financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;***

(ii) ***financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and***

(iii) ***~~trade~~ receivables~~, contract assets~~ or lease receivables for which the loss allowances are measured in accordance with paragraph 5.30 ~~5.5.15 of IFRS 9~~.***

(c) ***that are purchased or originated credit-impaired financial assets.***

8.55 For ~~trade~~ receivables~~, contract assets~~ and lease receivables to which an entity applies paragraph 5.30 ~~5.5.15 of IFRS 9~~, the information provided in accordance with paragraph 8.54 ~~35M~~ may be based on a provision matrix (see paragraph AG5.95~~B5.5.35 of IFRS 9~~). IFRS7.35N

8.56 ***For all financial instruments within the scope of this Standard ~~IFRS~~, but to which the impairment requirements ~~in IFRS 9~~ are not applied, an entity shall disclose by class of financial instrument:*** IFRS 7.36

(a) ***T~~t~~he amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g. netting agreements that do not quality for offset ~~in accordance with IAS 32~~); this disclosure***

<u>is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.</u>

(b) <u>A</u>~~a~~ <u>description of collateral held as security and other credit enhancements, and their financial effect (e.g. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).</u>

Collateral and other credit enhancements obtained

8.57 ***When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose:*** GRAP 104.130 IFRS 7.38

(a) the nature and carrying amount of the assets obtained; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Liquidity risk (see Appendix A paragraphs <u>AG8.20 to AG8.27</u> ~~AG163. to AG170.~~)

8.58 ***An entity shall disclose:*** GRAP 104.131 IFRS 7.39

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities;

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows; and

(b) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk (see Appendix A paragraphs <u>AG8.28 to AG8.37</u> ~~AG171. to AG180.~~)

Sensitivity analysis

8.59 ***An entity ~~is encouraged to~~ disclose<u>s</u>:*** GRAP 104.132 IFRS 7.40 and 42 Changed from encouraged to required in

(a) a sensitivity analysis for each <u>significant</u> type of market risk to which the entity is exposed at the end of the reporting period, showing how surplus or deficit would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

revision.

(b) ***the methods and assumptions used in preparing the sensitivity analysis; and***

(c) ***changes from the previous period in the methods and assumptions used, and the reasons for such changes.***

If the quantitative data disclosed as at the end of the reporting period is unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

8.60 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 8.59~~.132~~. The entity shall also disclose:

GRAP 104.133

IFRS 7.41

[required and note encouraged in IFRS 7]

(a) an explanation of the method used in preparing such a sensitivity analysis and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Chapter 9 – Transitional provisions and effective date

Reference

Transitional provisions

Initial adoption of the Standards of GRAP

9.1 The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive. GRAP 104.134

Amendments to Standards of GRAP

~~***.135 Paragraphs .84, .87 and .89 were amended and paragraph .85 was added by the Improvements to the Standards of GRAP issued on 1 April 2014. An entity shall apply that amendment retrospectively for annual financial periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.***~~ GRAP 104.135

Effective date

Initial adoption of the Standards of GRAP

9.2 An entity shall apply this Standard of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended. GRAP 104.136

~~Entities already applying Standards of GRAP~~

~~***.137 An entity shall apply amendments to this Standard of GRAP for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is encouraged. If an entity applies these amendments for a period beginning before 1 April 2015, it shall disclose that fact.***~~ ~~GRAP 104.137~~

Withdrawal of the Standard of GRAP on *Financial Instruments*

9.3 This Standard supersedes the previous Standard of GRAP on *Financial Instruments* issued in October 2009.