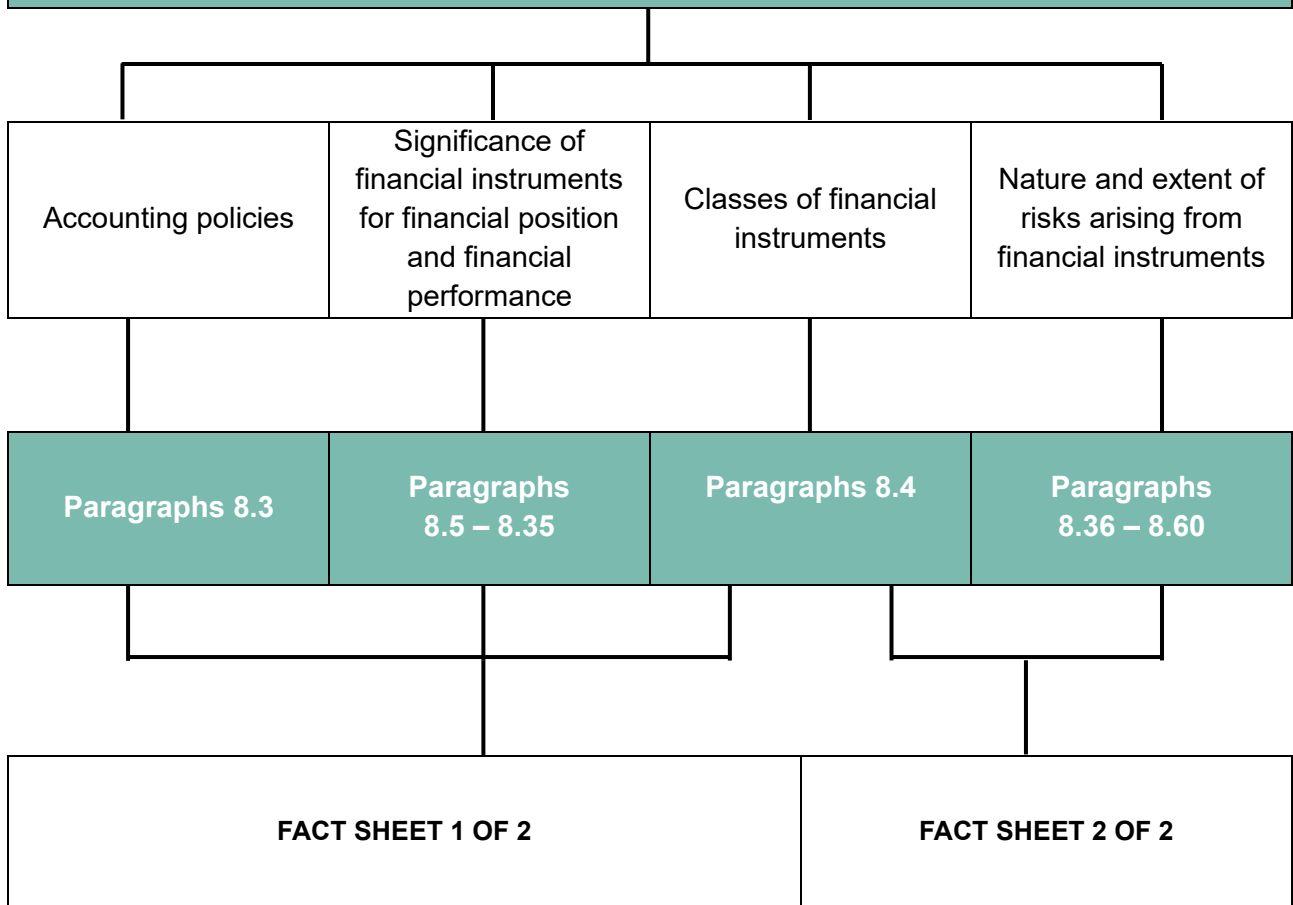


**STRUCTURE OF FINANCIAL INSTRUMENT DISCLOSURE FACT SHEETS**

**CHAPTER 8 – DISCLOSURES**



*This Fact Sheet explains the Secretariat’s views on the disclosure in GRAP 104 on Financial Instruments (revised in 2019). This Fact Sheet accompanies, and is not a replacement for, the complete text of GRAP 104 Financial Instruments. The Fact Sheet outlines the most common disclosures. The disclosure may differ depending on the facts and circumstances of individual arrangements. This Fact Sheet has not been reviewed, approved or otherwise acted on by the ASB.*

## FINANCIAL INSTRUMENTS DISCLOSURE FACT SHEET 1 OF 2

OBJECTIVE OF THE FACT SHEET		
Objective of fact sheets	The purpose of the financial instrument disclosure fact sheets is to describe the disclosure requirements of GRAP 104 on <i>Financial Instruments</i> .	
	This fact sheet focusses on the disclosure of the accounting policies and the significance of financial instruments for an entity's statement of financial position and performance.	
ACCOUNTING POLICIES		
Which policies must be disclosed	Material accounting policies - this includes the measurement basis used and other policies that are relevant to understand financial instruments.	Paragraph 8.3 GRAP1.127-.134
Example: Financial instruments designated at fair value	Disclosure on: <ul style="list-style-type: none"> <li>• The nature of financial instruments designated.</li> <li>• The criteria used for designating the instruments at initial recognition.</li> <li>• How the entity complies with the designation criteria in GRAP 104.</li> </ul>	Paragraph AG8.1
Example: Gains or losses	Disclosure on how net gains or losses for each category of financial instrument are determined. For example, do net gains or losses include fair value adjustments, interest and dividends received?	
CLASSES OF FINANCIAL INSTRUMENTS		
Classes of financial instruments	To determine the classes of financial instruments, an entity considers the nature and the characteristics of the financial instruments for which the disclosure is required.  There should be enough information to enable the users to reconcile the classes of financial instruments to the line items in the statement of financial position.	Paragraph 8.4
SIGNIFICANCE OF FINANCIAL INSTRUMENTS FOR FINANCIAL POSITION AND PERFORMANCE		
Objective	Users to understand the impact of financial instruments on the: <ul style="list-style-type: none"> <li>• statement of financial position; and</li> <li>• statement of financial performance.</li> </ul>	Paragraph 8.5
Categories of financial instruments	Categories of financial instruments include: <ul style="list-style-type: none"> <li>• Financial assets measured at fair value through surplus or deficit - those designated.</li> <li>• Financial assets measured at fair value through surplus or deficit - those required by the Standard.</li> <li>• Financial liabilities measured at fair value through surplus or deficit - those designated.</li> <li>• Financial liability measured at fair value through surplus or deficit - those held for trading.</li> <li>• Financial assets measured at amortised cost.</li> </ul>	

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## FINANCIAL INSTRUMENTS DISCLOSURE FACT SHEET 1 OF 2

		<ul style="list-style-type: none"> <li>Financial liabilities measured at amortised cost.</li> </ul>	
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>Categories</b>		For users to understand the impact of financial instruments on the statement of financial position, an entity should disclose the carrying amount per category of financial instruments.	Paragraph 8.6
<b>Financial assets and concessionary loans designated at fair value through surplus or deficit</b>		The impact of financial assets designated at fair value through surplus or deficit is illustrated by disclosing information on the amount of changes in the fair value.	Paragraph 8.7
<b>Financial liability designated at fair value through surplus or deficit</b>		When an entity presents the effects of changes in that liability's credit risk in the statement of changes in net assets, the entity should disclose information about the amount of change in fair value, the difference between the carrying amount and contractual amount payable and the movements in net assets because of these instruments.	Paragraph 8.8
		When an entity presents all changes in that liability's fair value in the surplus or deficit, the entity should disclose information about the amount of change in fair value and the difference between the carrying amount and contractual amount payable.	Paragraph 8.9
<b>Methods and methodologies for instruments designated as fair value through surplus or deficit</b>		<p>The purpose of this disclosure is to inform the users of how the entity has determined which portion of the fair value adjustment is due to changes in the credit risk of the instrument, and why the entity recognised the fair value adjustment in surplus or deficit instead of net assets. This disclosure covers:</p> <ul style="list-style-type: none"> <li>The method used to measure the fair value that is due to changes in the instrument's credit risk.</li> <li>The methodology used to determine whether presenting the changes in the liability's credit risk in net assets would create or enlarge an accounting mismatch.</li> </ul>	Paragraph 8.10
<b>Investment in residual interest measured at cost</b>		<p>An entity should disclose information to explain to the users:</p> <ul style="list-style-type: none"> <li>why the instrument is measured at cost; and</li> <li>which inputs could not be estimated reliably to determine the fair value.</li> </ul>	Paragraph 8.11
<b>RECLASSIFICATION</b>	<b>Reclassification in current or prior year</b>	<p>An entity discloses information about financial instruments reclassified for the users to assess the impact and reasons for the reclassification. The following information will assist in achieving this objective:</p> <ul style="list-style-type: none"> <li>The date of the reclassification.</li> <li>The amount reclassified in and out of each category to assess the impact.</li> <li>An explanation of the change in the management model and the change in categories to understand the reason for the reclassification.</li> </ul>	Paragraph 8.12
	<b>Reclassification of financial asset out of the</b>	Disclosure in each year until the date of derecognition on the:	Paragraph 8.13

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## FINANCIAL INSTRUMENTS DISCLOSURE FACT SHEET 1 OF 2

	fair value through surplus or deficit category	<ul style="list-style-type: none"> <li>• Effective interest rate on reclassification date.</li> <li>• Interest revenue recognised for the reporting period.</li> </ul>	
		<p>An entity should disclose (in the year of the reclassification) information that enables the user to assess the impact on the financial statements because the instrument was reclassified during the reporting period. The following information assists in achieving this disclosure objective:</p> <ul style="list-style-type: none"> <li>• The fair value of the instrument at the reporting date as if the instrument was not reclassified.</li> <li>• The fair value gain or loss that would have been recognised in the reporting period if the instrument was not reclassified.</li> </ul>	Paragraph 8.14
OFFSETTING	Scope	<p>The disclosure for offsetting financial assets and financial liabilities applies to the following instrument:</p> <ul style="list-style-type: none"> <li>• Financial instruments that are set off in accordance with GRAP 104 (see paragraph 7.9); or</li> <li>• Those subject to an enforceable master netting arrangement even if they were not set off.</li> </ul>	Paragraph 8.15
	Objective	The purpose of the disclosure is to enable users to evaluate the impact or potential impact of netting arrangements on the financial statements.	Paragraph 8.16
	The effect or potential effect of offsetting	<p>To achieve the objective, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The gross carrying amount of the recognised financial assets and liabilities.</li> <li>• The amounts that were set off to determine the net amount in the statement of financial position.</li> <li>• The net amount presented in the statement of financial position.</li> <li>• The amounts that are subject to an enforceable master netting arrangement that were not set off.</li> </ul>	Paragraphs 8.17 – 8.18
	Right of set-off	Disclosure of the rights of set-off associated with the amounts that are subject to an enforceable master netting arrangement that was not set off.	Paragraph 8.19
DERECOGNITION	Financial assets transferred but not fully derecognised	<p>An entity should disclose:</p> <ul style="list-style-type: none"> <li>• The nature of the asset.</li> <li>• The nature of the risks and rewards of ownership to which the entity remains exposed.</li> <li>• The carrying amount of the asset and associated liabilities.</li> </ul>	Paragraph 8.21
COLLATERAL	Collateral pledged by an entity	<p>An entity should disclose:</p> <ul style="list-style-type: none"> <li>• The carrying amount of financial assets pledged as collateral.</li> <li>• The terms and conditions of the pledge.</li> </ul>	Paragraph 8.22

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## FINANCIAL INSTRUMENTS DISCLOSURE FACT SHEET 1 OF 2

<b>CONCESSIONARY LOANS AND INVESTMENTS</b>	Concessionary loans received	An entity should disclose: <ul style="list-style-type: none"> <li>• Existence of such loan or investment.</li> <li>• Significant terms and conditions.</li> <li>• The nominal value at the reporting date.</li> </ul>	Paragraph 8.25
	Concessionary investment received		
	Concessionary loans granted (fair value and amortised cost)	<p>An entity should disclose information that enables the user to understand the reasons and impact of the changes between the opening and closing balance. The reasons for the changes will mainly include the following:</p> <ul style="list-style-type: none"> <li>• Increase due to new loans granted (at the nominal value) during the period.</li> <li>• Decrease due to the concessionary portion recognised for new loans.</li> <li>• Decrease due to payments received.</li> <li>• Movement because of impairment losses (those at amortised cost).</li> <li>• Increase due to finance cost from the passage of time (those at amortised cost).</li> <li>• Fair value adjustment (those at fair value).</li> <li>• And other changes.</li> </ul> <p>An entity should disclose information to explain to the users:</p> <ul style="list-style-type: none"> <li>• The nominal value of the loan at the reporting date.</li> <li>• Purpose and significant terms and conditions of the various loans.</li> <li>• Valuation method and assumptions.</li> <li>• The circumstances that led to the purchase or origination of credit-impaired loans.</li> </ul>	Paragraphs 8.25 - 8.27
<b>DEFAULTS OR BREACHES</b>	Loans payable at the reporting date	An entity should disclose: <ul style="list-style-type: none"> <li>• Details of defaults during the reporting period (even if remedied or renegotiated before the reporting date).</li> <li>• Carrying amount of loans in default at the reporting date.</li> <li>• Indicate whether the default was remedied, or terms renegotiated before the financial statements were authorised for issue.</li> </ul>	Paragraph 8.28
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>			
	Disclose in statement of financial performance or notes	The purpose of the disclosures is for the users to be able to assess the impact of financial instruments on surplus or deficit. To achieve this disclosure, the entity discloses information of items recognised per financial instrument category. The disclosures include the following items recognised in surplus or deficit: <ul style="list-style-type: none"> <li>• Net gains or losses.</li> <li>• Total interest revenue and expense.</li> <li>• Fee income and expenses.</li> </ul>	Paragraph 8.30
<b>FAIR VALUE DISCLOSURES</b>			

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<b>Method and assumptions</b>	For recognition at fair value or where the fair value is disclosed, disclose how the fair value was determined.	Paragraph 8.32
<b>Fair value recognised in the statement of financial position</b>	For each class of financial instrument, disclose the fair value hierarchy into which the fair value is categorised.	Paragraphs 8.33 – 8.34

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