
**STATUTORY BOARD FINANCIAL
REPORTING STANDARD**

SB-FRS 107

Guidance on Implementing

Financial Instruments: Disclosures

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Guidance on Implementing SB-FRS 107 Financial Instruments: Disclosures

This guidance accompanies, but is not part of, SB-FRS 107.

Introduction

- IG1 This guidance suggests possible ways to apply some of the disclosure requirements in SB-FRS 107. The guidance does not create additional requirements.
- IG2 For convenience, each disclosure requirement in the SB-FRS is discussed separately. In practice, disclosures would normally be presented as an integrated package and individual disclosures might satisfy more than one requirement. For example, information about concentrations of risk might also convey information about exposure to credit or other risk.

Materiality

- IG3 SB-FRS 1 *Presentation of Financial Statements* notes that a specific disclosure requirement in a Standard or an Interpretation need not be satisfied if the information is not material. SB-FRS 1 defines materiality as follows:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

- IG4 SB-FRS 1 also explains that definition as follows:

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Classes of financial instruments and level of disclosure (paragraphs 6 and B1–B3)

- IG5 Paragraph B3 states that 'an entity decides in the light of its circumstances how much detail it provides to satisfy the requirements of this SB-FRS, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics.' To satisfy the requirements, an entity may not need to disclose all the information suggested in this guidance.
- IG6 Paragraph 15(c) of SB-FRS 1 requires an entity to 'provide additional disclosures when compliance with the specific requirements in SB-FRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.'

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

Financial liabilities at fair value through profit or loss (paragraphs 10(a)(i) and B4)

- IG7 The following example illustrates the calculation that an entity might perform in accordance with paragraph B4 of Appendix B of the SB-FRS.
- IG8 On 1 January 20X1, an entity issues a 10-year bond with a par value of CU150,000 and an annual fixed coupon rate of 8 per cent, which is consistent with market rates for bonds with similar characteristics.
- IG9 The entity uses LIBOR as its observable (benchmark) interest rate. At the date of inception of the bond, LIBOR is 5 per cent. At the end of the first year:
- (a) LIBOR has decreased to 4.75 per cent.
 - (b) the fair value for the bond is CU153,811, consistent with an interest rate of 7.6 per cent.*
- IG10 The entity assumes a flat yield curve, all changes in interest rates result from a parallel shift in the yield curve, and the changes in LIBOR are the only relevant changes in market conditions.
- IG11 The entity estimates the amount of change in the fair value of the bond that is not attributable to changes in market conditions that give rise to market risk as follows:

* This reflects a shift in LIBOR from 5 per cent to 4.75 per cent and a movement of 0.15 per cent which, in the absence of other relevant changes in market conditions, is assumed to reflect changes in credit risk of the instrument.

<p>[paragraph B4(a)]</p> <p>First, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return.</p>	<p>At the start of the period of a 10-year bond with a coupon of 8 per cent, the bond's internal rate of return is 8 per cent.</p> <p>Because the observed (benchmark) interest rate (LIBOR) is 5 per cent, the instrument-specific component of the internal rate of return is 3 per cent.</p>
<p>[paragraph B4(b)]</p> <p>Next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the observed (benchmark) interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in accordance with paragraph B4(a).</p>	<p>The contractual cash flows of the instrument at the end of the period are:</p> <ul style="list-style-type: none"> o interest: CU12,000^(a) per year for each of years 2–10. o principal: CU150,000 in year 10. <p>The discount rate to be used to calculate the present value of the bond is thus 7.75 per cent, which is 4.75 per cent end of period LIBOR rate, plus the 3 per cent instrument-specific component.</p> <p>This gives a present value of CU152,367.^(b)</p>
<p>[paragraph B4(c)]</p> <p>The difference between the observed market price of the liability at the end of the period and the amount determined in accordance with paragraph B4(b) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed.</p>	<p>The market price of the liability at the end of the period is CU153,811.^(c)</p> <p>Thus, the entity discloses CU1,444, which is CU153,811–CU152,367, as the increase in fair value of the bond that is not attributable to changes in market conditions that give rise to market risk.</p>
<p>(a) $CU150,000 \times 8\% = CU12,000$</p> <p>(b) $PV = [CU12,000 \times (1 - (1 + 0.0775)^{-9}) / 0.0775] + CU150,000 \times (1 + 0.0775)^{-9}$</p> <p>(c) $market\ price = [CU12,000 \times (1 - (1 + 0.076)^{-9}) / 0.076] + CU150,000 \times (1 + 0.076)^{-9}$</p>	

Defaults and breaches (paragraphs 18 and 19)

- IG12 Paragraphs 18 and 19 require disclosures when there are any defaults or breaches of loans payable. Any defaults or breaches may affect the classification of the liability as current or non-current in accordance with SB-FRS 1.

Total interest income and total interest expense (paragraph 20(b))

- IG13 The total interest income and total interest expense disclosed in accordance with paragraph 20(b) is a component of the finance costs, which paragraph 81(b) of SB-FRS 1 requires to be presented separately on the face of the income statement. The line item for finance costs may also include amounts that arise on non-financial assets or non-financial liabilities.

Fair value (paragraph 28)

- IG14 The fair value at initial recognition of financial instruments that are not traded in active markets is determined in accordance with paragraph AG76 of SB-FRS 39. However, when, after initial recognition, an entity will use a valuation technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that valuation technique. In these circumstances, the difference will be recognised in profit or loss in subsequent periods in accordance with SB-FRS 39 and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would consider in setting a price (see paragraph AG76A of SB-FRS 39). Paragraph 28 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 28:

Background

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

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

After initial recognition, the entity will apply a valuation technique to establish the financial assets' fair value. This valuation technique includes variables other than data from observable markets.

At initial recognition, the same valuation technique would have resulted in an amount of CU14 million, which differs from fair value by CU1 million.

The entity has existing differences of CU5 million at 1 January 20X1.

Application of requirements

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

continued...

continued...

Accounting policies

The entity uses the following valuation technique to determine the fair value of financial instruments that are not traded in an active market: [description of technique, not included in this example]. Differences may arise between the fair value at initial recognition (which, in accordance with SB-FRS 39, is generally the transaction price) and the amount determined at initial recognition using the valuation technique. Any such differences are [description of the entity's accounting policy].

In the notes to the financial statements

As discussed in note X, the entity uses [name of valuation technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with SB-FRS 39, the fair value of an instrument at inception is generally the transaction price. If the transaction price differs from the amount determined at inception using the valuation technique, that difference is [description of the entity's accounting policy]. The differences yet to be recognised in profit or loss are as follows:

	31 Dec X2 CU million	31 Dec X1 CU million
Balance at beginning of year	5.3	5.0
New transactions	-	1.0
Amounts recognised in profit or loss during the year	(0.7)	(0.8)
Other increases	-	0.2
Other decreases	<u>(0.1)</u>	<u>(0.1)</u>
Balance at end of year	<u>4.5</u>	<u>5.3</u>

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

Qualitative disclosures (paragraph 33)

IG15 The type of qualitative information an entity might disclose to meet the requirements in paragraph 33 includes, but is not limited to, a narrative description of:

- (a) the entity's exposures to risk and how they arose. Information about risk exposures might describe exposures both gross and net of risk transfer and other risk-mitigating transactions.
- (b) the entity's policies and processes for accepting, measuring, monitoring and controlling risk, which might include:
 - (i) the structure and organisation of the entity's risk management function(s), including a discussion of independence and accountability;
 - (ii) the scope and nature of the entity's risk reporting or measurement systems;

- (iii) the entity's policies for hedging or mitigating risk, including its policies and procedures for taking collateral; and
 - (iv) the entity's processes for monitoring the continuing effectiveness of such hedges or mitigating devices.
- (c) the entity's policies and procedures for avoiding excessive concentrations of risk.

IG16 Information about the nature and extent of risks arising from financial instruments is more useful if it highlights any relationship between financial instruments that can affect the amount, timing or uncertainty of an entity's future cash flows. The extent to which a risk exposure is altered by such relationships might be apparent to users from the disclosures required by this Standard, but in some cases further disclosures might be useful.

IG17 In accordance with paragraph 33(c), entities disclose any change in the qualitative information from the previous period and explain the reasons for the change. Such changes may result from changes in exposure to risk or from changes in the way those exposures are managed.

Quantitative disclosures (paragraphs 34–42 and B7–B28)

IG18 Paragraph 34 requires disclosure of quantitative data about concentrations of risk. For example, concentrations of credit risk may arise from:

- (a) industry sectors. Thus, if an entity's counterparties are concentrated in one or more industry sectors (such as retail or wholesale), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (b) credit rating or other measure of credit quality. Thus, if an entity's counterparties are concentrated in one or more credit qualities (such as secured loans or unsecured loans) or in one or more credit ratings (such as investment grade or speculative grade), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (c) geographical distribution. Thus, if an entity's counterparties are concentrated in one or more geographical markets (such as Asia or Europe), it would disclose separately exposure to risks arising from each concentration of counterparties.
- (d) a limited number of individual counterparties or groups of closely related counterparties.

Similar principles apply to identifying concentrations of other risks, including liquidity risk and market risk. For example, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if an entity has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

IG19 In accordance with paragraph B8, disclosure of concentrations of risk includes a description of the shared characteristic that identifies each concentration. For example, the shared characteristic may refer to geographical distribution of counterparties by groups of countries, individual countries or regions within countries.

IG20 When quantitative information at the reporting date is unrepresentative of the entity's exposure to risk during the period, paragraph 35 requires further disclosure. To meet this

requirement, an entity might disclose the highest, lowest and average amount of risk to which it was exposed during the period. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures.

Credit risk (paragraphs 36–38, B9 and B10)

IG21 Paragraph 36 requires an entity to disclose information about its exposure to credit risk by class of financial instrument. Financial instruments in the same class share economic characteristics with respect to the risk being disclosed (in this case, credit risk). For example, an entity might determine that residential mortgages, unsecured consumer loans, and commercial loans each have different economic characteristics.

Collateral and other credit enhancements pledged (paragraph 36(b))

IG22 Paragraph 36(b) requires an entity to describe collateral available as security for assets it holds and other credit enhancements obtained. An entity might meet this requirement by disclosing:

- (a) the policies and processes for valuing and managing collateral and other credit enhancements obtained;
- (b) a description of the main types of collateral and other credit enhancements (examples of the latter being guarantees, credit derivatives, and netting agreements that do not qualify for offset in accordance with SB-FRS 32);
- (c) the main types of counterparties to collateral and other credit enhancements and their creditworthiness; and
- (d) information about risk concentrations within the collateral or other credit enhancements.

Credit quality (paragraph 36(c))

IG23 Paragraph 36(c) requires an entity to disclose information about the credit quality of financial assets with credit risk that are neither past due nor impaired. In doing so, an entity might disclose the following information:

- (a) an analysis of credit exposures using an external or internal credit grading system;
- (b) the nature of the counterparty;
- (c) historical information about counterparty default rates; and
- (d) any other information used to assess credit quality.

IG24 When the entity considers external ratings when managing and monitoring credit quality, the entity might disclose information about:

- (a) the amounts of credit exposures for each external credit grade;
- (b) the rating agencies used;

- (c) the amount of an entity's rated and unrated credit exposures; and
- (d) the relationship between internal and external ratings.

IG25 When the entity considers internal credit ratings when managing and monitoring credit quality, the entity might disclose information about:

- (a) the internal credit ratings process;
- (b) the amounts of credit exposures for each internal credit grade; and
- (c) the relationship between internal and external ratings.

Financial assets that are either past due or impaired (paragraph 37)

IG26 A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, an entity enters into a lending agreement that requires interest to be paid every month. On the first day of the next month, if interest has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings.

IG27 When the terms and conditions of financial assets that have been classified as past due are renegotiated, the terms and conditions of the new contractual arrangement apply in determining whether the financial asset remains past due.

IG28 Paragraph 37(a) requires an analysis by class of the age of financial assets that are past due but not impaired. An entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:

- (a) not more than three months;
- (b) more than three months and not more than six months;
- (c) more than six months and not more than one year; and
- (d) more than one year.

IG29 Paragraph 37(b) requires an analysis of impaired financial assets by class. This analysis might include:

- (a) the carrying amount, before deducting any impairment loss;
- (b) the amount of any related impairment loss; and
- (c) the nature and fair value of collateral available and other credit enhancements obtained.

Liquidity risk (paragraphs 39 and B11)

Liquidity management (paragraph 39(b))

IG30 If an entity manages liquidity risk on the basis of expected maturity dates, it might disclose a maturity analysis of the expected maturity dates of both financial liabilities and

financial assets. If an entity discloses such an expected maturity analysis, it might clarify that expected dates are based on estimates made by management, and explain how the estimates are determined and the principal reasons for differences from the contractual maturity analysis that is required by paragraph 39(a).

IG31 Paragraph 39(b) requires the entity to describe how it manages the liquidity risk inherent in the maturity analysis of financial liabilities required in paragraph 39(a). The factors that the entity might consider in providing this disclosure include, but are not limited to, whether the entity:

- (a) expects some of its liabilities to be paid later than the earliest date on which the entity can be required to pay (as may be the case for customer deposits placed with a bank);
- (b) expects some of its undrawn loan commitments not to be drawn;
- (c) holds financial assets for which there is a liquid market and that are readily saleable to meet liquidity needs;
- (d) has committed borrowing facilities (e.g. commercial paper facilities) or other lines of credit (e.g. stand-by credit facilities) that it can access to meet liquidity needs;
- (e) holds financial assets for which there is not a liquid market, but which are expected to generate cash inflows (principal or interest) that will be available to meet cash outflows on liabilities;
- (f) holds deposits at central banks to meet liquidity needs;
- (g) has very diverse funding sources; or
- (h) has significant concentrations of liquidity risk in either its assets or its funding sources.

Market risk (paragraphs 40–42 and B17–B28)

IG32 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. There are three types of market risk: interest rate risk, currency risk and other price risk. Other price risk may include risks such as equity price risk, commodity price risk, prepayment risk (i.e. the risk that one party to a financial asset will incur a financial loss because the other party repays earlier or later than expected), and residual value risk (e.g. a lessor of motor cars that writes residual value guarantees is exposed to residual value risk). Risk variables that are relevant to disclosing market risk include, but are not limited to:

- (a) the yield curve of market interest rates. It may be necessary to consider both parallel and non-parallel shifts in the yield curve.
- (b) foreign exchange rates.
- (c) prices of equity instruments.
- (d) market prices of commodities.

IG33 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable. For example, relevant risk variables might include:

- (a) prevailing market interest rates, for interest-sensitive financial instruments such as a variable-rate loan; or
- (b) currency rates and interest rates, for foreign currency financial instruments such as foreign currency bonds.

IG34 For interest rate risk, the sensitivity analysis might show separately the effect of a change in market interest rates on:

- (a) interest income and expense;
- (b) other line items of profit or loss (such as trading gains and losses); and
- (c) when applicable, equity.

An entity might disclose a sensitivity analysis for interest rate risk for each currency in which the entity has material exposures to interest rate risk.

IG35 Because the factors affecting market risk vary depending on the specific circumstances of each entity, the appropriate range to be considered in providing a sensitivity analysis of market risk varies for each entity and for each type of market risk.

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

Interest rate risk

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

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Foreign currency exchange rate risk

At 31 December 20X2, if the CU had weakened 10 per cent against the US dollar with all other variables held constant, post-tax profit for the year would have been CU2.8 million (20X1—CU6.4 million) lower, and other components of equity would have been CU1.2 million (20X1—CU1.1 million) higher. Conversely, if the CU had strengthened 10 per cent against the US dollar with all other variables held constant, post-tax profit would have been CU2.8 million (20X1—CU6.4 million) higher, and other components of equity would have been CU1.2 million (20X1—CU1.1 million) lower. The lower foreign currency exchange rate sensitivity in profit in 20X2 compared with 20X1 is attributable to a reduction in foreign currency denominated debt. Equity is more sensitive in 20X2 than in 20X1 because of the increased use of hedges of foreign currency purchases, offset by the reduction in foreign currency debt.

(a) Paragraph 39(a) requires disclosure of a maturity analysis of liabilities.

Other market risk disclosures (paragraph 42)

IG37 Paragraph 42 requires the disclosure of additional information when the sensitivity analysis disclosed is unrepresentative of a risk inherent in a financial instrument. For example, this can occur when:

- (a) a financial instrument contains terms and conditions whose effects are not apparent from the sensitivity analysis, e.g. options that remain out of (or in) the money for the chosen change in the risk variable;
- (b) financial assets are illiquid, e.g. when there is a low volume of transactions in similar assets and an entity finds it difficult to find a counterparty; or
- (c) an entity has a large holding of a financial asset that, if sold in its entirety, would be sold at a discount or premium to the quoted market price for a smaller holding.

IG38 In the situation in paragraph IG37(a), additional disclosure might include:

- (a) the terms and conditions of the financial instrument (e.g. the options);
- (b) the effect on profit or loss if the term or condition were met (i.e. if the options were exercised); and
- (c) a description of how the risk is hedged.

For example, an entity may acquire a zero-cost interest rate collar that includes an out-of-the-money leveraged written option (e.g. the entity pays ten times the amount of the difference between a specified interest rate floor and the current market interest rate). The entity may regard the collar as an inexpensive economic hedge against a reasonably possible increase in interest rates. However, an unexpectedly large decrease in interest rates might trigger payments under the written option that, because of the leverage, might be significantly larger than the benefit of lower interest rates. Neither the fair value of the collar nor a sensitivity analysis based on reasonably possible changes in market variables would indicate this exposure. In this case, the entity might provide the additional information described above.

IG39 In the situation described in paragraph IG37(b), additional disclosure might include the reasons for the lack of liquidity and how the entity hedges the risk.

IG40 In the situation described in paragraph IG37(c), additional disclosure might include:

- (a) the nature of the security (e.g. entity name);
- (b) the extent of holding (e.g. 15 per cent of the issued shares);
- (c) the effect on profit or loss; and
- (d) how the entity hedges the risk.

Transition (paragraph 44)

IG41 The following table summarises the effect of the exemption from presenting comparative accounting and risk disclosures for accounting periods beginning before 1 January 2006, before 1 January 2007, and on or after 1 January 2007. In this table:

- (a) a **first-time adopter** is an entity preparing its first SB-FRS financial statements (see SB-FRS 101 *First-time Adoption of Financial Reporting Standards*).
- (b) an **existing SB-FRS user** is an entity preparing its second or subsequent SB-FRS financial statements.

	Accounting disclosures (paragraphs 7–30)	Risk disclosures (paragraphs 31–42)
Accounting periods beginning before 1 January 2006		
First-time adopter not applying SB-FRS 107 early	<i>Applies SB-FRS 32 but exempt from providing SB-FRS 32 comparative information</i>	<i>Applies SB-FRS 32 but exempt from providing SB-FRS 32 comparative information</i>
First-time adopter applying SB-FRS 107 early	Exempt from presenting SB-FRS 107 comparative information^(a)	Exempt from presenting SB-FRS 107 comparative information^(a)
Existing SB-FRS user not applying SB-FRS 107 early	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information
Existing SB-FRS user applying SB-FRS 107 early	Provides full SB-FRS 107 comparative information	Exempt from presenting SB-FRS 107 comparative information^(b)
		<i>continued</i>

Continued		
Accounting periods beginning on or after 1 January 2006 and before 1 January 2007		
First-time adopter not applying SB-FRS 107 early	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information
First-time adopter applying SB-FRS 107 early	Provides full SB-FRS 107 comparative information	Provides full SB-FRS 107 comparative information
Existing SB-FRS user not applying SB-FRS 107 early	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information	Applies SB-FRS 32. Provides full SB-FRS 32 comparative information
Existing SB-FRS user applying SB-FRS 107 early	Provides full SB-FRS 107 comparative information	Provides full SB-FRS 107 comparative information
Accounting periods beginning on or after 1 January 2007 (mandatory application of SB-FRS 107)		
First-time adopter	Provides full SB-FRS 107 comparative information	Provides full SB-FRS 107 comparative information
Existing SB-FRS user	Provides full SB-FRS 107 comparative information	Provides full SB-FRS 107 comparative information
(a)	See paragraph 36A of SB-FRS 101 as amended by SB-FRS 107	
(b)	See paragraph 44 of SB-FRS 107	

Appendix

Amendments to guidance on other SB-FRSs

This appendix contains amendments to guidance on SB-FRSs other than SB-FRS 104 that are necessary in order to ensure consistency with SB-FRS 107. Amendments to the Guidance on Implementing SB-FRS 104 will be published at a later date. In the amended paragraphs, new text is underlined and deleted text is struck through.

IGA1 The Guidance on Implementing SB-FRS 39 *Financial Instruments: Recognition and Measurement* is amended as described below.

Q&A E.4.8 is amended as follows:

If an impaired financial asset is secured by collateral ~~and foreclosure is probable that does not meet the recognition criteria for assets in other Standards~~, is the collateral recognised as an asset separate from the impaired financial asset?

No. The measurement of the impaired financial asset reflects the fair value of the collateral. The collateral ~~would generally not meet the recognition criteria until it is transferred to the lender. Accordingly, the collateral is not recognised as an asset separate from the impaired financial asset before foreclosure unless it meets the recognition criteria for an asset in another Standard.~~

In Q&A F.1.12 issue (b), both references to 'SB-FRS 32.58' are replaced by 'SB-FRS 107.22'.

In Q&A G.1, the answer is amended as follows:

~~SB-FRS 32.94(h)~~ SB-FRS 107.20 requires material items of income, expense and gains and losses to be disclosed ~~whether included in profit or loss or in equity~~. This disclosure requirement encompasses material items of income, expense and gains and losses that arise on remeasurement to fair value. Therefore, an entity provides disclosures of material fair value changes, distinguishing between changes that are recognised in profit or loss and changes that are recognised in equity. Further breakdown is provided of changes that relate to:

- (a) AFS assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount that was removed from equity and recognised in profit or loss for the period;
- (b) financial assets and or financial liabilities at fair value through profit or loss, showing separately those fair value changes on financial assets or financial liabilities (i) designated as such upon initial recognition and (ii) classified as held for trading in accordance with SB-FRS 39; and
- (c) hedging instruments.

~~SB-FRS 32~~ SB-FRS 107 neither requires nor prohibits disclosure of components of the change in fair value by the way items are classified for internal purposes. For example, an entity may choose to disclose separately the change in fair value of those derivatives that in accordance with SB-FRS 39 ~~classifies it~~

categorises as held for trading, but the entity classifies as part of risk management activities outside the trading portfolio.

In addition, ~~SB-FRS 32.94(e)~~ SB-FRS 107.8 requires disclosure of the carrying amounts of financial assets ~~and or~~ financial liabilities at fair value through profit or loss, showing separately that: (i) those designated as such upon initial recognition are classified as held for trading and (ii) ~~were, upon initial recognition, designated by the entity as financial assets and financial liabilities at fair value through profit or loss (i.e. those not financial instruments~~ those classified as held for trading) in accordance with SB-FRS 39.