IFRS AT A GLANCE

IFRS 7 Financial Instruments: Disclosures
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**Statement of Financial Position**
- Total carrying value of each category of financial assets and liabilities on face of the statement of financial position or in the notes
- Information on fair value of loans and receivables
- Financial liabilities designated as at fair value through profit and loss
- Financial assets reclassified
- Financial assets that do not qualify for derecognition
- Details of financial assets pledged as collateral held
- Reconciliation of allowance account for credit losses.
- Compound financial instruments with embedded derivatives
- Details of defaults and breaches of loans payable.

**Statement of Comprehensive Income**
- Gain or loss for each category of financial assets and liabilities in the statement of comprehensive income or in the notes
- Total interest income and interest expense (effective interest method)
- Fee income and expense
- Interest on impaired financial assets
- Amount of impairment loss for each financial asset.

**Fair Value (FV) Hierarchy**
All financial instruments measured at fair value must be classified into the levels below (that reflect how fair value has been determined):
- **Level 1**: Quoted prices in active markets
- **Level 2**: Level 1 quoted prices are not available but fair value is based on observable market data
- **Level 3**: Inputs that are not based on observable market data.

A financial instrument will be categorised based on the lowest level of any one of the inputs used for its valuation.

The following disclosures are also required:
- Significant transfers of financial instruments between each category - and reasons why
- For level 3, a reconciliation between opening and closing balances, incorporating gains/losses, purchases/sales/settlements, transfers
- Amount of gains/losses and where they are included in profit and loss
- For level 3, if changing one or more inputs to a reasonably possible alternative would result in a significant change in FV, disclose this fact.

**Specific Quantitative Disclosure Requirements**

**Liquidity Risk**
- **Definition:** The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.
- **Maturity analysis for financial liabilities that shows the remaining contractual maturities - Appendix B10A - B11F
- **Time bands and increment are used in place of the above sensitivity analysis.**

**Credit Risk**
- **Definition:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- **Maximum exposure to credit risk without taking into account collateral**
- **Collateral held as security and other credit enhancements**
- **Information about collateral and other credit enhancements obtained.**

**Market Risk**
- **Definition:** The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.
- **A sensitivity analysis (including methods and assumptions used) for each type of market risk exposed, showing impact on profit or loss and equity or**
- **If a sensitivity analysis is prepared by an entity, showing interdependencies between risk variables and it is used to manage financial risks, it can be used in place of the above sensitivity analysis.**

**Transfer of Financial Assets**
Information for transferred assets that are and that are not derecognised in their entirety:
- **Information to understand the relationship between financial assets and associated liabilities that are not derecognised in their entirety**
- **Information to evaluate the nature and risk associated with the entities continuing involvement in derecognised assets (IFRS 7.42A-G).**

**Effective Date**
Periods beginning on or after 1 January 2007
For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit www.bdointernational.com/Services/Audit/IFRS/IFRS Country Leaders where you can find full lists of regional and country contacts.

Europe
Caroline Allouët
Jens Freiberg
Teresa Morahan
Ehud Greenberg
Ruud Vergoossen
Reidar Jensen
Maria Sukonkina
René Krügel
Brian Creighton

France
Germany
Ireland
Israel
Netherlands
Norway
Russia
Switzerland
United Kingdom

caroline.allouet@bdo.fr
jens.freiberg@bdo.de
tmorahan@bdo.ie
ehudg@bdo.co.il
ruud.vergoossen@bdo.nl
reidar.jensen@bdo.no
m.sukonkina@bdo.ru
rene.kruegel@bdo.ch
brian.creighton@bdo.co.uk

Asia Pacific
Wayne Basford
Zheng Xian Hong
Fanny Hsiang
Khoon Yeow Tan

Australia
China
Hong Kong
Malaysia

wayne.basford@bdo.com.au
zheng.xianhong@bdo.com.cn
fannyhsiang@bdo.com.hk
tanky@bdo.my

Latin America
Marcelo Canetti
Luis Pierrend
Ernesto Bartesaghi

Argentina
Peru
Uruguay

mcanetti@bdoargentina.com
lpierrrend@bdo.com.pe
ebartesaghi@bdo.com.uy

North America & Caribbean
Armand Capisciolto
Wendy Hambleton

Canada
USA

acapisciolto@bdo.ca
whambleton@bdo.com

Middle East
Arshad Gadit
Antoine Gholam

Bahrain
Lebanon

arshad.gadit@bdo.bh
agholam@bdo-ib.com

Sub Saharan Africa
Nigel Griffith

South Africa

ngriffith@bdo.co.za

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