

# New disclosures for corporates

## Are you prepared to tell all?

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### Disclosure requirements more detailed than ever before

Your first annual disclosures under the new standards may feel a long way off – but have you thought of the time and effort required to get everyone comfortable with the detail that you'll need to provide? And if you're required to publish interims, time is running out even faster. The volume may be less, but even your interims will require some demanding disclosures.

If you haven't started yet, there'll be no rest after you've done your 2017 accounts. You'll need to start planning the disclosures under the new revenue and financial instruments standards. Even if your headline numbers aren't impacted, you'll still need to make the disclosures. No one is exempt.

The requirements are more detailed than ever before and may force you to display your organisation's 'inner workings' in new and uncomfortable ways – so getting to grips with the exact requirements of each standard and how they affect you will be essential.

### Revenue – Revealing sensitive information behind your top-line

While revenue has always been a KPI, companies haven't had to provide detailed information about what lies behind the revenue number until now. Saying that information is "commercially sensitive" isn't an acceptable excuse for omitting a disclosure.

Disaggregating your revenue streams, linking them to your segment note, giving information on payment terms, being explicit about the amount and when you expect to receive the revenue from open contracts – none of these things will come naturally. But that is what the disclosures require you to do. And this will provide others – including your competitors – with greater insight into how you run your business.

It's a big change from the old revenue standard, where entities typically gave one number broken down into a few line items in the notes.

Now, disclosure requirements could run across several pages – and will need to tie through to other disclosures inside and outside the financial statements. There will be many qualitative statements to make with judgements and estimates involved, particularly where contracts have variability built in.

It will be crucial to get it right in year one, because that will set expectations for future years.

## About the author

Sanel provides training and technical accounting advice to companies in Mainland China and Hong Kong on the application of the new standards and other aspects of corporate reporting.

And, as I've said, even if your reported revenues are not greatly affected by the new standard, you'll still have to make all the new disclosures. It's like a maths exam question where it's not enough to just write the answer – you have to show your full workings.

The first big challenge is already fast approaching – in the interim statements, you'll need to provide a big-picture view of the impact of the new standard and how it will affect revenue going forward. Given that IFRS 15 is already effective, analysts will want to understand your transition adjustment and new accounting policies.

In addition, you'll need to disaggregate revenue and show the relationship to your segment reporting. This could be a sensitive matter. So put the new disclosures in front of the audit committee and the board and start the discussion in earnest.

I strongly recommend beginning this as soon as the 2017 accounts are finished. If you leave it too late, you could seriously struggle to get the disclosures through the multiple layers of sign-offs.

## Financial instruments – Extent of new disclosures depends on relevance

Then there's IFRS 9. For banks, the task will be considerable, adding many pages to the notes. But for corporates, the additional information needed will vary depending on the relevance of the different requirements to your business. So it's important to assess the additional requirements carefully.

For example, the new standard has extensive disclosure requirements about the effect of credit risk on the amount, timing and uncertainty of future cash flows, as well as about the effect of hedge accounting and related risk management strategies.

## Leases – Beware the 'sleeper' disclosure

And don't forget about leases. In some respects, the disclosure requirements are relatively straightforward. The volume of disclosures may be high, but you'll need to gather most of the information anyway, to do the accounting. It's a case of following the disclosure checklist and working through it.

It shouldn't be a surprise that the operating lease commitment note in your 2018 financial statements will be subject to greater scrutiny, given that it will provide an indication of your lease liability going forward. However, what may be surprising to some is the requirement to reconcile your operating lease commitment note under the old standard with your opening liabilities under the new one. This applies to companies that don't apply the standard retrospectively – by far the simpler approach for most.

Your operating lease commitment note may be tucked away at the back of your financial statements, but that doesn't mean you can ignore it until the last minute! Get onto it soon so you are not left regretting it later.

## Data retrieval

Across all three standards, there will be the challenge that some of the data needed won't sit in the general ledger. You may need workarounds to locate and pull it through. It's important to capture the information and find a way of keeping it up to date. Disclosures won't 'roll over' from one year to the next. They will change each year, so you will need to be able to access current information each time.

## Words, not just numbers!

Finally, remember that the disclosures are not just about numbers. There will be lots of narrative and descriptions – so getting the wording right in how you define things will be very important. Think carefully about the language – loose descriptions could come back to bite you.

You can make a start by taking a look at our quick guides for [IFRS 9](#), [IFRS 15](#) and [IFRS 16](#).

# Disclosures under IFRS 9

February 2018

IFRS 9 *Financial Instruments* introduces extensive new disclosure requirements for classification and measurement, impairment of financial assets and hedge accounting.

## What's the aim?

The objective of the disclosure requirements is for an entity to disclose information to enable users of financial statements to evaluate:

- the significance of financial instruments for the entity's financial position and performance;
- the nature and extent of risks arising from those financial instruments, both during the period and at the reporting date; and
- how the entity manages those risks.

## What's new?

Additional disclosure requirements arise principally in the following areas, all of which are highlighted in the following tables.

- Investments in equity instruments designated at fair value through other comprehensive income (FVOCI).
- Impairment, including:
  - credit risk management practices;
  - quantitative and qualitative information about amounts arising from expected credit losses (ECLs); and
  - credit risk exposure.
- Hedge accounting.

## What organisations are impacted?

The requirements apply to **all** entities but will be most significant for banks. The disclosures for even the most simple corporates – i.e. non-financial institutions – will be impacted.

## How will this publication help you?

The tables do not provide a complete list of the disclosure requirements under IFRS 9. Instead, they set out the principal changes to the disclosure requirements from those under IFRS 7 *Financial Instruments: Disclosures* under each of classification and measurement, impairment and hedging.

A [separate section](#) sets out the disclosures that an entity is required to make on transition to IFRS 9.

## Classification and measurement

Disclose the carrying amounts for:

- financial assets measured at fair value through profit or loss (FVTPL), distinguishing between those designated into that category and those mandatorily measured at FVTPL.
- financial liabilities measured at fair value through profit or loss (FVTPL), distinguishing between those designated into that category and those meeting the definition of held for trading.
- financial assets and, separately, financial liabilities measured at amortised cost; and
- financial assets measured at FVOCI, distinguishing between those mandatorily measured at FVOCI and investments in equity instruments designated as such on initial recognition.

### Financial liabilities designated as at FVTPL

If an entity is required to present the effects of changes in that financial liability's credit risk in other comprehensive income (OCI), then disclose:

- any transfers of the cumulative gain or loss within equity during the period, including the reason for the transfer; and
- if the liability is derecognised during the period, then the amount (if any) presented in OCI that was realised at derecognition.

Provide a detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

If the effects of changes in a liability's credit risk are presented in profit or loss, then provide a detailed description of the economic relationship that it expects will result in the effects of changes in the liability's credit risk being offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL.

### Investments in equity instruments designated as at FVOCI

Disclose:

- which investments in equity instruments have been designated as at FVOCI;
- the reasons for the designation;
- the fair value of each investment at the reporting date;
- dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date; and
- any transfers of the cumulative gain or loss within equity during the period and the reason for those transfers.

If investments in equity instruments measured at FVOCI are derecognised during the reporting period, then disclose:

- the reasons for disposing of the investments;
- the fair value of the investments at the date of derecognition; and
- the cumulative gain or loss on disposal.

### **Reclassifications of financial assets**

For all reclassifications of financial assets in the current or previous reporting period, disclose:

- the date of reclassification;
- a detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements; and
- the amount reclassified into and out of each category.

Note that these disclosures are required in the period of reclassification and the period following reclassification.

For reclassifications from FVTPL to amortised cost or FVOCI, disclose:

- the effective interest rate (EIR) determined on the date of reclassification; and
- the interest revenue recognised.

Note that these disclosures are required for each period following reclassification until derecognition.

For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI, disclose:

- the fair value of the financial assets at the reporting date; and
- the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.

### **Other disclosures**

For items of income and expense and gains or losses, provide:

- an analysis of the gain or loss recognised in the statement of profit or loss and OCI arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets; and
- the reasons for derecognising those financial assets.

## Impairment

New disclosure requirements apply about the credit risk of financial instruments (and contract assets in the scope of IFRS 15 *Revenue from Contracts with Customers*) to which IFRS 9's impairment model is applied. These disclosures should be sufficient for a user to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

Disclose:

- Information about an entity's credit risk management practices and how they relate to the recognition and measurement of ECL – including the methods, assumptions and information used to measure ECL.
- Quantitative and qualitative information to evaluate the amounts in the financial statements arising from ECL – including changes and the reasons for those changes, in the amount of ECL.
- Information about an entity's credit risk exposure – including significant credit risk concentrations.

For financial assets such as trade and lease receivables, and contract assets for which the loss allowance is always equal to lifetime ECL, reduced disclosures apply.

Illustrative examples are provided for the following disclosures:

- a reconciliation of movements in loss allowances;
- an explanation of significant changes in gross carrying amounts; and
- information about credit risk exposures and concentrations.

### Credit risk management practices

Explain credit risk management practices and how they relate to the recognition and measurement of ECL such that a financial statement user can understand and evaluate:

- how the entity determines whether the credit risk of financial instruments has increased significantly since initial recognition, including whether and how:
  - financial instruments are considered to have low credit risk, including the classes of financial instruments to which the low credit risk exception has been applied; and
  - the presumption that financial assets with contractual payments more than 30 days past due have a significant increase in credit risk has been rebutted;
- the entity's definitions of default for different financial instruments, including the reasons for selecting those definitions;
- how instruments are grouped if ECL are measured on a collective basis;
- how the entity determines that financial assets are credit-impaired;
- the entity's write-off policy, including the indicators that there is no reasonable expectation of recovery; and

- how the modification requirements have been applied, including how the entity:
  - determines whether the credit risk of a financial asset that has been modified while subject to a lifetime ECL allowance has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month ECL; and
  - monitors the extent to which the loss allowance on those assets subsequently reverts to being measured at an amount equal to lifetime ECL.

### **ECL calculations**

Explain the basis of the inputs, assumptions and the estimation techniques used when:

- estimating 12-month and lifetime ECL;
- determining whether the credit risk of financial instruments has increased significantly since initial recognition; and
- determining whether financial assets are credit-impaired.

Explain also:

- how forward-looking information has been incorporated into the determination of ECL, including the use of macro-economic information; and
- changes in estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

### **Amounts arising from ECL**

Provide a reconciliation for each class of financial instrument of the opening balance to the closing balance of the impairment loss allowance.

The reconciliation is given separately for loss allowances against financial assets and for provisions, unless presented together and shows the changes during the period for:

- instruments for which 12-month ECL are recognised;
- instruments for which lifetime ECL are recognised, separately for:
  - financial instruments that are not credit-impaired;
  - financial assets that are credit-impaired at the reporting date, but are not purchased or originated credit-impaired (POCI) assets; and
  - trade receivables, contract assets or lease receivables for which the loss allowances are always measured as lifetime ECL; and
- POCI assets.

Explain the changes in the loss allowances disclosed in the reconciliation.

Explain, using relevant qualitative and quantitative information, how significant changes in the respective gross carrying amounts of financial instruments during the period contributed to the changes in the loss allowances – e.g:

- originations or acquisitions of financial instruments;
- modifications of contractual cash flows that do not result in derecognition;
- derecognitions (including write-offs); and
- movements between the 12-month and lifetime ECL measurement categories (and vice versa).

### Modifications

For a financial asset that has been modified while subject to a lifetime ECL allowance (other than certain trade and lease receivables and contract assets\*), but whose modification does not result in derecognition, disclose in the period of modification the:

- amortised cost before the modification; and
- net modification gain or loss.

Until the modified financial asset is derecognised, disclose the gross carrying amount at the reporting date of financial assets whose loss allowance changed to 12-month ECL during the reporting period.

\* Note that these disclosure requirements do apply for trade receivables, contract assets and lease receivables on which lifetime ECL are always recognised, only if they are modified while more than 30 days past due.

### Collateral

For financial instruments that are subject to the impairment requirements of IFRS 9, disclose for each class of financial instrument:

- the amount that best represents the entity's maximum exposure to credit risk at the reporting date, without taking account of any collateral held or other credit enhancements;
- except for lease receivables, a narrative description of collateral held as security and other credit enhancements, including:
  - a discussion on the nature and quality of the collateral held;
  - an explanation of any significant changes in quality as a result of a deterioration or changes in the entity's collateral policies during the reporting period; and
  - information about financial instruments for which the entity has not recognised a loss allowance because of the collateral; and
- quantitative information about the collateral held as security and other credit enhancements – e.g. 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.

Disclosure of information about the fair value of the collateral and other credit enhancements, or to quantify the exact value of the collateral that was included in the calculation of ECL – i.e. the loss given default (LGD) – is not required.



<b>Written-off assets</b>
Disclose the contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.
<b>POCI assets</b>
Disclose the total amount of undiscounted ECL at initial recognition on financial assets initially recognised during the reporting period.
<b>Credit risk exposure</b>
<p>Disclose, by credit risk rating grades (or by past-due status if the entity uses only past-due information to assess significant increases in credit risk):</p> <ul style="list-style-type: none"> <li>– the gross carrying amount of financial assets; and</li> <li>– the exposure to credit risk on loan commitments and financial guarantee contracts.</li> </ul> <p>This information is disclosed separately for:</p> <ul style="list-style-type: none"> <li>– financial assets that are subject to a 12-month ECL allowance;</li> <li>– financial assets that are subject to a lifetime ECL allowance but that are not credit-impaired;</li> <li>– financial assets that are credit-impaired at the reporting date but are not POCI assets;</li> <li>– trade receivables, contract assets and lease receivables for which lifetime ECL are always recognised (this disclosure may be based on a provision matrix); and</li> <li>– POCI assets.</li> </ul> <p>When ECL are measured on a collective basis, an entity may not be able to allocate the gross carrying amounts (or exposures) to the credit risk rating grades for which lifetime ECL are recognised. In these cases, the entity:</p> <ul style="list-style-type: none"> <li>– provides the above disclosures for those financial instruments that can be directly allocated to a credit risk rating grade; and</li> <li>– discloses separately the gross carrying amount of financial instruments for which lifetime ECL are measured on a collective basis.</li> </ul>
<b>Impairment losses arising from contracts with customers</b>
IFRS 15 <i>Revenue from Contracts with Customers</i> requires an entity to disclose separately from other impairment losses, impairment losses recognised on trade receivables or contract assets arising from its contracts with customers.

## Hedge accounting

An entity adopting IFRS 9 may choose to continue to apply hedge accounting under IAS 39 *Financial Instruments: Recognition and Measurement* until the IASB's macro hedging project is complete. However, new disclosure requirements will still apply.

For hedged risk exposures to which hedge accounting is applied, disclose:

- the **risk management strategy** and how it is applied to manage risk;
- how hedging activities might affect the **amount, timing and uncertainty of future cash flows**; and
- the effect that hedge accounting has had on **financial position and performance**.

### Risk management strategy

Explain the risk management strategy for each risk category of risk exposures for which hedge accounting is applied. As a minimum, the disclosures provided should describe:

- the hedging instruments and how they are used to hedge risk exposures;
- how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and
- how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.

When a specific risk component is designated as a hedged item, disclose additional qualitative or quantitative information about:

- how the risk component that is designated as the hedged item was determined, including a description of the nature of the relationship between the risk component and the item as a whole; and
- how the risk component relates to the item in its entirety – e.g. the designated risk component historically covered, on average, 80 percent of the changes in fair value of the item as a whole.

### Amount, timing and uncertainty of future cash flows

Disclose, by risk category, quantitative information that allows financial statement users to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows – i.e:

- a profile of the timing of the nominal amount of the hedging instrument; and
- if applicable, the average price or rate – e.g. strike or forward prices – of the hedging instrument.

An entity need not provide these disclosures if it frequently resets – i.e. discontinues and restarts – hedging relationships and, instead, uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure change frequently. In this case, an entity discloses:

- information about what the ultimate risk management strategy is in relation to those hedging relationships;

- a description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and
- an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity's process in relation to those hedging relationships.

For each risk category, describe the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term. If other sources of hedge ineffectiveness emerge in the hedging relationship, then disclose those sources and explain the resulting hedge ineffectiveness.

For cash flow hedges, describe any forecast transactions for which hedge accounting was used in the previous period, but are no longer expected to occur.

### Effect on financial position and performance – Hedging instrument

Disclose, in a tabular format (see the example below), the following amounts related to items designated as hedging instruments, separately by risk category for each type of hedge:

- the carrying amount of the hedging instruments, separating financial assets from financial liabilities;
- the location of the hedging instrument in the statement of financial position;
- the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and
- the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 20X1
		Assets	Liabilities		
Cash flow hedges					
Commodity price risk – Forward sales contracts	xx	xx	xx	Line item xx	xx
Fair value hedges					
Interest rate risk – Interest rate swaps	xx	xx	xx	Line item xx	xx
Foreign exchange risk – Foreign currency loan	xx	xx	xx	Line item xx	xx

### Effect on financial position and performance – Hedged item

Disclose, in a tabular format (see the example below), the following amounts related to hedged items separately by risk category for the types of hedges as follows.

#### Fair value hedges

- The carrying amount of the hedged item recognised in the statement of financial position, separating assets from liabilities.
- The accumulated amount of fair value hedge adjustments on the hedged item included in the above carrying amount.
- The location of the hedged item in the statement of financial position.
- The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period.
- The balance of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses.

#### Cash flow hedges and hedges of a net investment in a foreign operation

- The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period.
- The balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges.
- The balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.

	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness for 20X1	Cash flow hedge reserve	Foreign currency translation reserve
	Assets	Liabilities	Assets	Liabilities				
Fair value hedges								
Interest rate risk								
– Loan payable	-	xx	-	xx	Line item xx	xx	N/A	N/A
– Discontinued hedges (loan payable)	-	xx	-	xx	Line item xx	xx	N/A	N/A
Foreign exchange risk								
– Firm commitment	xx	xx	xx	xx	Line item xx	xx	N/A	N/A
Cash flow hedges								
Commodity price risk								
– Forecast sales	N/A	N/A	N/A	N/A	N/A	xx	xx	N/A
– Discontinued hedges (forecast sales)	N/A	N/A	N/A	N/A	N/A	N/A	xx	N/A
Hedges of net investment in a foreign operation								
Foreign exchange risk								
– Long-term receivable from subsidiary	N/A	N/A	N/A	N/A	N/A	xx	N/A	xx
– Discontinued hedges (long-term receivable from subsidiary)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	xx

### Effect on financial position and performance – Hedge ineffectiveness and hedging gains or losses

Disclose, in a tabular format (see the example below), the following amounts related to hedged items separately by risk category for the types of hedges as follows.

#### Fair value hedges

- Hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item – recognised in profit or loss (or OCI for hedges of an equity instrument for which an entity has elected to present changes in fair value in OCI).
- The location of the recognised hedge ineffectiveness in the statement of profit or loss and OCI.

#### Cash flow hedges and hedges of a net investment in a foreign operation

- Hedging gains or losses of the reporting period that were recognised in OCI.
- Hedge ineffectiveness recognised in profit or loss.
- The location of the recognised hedge ineffectiveness in the statement of profit or loss and OCI.
- The amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see IAS 1 *Presentation of Financial Statements*), differentiating between:
  - amounts for which hedge accounting has previously been used, but for which the hedged future cash flows are no longer expected to occur; and
  - amounts that have been transferred because the hedged item has affected profit or loss.
- The location of the reclassification adjustment (see IAS 1) in the statement of profit or loss and OCI.
- For hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.

Fair value hedges	Ineffectiveness recognised in profit or loss	Ineffectiveness recognised in OCI	Line item(s) in profit or loss and OCI (that include(s) hedge ineffectiveness)
Interest rate risk	xx	N/A	Line item xx
Foreign exchange risk	xx	N/A	Line item xx
Equity price risk	N/A	xx	Line item xx

	Separate line item recognised in profit or loss as a result of a hedge of a net position <sup>(b)</sup>	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to profit or loss	Amount reclassified from the foreign currency translation reserve to profit or loss	Line item affected in profit or loss because of the reclassification
<b>Cash flow hedges<sup>(a)</sup></b>							
Commodity price risk				Line item			Line item
– Commodity X	N/A	xx	xx	xx	xx	N/A	xx
– Discontinued hedge	N/A	N/A	N/A	N/A	xx	N/A	xx
<b>Hedges of net investment in a foreign operation</b>							
Foreign exchange risk							
– Long-term receivable from subsidiary	N/A	xx	xx	xx	N/A	xx	xx
– Discontinued hedges (long-term receivable from subsidiary)	N/A	N/A	N/A	N/A	N/A	xx	xx
<p>(a) The information disclosed in the statement of changes in equity (cash flow hedge reserve) should have the same level of detail as these disclosures.</p> <p>(b) This disclosure applies only to cash flow hedges of foreign currency risk.</p>							
<b>Effect on financial position and performance – Reconciliation</b>							
<p>Either in the statement of changes in equity or in the notes to the financial statements, provide a reconciliation of accumulated OCI in accordance with IAS 1, separately by risk category.</p> <p>The reconciliation should differentiate, at a minimum, between:</p> <ul style="list-style-type: none"> <li>– hedging gains or losses of the reporting period that were recognised in OCI in respect of cash flow hedges and hedges of a net investment in a foreign operation;</li> <li>– the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserves into profit or loss as a reclassification adjustment (differentiating between amounts for which hedge accounting was previously used but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss);</li> <li>– the amount removed from the cash flow hedge reserve and included directly in the initial cost or other carrying amount of: <ul style="list-style-type: none"> <li>- a non-financial asset or a non-financial liability that is recognised subsequent to a hedged forecast transaction; or</li> <li>- a firm commitment that results from a hedged forecast transaction for a non-financial asset or non-financial liability for which fair value hedge accounting is applied;</li> </ul> </li> <li>– the amount reclassified from the cash flow hedge reserve into profit or loss as a reclassification adjustment in relation to a loss (or a portion of it) that the entity does not expect to recover in one or more future periods;</li> </ul>							

- the amounts associated with the time value of purchased options that hedge transaction-related hedged items and amounts associated with the time value of purchased options that hedge time period-related hedged items (when an entity designates as the hedging instrument only the change in intrinsic value of the option); and
- the amounts associated with the forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction-related hedged items and amounts associated with the forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time period-related hedged items (when an entity designates as the hedging instrument only the change in the value of the spot element of the forward contract or excludes the foreign currency basis spread).

#### **Effect on financial position and performance – Credit exposures designated at FVTPL**

If a financial instrument, or a proportion of it, is designated as at FVTPL because a credit derivative is used to manage the credit risk of that instrument, then disclose:

- a reconciliation of each of the nominal amount and the fair value at the beginning and end of the period of the credit derivatives that have been used to manage the credit risk;
- the gain or loss recognised in profit or loss on designation of a financial instrument (or a proportion of it) as measured at FVTPL; and
- on discontinuation of measuring a financial instrument (or a proportion of it) at FVTPL, that financial instrument's fair value that has become the new carrying amount and the related nominal or principal amount.

Disclose separately the carrying amount of the financial instruments that have been so designated, either in the statement of financial position or in the notes.

If an entity uses a credit derivative to manage the credit risk of a financial asset and designates the financial asset as measured at FVTPL, then it discloses the following.

- The maximum exposure to credit risk of the financial asset (or group of financial assets) at the reporting date.
- The amount by which any related credit derivatives mitigate that maximum exposure to credit risk.
- The 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.
- The amount of change in the fair value of any related credit derivative that has occurred during the period and cumulatively since the financial asset was designated.

# Transition disclosures

The transition requirements in IFRS 9 refer to the date of initial application (DIA). The DIA is the first day of the reporting period in which an entity adopts IFRS 9. It is not the beginning of the comparative period. For a December 2018 year-end, an entity that has not adopted earlier versions of IFRS 9 will have a DIA of 1 January 2018.

In the period of initial application of IFRS 9, an entity generally provides the disclosures required by IFRS 9 (as outlined in IFRS 7) and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as summarised in the tables below. Note that not all of the disclosures required by the standard are provided, only the key disclosures.

## Disclosures required under IAS 8

Disclose:

- The fact that IFRS 9 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 9 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.
- For the annual period immediately preceding the first annual period in which IFRS 9 is applied, disclose:
  - the amount of the adjustment to each financial statement line item affected; and
  - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 *Earnings per Share* applies).
- The amount of the adjustment relating to earlier periods, to the extent practicable.



## Disclosures required under IFRS 9

### Classification and measurement

Disclose in the reporting period that includes the DIA:

- the original measurement category and carrying amount determined under IAS 39 or an earlier version of IFRS 9; and
- the new measurement category and carrying amount determined under IFRS 9 for each class of financial assets and financial liabilities.
  - Explain how IFRS 9's classification requirements have been applied and the reasons for any designations or de-designations of financial assets and financial liabilities as at FVTPL.
  - Disclose the amount of any financial assets and financial liabilities that were previously designated as at FVTPL but are no longer so designated, distinguishing between mandatory and elective de-designations.

If transitioning to IFRS 9 from IAS 39, disclose also the changes in classification in financial assets and financial liabilities as at the DIA, showing separately:

- the changes in the carrying amounts on the basis of their measurement categories under IAS 39; and
- the changes in the carrying amounts arising from a change in measurement attribute on transition to IFRS 9.
  - Disclose the impact of these reclassifications as follows.

Type of reclassification as a result of transition to IFRS 9	Disclosures
<b>Financial assets and financial liabilities reclassified out of FVTPL or FVOCI to amortised cost</b>	The fair value of the financial assets or financial liabilities at the reporting date.
<b>Financial assets reclassified out of FVTPL to FVOCI</b>	The fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets or financial liabilities had not been reclassified.
<b>Financial assets and financial liabilities reclassified out of FVTPL to any other measurement category</b>	The EIR determined as at the DIA and the interest revenue or expense recognised in the reporting period in which the entity initially applies the classification and measurement requirements for financial assets in IFRS 9. In some cases, this disclosure has to be made for each period until the financial instruments are derecognised.

- Additional disclosures are required if certain exceptions relating to impracticability are used on transition – i.e. the carrying amounts of the relevant assets are disclosed until they are derecognised.

### Impairment

On the DIA of IFRS 9's impairment requirements, disclose a reconciliation between:

- the closing balance for impairment allowances under IAS 39 and provisions under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the opening balances for loss allowances under IFRS 9.

For financial assets, this disclosure is provided by measurement category in accordance with IAS 39 and IFRS 9, showing separately the effect of changes in measurement category on the loss allowance at the DIA.

### Hedging

IFRS 9's hedge accounting requirements are generally applied prospectively.

# Disclosures under IFRS 15

February 2018

## Disclosures under IFRS 15

This overview of the disclosure requirements under the new revenue standard highlights similarities with and differences from the existing disclosure requirements.

A [separate section](#) sets out the disclosures that an entity is required to make on transition to IFRS 15.

IFRS 15.116–118

Disclosure requirements	Revenue recognised		What's new?
	Over time	At a point in time	
Contract balances			
The opening and closing balances related to contracts with customers (if not otherwise separately presented or disclosed) for:  – contract assets  – contract liabilities  – receivables from contracts with customers	✓	✓	●
The amount of revenue recognised in the current period that was included in the opening contract liability balance	✓	✓	●
The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods – e.g. changes in transaction price	✓	✓	●
An explanation of how the timing of satisfaction of the entity's performance obligations relates to the typical payment terms and how these two factors will affect the contract asset and contract liability balances	✓	✓	●
An explanation of the significant changes in the balances of contract assets and contract liabilities, including both qualitative and quantitative information – examples could include:	✓	✓	●
– changes arising from business combinations			●
– cumulative catch-up adjustments to revenue (and to the corresponding contract balance) arising from a change in the measure of progress, a change in the estimate of the transaction price or a contract modification			●
– impairment of a contract asset			●
– changes in the timeframe for a right to consideration becoming unconditional (reclassified to a receivable) or for a performance obligation to be satisfied (the recognition of revenue arising from a contract liability)			●



**New disclosure required under IFRS 15**



**Existing requirement**



**Expanded requirements**

Similar disclosure requirements exist under current standards<sup>a</sup>; however, they are more detailed or specific under IFRS 15

<sup>a</sup> For example, IAS 1 *Presentation of Financial Statements*, IAS 11, IAS 18, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRS 8 *Operating Segments*.

IFRS 15.119–122

IFRS 15.121, 129

IFRS 15.122

IFRS 15.123–126

Disclosure requirements	Revenue recognised		What's new?
	Over time	At a point in time	
Performance obligations			
When the entity typically satisfies its performance obligations – e.g. on shipment, on delivery, as services are rendered or on completion of service	✓	✓	●
Significant payment terms – e.g. whether the contract has a significant financing component, the consideration is variable and the variable consideration is constrained	✓	✓	●
The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (if the entity is acting as an agent)	✓	✓	●
Obligations for returns, refunds and other similar obligations	✓	✓	●
Types of warranties and related obligations	✓	✓	●
The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. A quantitative (using time bands) or a qualitative explanation of when the entity expects that amount to be recognised as revenue is also required	✓	✓	●
As a practical expedient, an entity is not required to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations, and when the entity expects to recognise that revenue using quantitative or qualitative disclosures, if:  – the contract has an original expected duration of one year or less  – the entity applies the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date – e.g. a service contract in which the entity bills a fixed hourly amount  If an entity elects to use the practical expedient, then it discloses that fact			
The entity also discloses whether it is applying the practical expedient and whether any consideration from contracts with customers is not included in the transaction price – e.g. whether the amount is constrained and therefore not included in the disclosure	✓	✓	●
Significant judgements when applying IFRS 15			
An entity discloses the judgements and changes in judgements made in applying the new standard that affect the determination of the amount and timing of revenue recognition – specifically, those judgements used to determine the timing of the satisfaction of performance obligations, the transaction price, and amounts allocated to performance obligations	✓	✓	●



**New disclosure required under IFRS 15**



**Existing requirement**



**Expanded requirements**  
Similar disclosure requirements exist under current standards<sup>a</sup>; however, they are more detailed or specific under IFRS 15

<sup>a</sup> For example, IAS 1, IAS 11, IAS 18, IAS 37 and IFRS 8.

IFRS 15.123–126

Disclosure requirements	Revenue recognised		What's new?
	Over time	At a point in time	
Significant judgements when applying IFRS 15 (continued)			
For performance obligations that are satisfied over time, an entity describes the method used to recognise revenue – for example:	✓		
– a description of the output or input method and how those methods are applied			●
– why such methods are a faithful depiction of the transfer of goods or services			●
For performance obligations that are satisfied at a point in time, IFRS 15 requires a disclosure about the significant judgements made to evaluate when the customer obtains control of the promised goods or services		✓	●
An entity discloses information about the methods, inputs and assumptions used to: – determine the transaction price, which includes: – estimating variable consideration – assessing whether the variable consideration is constrained – adjusting the consideration for a significant financing component – measuring non-cash consideration – allocate the transaction price, including estimating the stand-alone selling prices of promised goods or services and allocating discounts and variable consideration – measure obligations for returns and refunds, and other similar obligations	✓	✓	●
Assets recognised from costs to obtain or fulfil a contract with a customer			
An entity discloses the following items that are recognised from the costs incurred to obtain or fulfil a contract with a customer: – the amount of amortisation – any impairment losses recognised in the reporting period These items are separated by their main category – e.g. acquisition costs, pre-contract costs, set-up costs and other fulfilment costs	✓	✓	●
An entity describes the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer and the method used to determine the amortisation for each reporting period	✓	✓	●

IFRS 15.127–128

-  **New disclosure required under IFRS 15**
 **Existing requirement**
 **Expanded requirements**
- Similar disclosure requirements exist under current standards<sup>a</sup>; however, they are more detailed or specific under IFRS 15

<sup>a</sup> For example, IAS 1, IAS 11, IAS 18, IAS 37 and IFRS 8.

# Transition disclosures

An entity applies IFRS 15 in accordance with the specific transition requirements in that standard using either:

- The retrospective method – i.e. retrospectively adjusting each comparative period presented in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, with a choice of practical expedients in IFRS 15; or
- The cumulative effect method.

## Retrospective method

### Full retrospective approach

#### Disclosures under IFRS 15

An entity applying the full retrospective approach presents the full disclosures required under IFRS 15 for the current period and each of the comparative periods presented.

#### Disclosures under IAS 8

Disclose:

- The fact that IFRS 15 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 15 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.
- For the annual period immediately preceding the first annual period in which IFRS 15 is applied, disclose<sup>†</sup>:
  - the amount of the adjustment to each financial statement line item affected; and
  - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 *Earnings per Share* applies).
- The amount of the adjustment relating to earlier periods, to the extent practicable.

<sup>†</sup> IFRS 15.C4 specifies that the quantitative information required by IAS 8.28(f) need not be disclosed for the current period or earlier comparative periods, although an entity may choose to do so.

## Retrospective with practical expedient approach

### Disclosures under IFRS 15

If an entity uses any of the practical expedients in IFRS 15.C5, then it discloses this fact and provides a qualitative assessment of the estimated effect of applying each expedient to the extent reasonably possible.

If it applies the practical expedient in IFRS 15.C5(d), then for all prior periods presented it need not disclose:

- the amount of the transaction price allocated to remaining performance obligations; and
- an explanation of when it expects to recognise that amount as revenue.

### Disclosures under IAS 8

Disclose:

- The fact that IFRS 15 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 15 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.
- For the annual period immediately preceding the first annual period in which IFRS 15 is applied, disclose<sup>†</sup>:
  - the amount of the adjustment to each financial statement line item affected; and
  - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 applies).
- The amount of the adjustment relating to earlier periods, to the extent practicable.

<sup>†</sup> IFRS 15.C4 specifies that the quantitative information required by IAS 8.28(f) need not be disclosed for the current period or earlier comparative periods.

## Cumulative effect method

Under the cumulative effect method, IFRS 15 is applied as of the date of initial application and comparative information is not restated.

### Disclosures under IFRS 15

An entity presents the full disclosures required under IFRS 15 for the current period – i.e. its first year of application.

If an entity uses the practical expedient in IFRS 15.C5(c), then it discloses this fact and provides a qualitative assessment of the estimated effect of applying that expedient to the extent reasonably possible.

For reporting periods that include the date of initial application, disclose:

- the amount by which each financial statement line is affected in the current reporting period by the application of IFRS 15 as compared with the previous revenue recognition requirements; and
- an explanation of the reasons for significant changes

### Disclosures under IAS 8

Disclose:

- The fact that IFRS 15 has been adopted.
- The nature of the change in accounting policy.
- The transitional provisions:
  - a statement that the transitional provisions in IFRS 15 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.



# Disclosures under IFRS 16

February 2018

## Disclosures under IFRS 16

This overview of the disclosure requirements under the new leases standard highlights similarities to and differences from the existing disclosure requirements.

A [separate section](#) sets out the disclosures that an entity is required to make on transition to IFRS 16.

IFRS 16.47, 53, 58

IFRS 16.53–54

IFRS 16.53

IFRS 16.55

IFRS 16.58, 60

Disclosure requirements	What's new?
<b>Lessees</b>	
<b>Relating to the statement of financial position</b>	
Additions to right-of-use (ROU) assets	✓
Year-end carrying amount of ROU assets by class of underlying asset and (if they are not presented separately) the corresponding line items in the statement of financial position	✓
Lease liabilities and the corresponding line items in the statement of financial position if lease liabilities are not presented separately	✓
Maturity analysis for lease liabilities	—
<b>Relating to the statement of profit or loss and other comprehensive income (including amounts capitalised as part of the cost of another asset)</b>	
Depreciation expense of ROU assets by class of underlying assets	✓
Interest expense on lease liabilities	✓
Expense relating to short-term leases for which the recognition exemption is applied (leases with a lease term of up to one month can be excluded)	✓
Expense relating to leases of low-value items for which the recognition exemption is applied	✓
Expense relating to variable lease payments not included in lease liabilities	—
Income from sub-leasing ROU assets	✓
Gains or losses arising from sale-and-leaseback transactions	—
<b>Relating to the statement of cash flows</b>	
Total cash outflow for leases	✓
<b>Other</b>	
Amount of short-term lease commitments if current short-term lease expense is not representative for the following year	✓
<b>Qualitative disclosures</b>	
Description of how liquidity risk related to lease liabilities is managed	✓
Use of exemption for short-term and/or low-value item leases	✓

IFRS 16.56–57, 59

IFRS 16.90

IFRS 16.90

IFRS 16.92

IFRS 16.90

Disclosure requirements	What's new?
<b>Additional disclosures (when applicable)</b>	
The nature of the lessee's leasing activities	—
Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities	✓
Restrictions or covenants imposed by leases	—
Sale-and-leaseback transactions	—
Disclosures required by IAS 40 <i>Investment Property</i> for ROU assets qualifying as investment property	—
If the revaluation model of IAS 16 <i>Property, Plant and Equipment</i> is applied for ROU assets, then: <ul style="list-style-type: none"> <li>– effective date of revaluation</li> <li>– whether an independent valuer was involved</li> <li>– carrying amount that would have been recognised under the cost model</li> <li>– revaluation surplus, change for the period and any distribution restrictions</li> <li>– description of how liquidity risk related to lease liabilities is managed</li> </ul>	—
<b>Lessors – Finance leases</b>	
<b>Quantitative information</b>	
Selling profit or loss	✓
Finance income on the net investment in the lease	✓
Lease income relating to variable lease payments not included in the net investment in the lease	—
Significant changes in the carrying amount of the net investment in the lease	✓
Detailed maturity analysis of the lease payments receivable	—
<b>Qualitative information</b>	
Significant changes in the carrying amount of the net investment in the lease	✓
<b>Additional disclosures (when applicable)</b>	
The nature of the lessor's leasing activities	—
How it manages risks associated with any rights it retains in underlying assets	✓
<b>Lessors – Operating leases</b>	
<b>Quantitative information</b>	
Lease income relating to variable lease payments that do not depend on an index or rate	—
Other lease income	✓
Detailed maturity analysis of the lease payments receivable	—
If applicable, disclosure in accordance with IAS 16 (separately from other assets), IAS 36 <i>Impairment of Assets</i> , IAS 38 <i>Intangible Assets</i> , IAS 40 and IAS 41 <i>Agriculture</i> .	—
<b>Additional disclosures (when applicable)</b>	
The nature of the lessor's leasing activities	—
Description of how the lessor manages the risk associated with any rights it retains in underlying assets	✓

# Transition disclosures

The disclosure requirements under IFRS 16 relate primarily to leases in which the company is a lessee. They depend on the transition approach selected – with important disclosures when a company uses a modified retrospective approach. Disclosures are also required under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

## Retrospective approach

### Disclosures required under IFRS 16

If a company applies IFRS 16 early or uses the practical expedient for lease definition, then it discloses this fact.

### Disclosures required under IAS 8

Disclose:

- The fact that IFRS 16 has been adopted.
- The nature of the change in accounting policy.
- Transitional provisions:
  - a statement that the transitional provisions in IFRS 16 have been applied;
  - a description of the transitional provisions adopted; and
  - the transitional provisions that might impact future periods.
- For the current period, and each prior period presented:
  - the amount of the adjustment to each financial statement line item affected; and
  - the amount of the adjustment to basic and diluted earnings per share (if IAS 33 *Earnings per Share* applies).
- The amount of the adjustment relating to earlier periods, to the extent practicable.
- If retrospective application has been impracticable, then an explanation of why this was the case and how and from when IFRS 16 has been applied.

## Modified retrospective approach

### Disclosures required under IFRS 16

- If a company applies IFRS 16 early, then it discloses this fact.
- If a company uses the practical expedient for lease definition, then it discloses this fact.
- If a company uses any of the practical expedients relating to operating leases, a statement of which practical expedients have been used.
- Disclose the weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application.
- Provide an explanation of any difference between:
  - the present value of the operating lease commitments disclosed in the previous set of annual financial statements, discounted at the rate used to calculate lease liabilities at the date of initial application; and
  - the lease liabilities recognised at that date.

### Disclosures required under IAS 8

- The fact that IFRS 16 has been adopted.
- The nature of the change in accounting policy.
- Transitional provisions:
  - a statement that the transitional provisions in IFRS 16 have been applied;
  - a description of the transitional provisions; and
  - the transitional provisions that might impact future periods.
- The amount of the adjustment relating to earlier periods, to the extent practicable.