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IAS Plus Update.

Additional disclosures proposed for investments in debt instruments

On 23 December 2008, the International Accounting Standards Board (IASB) published an Exposure Draft (ED) proposing to amend IFRS 7 **Financial Instruments: Disclosures** so as to require entities to provide additional disclosures regarding their investments in debt instruments. The proposals are one element of the IASB's response to requests for improvements in Standards arising from its round-table discussions on the global financial crisis, held jointly with the US Financial Accounting Standards Board (FASB) in November and December 2008.

The comment period for the ED is very short, with comments requested by 15 January 2009. The proposed effective date is annual periods ending on or after 15 December 2008 (see below).

Overview of proposals

The objective of the proposed amendments is to facilitate comparisons between investments in debt instruments that are classified into the different measurement categories under IAS 39 **Financial Instruments: Recognition and Measurement**.

Under the proposals, a new paragraph 30A would be added to IFRS 7 that would require entities to provide the following information in a tabular format for all investments in debt instruments other than those classified as at fair value through profit or loss:

- the effect on pre-tax profit or loss if the instruments were accounted for (i) at fair value and (ii) at amortised cost; and
- a summary of the different measurement bases of these instruments, setting out (i) the measurement as in the statement of financial position, (ii) fair value and (iii) amortised cost.

A proposed new paragraph (IG14A) for the Implementation Guidance to IFRS 7 provides an example of the disclosures to be required, which is reproduced on the next page. Note that the use of a tabular format would be mandatory.

Effective date and transition

The ED proposes that, if approved, the additional disclosures would be required for annual periods <u>ending</u> on or after 15 December 2008. Comparative information would be required except for periods before the date of initial adoption.

Therefore, an entity with a calendar-year end would be required to include these additional disclosures in its 2008 annual financial statements (assuming the amendments are finalised before the financial statements are authorised for issue). The entity would not be required to provide comparative information in its 2008 annual financial statements, but would be required to do so for subsequent annual financial statements.

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Extract from proposed paragraph IFRS 7.IG14A

Investments in debt instruments
(other than those classified as at fair value through profit or loss)

	20X1* Pre-tax profit or loss in each scenario CU million
If all investments in debt instruments had been classified as financial assets at fair value through profit or loss	X
If all investments in debt instruments (other than those classified as at fair value through profit or loss) had been accounted for at amortised cost	X

	31 December 20X1*		
	Carrying amount in the statement of financial position CU million	Fair value CU million	Amortised cost CU million
Investments in debt instruments classified as:			
Loans and receivables	X	X	X
Held-to-maturity investments	X	X	
Available-for-sale financial assets	X	X	X
Total	X	X	X

* Comparative information for the prior period would be required (except that comparative information is not required for periods prior to the initial adoption of the disclosure requirements).

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