



## **PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 30 FINANCIAL INSTRUMENTS: DISCLOSURES (PBE IPSAS 30)**

**Issued September 2014 and incorporates amendments to 28 February 2025.**

This Standard was issued on 11 September 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 October 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the commencement and application provisions set out in paragraphs 53.1 to 53.13.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 PBE Standard has been issued as part of a revised full set of PBE Standards that incorporate enhancements for not-for-profit public benefit entities.

This Standard, when applied, supersedes PBE IPSAS 30 *Financial Instruments: Disclosures* issued in May 2013.

## **PBE IPSAS 30 FINANCIAL INSTRUMENTS: DISCLOSURES**

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# PBE IPSAS 30 FINANCIAL INSTRUMENTS: DISCLOSURES

## CONTENTS

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	Paragraph
Objective.....	1–2
Scope.....	3–7
Definitions .....	8
Classes of Financial Instruments and Level of Disclosure.....	9
Significance of Financial Instruments for Financial Position and Financial Performance .....	10–37
Statement of Financial Position.....	11–23
Categories of Financial Assets and Financial Liabilities .....	11
Financial Assets or Financial Liabilities at Fair Value through Surplus or Deficit.....	12–14
Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Revenue and Expense .....	14A–14B
Reclassification .....	15A–15C
Offsetting Financial Assets and Financial Liabilities.....	17A–17F
Collateral.....	18–19
Allowance Account for Credit Losses .....	20A
Compound Financial Instruments with Multiple Embedded Derivatives .....	21
Defaults and Breaches.....	22–23
Statement of Comprehensive Revenue and Expense.....	24–24.1
Items of Revenue, Expense, Gains, or Losses.....	24–24.1
Other Disclosures .....	25–37
Accounting Policies .....	25
Hedge Accounting .....	25A–28G
Uncertainty Arising from Interest Rate Benchmark Reform .....	28H
Fair Value .....	29–36
Concessionary Loans .....	37–37A
Nature and Extent of Risks Arising from Financial Instruments .....	38–49
Qualitative Disclosures.....	40
Quantitative Disclosures.....	41–49
Credit Risk .....	42A–45
Liquidity Risk .....	46
Market Risk.....	47–49

Transfers of Financial Assets.....	49A–49H
Transferred Financial Assets that are Not Derecognised in Their Entirety .....	49D–RDR 49D.1
Transferred Financial Assets that are Derecognised in Their Entirety .....	49E–49G
Supplementary Information.....	49H
Initial Application of PBE IPSAS 41.....	49H.1–49S
Entities Transitioning from PBE IFRS 9 .....	49H.1–49H.2
Entities Transitioning from PBE IPSAS 29.....	49H.3–49S
Commencement, Application and Transition .....	50–54
Withdrawal and Replacement of PBE IPSAS 30 (May 2013).....	55
Application Guidance	
Basis for Conclusions	
Implementation Guidance	
Comparison with IPSAS 30	
History of Amendments	

**The following is available on the XRB website as additional material:**

IPSASB Basis for Conclusions

Public Benefit Entity International Public Sector Accounting Standard 30 *Financial Instruments: Disclosures* is set out in paragraphs 1–55 and the Application Guidance. All the paragraphs have equal authority. PBE IPSAS 30 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE IPSAS 30, the IPSASB’s Basis for Conclusions on IPSAS 30, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

## Objective

1. The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate:
  - (a) The significance of financial instruments for the entity's financial position and performance; and
  - (b) The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
2. The principles in this Standard complement the principles for recognising, measuring, and presenting financial assets and financial liabilities in PBE IPSAS 28 *Financial Instruments: Presentation* and PBE IPSAS 41 *Financial Instruments*.

## Scope

3. This Standard shall be applied by all entities to all types of financial instruments, except:
  - (a) Those interests in controlled entities, associates, or joint ventures that are accounted for in accordance with PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements* or PBE IPSAS 36 *Investments in Associates and Joint Ventures*. However, in some cases, PBE IPSAS 34, PBE IPSAS 35 or PBE IPSAS 36 require or permit an entity to account for an interest in a controlled entity, associate, or joint venture using PBE IPSAS 41; in those cases, entities shall apply the requirements of this Standard. Entities shall also apply this Standard to all derivatives linked to interests in controlled entities, associates, or joint ventures unless the derivative meets the definition of an equity instrument in PBE IPSAS 28.
  - (b) Employers' rights and obligations arising from employee benefit plans, to which PBE IPSAS 39 *Employee Benefits* applies.
  - (c) Insurance contracts as defined in PBE IFRS 17 *Insurance Contracts* or investment contracts with discretionary participation features within the scope of PBE IFRS 17. However, this Standard applies to:
    - (i) Derivatives that are embedded in contracts within the scope of PBE IFRS 17 if PBE IPSAS 41 requires the entity to account for them separately;
    - (ii) Investment components that are separated from contracts within the scope of PBE IFRS 17, if PBE IFRS 17 requires such separation, unless the separated investment component is an investment contract with discretionary participation features.
    - (iii) An issuer's rights and obligations arising under insurance contracts that meet the definition of financial guarantee contracts, if the issuer applies PBE IPSAS 41 in recognising and measuring the contracts. However, the issuer shall apply PBE IFRS 17 if the issuer elects, in accordance with paragraph 7(e) of PBE IFRS 17, to apply PBE IFRS 17 in recognising and measuring the contracts.
    - (iv) An entity's rights and obligations that are financial instruments arising under credit card contracts, or similar contracts that provide credit or payment arrangements, that an entity issues that meet the definition of an insurance contract if the entity applies PBE IPSAS 41 to those rights and obligations in accordance with paragraph 7(h) of PBE IFRS 17 and paragraph 2(e)(iv) of PBE IPSAS 41.
    - (v) An entity's rights and obligations that are financial instruments arising under insurance contracts that an entity issues that limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, if the entity elects, in accordance with paragraph 8A of PBE IFRS 17, to apply PBE IPSAS 41 instead of PBE IFRS 17 to such contracts.
  - (d) Financial instruments, contracts, and obligations under share-based payment transactions to which the relevant international or national accounting standard dealing with share-based payment applies, except that this Standard applies to contracts within the scope of paragraphs 4–6 of PBE IPSAS 41.

- (e) **Instruments that are required to be classified as equity instruments in accordance with paragraphs 15 and 16 or paragraphs 17 and 18 of PBE IPSAS 28.**
4. This Standard applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of PBE IPSAS 41. Unrecognised financial instruments include some financial instruments that, although outside the scope of PBE IPSAS 41, are within the scope of this Standard (such as some loan commitments).
  5. This Standard applies to contracts to buy or sell a non-financial item that are within the scope of PBE IPSAS 41 (see paragraphs 6–8 of PBE IPSAS 41).
  - 5A. The credit risk disclosure requirements in paragraphs 42A–42N apply to those rights for receivables that result from exchange transactions that are within the scope of PBE IPSAS 9 and non-exchange transactions within the scope of PBE IPSAS 23 which give rise to financial instruments for the purpose of recognising impairment gains or losses in accordance with paragraph 3 of PBE IPSAS 41. Any reference to financial assets or financial instruments in these paragraphs shall include those rights unless otherwise specified.
  6. [Not used]
  - 6.1 **This Standard applies to Tier 1 and Tier 2 public benefit entities.**
  - 6.2 **A Tier 2 entity is not required to comply with the requirements in this Standard denoted with an asterisk (\*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**
  7. [Not used]

## Definitions

8. The following terms are used in this Standard with the meanings specified:

**Credit risk** is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Credit risk rating grades** is the rating of credit risk based on the risk of a default occurring on the financial instrument.

**Currency risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**Interest rate risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**Liquidity risk** is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

**Loans payable** are financial liabilities, other than short-term trade payables on normal credit terms.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

**Other price risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

## Classes of Financial Instruments and Level of Disclosure

- \*9. When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

## Significance of Financial Instruments for Financial Position and Financial Performance

10. An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

### Statement of Financial Position

#### *Categories of Financial Assets and Financial Liabilities*

11. The carrying amounts of each of the following categories, as defined in PBE IPSAS 41, shall be disclosed either in the statement of financial position or in the notes:

- \*(a) Financial assets measured at fair value through surplus or deficit, showing separately (i) those designated as such upon initial recognition, or subsequently in accordance with paragraph 152 of PBE IPSAS 41; (ii) those measured as such in accordance with the election in paragraph 38.1 of PBE IPSAS 41; (iii) those measured as such in accordance with the election in paragraph 38.1 of PBE IPSAS 28 and (iv) those mandatorily measured at fair value through surplus or deficit in accordance with PBE IPSAS 41;

(b)–(d) [Deleted by IPSASB]

- \*(e) Financial liabilities at fair value through surplus or deficit, showing separately (i) those designated as such upon initial recognition, or subsequently in accordance with paragraph 152 of PBE IPSAS 41 and (ii) those that meet the definition of held-for-trading in PBE IPSAS 41;

(f) Financial assets measured at amortised cost;

(g) Financial liabilities measured at amortised cost; and

(h) Financial assets measured at fair value through other comprehensive revenue and expense; showing separately (i) financial assets that are measured at fair value through other comprehensive revenue and expense in accordance with paragraph 41 of PBE IPSAS 41; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 106 of PBE IPSAS 41.

RDR 11.1 A Tier 2 entity shall disclose, either in the statement of financial position or in the notes, the carrying amounts of (i) financial assets measured at fair value through surplus or deficit and (ii) financial liabilities measured at fair value through surplus or deficit.

RDR 11.2 [Deleted by NZASB]

#### *Financial Assets or Financial Liabilities at Fair Value through Surplus or Deficit*

- \*12. If the entity has designated as measured at fair value through surplus or deficit a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive revenue and expense or amortised cost, it shall disclose:

(a) The maximum exposure to credit risk (see paragraph 43(a)) of the financial asset (or group of financial assets) at the end of the reporting period.

(b) The amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 43(b)).

(c) 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 of the financial asset determined either:

(i) As the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

(ii) Using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate, or index of prices or rates.

(d) The amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

- \*13. If the entity has designated a financial liability as at fair value through surplus or deficit in accordance with paragraph 46 of PBE IPSAS 41 and is required to present the effects of changes in that liability's credit risk in other comprehensive revenue and expense (see paragraph 108 of PBE IPSAS 41), it shall disclose:
- (a) The amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs AG236–AG243 of PBE IPSAS 41 for guidance on determining the effects of changes in a liability's credit risk).
  - (b) The difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.
  - (c) Any transfers of the cumulative gain or loss within net assets/equity during the period including the reason for such transfers.
  - (d) If a liability is derecognised during the period, the amount (if any) presented in other comprehensive revenue and expense that was realised at derecognition.
- \*13A. If an entity has designated a financial liability as at fair value through surplus or deficit in accordance with paragraph 46 of PBE IPSAS 41 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in surplus or deficit (see paragraphs 108 and 109 of PBE IPSAS 41), it shall disclose:
- (a) The amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs AG236–AG243 of PBE IPSAS 41 for guidance on determining the effects of changes in a liability's credit risk); and
  - (b) The difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.
- \*14. The entity shall also disclose:
- (a) A detailed description of the methods used to comply with the requirements in paragraphs 12(c), 13(a) and 13A(a) and paragraph 108(a) of PBE IPSAS 41, including an explanation of why the method is appropriate.
  - (b) If the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 12(c), 13(a) or 13A(a) and paragraph 108(a) of PBE IPSAS 41 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.
  - (c) A detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive revenue and expense would create or enlarge an accounting mismatch in surplus or deficit (see paragraphs 108 and 109 of PBE IPSAS 41). If an entity is required to present the effects of changes in a liability's credit risk in surplus or deficit (see paragraph 109 of PBE IPSAS 41), the disclosure must include a detailed description of the economic relationship described in paragraph AG229 of PBE IPSAS 41.

*Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Revenue and Expense*

- \*14A. If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive revenue and expense, as permitted by paragraph 106 of PBE IPSAS 41, it shall disclose:
- (a) Which investments in equity instruments have been designated to be measured at fair value through other comprehensive revenue and expense.
  - (b) The reasons for using this presentation alternative.
  - (c) The fair value of each such investment at the end of the reporting period.
  - (d) Dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.
  - (e) Any transfers of the cumulative gain or loss within net assets/equity during the period including the reason for such transfers.



- \*14B. If an entity derecognised investments in equity instruments measured at fair value through other comprehensive revenue and expense during the reporting period, it shall disclose:
- (a) The reasons for disposing of the investments.
  - (b) The fair value of the investments at the date of derecognition.
  - (c) The cumulative gain or loss on disposal.

*Reclassification*

15. [Deleted by IPSASB]

15A. An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 54 of PBE IPSAS 41. For each such event, an entity shall disclose:

- (a) The date of reclassification.
- (b) A detailed explanation of the change in management model and a qualitative description of its effect on the entity's financial statements.
- (c) The amount reclassified into and out of each category.

\*15B. For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through surplus or deficit category so that they are measured at amortised cost or fair value through other comprehensive revenue and expense in accordance with paragraph 54 of PBE IPSAS 41:

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

15C. If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive revenue and expense category so that they are measured at amortised cost or out of the fair value through surplus or deficit category so that they are measured at amortised cost or fair value through other comprehensive revenue and expense it shall disclose:

- (a) The fair value of the financial assets at the end of the reporting period; and
- (b) The fair value gain or loss that would have been recognised in surplus or deficit or other comprehensive revenue or expense during the reporting period if the financial assets had not been reclassified.

16. [Deleted by IPSASB]

17. [Deleted by IPSASB]

*Offsetting Financial Assets and Financial Liabilities*

\*17A. The disclosures in paragraphs 17B–17E supplement the other disclosure requirements of this Standard and are required for all recognised financial instruments that are set off in accordance with paragraph 47 of PBE IPSAS 28. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with paragraph 47 of PBE IPSAS 28.

\*17B. An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 17A.

\*17C. To meet the objective in paragraph 17B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 17A:

- (a) The gross amounts of those recognised financial assets and recognised financial liabilities;
- (b) The amounts that are set off in accordance with the criteria in paragraph 47 of PBE IPSAS 28 when determining the net amounts presented in the statement of financial position;
- (c) The net amounts presented in the statement of financial position;

- (d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 17C(b), including:
  - (i) Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 47 of PBE IPSAS 28; and
  - (ii) Amounts related to financial collateral (including cash collateral); and
- (e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

- \*17D. The total amount disclosed in accordance with paragraph 17C(d) for an instrument shall be limited to the amount in paragraph 17C(c) for that instrument.
- \*17E. An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 17C(d), including the nature of those rights.
- \*17F. If the information required by paragraphs 17B–17E is disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes.

#### *Collateral*

- 18. An entity shall disclose:
  - (a) The carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 34(a) of PBE IPSAS 41; and
  - (b) The terms and conditions relating to its pledge.
- \*19. When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:
  - (a) The fair value of the collateral held;
  - (b) The fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
  - (c) The terms and conditions associated with its use of the collateral.

#### *Allowance Account for Credit Losses*

20. [Deleted by IPSASB]

- 20A. The carrying amount of financial assets measured at fair value through other comprehensive revenue and expense in accordance with paragraph 41 of PBE IPSAS 41 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.

#### *Compound Financial Instruments with Multiple Embedded Derivatives*

- 21. If an entity has issued an instrument that contains both a liability and an equity component (see paragraph 33 of PBE IPSAS 28) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

#### *Defaults and Breaches*

- \*22. For loans payable recognised at the end of the reporting period, an entity shall disclose:
  - (a) Details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
  - (b) The carrying amount of the loans payable in default at the end of the reporting period; and

- (c) Whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

RDR 22.1 For loans payable recognised at the end of the reporting period for which there is a breach of terms or default of principal, interest, sinking fund, or redemption of terms that has not been remedied by the end of the reporting period, a Tier 2 entity shall disclose the following:

- (a) Details of that breach or default;
- (b) The carrying amount of the related loans payable at the end of the reporting period; and
- (c) Whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

- \*23. If, during the period, there were breaches of loan agreement terms other than those described in paragraph 22, an entity shall disclose the same information as required by paragraph 22 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

## Statement of Comprehensive Revenue and Expense

### *Items of Revenue, Expense, Gains, or Losses*

24. An entity shall disclose the following items of revenue, expense, gains, or losses either in the statement of comprehensive revenue and expense or in the notes:

- (a) Net gains or net losses on:
  - \* (i) Financial assets or financial liabilities measured at fair value through surplus or deficit, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 152 of PBE IPSAS 41, and those on financial assets or financial liabilities that are mandatorily measured at fair value through surplus or deficit in accordance with PBE IPSAS 41 (e.g., financial liabilities that meet the definition of held for trading in PBE IPSAS 41). For financial liabilities designated as at fair value through surplus or deficit, an entity shall show separately the amount of gain or loss recognised in other comprehensive revenue and expense and the amount recognised in surplus or deficit;
  - (ii)–(iv) [Deleted by IPSASB]
  - (v) Financial liabilities measured at amortised cost;
  - (vi) Financial assets measured at amortised cost;
  - (vii) Investments in equity instruments designated at fair value through other comprehensive revenue and expense in accordance with paragraph 106 of PBE IPSAS 41 and
  - (viii) Financial assets measured at fair value through other comprehensive revenue and expense in accordance with paragraph 41 of PBE IPSAS 41, showing separately the amount of gain or loss recognised in other comprehensive revenue and expense during the period and the amount reclassified upon derecognition from accumulated other comprehensive revenue and expense to surplus or deficit for the period.
- (b) Total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive revenue and expense in accordance with paragraph 41 of PBE IPSAS 41 (showing these amounts separately); or financial liabilities that are not measured at fair value through surplus or deficit;
- \*(c) Fee revenue and expense (other than amounts included in determining the effective interest rate) arising from:
  - (i) Financial assets or financial liabilities that are not at fair value through surplus or deficit; and
  - (ii) Trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.
- (d)–(e) [Deleted by IPSASB]

RDR 24.1 A Tier 2 entity shall disclose, either in the statement of comprehensive revenue and expense or in the notes, net gains or losses on financial assets or financial liabilities measured at fair value through surplus or deficit. For financial liabilities designated as at fair value through surplus or deficit, an entity shall show separately the amount of gain or loss recognised in other comprehensive revenue and expense and the amount recognised in surplus or deficit.

- \*24A. An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive revenue and expense arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

## Other Disclosures

### *Accounting Policies*

25. In accordance with paragraph 132 of PBE IPSAS 1 *Presentation of Financial Reports*, an entity discloses its significant accounting policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

### *Hedge Accounting*

- 25A. An entity shall apply the disclosure requirements in paragraphs 25B–28F for those risk exposures that an entity hedges and for which it elects to apply hedge accounting. Hedge accounting disclosures shall provide information about:
- (a) An entity's risk management strategy and how it is applied to manage risk;
  - (b) How the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and
  - (c) The effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive revenue and expense and statement of changes in net assets/equity.
- \*25B. An entity shall present the required disclosures in a single note or separate section in its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.
- \*25C. When paragraphs 26A–28F require the entity to separate by risk category the information disclosed, the entity shall determine each risk category on the basis of the risk exposures an entity decides to hedge and for which hedge accounting is applied. An entity shall determine risk categories consistently for all hedge accounting disclosures.
- 25D. To meet the objectives in paragraph 25A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this Standard.
- ### **The Risk Management Strategy**
26. [Deleted by IPSASB]
- 26A. An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):
- (a) How each risk arises.
  - (b) How the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why.

- (c) The extent of risk exposures that the entity manages.
- 26B. To meet the requirements in paragraph 26A, the information should include (but is not limited to) a description of:
  - (a) The hedging instruments that are used (and how they are used) to hedge risk exposures;
  - (b) How the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and
  - (c) How the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.
- 26C. When an entity designates a specific risk component as a hedged item (see paragraph 128 of PBE IPSAS 41) it shall provide, in addition to the disclosures required by paragraphs 26A and 26B, qualitative or quantitative information about:
  - (a) How the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and
  - (b) How the risk component relates to the item in its entirety (for example, the designated risk component historically covered on average 80 percent of the changes in fair value of the item as a whole).

### **The Amount, Timing and Uncertainty of Future Cash Flows**

27. [Deleted by IPSASB]

RDR 27.1 [Deleted by NZASB]

- \*27A. Unless exempted by paragraph 27C, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.
- \*27B. To meet the requirement in paragraph 27A, an entity shall provide a breakdown that discloses:
  - (a) A profile of the timing of the nominal amount of the hedging instrument; and
  - (b) If applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.
- 27C. In situations in which an entity frequently resets (i.e., discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (i.e., the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long—such as in the example in paragraph AG317(b) of PBE IPSAS 41) the entity:
  - \* (a) Is exempt from providing the disclosures required by paragraphs 27A and 27B.
  - (b) Shall disclose:
    - (i) Information about what the ultimate risk management strategy is in relation to those hedging relationships;
    - (ii) A description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and
    - (iii) 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.
- \*27D. An entity shall disclose by risk category a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.
- \*27E. If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources by risk category and explain the resulting hedge ineffectiveness.
- 27F. For cash flow hedges, an entity shall disclose a description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur.

**The Effects of Hedge Accounting on Financial Position and Performance**

28. [Deleted by IPSASB]

28A. An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):

- (a) The carrying amount of the hedging instruments (financial assets separately from financial liabilities);
- \*(b) The line item in the statement of financial position that includes the hedging instrument;
- (c) The change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and
- \*(d) The nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.

RDR 28A.1. A Tier 2 entity is not required to make the disclosures required by paragraph 28A in a tabular format.

28B. An entity shall disclose, in a tabular format, the following amounts related to hedged items separately by risk category for the types of hedges as follows:

- (a) For fair value hedges:
  - (i) The carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
  - \*(ii) The accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);
  - \*(iii) The line item in the statement of financial position that includes the hedged item;
  - (iv) The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and
  - \*(v) The accumulated amount 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 in accordance with paragraph 139 of PBE IPSAS 41.
- (b) For cash flow hedges and hedges of a net investment in a foreign operation:
  - (i) The change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (i.e., for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 140(c) of PBE IPSAS 41);
  - \*(ii) The balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 140 and 142(a) of PBE IPSAS 41; and
  - \*(iii) 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.

RDR 28B.1. A Tier 2 entity is not required to make the disclosures required by paragraph 28B in a tabular format.

28C. An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:

- (a) For fair value hedges:
  - (i) Hedge ineffectiveness—i.e., the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in surplus or deficit (or other comprehensive revenue and expense for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive revenue and expense in accordance with paragraph 106 of PBE IPSAS 41); and

- \* (ii) The line item in the statement of comprehensive revenue and expense that includes the recognised hedge ineffectiveness.
- (b) For cash flow hedges and hedges of a net investment in a foreign operation:
  - (i) Hedging gains or losses of the reporting period that were recognised in other comprehensive revenue and expense;
  - (ii) Hedge ineffectiveness recognised in surplus or deficit;
  - \* (iii) The line item in the statement of comprehensive revenue and expense that includes the recognised hedge ineffectiveness;
  - (iv) The amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into surplus or deficit as a reclassification adjustment (see PBE IPSAS 1) (differentiating between amounts for which hedge accounting had 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 surplus or deficit);
  - \* (v) The line item in the statement of comprehensive revenue and expense that includes the reclassification adjustment (see PBE IPSAS 1); and
  - (vi) For hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive revenue and expense (see paragraph 149 of PBE IPSAS 41).
- RDR 28C.1. A Tier 2 entity is not required to make the disclosures required by paragraph 28C in a tabular format.
- RDR 28C.2. A Tier 2 entity is required to disclose only the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into surplus or deficit as a reclassification adjustment in accordance with paragraph 28C(b)(iv).
- \*28D. When the volume of hedging relationships to which the exemption in paragraph 27C applies is unrepresentative of normal volumes during the period (i.e., the volume at the reporting date does not reflect the volumes during the period) an entity shall disclose that fact and the reason it believes the volumes are unrepresentative.
- \*28E. An entity shall provide a reconciliation of each component of net assets/equity and an analysis of other comprehensive revenue and expense in accordance with PBE IPSAS 1 that, taken together:
  - (a) Differentiates, at a minimum, between the amounts that relate to the disclosures in paragraph 28C(b)(i) and (b)(iv) as well as the amounts accounted for in accordance with paragraph 140(d)(i) and (d)(iii) of PBE IPSAS 41;
  - (b) Differentiates between the amounts associated with the time value of options that hedge transaction related hedged items and the amounts associated with the time value of options that hedge time-period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 144 of PBE IPSAS 41; and
  - (c) Differentiates between the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction related hedged items, and the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time-period related hedged items when an entity accounts for those amounts in accordance with paragraph 145 of PBE IPSAS 41.
- \*28F. An entity shall disclose the information required in paragraph 28E separately by risk category. This disaggregation by risk may be provided in the notes to the financial statements.

**Option to Designate a Credit Exposure as Measured at Fair Value Through Surplus or Deficit**

- 28G. If an entity designated a financial instrument, or a proportion of it, as measured at fair value through surplus or deficit because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:
  - \* (a) For credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through surplus or deficit in accordance with paragraph 152 of PBE IPSAS 41, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;

- \*(b) The gain or loss recognised in surplus or deficit on designation of a financial instrument, or a proportion of it, as measured at fair value through surplus or deficit in accordance with paragraph 152 of PBE IPSAS 41; and
- (c) On discontinuation of measuring a financial instrument, or a proportion of it, at fair value through surplus or deficit, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 155 of PBE IPSAS 41 and the related nominal or principal amount (except for providing comparative information in accordance with PBE IPSAS 1, an entity does not need to continue this disclosure in subsequent periods).

#### **Uncertainty Arising from Interest Rate Benchmark Reform**

28H For hedging relationships to which an entity applies the exceptions set out in paragraphs 155.4–155.12 of PBE IPSAS 41, [paragraphs 6.8.4–6.8.12 of PBE IFRS 9],<sup>1</sup> or paragraphs 113D–113N of PBE IPSAS 29, an entity shall disclose:

- (a) The significant interest rate benchmarks to which the entity's hedging relationships are exposed;
- (b) The extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;
- (c) How the entity is managing the process to transition to alternative benchmark rates;
- (d) A description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and
- (e) The nominal amount of the hedging instruments in those hedging relationships.

#### **Additional Disclosures Related to Interest Rate Benchmark Reform**

28I To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, an entity shall disclose information about:

- (a) The nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages these risks; and
- (b) The entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the transition.

28J To meet the objectives in paragraph 28I, an entity shall disclose:

- (a) How the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition;
- (b) Disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately:
  - (i) Non-derivative financial assets;
  - (ii) Non-derivative financial liabilities; and
  - (iii) Derivatives; and
- (c) If the risks identified in paragraph 28J(a) have resulted in changes to an entity's risk management strategy, a description of these changes.<sup>2\*</sup>

<sup>1</sup> The references to PBE IFRS 9 (which are shown in square brackets [ ]) are relevant only for those entities that have early adopted PBE IFRS 9.

<sup>2</sup> For entities that have early adopted PBE IFRS 9 or PBE IPSAS 41, see also paragraph 26A.



*Fair Value*

- \*29. Except as set out in paragraph 35 for each class of financial assets and financial liabilities (see paragraph 9), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.
- \*30. In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.
- \*31. An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose that change and the reasons for making it.

RDR 31.1 A Tier 2 entity shall disclose, for all financial assets and financial liabilities that are measured at fair value, the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

- \*32. To make the disclosures required by paragraph 33 an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:
  - (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
  - (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices) (Level 2); and
  - (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

- \*33. For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:
  - (a) The level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 32.
  - (b) Any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to surplus or deficit, and total assets or total liabilities.
  - (c) For fair value measurements in Level 3, a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period attributable to the following:
    - (i) Total gains or losses for the period recognised in surplus or deficit, and a description of where they are presented in the statement(s) of comprehensive revenue and expense;
    - (ii) Total gains or losses recognised in other comprehensive revenue and expense;
    - (iii) Purchases, sales, issues, and settlements (each type of movement disclosed separately); and
    - (iv) Transfers into or out of Level 3 (e.g., transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

- (d) The amount of total gains or losses for the period in (c)(i) above included in surplus or deficit that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement(s) of comprehensive revenue and expense.
- (e) For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to surplus or deficit, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive revenue and expense, total net assets/equity.

An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.

- \*34. If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG149–AG154 of PBE IPSAS 41). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless conditions described in paragraph AG151 of PBE IPSAS 41 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a difference exists, an entity shall disclose, by class of financial instrument:
  - (a) Its accounting policy for recognising that difference in surplus or deficit to reflect a change in factors (including time) that market participants would consider in setting a price (see paragraph AG117(b) of PBE IPSAS 41); and
  - (b) The aggregate difference yet to be recognised in surplus or deficit at the beginning and end of the period and a reconciliation of changes in the balance of this difference.
- 35. Disclosures of fair value are not required:
  - (a) When the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables; and
  - (b) [Deleted by IPSASB]
  - (c) [Deleted by NZASB]
- 36. [Deleted by NZASB]

#### *Concessionary Loans*

- 37. Concessionary loans are granted by entities on below market terms. Examples of concessionary loans granted by entities include loans to developing countries, small farms, student loans granted to qualifying students for university or college education, and housing loans granted to low income families. For concessionary loans granted and measured at amortised cost in accordance with paragraph 40 of PBE IPSAS 41, an entity shall disclose:
  - (a) A reconciliation between the opening and closing carrying amounts of the loans, including:
    - (i) Nominal value of new loans granted during the period;
    - (ii) The fair value adjustment on initial recognition;
    - (iii) Loans repaid during the period;
    - (iv) Impairment losses recognised;
    - (v) Any increase during the period in the discounted amount arising from the passage of time; and
    - (vi) Other changes.
  - (b) Nominal value of the loans at the end of the period;
  - (c) The purpose and terms of the various types of loans; and
  - (d) Valuation assumptions.

- 37A. For concessionary loans measured at fair value in accordance with paragraph 41 or 43 of PBE IPSAS 41 an entity shall disclose:
- (a) A reconciliation between the opening and closing carrying amounts of the loans, including:
    - (i) Nominal value of new loans granted during the period;
    - (ii) The fair value adjustment on initial recognition;
    - (iii) Loans repaid during the period;
    - (iv) The fair value adjustment during the period (separate from initial recognition); and
    - (vi) Other changes.
  - (b) Nominal value of the loans at the end of the period;
  - (c) The purpose and terms of the various types of loans, including the nature of the concession; and
  - (d) Valuation assumptions.

### **Nature and Extent of Risks Arising from Financial Instruments**

- \*38. **An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.**
- \*39. The disclosures required by paragraphs 40–49 focus on the risks that arise from financial instruments and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk, and market risk.
- \*39A. Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

### **Qualitative Disclosures**

- \*40. For each type of risk arising from financial instruments, an entity shall disclose:
- (a) The exposures to risk and how they arise;
  - (b) Its objectives, policies, and processes for managing the risk and the methods used to measure the risk; and
  - (c) Any changes in (a) or (b) from the previous period.

### **Quantitative Disclosures**

- \*41. For each type of risk arising from financial instruments, an entity shall disclose:
- (a) Summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in PBE IPSAS 20 *Related Party Disclosures*), for example, the entity's governing body or chief executive officer.
  - (b) The disclosures required by paragraphs 43–49, to the extent not provided in accordance with (a).
  - (c) Concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).
- \*42. If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

### *Credit Risk*

#### **Scope and Objectives**

- \*42A. An entity shall apply the disclosure requirements in paragraphs 42F–42N to financial instruments to which the impairment requirements in PBE IPSAS 41 are applied. However:

- (a) For receivables that result from exchange transactions that are within the scope of PBE IPSAS 9 and non-exchange transactions within the scope of PBE IPSAS 23 and lease receivables, paragraph 42J(a) applies to those receivables or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 87 of PBE IPSAS 41, if those financial assets are modified while more than 30 days past due; and
  - (b) Paragraph 42K(b) does not apply to lease receivables.
- \*42B. The credit risk disclosures made in accordance with paragraphs 42F–42N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:
- (a) Information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;
  - (b) Quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and
  - (c) Information about an entity's credit risk exposure (i.e., the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.
- \*42C. An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.
- \*42D. To meet the objectives in paragraph 42B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.
- \*42E. If the disclosures provided in accordance with paragraphs 42F–42N are insufficient to meet the objectives in paragraph 42B, an entity shall disclose additional information that is necessary to meet those objectives.

### **The Credit Risk Management Practices**

- \*42F. An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate:
- (a) How an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:
    - (i) Financial instruments are considered to have low credit risk in accordance with paragraph 82 of PBE IPSAS 41, including the classes of financial instruments to which it applies; and
    - (ii) The presumption in paragraph 83 of PBE IPSAS 41, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;
  - (b) An entity's definitions of default, including the reasons for selecting those definitions;
  - (c) How the instruments were grouped if expected credit losses were measured on a collective basis;
  - (d) How an entity determined that financial assets are credit-impaired financial assets;
  - (e) An entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and
  - (f) How the requirements in paragraph 84 of PBE IPSAS 41 for the modification of contractual cash flows of financial assets have been applied, including how an entity:

- (i) Determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 77 of PBE IPSAS 41; and
- (ii) Monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 75 of PBE IPSAS 41.

\*42G. An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in paragraphs 73–93 of PBE IPSAS 41. For this purpose an entity shall disclose:

- (a) The basis of inputs and assumptions and the estimation techniques used to:
  - (i) Measure the 12-month and lifetime expected credit losses;
  - (ii) Determine whether the credit risk of financial instruments has increased significantly since initial recognition; and
  - (iii) Determine whether a financial asset is a credit-impaired financial asset.
- (b) How forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and
- (c) Changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.

#### **Quantitative and Qualitative Information About Amounts Arising from Expected Credit Losses**

\*42H. To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:

- (a) The loss allowance measured at an amount equal to 12-month expected credit losses;
- (b) The loss allowance measured at an amount equal to lifetime expected credit losses for:
  - (i) Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;
  - (ii) Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and
  - (iii) Receivables that result from exchange transactions that are within the scope of PBE IPSAS 9 or non-exchange transactions that are within the scope of PBE IPSAS 23 or lease receivables for which the loss allowances are measured in accordance with paragraph 87 of PBE IPSAS 41.
- (c) Financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.

\*42I. To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 42H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 42H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:

- (a) Changes because of financial instruments originated or acquired during the reporting period;
- (b) The modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with PBE IPSAS 41;
- (c) Changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and

- (d) Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.
- \*42J. To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose:
- (a) The amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and
  - (b) The gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.
- \*42K. To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:
- (a) The amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g., netting agreements that do not qualify for offset in accordance with PBE IPSAS 28).
  - (b) A narrative description of collateral held as security and other credit enhancements, including:
    - (i) A description of the nature and quality of the collateral held;
    - (ii) An explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and
    - (iii) Information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.
  - (c) Quantitative information about the collateral held as security and other credit enhancements (for example, 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.
- \*42L. An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.

### **Credit Risk Exposure**

- \*42M. To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:
- (a) For which the loss allowance is measured at an amount equal to 12-month expected credit losses;
  - (b) For which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:
    - (i) Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;
    - (ii) Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and
    - (iii) Receivables that result from exchange transactions that are within the scope of PBE IPSAS 9 or non-exchange transactions that are within the scope of PBE IPSAS 23 or lease receivables for which the loss allowances are measured in accordance with paragraph 87 of PBE IPSAS 41.
  - (c) That are purchased or originated credit-impaired financial assets.
- \*42N. For receivables that result from exchange transactions that are within the scope of PBE IPSAS 9 or non-exchange transactions that are within the scope of PBE IPSAS 23 or lease receivables to which an entity

applies paragraph 87 of PBE IPSAS 41, the information provided in accordance with paragraph 42M may be based on a provision matrix (see paragraph AG199 of PBE IPSAS 41).

- \*43. For all financial instruments within the scope of this Standard, but to which the impairment requirements in PBE IPSAS 41 are not applied, an entity shall disclose by class of financial instrument:
- (a) The amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (e.g., netting agreements that do not qualify for offset in accordance with PBE IPSAS 28); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.
  - (b) A description of collateral held as security and other credit enhancements and their financial effect (e.g., quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).
  - (c) [Deleted by IPSASB]
  - (d) [Deleted by IPSASB]
44. [Deleted by IPSASB]

#### **Collateral and Other Credit Enhancements Obtained**

45. When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g., guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose for such assets at the reporting date:
- (a) The nature and carrying amount of the assets obtained; and
  - (b) When the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

#### *Liquidity Risk*

- \*46. An entity shall disclose:
- (a) A maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.
  - (b) A maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph AG14).
  - (c) A description of how it manages the liquidity risk inherent in (a) and (b).

#### *Market Risk*

##### **Sensitivity Analysis**

- \*47. Unless an entity complies with paragraph 48, it shall disclose:
- (a) A sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how surplus or deficit and net assets/equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
  - (b) The methods and assumptions used in preparing the sensitivity analysis; and
  - (c) Changes from the previous period in the methods and assumptions used, and the reasons for such changes.
- \*48. If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 47. The entity shall also disclose:
- (a) An explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

- (b) An explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

#### **Other Market Risk Disclosures**

- \*49. When the sensitivity analyses disclosed in accordance with paragraph 47 or 48 are unrepresentative of a risk inherent in a financial instrument (e.g., because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

### **Transfers of Financial Assets**

- 49A. The disclosure requirements in paragraphs 49B–49H relating to transfers of financial assets supplement the other disclosure requirements of this Standard. An entity shall present the disclosures required by paragraphs 49B–49H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset) if, and only if, it either:
  - (a) Transfers the contractual rights to receive the cash flows of that financial asset; or
  - (b) Retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.
- 49B. An entity shall disclose information that enables users of its financial statements:
  - (a) To understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
  - \* (b) To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.
- \*49C. For the purposes of applying the disclosure requirements in paragraphs 49E–49H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 49E–49H, the following do not constitute continuing involvement:
  - (a) Normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;
  - (b) Forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or
  - (c) An arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 16(a)–(c) of PBE IPSAS 41 are met.

#### **Transferred Financial Assets that are Not Derecognised in Their Entirety**

- 49D. An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 49B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:
  - (a) The nature of the transferred assets.
  - (b) The nature of the risks and rewards of ownership to which the entity is exposed.
  - (c) A description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.
  - \* (d) When the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of



the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).

- \*(e) When the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.
- \*(f) When the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 17(c)(ii) and 27 of PBE IPSAS 41), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

RDR 49D.1 When a Tier 2 entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 17(c)(ii) and 27 of PBE IPSAS 41), the entity is required to disclose the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities in accordance with paragraph 49D(f).

### **Transferred Financial Assets that are Derecognised in Their Entirety**

49E. To meet the objectives set out in paragraph 49B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 17(a) and 17(c)(i) of PBE IPSAS 41) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:

- \*(a) The carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.
- \*(b) The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.
- (c) The amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.
- \*(d) The undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (e.g., the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.
- \*(e) A maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.
- \*(f) Qualitative information that explains and supports the quantitative disclosures required in (a)–(e).

\*49F. An entity may aggregate the information required by paragraph 49E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.

\*49G. In addition, an entity shall disclose for each type of continuing involvement:

- (a) The gain or loss recognised at the date of transfer of the assets.
- (b) Revenue and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (e.g. fair value changes in derivative instruments).
- (c) If the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (e.g. if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):
  - (i) When the greatest transfer activity took place within that reporting period (e.g. the last five days before the end of the reporting period),
  - (ii) The amount (e.g., related gains or losses) recognised from transfer activity in that part of the reporting period, and

- (iii) The total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive revenue and expense is presented.

### **Supplementary Information**

- \*49H. An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 49B.

## **Initial Application of PBE IPSAS 41**

### **Entities Transitioning from PBE IFRS 9**

- 49H.1 Except as expressly permitted by PBE IPSAS 41, an entity that has previously applied PBE IFRS 9 shall not change the classification or measurement of its existing financial assets and financial liabilities on the date of initial application of PBE IPSAS 41.
- 49H.2 An entity that has previously applied PBE IFRS 9 shall comply with the requirements of this Standard, as amended by PBE IPSAS 41 when it applies PBE IPSAS 41 (see paragraph 53.7). The amended requirements need not be applied to comparative information provided before the date of initial application of PBE IFRS 9. However, the amended requirements in paragraphs 49A–49H and AG31–AG41 need not be applied to comparative information provided for periods before the date of initial application of PBE IPSAS 41.

### **Entities Transitioning from PBE IPSAS 29**

- 49H.3 An entity that has not previously applied PBE IFRS 9 shall comply with the requirements of this Standard, as amended by PBE IPSAS 41 when it applies PBE IPSAS 41 (see paragraph 53.7). The amended requirements need not be applied to comparative information provided for periods before the date of initial application of PBE IPSAS 41.
- 49I. In the reporting period that includes the date of initial application of PBE IPSAS 41, an entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:
  - (a) The original measurement category and carrying amount determined in accordance with PBE IPSAS 29;
  - (b) The new measurement category and carrying amount determined in accordance with PBE IPSAS 41;
  - (c) The amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through surplus or deficit but are no longer so designated, distinguishing between those that PBE IPSAS 41 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.
- 49J. In the reporting period that includes the date of initial application of PBE IPSAS 41, an entity shall disclose qualitative information to enable users to understand:
  - (a) How it applied the classification requirements in PBE IPSAS 41 to those financial assets whose classification has changed as a result of applying PBE IPSAS 41.
  - (b) The reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through surplus or deficit at the date of initial application.
- 49K. In the reporting period that an entity first applies the classification and measurement requirements for financial assets in PBE IPSAS 41 (i.e., when the entity transitions from PBE IPSAS 29 to PBE IPSAS 41 for financial assets), it shall present the disclosures set out in paragraphs 49L–49O of this Standard as required by paragraph 173 of PBE IPSAS 41.
- 49L. When required by paragraph 49K, an entity shall disclose the changes in the classifications of financial assets and financial liabilities as at the date of initial application of PBE IPSAS 41, showing separately:
  - (a) The changes in the carrying amounts on the basis of their measurement categories in accordance with PBE IPSAS 29 (i.e., not resulting from a change in measurement attribute on transition to PBE IPSAS 41); and

- (b) The changes in the carrying amounts arising from a change in measurement attribute on transition to PBE IPSAS 41.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in PBE IPSAS 41.

- 49M. When required by paragraph 49K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost and, in the case of financial assets, that have been reclassified out of fair value through surplus or deficit so that they are measured at fair value through other comprehensive revenue and expense, as a result of the transition to PBE IPSAS 41:

- (a) The fair value of the financial assets or financial liabilities at the end of the reporting period; and
- (b) The fair value gain or loss that would have been recognised in surplus or deficit or other comprehensive revenue and expense during the reporting period if the financial assets or financial liabilities had not been reclassified.

The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in PBE IPSAS 41.

- 49N. When required by paragraph 49K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified out of the fair value through surplus or deficit category as a result of the transition to PBE IPSAS 41:

- (a) The effective interest rate determined on the date of initial application; and
- (b) The interest revenue or expense recognised.

If an entity treats the fair value of a financial asset or a financial liability as the new gross carrying amount at the date of initial application (see paragraph 168 of PBE IPSAS 41), the disclosures in this paragraph shall be made for each reporting period until derecognition. Otherwise, the disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in PBE IPSAS 41.

- 49O. When an entity presents the disclosures set out in paragraphs 49K–49N, those disclosures, and the disclosures in paragraph 29 of this Standard, must permit reconciliation between:

- (a) The measurement categories presented in accordance with PBE IPSAS 29 and PBE IPSAS 41; and
- (b) The class of financial instrument

as at the date of initial application.

- 49P. On the date of initial application of paragraphs 73–93 of PBE IPSAS 41, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with PBE IPSAS 29 and the provisions in accordance with PBE IPSAS 19 to the opening loss allowances determined in accordance with PBE IPSAS 41. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with PBE IPSAS 29 and PBE IPSAS 41, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.

- 49Q. In the reporting period that includes the date of initial application of PBE IPSAS 41, an entity is not required to disclose the line item amounts that would have been reported in accordance with the classification and measurement requirements (which includes the requirements related to amortised cost measurement of financial assets and impairment in paragraphs 69–72 and 73–93 of PBE IPSAS 41) of:

- (a) PBE IPSAS 41 for prior periods; and
- (b) PBE IPSAS 29 for the current period.

- 49R. In accordance with paragraph 161 of PBE IPSAS 41, if it is impracticable (as defined in PBE IPSAS 3) at the date of initial application of PBE IPSAS 41 for an entity to assess a modified time value of money element in accordance with paragraphs AG68–AG70 of PBE IPSAS 41 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs AG68–AG70 of PBE IPSAS 41. An entity

shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs AG68–AG70 of PBE IPSAS 41 until those financial assets are derecognised.

- 49S. In accordance with paragraph 162 of PBE IPSAS 41, if it is impracticable (as defined in PBE IPSAS 3) at the date of initial application for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraphs AG74(c) of PBE IPSAS 41 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph AG74 of PBE IPSAS 41. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph AG74 of PBE IPSAS 41 until those financial assets are derecognised.

## Commencement, Application and Transition

50–53. [Not used]

- 53.1 A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.
- 53.2 *Disclosure Initiative* (Amendments to PBE IPSAS 1), issued in July 2015, amended paragraphs 25 and AG5. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application of those amendments is permitted, subject to paragraph 53.1.
- 53.3 *2016 Omnibus Amendments to PBE Standards*, issued in January 2017, amended paragraphs AG7 and added a footnote to paragraph 35. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.
- 53.4 PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Interests in Associates and Joint Ventures* and PBE IPSAS 37 *Joint Arrangements*, issued in January 2017, amended paragraph 3. An entity shall apply that amendment when it applies PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 37.
- 53.5 PBE IFRS 9 *Financial Instruments*, issued in January 2017, amended paragraphs 2–5, 8, 11, RDR 11.1, 12–14, 17, 18, 24, RDR 24.1, 34–37, and 43, deleted paragraphs 15–16, 20, 26, 27, RDR 27.1, 28, 44 and one heading and added paragraphs 14A–14B, 16A–16D, 20A, 24A, 25A–25D, 26A–26C, 27A–27F, 28A–28F, 28G, 42A–42E, 42F–42G, 42M–42N, 49I–49S and several headings. An entity shall apply those amendments when it applies PBE IFRS 9. Those amendments need not be applied to comparative information provided for periods before the date of initial application of PBE IFRS 9.<sup>3</sup>
- 53.6 PBE IPSAS 39, issued in May 2017, amended paragraph 3. An entity shall apply that amendment when it applies PBE IPSAS 39.
- 53.7 PBE IPSAS 41, issued in March 2019, amended paragraphs 2–5, 8, 11, RDR 11.1, 12–13, 14, 18, 24, RDR 24.1, 34–37, 43, 45, 53.5, AG1, AG5, AG9, AG10, AG24 and AG27, added paragraphs 5A, 13A, 14A–14B, 15A–15C, 17A–17F, 20A, 24A, 25A–25D, 26A–26C, 27A–27F, 28A–28F, 28G, 37A, 39A, 42A–42N, 49A–49S, AG8A–AG8J and related headings, and deleted paragraphs RDR 11.2, 15–17, 20, 26, 27, RDR 27.1, 28, 44 and AG4 (and the heading preceding paragraph 17).
- 53.8 PBE IFRS 17, issued in July 2019, amended paragraphs 3, 11 and 35 and deleted paragraph 36. *Amendments to PBE IFRS 17*, issued in August 2020, further amended paragraph 3. An entity shall apply those amendments when it applies PBE IFRS 17.

<sup>3</sup> PBE IFRS 9 was subsequently withdrawn by PBE IPSAS 41. The amendments in Appendix D of PBE IFRS 9 were not compiled.

- 53.9 ***PBE Interest Rate Benchmark Reform***, which amended PBE IPSAS 41, PBE IPSAS 29 and PBE IPSAS 30, issued in February 2020, added paragraphs 28H and 53.10. An entity shall apply these amendments when it applies the amendments to PBE IPSAS 41 or PBE IPSAS 29.
- 53.10 In the reporting period in which an entity first applies ***PBE Interest Rate Benchmark Reform***, issued in February 2020, an entity is not required to present the quantitative information required by paragraph 33(f) of PBE IPSAS 3 ***Accounting Policies, Changes in Accounting Estimates and Errors***.
- 53.11 ***PBE Interest Rate Benchmark Reform—Phase 2***, which amended PBE IPSAS 41, PBE IPSAS 29 and PBE IPSAS 30, issued in November 2020, added paragraphs 28I–28J and 53.12. An entity shall apply these amendments when it applies the amendments to PBE IPSAS 41 or PBE IPSAS 29.
- 53.12 In the reporting period in which an entity first applies ***PBE Interest Rate Benchmark Reform—Phase 2***, an entity is not required to disclose the information that would otherwise be required by paragraph 33(f) of PBE IPSAS 3.
- 53.13 ***2022 Omnibus Amendments to PBE Standards***, issued in June 2022, amended paragraph AG5. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.
54. [Not used]

### **Withdrawal and Replacement of PBE IPSAS 30 (May 2013)**

55. This Standard, when applied, supersedes PBE IPSAS 30 *Financial Instruments: Disclosures* issued in May 2013.

## Application Guidance

*This Appendix is an integral part of PBE IPSAS 30.*

### Classes of Financial Instruments and Level of Disclosure (paragraph 9)

- \*AG1. Paragraph 9 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 9 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in PBE IPSAS 41 *Financial Instruments* (which determine how financial instruments are measured and where changes in fair value are recognised).
- \*AG2. In determining classes of financial instrument, an entity shall, at a minimum:
  - (a) Distinguish instruments measured at amortised cost from those measured at fair value.
  - (b) Treat as a separate class or classes those financial instruments outside the scope of this Standard.
- \*AG3. An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, 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. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.
- AG4. [Deleted by IPSASB]

### Other Disclosure—Accounting Policies (paragraph 25)

- AG5. Paragraph 25 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:
  - (a) For financial liabilities designated as at fair value through surplus or deficit:
    - (i) The nature of the financial liabilities the entity has designated as at fair value through surplus or deficit;
    - (ii) The criteria for so designating such financial liabilities on initial recognition; and
    - (iii) How the entity has satisfied the conditions in paragraph 46 of PBE IPSAS 41 for such designation.
  - (b) For financial assets designated as measured at fair value through surplus or deficit:
    - (i) The nature of the financial assets the entity has designated as measured at fair value through surplus or deficit; and
    - (ii) How the entity has satisfied the criteria in paragraph 44 of PBE IPSAS 41 for such designation.
  - (c) Whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 11 of PBE IPSAS 41).
  - (d) [Deleted by IPSASB]
  - (e) How net gains or net losses on each category of financial instrument are determined (see paragraph 24(a)), for example, whether the net gains or net losses on items at fair value through surplus or deficit include interest or revenue from dividends or similar distributions.
  - (f)–(g) [Deleted by IPSASB]
  - (h) For financial guarantee contracts issued through a non-exchange transaction, where no fair value could be determined and on initial recognition the financial guarantee contract is measured at the

amount of the loss allowance in accordance with paragraph AG136 of PBE IPSAS 41, disclosure of the circumstances that result in fair value not being determinable.

Paragraph 137 of PBE IPSAS 1 also requires entities to disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial report.

### **Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49)**

- AG6. The disclosures required by paragraphs 38–49 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

#### *Quantitative Disclosures (paragraph 41)*

- \*AG7. Paragraph 41(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and faithfully representative information. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and faithful representation.
- \*AG8. Paragraph 41(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:
- (a) A description of how management determines concentrations;
  - (b) A description of the shared characteristic that identifies each concentration (e.g., counterparty, geographical area, currency, or market); and
  - (c) The amount of the risk exposure associated with all financial instruments sharing that characteristic.

### **Credit Risk Management Practices (paragraphs 42F–42G)**

- \*AG8A. Paragraph 42F(b) requires the disclosure of information about how an entity has defined default for different financial instruments and the reasons for selecting those definitions. In accordance with paragraph 81 of PBE IPSAS 41, the determination of whether lifetime expected credit losses should be recognised is based on the increase in the risk of a default occurring since initial recognition. Information about an entity's definitions of default that will assist users of financial statements in understanding how an entity has applied the expected credit loss requirements in PBE IPSAS 41 may include:
- (a) The qualitative and quantitative factors considered in defining default;
  - (b) Whether different definitions have been applied to different types of financial instruments; and
  - (c) Assumptions about the cure rate (i.e., the number of financial assets that return to a performing status) after a default occurred on the financial asset.
- \*AG8B. To assist users of financial statements in evaluating an entity's restructuring and modification policies, paragraph 42F(f)(ii) requires the disclosure of information about how an entity monitors the extent to which the loss allowance on financial assets previously disclosed in accordance with paragraph 42F(f)(i) are subsequently measured at an amount equal to lifetime expected credit losses in accordance with paragraph 75 of PBE IPSAS 41. Quantitative information that will assist users in understanding the subsequent increase in credit risk of modified financial assets may include information about modified financial assets meeting the criteria in paragraph 42F(f)(i) for which the loss allowance has reverted to being measured at an amount equal to lifetime expected credit losses (i.e., a deterioration rate).
- \*AG8C. Paragraph 42G(a) requires the disclosure of information about the basis of inputs and assumptions and the estimation techniques used to apply the impairment requirements in PBE IPSAS 41. An entity's

assumptions and inputs used to measure expected credit losses or determine the extent of increases in credit risk since initial recognition may include information obtained from internal historical information or rating reports and assumptions about the expected life of financial instruments and the timing of the sale of collateral.

#### **Changes in the Loss Allowance (paragraph 42H)**

- \*AG8D. In accordance with paragraph 42H, an entity is required to explain the reasons for the changes in the loss allowance during the period. In addition to the reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including:
- (a) The portfolio composition;
  - (b) The volume of financial instruments purchased or originated; and
  - (c) The severity of the expected credit losses.
- \*AG8E. For loan commitments and financial guarantee contracts the loss allowance is recognised as a provision. An entity should disclose information about the changes in the loss allowance for financial assets separately from those for loan commitments and financial guarantee contracts. However, if a financial instrument includes both a loan (i.e., financial asset) and an undrawn commitment (i.e., loan commitment) component and the entity cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment should be recognised together with the loss allowance for the financial asset. To the extent that the combined expected credit losses exceed the gross carrying amount of the financial asset, the expected credit losses should be recognised as a provision.

#### **Collateral (paragraph 42K)**

- \*AG8F. Paragraph 42K requires the disclosure of information that will enable users of financial statements to understand the effect of collateral and other credit enhancements on the amount of expected credit losses. An entity is neither required to disclose information about the fair value of collateral and other credit enhancements nor is it required to quantify the exact value of the collateral that was included in the calculation of expected credit losses (i.e., the loss given default).
- \*AG8G. A narrative description of collateral and its effect on amounts of expected credit losses might include information about:
- (a) The main types of collateral held as security and other credit enhancements (examples of the latter being guarantees, credit derivatives and netting agreements that do not qualify for offset in accordance with PBE IPSAS 28);
  - (b) The volume of collateral held and other credit enhancements and its significance in terms of the loss allowance;
  - (c) The policies and processes for valuing and managing collateral and other credit enhancements;
  - (d) The main types of counterparties to collateral and other credit enhancements and their creditworthiness; and
  - (e) Information about risk concentrations within the collateral and other credit enhancements.

#### **Credit Risk Exposure (paragraphs 42M–42N)**

- \*AG8H. Paragraph 42M requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk at the reporting date. A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. An entity should provide information that enables users of financial statements to understand whether there are groups or portfolios of financial instruments with particular features that could affect a large portion of that group of financial instruments such as concentration to particular risks. This could include, for example, loan-to-value groupings, geographical, industry or issuer-type concentrations.



- \*AG8I. The number of credit risk rating grades used to disclose the information in accordance with paragraph 42M shall be consistent with the number that the entity reports to key management personnel for credit risk management purposes. If past due information is the only borrower-specific information available and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 82 of PBE IPSAS 41, an entity shall provide an analysis by past due status for those financial assets.
- \*AG8J. When an entity has measured expected credit losses on a collective basis, the entity may not be able to allocate the gross carrying amount of individual financial assets or the exposure to credit risk on loan commitments and financial guarantee contracts to the credit risk rating grades for which lifetime expected credit losses are recognised. In that case, an entity should apply the requirement in paragraph 42M to those financial instruments that can be directly allocated to a credit risk rating grade and disclose separately the gross carrying amount of financial instruments for which lifetime expected credit losses have been measured on a collective basis.

*Maximum Credit Risk Exposure (paragraph 43(a))*

- \*AG9. Paragraphs 42K(a) and 43 require disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:
- (a) Any amounts offset in accordance with PBE IPSAS 28; and
  - (b) Any loss allowance recognised in accordance with PBE IPSAS 41.
- \*AG10. Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:
- (a) Granting loans to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.
  - (b) Entering into derivative contracts (e.g., foreign exchange contracts, interest rate swaps, and credit derivatives). When the resulting asset is measured at fair value, the maximum exposure to credit risk at the end of the reporting period will equal the carrying amount.
  - (c) Granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.
  - (d) Making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.

*Quantitative Liquidity Risk Disclosures (paragraphs 41(a), and 46(a) and (b))*

- \*AG11. In accordance with paragraph 41(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either:
- (a) Occur significantly earlier than indicated in the data; or
  - (b) Be for significantly different amounts from those indicated in the data (e.g., for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement);
- the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 46(a) or (b).
- \*AG12. In preparing the maturity analyses required by paragraph 46(a) and (b), 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 later than one month;
  - (b) Later than one month and not later than three months;
  - (c) Later than three months and not later than one year; and
  - (d) Later than one year and not later than five years.
- \*AG13. In complying with paragraph 46(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) instrument. For such an instrument, an entity shall apply paragraph 46(a).
- \*AG14. Paragraph 46(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for:
- (a) An interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.
  - (b) All loan commitments.
- \*AG15. Paragraph 46(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure:
- (a) When a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (e.g., demand deposits) are included in the earliest time band.
  - (b) When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.
  - (c) For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
- \*AG16. The contractual amounts disclosed in the maturity analyses as required by paragraph 46(a) and (b) are the contractual undiscounted cash flows, for example:
- (a) Gross finance lease obligations (before deducting finance charges);
  - (b) Prices specified in forward agreements to purchase financial assets for cash;
  - (c) Net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;
  - (d) Contractual amounts to be exchanged in a derivative financial instrument (e.g., a currency swap) for which gross cash flows are exchanged; and
  - (e) Gross loan commitments.
- Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.
- \*AG17. Paragraph 46(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 46(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (e.g., financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
- \*AG18. Other factors that an entity might consider in providing the disclosure required in paragraph 46(c) include, but are not limited to, whether the entity:
- (a) 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;
  - (b) Holds deposits at central banks to meet liquidity needs;

- (c) Has very diverse funding sources;
- (d) Has significant concentrations of liquidity risk in either its assets or its funding sources;
- (e) Has internal control processes and contingency plans for managing liquidity risk;
- (f) Has instruments that include accelerated repayment terms (e.g., on the downgrade of the entity's credit rating);
- (g) Has instruments that could require the posting of collateral (e.g., margin calls for derivatives);
- (h) Has instruments that allows the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or
- (i) Has instruments that are subject to master netting agreements.

*Market Risk—Sensitivity Analysis (paragraphs 47 and 48)*

\*AG19. Paragraph 47(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph AG3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:

- (a) An entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.
- (b) An entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.

If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.

\*AG20. Paragraph 47(a) requires the sensitivity analysis to show the effect on surplus or deficit and net assets/equity of reasonably possible changes in the relevant risk variable (e.g., prevailing market interest rates, currency rates, equity prices, or commodity prices). For this purpose:

- (a) Entities are not required to determine what the surplus or deficit for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on surplus or deficit and net assets/equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on surplus or deficit (i.e., interest expense) for the current year if interest rates had varied by reasonably possible amounts.
- (b) Entities are not required to disclose the effect on surplus or deficit and net assets/equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.

\*AG21. In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:

- (a) The economic environments in which it operates. A reasonably possible change should not include remote or “worst case” scenarios or “stress tests”. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 percent and an entity determines that a fluctuation in interest rates of  $\pm 50$  basis points is reasonably possible. It would disclose the effect on surplus or deficit and net assets/equity if interest rates were to change to 4.5 percent or 5.5 percent. In the next period, interest rates have increased to 5.5 percent. The entity continues to believe that interest rates may fluctuate by  $\pm 50$  basis points (i.e., that the rate of change in interest rates is stable). The entity would disclose the effect on surplus or deficit and net assets/equity if interest rates were to change to 5 percent or 6 percent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by  $\pm 50$  basis points, unless there is evidence that interest rates have become significantly more volatile.

- (b) The time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

- \*AG22. Paragraph 48 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 48(a) by disclosing the type of value-at-risk model used (e.g., whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (e.g., the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.
- \*AG23. An entity shall provide sensitivity analyses for the whole of its operations, but may provide different types of sensitivity analysis for different classes of financial instruments.

### **Interest Rate Risk**

- \*AG24. Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position (e.g., debt instruments acquired or issued) and on some financial instruments not recognised in the statement of financial position (e.g., some loan commitments).

### **Currency Risk**

- \*AG25. Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency (i.e. in a currency other than the functional currency in which they are measured). For the purpose of this Standard, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.
- \*AG26. A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.

### **Other Price Risk**

- \*AG27. Other price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 47, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.
- \*AG28. Two examples of financial instruments that give rise to equity price risk are (a) a holding of equities in another entity, and (b) an investment in a trust that in turn holds investments in equity instruments. Other examples include forward contracts and options to buy or sell specified quantities of an equity instrument and swaps that are indexed to equity prices. The fair values of such financial instruments are affected by changes in the market price of the underlying equity instruments.
- \*AG29. In accordance with paragraph 47(a), the sensitivity of surplus or deficit (that arises, for example, from instruments measured at fair value through surplus or deficit) is disclosed separately from the sensitivity of other comprehensive revenue and expense (that arises, for example, from investments in equity instruments whose changes in fair value are presented in other comprehensive revenue and expense).
- \*AG30. Financial instruments that an entity classifies as equity instruments are not remeasured. Neither surplus or deficit nor net assets/equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

### **Derecognition (paragraphs 49C–49H)**

#### *Continuing Involvement (paragraph 49C)*

- \*AG31. The assessment of continuing involvement in a transferred financial asset for the purposes of the disclosure requirements in paragraphs 49E–49H is made at the level of the reporting entity. For example, if a controlled entity transfers to an unrelated third party a financial asset in which the controlling entity of the controlled entity has continuing involvement, the controlled entity does not include the controlling entity's involvement in the assessment of whether it has continuing involvement in the transferred asset

in its separate or individual financial statements (i.e., when the controlled entity is the reporting entity). However, a controlling entity would include its continuing involvement (or that of another member of the economic entity) in a financial asset transferred by its controlled entity in determining whether it has continuing involvement in the transferred asset in its consolidated financial statements (i.e., when the reporting entity is the economic entity).

- AG32. An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term ‘payment’ in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.
- AG32A. When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in accordance with the guidance in paragraphs 49C and AG32 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement for the purposes of the disclosure requirements if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.
- AG33. Continuing involvement in a transferred financial asset may result from contractual provisions in the transfer agreement or in a separate agreement with the transferee or a third party entered into in connection with the transfer.

*Transferred Financial Assets that are Not Derecognised in Their Entirety (paragraph 49D)*

- AG34. Paragraph 49D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.

*Types of Continuing Involvement (paragraphs 49E–49H)*

- \*AG35. Paragraphs 49E–49H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity’s exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (e.g., guarantees or call options) or by type of transfer (e.g., factoring of receivables, securitisations and securities lending).

*Maturity Analysis for Undiscounted Cash Outflows to Repurchase Transferred Assets (paragraph 49E(e))*

- \*AG36. Paragraph 49E(e) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity’s continuing involvement. This analysis distinguishes cash flows that are required to be paid (e.g., forward contracts), cash flows that the entity may be required to pay (e.g., written put options) and cash flows that the entity might choose to pay (e.g., purchased call options).
- \*AG37. An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 49E(e). For example, an entity might determine that the following maturity time bands are appropriate:
- (a) Not later than one month;
  - (b) Later than one month and not later than three months;
  - (c) Later than three months and not later than six months;
  - (d) Later than six months and not later than one year;

- (e) Later than one year and not later than three years;
- (f) Later than three years and not later than five years; and
- (g) More than five years.

\*AG38. If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.

*Qualitative Information (paragraph 49E(f))*

AG39. The qualitative information required by paragraph 49E(f) includes a description of the derecognised financial assets and the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:

- (a) A description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets.
- (b) Whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (i.e., its continuing involvement in the asset).
- (c) A description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.

*Gain or Loss on Derecognition (paragraph 49G(a))*

\*AG40. Paragraph 49G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (i.e., the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 32.

*Supplementary Information (paragraph 49H)*

\*AG41. The disclosures required in paragraphs 49D–49G may not be sufficient to meet the disclosure objectives in paragraph 49B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

*Offsetting Financial Assets and Financial Liabilities (paragraphs 17A–17F)*

**Scope (paragraph 17A)**

\*AG42. The disclosures in paragraphs 17B–17E are required for all recognised financial instruments that are set off in accordance with paragraph 47 of PBE IPSAS 28. In addition, financial instruments are within the scope of the disclosure requirements in paragraphs 17B–17E if they are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with paragraph 47 of PBE IPSAS 28.

\*AG43. The similar agreements referred to in paragraphs 17A and AG31 include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to in paragraph AG31 include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements. Examples of financial instruments that are not within the scope of paragraph 17A are loans and customer deposits at the same institution (unless they are set off in the statement of financial position), and financial instruments that are subject only to a collateral agreement.

**Disclosure of Quantitative Information for Recognised Financial Assets and Recognised Financial Liabilities within the Scope of Paragraph 17A (paragraph 17C)**

- \*AG44. Financial instruments disclosed in accordance with paragraph 17C may be subject to different measurement requirements (for example, a payable related to a repurchase agreement may be measured at amortised cost, while a derivative will be measured at fair value). An entity shall include instruments at their recognised amounts and describe any resulting measurement differences in the related disclosures.

**Disclosure of the Gross Amounts of Recognised Financial Assets and Recognised Financial Liabilities within the Scope of Paragraph 17A (paragraph 17C(a))**

- \*AG45. The amounts required by paragraph 17C(a) relate to recognised financial instruments that are set off in accordance with paragraph 47 of PBE IPSAS 28. The amounts required by paragraph 17C(a) also relate to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement irrespective of whether they meet the offsetting criteria. However, the disclosures required by paragraph 17C(a) do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28. Instead, such amounts are required to be disclosed in accordance with paragraph 17C(d).

**Disclosure of the Amounts that are Set Off in Accordance with the Criteria in Paragraph 47 of PBE IPSAS 28 (paragraph 17C(b))**

- \*AG46. Paragraph 17C(b) requires that entities disclose the amounts set off in accordance with paragraph 47 of PBE IPSAS 28 when determining the net amounts presented in the statement of financial position. The amounts of both the recognised financial assets and the recognised financial liabilities that are subject to set-off under the same arrangement will be disclosed in both the financial asset and financial liability disclosures. However, the amounts disclosed (in, for example, a table) are limited to the amounts that are subject to set-off. For example, an entity may have a recognised derivative asset and a recognised derivative liability that meet the offsetting criteria in paragraph 47 of PBE IPSAS 28. If the gross amount of the derivative asset is larger than the gross amount of the derivative liability, the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with paragraph 17C(a)) and the entire amount of the derivative liability (in accordance with paragraph 17C(b)). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with paragraph 17C(a)), it will only include the amount of the derivative asset (in accordance with paragraph 137(b)) that is equal to the amount of the derivative liability.

**Disclosure of the Net Amounts Presented in the Statement of Financial Position (paragraph 17C(c))**

- \*AG47. If an entity has instruments that meet the scope of these disclosures (as specified in paragraph 17A), but that do not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28, the amounts required to be disclosed by paragraph 17C(c) would equal the amounts required to be disclosed by paragraph 17C(a).
- \*AG48. The amounts required to be disclosed by paragraph 17C(c) must be reconciled to the individual line item amounts presented in the statement of financial position. For example, if an entity determines that the aggregation or disaggregation of individual financial statement line item amounts provides more relevant information, it must reconcile the aggregated or disaggregated amounts disclosed in paragraph 17C(c) back to the individual line item amounts presented in the statement of financial position.

**Disclosure of the Amounts Subject to an Enforceable Master Netting Arrangement or Similar Agreement that are not Otherwise Included in Paragraph 17C(b) (paragraph 17C(d))**

- \*AG49. Paragraph 17C(d) requires that entities disclose amounts that are subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 17C(b). Paragraph 17C(d)(i) refers to amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 47 of PBE IPSAS 28 (for example, current rights of set-off that do not meet the criterion in paragraph 47(b) of PBE IPSAS 28, or conditional rights of set-off that are enforceable and exercisable only in the event of default, or only in the event of insolvency or bankruptcy of any of the counterparties).
- \*AG50. Paragraph 17C(d)(ii) refers to amounts related to financial collateral, including cash collateral, both received and pledged. An entity shall disclose the fair value of those financial instruments that have been pledged or received as collateral. The amounts disclosed in accordance with paragraph 17C(d)(ii) should

relate to the actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral.

**Limits on the Amounts Disclosed in Paragraph 17C(d) (paragraph 17D)**

- \*AG51. When disclosing amounts in accordance with paragraph 17C(d), an entity must take into account the effects of over-collateralisation by financial instrument. To do so, the entity must first deduct the amounts disclosed in accordance with paragraph 17C(d)(i) from the amount disclosed in accordance with paragraph 17C(c). The entity shall then limit the amounts disclosed in accordance with paragraph 17C(d)(ii) to the remaining amount in paragraph 17C(c) for the related financial instrument. However, if rights to collateral can be enforced across financial instruments, such rights can be included in the disclosure provided in accordance with paragraph 17D.

**Description of the Rights of Set-Off Subject to Enforceable Master Netting Arrangements and Similar Agreements (paragraph 17E)**

- \*AG52. An entity shall describe the types of rights of set-off and similar arrangements disclosed in accordance with paragraph 17C(d), including the nature of those rights. For example, an entity shall describe its conditional rights. For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in paragraph 47 of PBE IPSAS 28, the entity shall describe the reason(s) why the criteria are not met. For any financial collateral received or pledged, the entity shall describe the terms of the collateral agreement (for example, when the collateral is restricted).

**Disclosure by Type of Financial Instrument or by Counterparty**

- \*AG53. The quantitative disclosures required by paragraph 17C(a)–(e) may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements).
- \*AG54. Alternatively, an entity may group the quantitative disclosures required by paragraph 17C(a)–(c) by type of financial instrument, and the quantitative disclosures required by paragraph 17C(c)–(e) by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc.) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts in paragraph 17C(c)–(e) is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

**Other**

- \*AG55. The specific disclosures required by paragraphs 17C–17E are minimum requirements. To meet the objective in paragraph 17B an entity may need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position.



## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 30.*

- BC1. The New Zealand Accounting Standards Board (NZASB) has not modified the recognition and measurement requirements in IPSAS 30 *Financial Instruments: Disclosures* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of IPSAS 30 are appropriate for application by public benefit entities.
- BC2. The NZASB considered that the IPSASB's Basis for Conclusions on IPSAS 30 should be included in PBE IPSAS 30 as it included information that would be useful for entities applying PBE IPSAS 30. For example, the Basis for Conclusions on IPSAS 30 sets out the IPSASB's reasons for requiring disclosure of concessionary loans.

## Interest Rate Benchmark Reform

- BC3. In September 2019 the IASB issued *Interest Rate Benchmark Reform* which amended IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. In November 2019 the NZASB incorporated these amendments in NZ IFRS. These temporary exceptions addressed the potential impact of uncertainty about the long-term viability of some interest rate benchmarks on specific hedge accounting requirements. They also required information about the extent to which an entity's hedging relationships were within the scope of the exceptions. The NZASB considered that any PBEs subject to such uncertainty would also benefit from these temporary exceptions and should be required to disclose the extent to which they applied the exceptions. The NZASB therefore issued NZASB ED 2019-5 *PBE Interest Rate Benchmark Reform* in November 2019 and finalised these amendments in February 2020.

## Interest Rate Benchmark Reform—Phase 2

- BC4. In August 2020 the IASB issued *Interest Rate Benchmark Reform—Phase 2* which amended IFRS 9, IAS 39, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. In September 2020 the NZASB made equivalent amendments to NZ IFRS. These amendments addressed the financial reporting issues that arise during the reform of an interest rate benchmark, including the replacement of an interest rate benchmark with alternative, nearly risk-free interest rates that are based, to a greater extent, on transaction data (alternative benchmark rates). The amendments also introduced additional disclosure requirements regarding an entity's progress towards completing the implementation of the reform.
- BC5. The NZASB considered that PBEs affected by the replacement of interest rate benchmarks would also benefit from these amendments and proposed equivalent amendments to PBE Standards, including additional disclosure requirements. The NZASB issued NZASB ED 2020-5 *PBE Interest Rate Benchmark Reform—Phase 2* in September 2020 and finalised the amendments in November 2020.

## 2022 Omnibus Amendments to PBE Standards

- BC6. In August 2020 the IPSASB issued *Improvements to IPSAS, 2019*, which amended IPSAS 30 *Financial Instruments: Disclosures*. The amendments updated the guidance in paragraph AG5(h) on disclosure for financial guarantee contracts issued in non-exchange transactions. These amendments were inadvertently omitted by the IPSASB when issuing IPSAS 41 *Financial Instruments*. The NZASB included similar amendments in paragraph AG5(h) of PBE IPSAS 30 when issuing PBE IPSAS 41 *Financial Instruments* in 2019. However, the IPSASB's amendment specifically refers to disclosing the circumstances that result in fair value not being determinable, whereas the wording that the NZASB had used was more generic. In *2022 Omnibus Amendments to PBE Standards*, the NZASB amended paragraph AG5(h) in PBE IPSAS 30 to align with the wording used in *Improvements to IPSAS, 2019*.

- BC7. *Improvements to IPSAS, 2019* also amended the Implementation Guidance of IPSAS 30 by adding and amending illustrative examples relating to hedging and credit risk. These amendments were inadvertently omitted by the IPSASB when issuing IPSAS 41. The NZASB included similar amendments to the Implementation Guidance of PBE IPSAS 30 when issuing PBE IPSAS 41 in 2019. The only difference was that the IPSASB's amendments in relation to the credit risk-related examples contained references to types of loans that are more common in the public sector, whereas the equivalent examples in PBE IPSAS 30 did not, as they were developed based on IFRS 9 *Financial Instruments*. In *2022 Omnibus Amendments to PBE Standards*, the NZASB amended the relevant credit risk-related examples Implementation Guidance of PBE IPSAS 30 to align with the wording used in *Improvements to IPSAS, 2019*.

**IMPLEMENTATION GUIDANCE****CONTENTS**

	Paragraph
Introduction.....	IG1–IG2
Classes of Financial Instruments and Level of Disclosure (paragraphs 9 and AG1–AG3) .....	IG5–IG6
Significance of Financial Instruments for Financial Position and Financial Performance (paragraphs 10–36, AG4 and AG5) .....	IG12–IG16
Defaults and Breaches (paragraphs 22 and 23) .....	IG12
Total Interest Expense (paragraph 24(b)) .....	IG13
Hedge Accounting (paragraphs 28A–28C) .....	IG13A–IG13C
Fair Value (paragraphs 31–34) .....	IG14–IG16
Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49 and AG6–AG30) .....	IG17–IG40
Qualitative Disclosures (paragraph 40) .....	IG17–IG19
Quantitative Disclosures (paragraphs 41–49 and AG7–AG30) .....	IG20–IG40
Credit Risk (paragraphs 42A–43, AG8A–AG10) .....	IG22A–IG24
Market Risk (paragraphs 47–49 and AG19–AG30) .....	IG32–IG36
Other Market Risk Disclosures (paragraph 49) .....	IG37–IG40
Derecognition (paragraphs 49D and 49E) .....	IG41–IG43
Disclosures (paragraphs 17A–17F and AG42–55) .....	IG44
Transition from PBE IPSAS 29 to PBE IPSAS 41 (paragraphs 49K–49O) .....	IG45

## Implementation Guidance

*This guidance accompanies, but is not part of, PBE IPSAS 30.*

### Introduction

- IG1. This guidance suggests possible ways to apply some of the disclosure requirements in PBE IPSAS 30. The guidance does not create additional requirements.
- IG2. For convenience, each disclosure requirement in this Standard 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.
- IG3–IG4. [Deleted by IPSASB]

### Classes of Financial Instruments and Level of Disclosure (paragraphs 9 and AG1–AG3)

- IG5. Paragraph AG3 states that “an entity decides in the light of its circumstances how much detail it provides to satisfy the requirements of this Standard, 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 29(c) of PBE IPSAS 1 requires an entity to “provide additional disclosures when compliance with the specific requirements in PBE Standards 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 Financial Performance (paragraphs 10–36, AG4 and AG5)<sup>4</sup>

- IG7–IG11. [Deleted by IPSASB]

#### *Defaults and Breaches (paragraphs 22 and 23)*

- IG12. Paragraphs 22 and 23 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 PBE IPSAS 1.

#### *Total Interest Expense (paragraph 24(b))*

- IG13. Total interest expense disclosed in accordance with paragraph 24(b) is a component of the finance costs, which paragraph 99.1(b) of PBE IPSAS 1 requires to be presented separately in the statement of comprehensive revenue and expense. The line item for finance costs may also include amounts associated with non-financial liabilities.

#### *Hedge Accounting (paragraphs 28A–28C)*

- IG13A. Paragraph 28A of PBE IPSAS 30 requires that an entity discloses amounts related to items designated as hedging instruments in a tabular format. The following example illustrates how that information might be disclosed.

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<sup>4</sup> PBE IPSAS 41 *Financial Instruments* deleted paragraph AG4 of PBE IPSAS 30.

FINANCIAL INSTRUMENTS: DISCLOSURES

	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

IG13B. Paragraph 28B of PBE IPSAS 30 requires that an entity discloses amounts related to items designated as hedged items in a tabular format. The following example illustrates how that information might be disclosed.

	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
	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges							
Commodity price risk							
- Forecast sales	n/a	n/a	n/a	n/a	n/a	xx	xx
- Discontinued hedges (forecast sales)	n/a	n/a	n/a	n/a	n/a	n/a	xx
Fair value hedges							
Interest rate risk					Line item	xx	n/a
- Loan payable	—	xx	—	xx	XX	n/a	n/a
- Discontinued hedges (Loan payable)	—	xx	—	xx	Line item XX		
Foreign exchange risk					Line item		
- Firm commitment	xx	xx	xx	xx	XX	xx	n/a

IG13C. Paragraph 28C of PBE IPSAS 30 requires that an entity discloses amounts that have affected the statement of comprehensive revenue and expense as a result of applying hedge accounting in a tabular format. The following example illustrates how that information might be disclosed.

Cash flow hedges <sup>(a)</sup>	Separate line item recognised in surplus or deficit as a result of a hedge of a net position <sup>(b)</sup>	Change in the value of the hedging instrument recognised in other comprehensive revenue and expense	Hedge ineffectiveness recognised in surplus or deficit	Line item in surplus or deficit (that includes hedge ineffectiveness)	Amount reclassified from the cash flow hedge reserve to surplus or deficit	Line item affected in surplus or deficit because of the reclassification
Commodity price risk Commodity X - Discontinued hedge	n/a n/a	xx n/a	xx n/a	Line item XX n/a	xx xx	Line item XX Line item XX

(a) The information disclosed in the statement of changes in net assets/equity (cash flow hedge reserve) should have the same level of detail as these disclosures.

(b) This disclosure only applies to cash flow hedges of foreign currency risk.

Fair value hedges	Ineffectiveness recognised in surplus or deficit	Line item(s) in surplus or deficit-(that include(s) hedge ineffectiveness)
Interest rate risk	xx	Line item XX
Foreign exchange risk	xx	Line item XX

*Fair Value (paragraphs 31–34)*

- IG14. PBE IPSAS 30 requires disclosures about the level in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured in the statement of financial position. A tabular format is required unless another format is more appropriate. An entity might disclose the following for assets to comply with paragraph 33(a). (Disclosure of comparative information is also required, but is not included in the following example.)

Assets Measured at Fair Value		Fair value measurement at end of the reporting period using:		
Description	Dec 31, 20X2	Level 1 CU million	Level 2 CU million	Level 3 CU million
Financial assets at fair value through surplus or deficit				
Trading securities	100	40	55	5
Trading derivatives	39	17	20	2
Financial assets at fair value through other comprehensive revenue and expense				
Equity investments	75	30	40	5
Total	214	87	115	12
Note: For liabilities, a similar table might be presented.				

- IG15. PBE IPSAS 30 requires a reconciliation from beginning to ending balances for those assets and liabilities that are measured in the statement of financial position at fair value based on a valuation technique for which any significant input is not based on observable market data (Level 3). A tabular format is required unless another format is more appropriate. An entity might disclose the following for assets to comply with paragraph 33(b). (Disclosure of comparative information is also required, but is not included in the following example).

Assets Measured at Fair Value Based on Level 3				
	Fair value measurement at the end of the reporting period			
	Financial assets at fair value through surplus or deficit		Financial assets at fair value through other comprehensive revenue and expense	Total
	Trading securities CU million	Trading derivatives CU million	Equity investments CU million	CU million
Opening balance	6	5	4	15
Total gains or losses				
in surplus or deficit	(2)	(2)	-	(4)
in other comprehensive revenue and expense	-	-	(1)	(1)
Purchases	1	2	2	5
Issues	-	-	-	-
Settlements	-	(1)	-	(1)
Transfers out of Level 3	-	(2)	-	(2)
Closing balance	5	2	5	12
Total gains or losses for the period included in surplus or deficit for assets held at the end of the reporting period	(1)	(1)	-	(2)
(Note: For liabilities, a similar table might be presented.)				
Gains or losses included in surplus or deficit for the period (above) are presented in revenue as follows:				
				Revenue
Total gains or losses included in surplus or deficit for the period				(4)
Total gains or losses for the period included in surplus or deficit for assets held at the end of the reporting period				(2)
(Note: For liabilities, a similar table might be presented.)				

- IG16. The fair value at initial recognition of financial instruments that are not traded in active markets is determined in accordance with paragraph AG151 of PBE IPSAS 41. 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 surplus or deficit in subsequent periods in accordance with PBE IPSAS 41 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 AG151 of PBE IPSAS 41). Paragraph 34 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 34:

#### Background

On January 1, 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 January 1, 20X1.

**Application of Requirements**

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

*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 PBE IPSAS 41, 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 PBE IPSAS 41, 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 surplus or deficit are as follows:

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

**Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49 and AG6–AG30)***Qualitative Disclosures (paragraph 40)*

IG17. The type of qualitative information an entity might disclose to meet the requirements in paragraph 40 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.

IG18. 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.

IG19. In accordance with paragraph 40(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 41–49 and AG7–AG30)*

IG20. Paragraph 41 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.

IG21. In accordance with paragraph AG8, 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.

IG22. When quantitative information at the end of the reporting period is unrepresentative of the entity's exposure to risk during the period, paragraph 42 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 42A–43, AG8A–AG10)*

IG22A. The following examples illustrate possible ways in which an entity might provide the disclosures required by paragraphs 42A–42N of PBE IPSAS 30. However, these illustrations do not address all possible ways of applying the disclosure requirements.

**Illustrating the Application of Paragraphs 42H and 42I**

IG22B. The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance as required by paragraphs 42H–42I. This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.

<b>Mortgage loans—loss allowance</b>	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses (collectively assessed)</b>	<b>Lifetime expected credit losses (individually assessed)</b>	<b>Credit-impaired financial assets (lifetime expected credit losses)</b>
CU'000				
<b>Loss allowance as at January 1</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Changes due to financial instruments recognised as at 1 January:				
- Transfer to lifetime expected credit losses	(X)	X	X	—
- Transfer to credit-impaired financial assets	(X)	—	(X)	X
- Transfer to 12-month expected credit losses	X	(X)	(X)	—
- Financial assets that have been derecognised during the period	(X)	(X)	(X)	(X)
New financial assets originated or purchased	X	—	—	—
Write-offs	—	—	(X)	(X)
Changes in models/risk parameters	X	X	X	X
Foreign exchange and other movements	X	X	X	X
<b>Loss allowance as at December 31</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Significant changes in the gross carrying amount of mortgage loans that contributed to changes in the loss allowance were:

- The acquisition of Region Y's prime mortgage portfolio increased the residential mortgage book by x percent, with a corresponding increase in the loss allowance measured on a 12-month basis.
- The write off of the CUXX Region Z's mortgage portfolio following the collapse of the local market in the region reduced the loss allowance for financial assets with objective evidence of impairment by CUX.
- The expected increase in unemployment in Region X caused a net increase in financial assets whose loss allowance is equal to lifetime expected credit losses and caused a net increase of CUX in the lifetime expected credit losses allowance.

The significant changes in the gross carrying amount of mortgage loans are further explained below:

<b>Mortgage loans—gross carrying amount</b>	<b>12-month expected credit losses</b>	<b>Lifetime expected credit losses (collectively assessed)</b>	<b>Lifetime expected credit losses (individually assessed)</b>	<b>Credit-impaired financial assets (lifetime expected credit losses)</b>
CU'000				
<b>Gross carrying amount as at January 1</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Individual financial assets transferred to lifetime expected credit losses	(X)	—	X	—
Individual financial assets transferred to credit-impaired financial assets	(X)	—	(X)	X
Individual financial assets transferred from credit-impaired financial assets	X	—	X	(X)
Financial assets assessed on collective basis	(X)	X	—	—
New financial assets originated or purchased	X	—	—	—
Write-offs	—	—	(X)	(X)
Financial assets that have been derecognised	(X)	(X)	(X)	(X)
Changes due to modifications that did not result in derecognition	(X)	—	(X)	(X)
Other changes	X	X	X	X
<b>Gross carrying amount as at December 31</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

### Illustrating the Application of Paragraphs 42M and 42N

IG22C. The following example illustrates some ways of providing information about an entity's credit risk exposure and significant credit risk concentrations in accordance with paragraph 42M of PBE IPSAS 30. The number of grades used to disclose the information in accordance with paragraph 42M of PBE IPSAS 30 shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 83 of PBE IPSAS 41, the entity shall provide an analysis by past due status for those financial assets.

<b>Loan credit risk exposure by internal rating grades</b>				
20XX	<b>Mortgage loans</b>		<b>Agriculture loans</b>	
CU'000	<b>Gross carrying amount</b>		<b>Gross carrying amount</b>	
	<b>Lifetime</b>	<b>12-month</b>	<b>Lifetime</b>	<b>12-month</b>
Internal Grade 1–2	X	X	X	X
Internal Grade 3–4	X	X	X	X
Internal Grade 5–6	X	X	X	X
Internal Grade 7	X	X	X	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

FINANCIAL INSTRUMENTS: DISCLOSURES

Loan credit risk profile by external rating grades				
20XX	Mortgage loans		Agriculture loans	
CU'000	Gross carrying amount		Gross carrying amount	
	Lifetime	12-month	Lifetime	12-month
AAA-AA	X	X	X	X
A	X	X	X	X
BBB-BB	X	X	X	X
B	X	X	X	X
CCC-CC	X	X	X	X
C	X	X	X	X
D	X	X	X	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Loan risk profile by probability of default				
20XX	Mortgage loans		Agriculture loans	
CU'000	Gross carrying amount		Gross carrying amount	
	Lifetime	12-month	Lifetime	12-month
0.00 – 0.10	X	X	X	X
0.11 – 0.40	X	X	X	X
0.41 – 1.00	X	X	X	X
1.01 – 3.00	X	X	X	X
3.01 – 6.00	X	X	X	X
6.01 – 11.00	X	X	X	X
11.01 – 17.00	X	X	X	X
17.01 – 25.00	X	X	X	X
25.01 – 50.00	X	X	X	X
50.01+	X	X	X	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

IG22D. The Department of Agriculture provides short-term financing to both small-scale and large-scale farmers. The purpose of the financing is to purchase inputs such as fertilizers, seeds and pesticides. The Department of Agriculture discloses its small-scale farmer financing and large-scale farmer financing as separate classes of financial instruments and applies the simplified approach to its trade receivables so that the loss allowance is always measured at an amount equal to lifetime expected credit losses. The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach:

20XX CU'000	Trade receivables days past due				
Small-scale farmer financing	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate Estimated total gross carrying amount at default	0.10% CU20,777	2% CU1,416	5% CU673	13% CU235	CU23,101
Lifetime expected credit losses—small-scale farmer financing	CU21	CU28	CU34	CU31	CU114
Large-scale farmer financing	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected credit loss rate Estimated total gross carrying amount at default	0.20% CU19,222	3% CU2,010	8% CU301	15% CU154	CU21,687
Lifetime expected credit losses—large-scale farmer financing	CU38	CU60	CU24	CU23	CU145

IG23. Paragraph 43 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 agricultural loans, and research and development loans each have different economic characteristics.

*Collateral and Other Credit Enhancements Pledged (paragraph 43(b))*

IG24. Paragraph 43(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:

- The policies and processes for valuing and managing collateral and other credit enhancements obtained;
- 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 PBE IPSAS 28);
- The main types of counterparties to collateral and other credit enhancements and their creditworthiness; and
- Information about risk concentrations within the collateral or other credit enhancements.

IG25–IG31. [Deleted by IPSASB]

**Market Risk (paragraphs 47–49 and AG19–AG30)**

IG32. Paragraph 47(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:

- The yield curve of market interest rates. It may be necessary to consider both parallel and non-parallel shifts in the yield curve.
- Foreign exchange rates.
- Prices of equity instruments.
- Market prices of commodities.

IG33. Paragraph 47(a) requires the sensitivity analysis to show the effect on surplus or deficit and net assets/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 revenue and expense;
- (b) Other line items of surplus or deficit (such as trading gains and losses); and
- (c) When applicable, net assets/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 47(a):

**Interest Rate Risk**

At December 31, 20X2, if interest rates at that date had been 10 basis points lower with all other variables held constant, surplus 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. If interest rates had been 10 basis points higher, with all other variables held constant, surplus would have been CU1.5 million (20X1—CU2.1 million) lower, arising mainly as a result of higher interest expense on variable borrowings. Surplus 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)<sup>(a)</sup>

**Foreign Currency Exchange Rate Risk**

At December 31, 20X2, if the CU had weakened 10 percent against the US dollar with all other variables held constant, surplus for the year would have been CU2.8 million (20X1—CU6.4 million) lower, other comprehensive revenue and expense would have been CU1.2 million (20X1—CU1.1 million) higher. Conversely, if the CU had strengthened 10 percent against the US dollar with all other variables held constant, surplus would have been CU2.8 million (20X1—CU6.4 million) higher, other comprehensive revenue and expense would have been CU1.2 million (20X1—CU1.1 million) lower. The lower foreign currency exchange rate sensitivity in surplus in 20X2 compared with 20X1 is attributable to a reduction in foreign currency denominated debt. Revenue 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 46 requires disclosure of a maturity analysis of liabilities.

**Other Market Risk Disclosures (paragraph 49)**

IG37. Paragraph 49 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 surplus or deficit 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 IG38(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 IG38(c), additional disclosure might include:

- (a) The nature of the security (e.g., entity name);
- (b) The extent of holding (e.g., 15 percent of the issued shares);
- (c) The effect on surplus or deficit; and
- (d) How the entity hedges the risk.

#### **Derecognition (paragraphs 49D and 49E)**

IG41. The following examples illustrate some possible ways to meet the quantitative disclosure requirements in paragraphs 49D and 49E.

IG42. The following examples illustrate how an entity that has adopted PBE IPSAS 41 might meet the quantitative disclosure requirements in paragraphs 49D and 49E.

*Transferred Financial Assets that are not Derecognised in their Entirety*

*Illustrating the Application of Paragraph 49D(d) and (e)*

	Financial assets at fair value through surplus or deficit		Financial assets at amortised cost		Financial assets at fair value through other comprehensive revenue and expense
	CU million		CU million		CU million
	Trading assets	Derivatives	Mortgages	Consumer loans	Equity investments
Carrying amount of assets	X	X	X	X	X
Carrying amount of associated liabilities	(X)	(X)	(X)	(X)	(X)
<b>For those liabilities that have recourse only to the transferred assets:</b>					
Fair value of assets	X	X	X	X	X
Fair value of associated liabilities	(X)	(X)	(X)	(X)	(X)
Net position	X	X	X	X	X

*Transferred Financial Assets that are Derecognised in their Entirety**Illustrating the Application of Paragraph 49E(a)–(d)*

Type of continuing involvement	Cash outflows to repurchase transferred (derecognised) assets	Carrying amount of continuing involvement in statement of financial position			Fair value of continuing involvement		Maximum exposure to loss
	CU million	CU million			CU million		CU million
		Financial assets at fair value through surplus or deficit	Financial assets at fair value through other comprehensive revenue and expense	Financial liabilities at fair value through surplus or deficit	Assets	Liabilities	
Written put options	(X)			(X)		(X)	X
Purchased call options	(X)	X			X		X
Securities lending	(X)			(X)	X	(X)	X
Total		X		(X)	X	(X)	X

*Illustrating the Application of Paragraph 49E(e)*

Undiscounted cash flows to repurchase transferred assets								
	Maturity of continuing involvement CU million							
Type of continuing involvement	Total	less than 1 month	1–3 months	3–6 months	6 months –1 year	1–3 years	3–5 years	more than 5 years
Written put options	X		X	X	X	X		
Purchased call options	X			X	X	X		X
Securities lending	X	X	X					



IG43. The following examples illustrate how an entity that has not adopted PBE IPSAS 41 might meet the quantitative disclosure requirements in paragraphs 49D and 49E.

*Transferred Financial Assets that are not Derecognised in their Entirety*

*Illustrating the Application of Paragraph 49D(d) and (e)*

	Financial assets at fair value through surplus or deficit		Loans and receivables		Available-for- sale financial assets
	CU million		CU million		CU million
	Trading securities	Derivatives	Mortgages	Consumer loans	Equity investments
Carrying amount of assets	X	X	X	X	X
Carrying amount of associated liabilities	(X)	(X)	(X)	(X)	(X)
<b>For those liabilities that have recourse only to the transferred assets:</b>					
Fair value of assets	X	X	X	X	X
Fair value of associated liabilities	(X)	(X)	(X)	(X)	(X)
Net position	X	X	X	X	X

*Transferred Financial Assets that are Derecognised in their Entirety*

*Illustrating the Application of Paragraph 49E(a)–(d)*

	Cash outflows to repurchase transferred (derecognised) assets	Carrying amount of continuing involvement in statement of financial position			Fair value of continuing involvement		Maximum exposure to loss
	CU million	CU million			CU million		CU million
	Type of continuing involvement	Held for trading	Available-for- sale financial assets	Financial liabilities at fair value through surplus or deficit	Assets	Liabilities	
Written put options	(X)			(X)		(X)	X
Purchased call options	(X)	X			X		X
Securities lending	(X)		X	(X)	X	(X)	X
Total		X	X	(X)	X	(X)	X

*Illustrating the Application of Paragraph 49E(e)*

Undiscounted cash flows to repurchase transferred assets								
Maturity of continuing involvement CU million								
Type of continuing involvement	Total	less than 1 month	1–3 months	3–6 months	6 months – 1 year	1–3 years	3–5 years	more than 5 years
Written put options	X		X	X	X	X		
Purchased call options	X			X	X	X		X
Securities lending	X	X	X					

**Disclosures (paragraphs 17A–17F and AG42–55)**

IG44. The following examples illustrate ways in which an entity might provide the quantitative disclosures required by paragraph 17C. However, these illustrations do not address all possible ways of applying the disclosure requirements as set out in paragraphs 17B–17E.

**Background**

An entity has entered into transactions subject to an enforceable master netting arrangement or similar agreement with the following counterparties. The entity has the following recognised financial assets and financial liabilities resulting from those transactions that meet the scope of the disclosure requirements in paragraph 17A.

**Counterparty A:**

The entity has a derivative asset (fair value of CU100 million) and a derivative liability (fair value of CU80 million) with Counterparty A that meet the offsetting criteria in paragraph 47 of PBE IPSAS 28. Consequently, the gross derivative liability is set off against the gross derivative asset, resulting in the presentation of a net derivative asset of CU20 million in the entity's statement of financial position. Cash collateral has also been received from Counterparty A for a portion of the net derivative asset (CU10 million). The cash collateral of CU10 million does not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

**Counterparty B:**

The entity has a derivative asset (fair value of CU100 million) and a derivative liability (fair value of CU80 million) with Counterparty B that do not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28, but which the entity has the right to set off in the case of default and insolvency or bankruptcy. Consequently, the gross amount of the derivative asset (CU100 million) and the gross amount of the derivative liability (CU80 million) are presented separately in the entity's statement of financial position. Cash collateral has also been received from Counterparty B for the net amount of the derivative asset and derivative liability (CU20 million). The cash collateral of CU20 million does not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

**Counterparty C:**

The entity has entered into a sale and repurchase agreement with Counterparty C that is accounted for as a collateralised borrowing. The carrying amount of the financial assets (bonds) used as collateral and posted by the entity for the transaction is CU79 million and their fair value is CU85 million. The carrying amount of the collateralised borrowing (repo payable) is CU80 million.

The entity has also entered into a reverse sale and repurchase agreement with Counterparty C that is accounted for as a collateralised lending. The fair value of the financial assets (bonds) received as collateral (and not recognised in the entity's statement of financial position) is CU105 million. The carrying amount of the collateralised lending (reverse repo receivable) is CU90 million.

The transactions are subject to a global master repurchase agreement with a right of set-off only in default and insolvency or bankruptcy and therefore do not meet the offsetting criteria in paragraph 47 of PBE IPSAS 28. Consequently, the related repo payable and repo receivable are presented separately in the entity's statement of financial position.

**Illustrating the Application of Paragraph 17C(a)–(e) by Type of Financial Instrument***Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements*

CU million

As at December 31, 20XX	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	(d)(i), (d)(ii) Financial instruments	(d)(ii) Cash collateral received	Net amount
<b>Description</b>						
Derivatives	200	(80)	120	(80)	(30)	10
Reverse repurchase, securities borrowing and similar agreements	90	–	90	(90)	–	–
Other financial instruments	–	–	–	–	–	–
<b>Total</b>	<b>290</b>	<b>(80)</b>	<b>210</b>	<b>(170)</b>	<b>(30)</b>	<b>10</b>

*Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements*

CU million

As at December 31, 20XX	(a)	(b)	(c)=(a)-(b)	(d)		(e)=(c)-(d)
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d)(i), (d)(ii) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
<b>Description</b>						
Derivatives	160	(80)	80	(80)	–	–
Repurchase, securities lending and similar agreements	80	–	80	(80)	–	–
Other financial instruments	–	–	–	–	–	–
<b>Total</b>	<b>240</b>	<b>(80)</b>	<b>160</b>	<b>(160)</b>	<b>–</b>	<b>–</b>

**Illustrating the Application of Paragraph 17C(a)–(c) by Type of Financial Instrument and Paragraph 17C(c)–(e) by Counterparty**
*Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements*

CU million

As at December 31, 20XX	(a)	(b)	(c)=(a)-(b)
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
<b>Description</b>			
Derivatives	200	(80)	120
Reverse repurchase, securities borrowing and similar agreements	90	–	90
Other financial instruments	–	–	–
<b>Total</b>	<b>290</b>	<b>(80)</b>	<b>210</b>

*Net Financial Assets Subject to Enforceable Master Netting Arrangements and Similar Agreements, by Counterparty*

CU million

As at December 31, 20XX	(c)	(d)		(e)=(c)-(d)
		Related amounts not set off in the statement of financial position		
	Net amounts of financial assets presented in the statement of financial position	(d)(i), (d)(ii) Financial instruments	(d)(ii) Cash collateral received	Net amount
Counterparty A	20	–	(10)	10
Counterparty B	100	(80)	(20)	–
Counterparty C	90	(90)	–	–
Other	–	–	–	–
<b>Total</b>	<b>210</b>	<b>(170)</b>	<b>(30)</b>	<b>10</b>

*Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements*

CU million

As at December 31, 20XX	(a)	(b)	(c)=(a)-(b)
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
<b>Description</b>			
Derivatives	160	(80)	80
Repurchase, securities lending and similar agreements	80	—	80
Other financial instruments	—	—	—
Total	240	(80)	160

*Net Financial Liabilities Subject to Enforceable Master Netting Arrangements and Similar Agreements, by Counterparty*

CU million

As at December 31, 20XX	(c)	(d)		(e)=(c)-(d)
		Related amounts not set off in the statement of financial position		
	Net amounts of financial liabilities presented in the statement of financial position	(d)(i), (d)(ii) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Counterparty A	—	—	—	—
Counterparty B	80	(80)	—	—
Counterparty C	80	(80)	—	—
Other	—	—	—	—
Total	160	(160)	—	—

**Transition from PBE IPSAS 29 to PBE IPSAS 41 (paragraphs 49K–49O)**

IG45. The following illustration is an example of one possible way to meet the quantitative disclosure requirements in paragraphs 49K–49O of PBE IPSAS 30 at the date of initial application of PBE IPSAS 41. However, this illustration does not address all possible ways of applying the disclosure requirements of this PBE Standard.

**Reconciliation of statement of financial position balances from PBE IPSAS 29 to PBE IPSAS 41 at January 1, 2022**

<b>Financial assets</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>	<b>(iv) = (i) + (ii) + (iii)</b>	<b>(v) = (iii)</b>
	<b>PBE IPSAS 29 carrying amount December 31, 2021<sup>(1)</sup></b>	<b>Reclassifications</b>	<b>Remeasurements</b>	<b>PBE IPSAS 41 carrying amount January 1, 2022</b>	<b>Accumulated comprehensive revenue and expense effect on January 1, 2022<sup>(2), (3)</sup></b>
<b>Fair value through surplus or deficit</b>					
Additions:					
From available for sale (PBE IPSAS 29)		(a)			(c)
From amortised cost (PBE IPSAS 29) – required reclassification		(b)			
From amortised cost (PBE IPSAS 29) – fair value option elected at January 1, 2022					
Subtractions:					
To amortised cost (PBE IPSAS 41)					
To fair value through other comprehensive revenue and expense – debt instruments (PBE IPSAS 41)					
To fair value through other comprehensive revenue and expense – equity instruments (PBE IPSAS 41)					
<b>Total change to fair value through surplus or deficit</b>					

## Reconciliation of statement of financial position balances from PBE IPSAS 29 to PBE IPSAS 41 at January 1, 2022

Financial assets	(i)	(ii)	(iii)	(iv) = (i) + (ii) + (iii)	(v) = (iii)
	PBE IPSAS 29 carrying amount December 31, 2021 <sup>(1)</sup>	Reclassifications	Remeasurements	PBE IPSAS 41 carrying amount January 1, 2022	Accumulated comprehensive revenue and expense effect on January 1, 2022 <sup>(2), (3)</sup>
<b>Fair value through other comprehensive revenue and expense</b>					
Additions – debt instruments:					
From available for sale (PBE IPSAS 29)					(g)
From amortised cost (PBE IPSAS 29)					(h)
From fair value through surplus or deficit (PBE IPSAS 29) – required reclassification based on classification criteria					(i)
From fair value through surplus or deficit (fair value option under PBE IPSAS 29) – fair value option criteria not met at January 1, 2022					(j)
From fair value through surplus or deficit (PBE IPSAS 29) – fair value option revoked at January 1, 2022 by choice					(k)
Additions – equity instruments:					
From available-for-sale (PBE IPSAS 29)					
From fair value through surplus or deficit (fair value option under PBE IPSAS 29) – fair value through other comprehensive revenue and expense elected at January 1, 2022					
From cost (PBE IPSAS 29)					
Subtractions – debt and equity instruments:					
Available for sale (PBE IPSAS 29) to fair value through surplus or deficit (PBE IPSAS 41) – required reclassification based on classification criteria					(d)
Available for sale (PBE IPSAS 29) to fair value through surplus or deficit (PBE IPSAS 41) – fair value option elected at January 1, 2022					
Available for sale (PBE IPSAS 29) to amortised cost (PBE IPSAS 41)					(e)
<b>Total change to fair value through other comprehensive revenue and expense</b>					

**Reconciliation of statement of financial position balances from PBE IPSAS 29 to PBE IPSAS 41 at January 1, 2022**

<b>Financial assets</b>	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>	<b>(iv) = (i) + (ii) + (iii)</b>	<b>(v) = (iii)</b>
	<b>PBE IPSAS 29 carrying amount December 31, 2021<sup>(1)</sup></b>	<b>Reclassifications</b>	<b>Remeasurements</b>	<b>PBE IPSAS 41 carrying amount January 1, 2022</b>	<b>Accumulated comprehensive revenue and expense effect on January 1, 2022<sup>(2), (3)</sup></b>
<b>Amortised cost</b>					
Additions:					
From available for sale (PBE IPSAS 29)					(f)
From fair value through surplus or deficit (PBE IPSAS 29) – required reclassification					
From fair value through surplus or deficit (fair value option under PBE IPSAS 29) – fair value option criteria not met at January 1, 2022					
From fair value through surplus or deficit (PBE IPSAS 29) – fair value option revoked at January 1, 2022 by choice					
Subtractions:					
To fair value through other comprehensive revenue and expense (PBE IPSAS 41)					(l)
To fair value through surplus or deficit (PBE IPSAS 41) – required reclassification based on classification criteria					
To fair value through surplus or deficit (PBE IPSAS 41) – fair value option elected at January 1, 2022					
<b>Total change to amortised cost</b>					
<b>Total financial asset balances, reclassifications and remeasurements at January 1, 2022</b>	<b>(i)</b>	<b>Total (ii) = 0</b>	<b>(iii)</b>	<b>(iv) = (i) + (ii) + (iii)</b>	

- 1 Includes the effect of reclassifying hybrid instruments that were bifurcated under PBE IPSAS 29 with host contract components of (a), which had associated embedded derivatives with a fair value of X at December 31, 2021, and (b), which had associated embedded derivatives with a fair value of Y at December 31, 2021.
- 2 Includes (c), (d), (e) and (f), which are amounts reclassified from other comprehensive revenue and expense to accumulated comprehensive revenue and expense at the date of initial application.
- 3 Includes (g), (h), (i), (j), (k) and (l), which are amounts reclassified from accumulated comprehensive revenue and expense to accumulated other comprehensive revenue and expense at the date of initial application.



**Comparison with IPSAS 30**

PBE IPSAS 30 *Financial Instruments: Disclosures* is drawn from IPSAS 30 *Financial Instruments: Disclosures*. PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.

PBE IPSAS 30 also includes amendments equivalent to those issued by the International Accounting Standards Board to support the provision of useful financial information by entities during the period of uncertainty arising from the phasing out of interest-rate benchmarks, such as interbank offered rates.

Other than the impact of these differences, there are no significant differences between PBE IPSAS 30 and IPSAS 30.

## History of Amendments

PBE IPSAS 30 *Financial Instruments: Disclosures* was issued in September 2014.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 30. The table is based on amendments issued as at 28 February 2025.

<b>Pronouncements</b>	<b>Date issued</b>	<b>Early operative date</b>	<b>Mandatory date (annual financial statements ... on or after ...)</b>
PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>	Sept 2014	Early application is permitted for not-for-profit public benefit entities	1 April 2015
<i>Disclosure Initiative</i> (Amendments to PBE IPSAS 1)	July 2015	Early application is permitted	1 Jan 2016
<i>2016 Omnibus Amendments to PBE Standards</i>	Jan 2017	—	1 Jan 2017
PBE IPSAS 34 <i>Separate Financial Statements</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 35 <i>Consolidated Financial Statements</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 36 <i>Interests in Associates and Joint Ventures</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 37 <i>Joint Arrangements</i>	Jan 2017	Early application is permitted	1 Jan 2019
PBE IFRS 9 <i>Financial Instruments</i>	Jan 2017	Early application is permitted	1 Jan 2022 <sup>5</sup>
PBE IPSAS 39 <i>Employee Benefits</i>	May 2017	Early application is permitted	1 Jan 2019
PBE FRS 48 <i>Service Performance Reporting</i>	Nov 2017	Early application is permitted	1 Jan 2022 <sup>6</sup>
PBE IPSAS 41 <i>Financial Instruments</i>	Mar 2019	Early application is permitted	1 Jan 2022
PBE IFRS 17 <i>Insurance Contracts</i>	July 2019	Early application is permitted	1 Jan 2023 [NFP] <sup>7</sup> 1 Jan 2026 [PS] <sup>8</sup>
<i>PBE Interest Rate Benchmark Reform</i>	Feb 2020	Early application is permitted	1 Jan 2020
<i>Amendments to PBE IFRS 17</i>	Aug 2020	Early application is permitted	1 Jan 2023
<i>PBE Interest Rate Benchmark Reform—Phase 2</i>	Nov 2020	Early application is permitted	1 Jan 2021

<sup>5</sup> PBE IFRS 9 was subsequently withdrawn by PBE IPSAS 41. The amendments in Appendix D of PBE IFRS 9 were not compiled. *Effective Date of PBE IFRS 9*, issued in March 2019, deferred the effective date of PBE IFRS 9 from 1 January 2021 to 1 January 2022.

<sup>6</sup> *2020 Amendments to PBE FRS 48*, issued in August 2020, deferred the effective date of PBE FRS 48 from 1 January 2021 to 1 January 2022.

<sup>7</sup> When first issued in July 2019, PBE IFRS 17 applied only to not-for-profit PBEs. *Amendments to PBE IFRS 17*, issued in August 2020, deferred the effective date of PBE IFRS 17 for not-for-profit PBEs from 1 January 2022 to 1 January 2023.

<sup>8</sup> *Insurance Contracts in the Public Sector*, issued in June 2023, extended the scope of PBE IFRS 17 to include public sector PBEs. Public sector PBEs are required to apply PBE IFRS 17, as amended by *Insurance Contracts in the Public Sector*, for accounting periods beginning on or after 1 January 2026.

<b>Pronouncements</b>	<b>Date issued</b>	<b>Early operative date</b>	<b>Mandatory date (annual financial statements ... on or after ...)</b>
<i>2022 Omnibus Amendments to PBE Standards</i>	June 2022	Early application is permitted	1 Jan 2023

<b>Table of Amended Paragraphs in PBE IPSAS 30</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraph 2	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 3	Amended	PBE IPSAS 35 and PBE IPSAS 37 [Jan 2017]
Paragraph 3	Amended	PBE IPSAS 39 [May 2017]
Paragraph 3	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 3(c)	Amended	PBE IFRS 17 [Jul 2019]
Paragraph 3(c)	Amended	<i>Amendments to PBE IFRS 17</i> [Aug 2020]
Paragraph 4	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 5	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 5A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 8	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 11	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 11(a)	Amended	PBE IFRS 17 [Jul 2019]
Paragraph RDR 11.1	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph RDR 11.2	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph 12	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 13	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 13A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 14	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 14A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 14B	Added	PBE IPSAS 41 [Mar 2019]
Paragraphs 15–17	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph 15A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 15B	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 15C	Added	PBE IPSAS 41 [Mar 2019]
Paragraphs 17A–17F	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 18	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 20	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph 20A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 24	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 24A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph RDR 24.1	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 25	Amended	<i>Disclosure Initiative</i> [July 2015]
Paragraph 25	Amended	PBE FRS 48 [Nov 2017]

<b>Table of Amended Paragraphs in PBE IPSAS 30</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraphs 25A–25D	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 26	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraphs 26A–26C	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 27	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph RDR 27.1	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraphs 27A–27F	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 28	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraphs 28A–28F	Added	PBE IPSAS 41 [Mar 2019]
Paragraphs 28G	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 28H and preceding heading	Added	<i>PBE Interest Rate Benchmark Reform</i> [Feb 2020]
Paragraphs 28I–28J and preceding heading	Added	<i>PBE Interest Rate Benchmark Reform—Phase 2</i> [Nov 2020]
Paragraph 34	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 35	Amended	<i>2016 Omnibus Amendments to PBE Standards</i> [Jan 2017]
Paragraph 35	Amended	PBE FRS 48 [Nov 2017]
Paragraph 35	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 35(c)	Deleted	PBE IFRS 17 [Jul 2019]
Paragraph 36	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 36	Deleted	PBE IFRS 17 [Jul 2019]
Paragraph 37	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 37A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 39A	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 41	Amended	PBE IPSAS 41 [Mar 2019]
Paragraphs 42A–42N	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 43	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 44	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph 45	Amended	PBE IPSAS 41 [Mar 2019]
Paragraphs 49A–49S	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 53.2	Added	<i>Disclosure Initiative</i> [July 2015]
Paragraph 53.3	Added	<i>2016 Omnibus Amendments to PBE Standards</i> [Jan 2017]
Paragraph 53.4	Added	PBE IPSAS 35 and PBE IPSAS 37 [Jan 2017]
Paragraph 53.5	Added	PBE IFRS 9 [Jan 2017]
Paragraph 53.5	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 53.6	Added	PBE IPSAS 39 [May 2017]
Paragraph 53.7	Added	PBE IPSAS 41 [Mar 2019]
Paragraph 53.8	Added	PBE IFRS 17 [Jul 2019]
Paragraph 53.8	Amended	<i>Amendments to PBE IFRS 17</i> [Aug 2020]
Paragraphs 53.9–53.10	Added	<i>PBE Interest Rate Benchmark Reform</i> [Feb 2020]
Paragraphs 53.11–53.12	Added	<i>PBE Interest Rate Benchmark Reform—Phase 2</i> [Nov 2020]

<b>Table of Amended Paragraphs in PBE IPSAS 30</b>		
<b>Paragraph affected</b>	<b>How affected</b>	<b>By ... [date]</b>
Paragraph 53.13	Added	<i>2022 Omnibus Amendments to PBE Standards</i> [June 2022]
Paragraph AG1	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph AG4	Deleted	PBE IPSAS 41 [Mar 2019]
Paragraph AG5	Amended	<i>Disclosure Initiative</i> [July 2015]
Paragraph AG5	Amended	PBE FRS 48 [Nov 2017]
Paragraph AG5	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph AG5	Amended	<i>2022 Omnibus Amendments to PBE Standards</i> [June 2022]
Paragraph AG7	Amended	<i>2016 Omnibus Amendments to PBE Standards</i> [Jan 2017]
Paragraphs AG8A–8J	Added	PBE IPSAS 41 [Mar 2019]
Paragraph AG9	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph AG10	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph AG24	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph AG29	Amended	PBE IPSAS 41 [Mar 2019]
Paragraphs AG31–AG55	Added	PBE IPSAS 41 [Mar 2019]