AMENDMENTS TO FRS

Amendments to FRS 29

Financial Instruments: Disclosures

Improving Disclosures about Financial Instruments

ACCOUNTING STANDARDS BOARD

Amendments to FRS 29 (IFRS 7) Financial Instruments: Disclosures is issued by the Accounting Standards Board in respect of its application in the United Kingdom and by the Institute of Chartered Accountants in Ireland in respect of its application in the Republic of Ireland

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FINANCIAL INSTRUMENTS: DISCLOSURES

IMPROVING DISCLOSURES ABOUT FINANCIAL INSTRUMENTS

ACCOUNTING
STANDARDS
BOARD

AMENDMENTS TO FRS

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PREFACE

Introduction

a. In December 2005 the Accounting Standards Board (ASB) issued Financial Reporting Standard (FRS) 29 (IFRS 7) 'Financial Instruments: Disclosures', which had the effect of implementing in the UK and Republic of Ireland the International Accounting Standards Board's (IASB's) International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures'.

b. As a converged standard the ASB intends the text of FRS 29 to be kept aligned with IFRS 7. Therefore, in November 2008, the ASB issued a Financial Reporting Exposure Draft (FRED) of Amendments to FRS 29, which set out in full the amendments proposed to IFRS 7 by the IASB in October 2008 in relation to improved disclosures.

c. Respondents to the ASB FRED were generally supportive of the proposed changes and although some raised issues directly with the IASB, their overriding concern was that the ASB should ensure FRS 29 remains converged with IFRS 7.

d. The IASB finalised its amendments to IFRS 7 in March 2009. This amendment to FRS 29 has the effect of implementing equivalent amendments to those made to IFRS 7 by the IASB. It requires enhanced disclosures about fair value measurements and liquidity risk. It addresses application issues and would improve the usefulness of information disclosed about aspects of financial instruments for users of the financial statements.

e. The ASB is also amending FRS 29 to reinstate paragraph 9 which sets out disclosure requirements for the credit risk of loans and receivables designated at fair value through the profit and loss. The amendment will further enhance the convergence of FRS 29 with IFRS 7.

Date from which effective

f. The FRED proposed the same effective date as that included in the IASB's amendments to IFRS 7, i.e. for accounting periods beginning on or after 1 July 2009. However, to address the urgent need for enhanced disclosures about financial instruments the IASB brought forward the effective date for the amendments to accounting periods beginning on or after 1 January 2009. The ASB has made an equivalent change to the application date for the amendments to FRS 29.

AMENDMENTS TO FINANCIAL REPORTING STANDARD 29 (IFRS 7) FINANCIAL INSTRUMENTS: DISCLOSURES

Amendment to the Preface by the Accounting Standards Board

1. The following paragraphs are added to follow paragraph i:

   "j In May 2009 the Board amended FRS 29 to incorporate changes made to IFRS 7 by the IASB to require enhanced disclosures about fair value measurements and liquidity risk. The Board also took this opportunity to incorporate the credit risk disclosures for loans and receivables.

   k These amendments are applicable for accounting periods commencing on or after 1 January 2009. Earlier application is permitted."

Amendment of Financial Reporting Standard 29 (IFRS 7) *Financial Instruments: Disclosures*

2. FRS 29 is amended as follows:

In the Introduction, paragraph IN5A is added.

Introduction*

Main features of the IFRS

IN5A Amendments to the IFRS, issued in March 2009, require enhanced disclosures about fair value measurements and liquidity risk. These have been made to address application issues and provide useful information to users.

ASB Note: Remove strike-through on paragraph 9 to read as follows.

Financial assets or financial liabilities at fair value through profit or loss

9 If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:

(a) the maximum exposure to *credit risk* (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) 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.

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* *ASB Footnote: Although references to specific IFRS have been amended in the main section of the standard, references in the amendment to the Introduction, which describe the revision of IFRS 7 have been left unchanged.*

(c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) 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 loan or receivable was designated.

> ASB Note: Paragraph 27 is amended to read as follows. Paragraphs 27A and 27B are added.

Significance of financial instruments for financial position and performance

Other disclosures

Fair value

27 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.

27A To make the disclosures required by paragraph 27B 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 (ie as prices) or indirectly (ie 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.

27B For fair value measurements recognised in the ~~statement of financial position~~ balance sheet, 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 27A.

(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 profit or loss, and total assets or total liabilities.

(c) for fair value measurements in Level 3 of the fair value hierarchy, 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 profit or loss, and a description of where they are presented in the ~~statement of comprehensive income~~ <u>profit and loss account</u> ~~or the separate income statement (if presented)~~;

   (ii) total gains or losses recognised ~~in other comprehensive income~~ <u>through the statement of total recognised gains and losses</u>;

   (iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and

   (iv) transfers into or out of Level 3 (eg 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 profit or loss 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 of comprehensive income or the separate income statement (if presented)~~ profit and loss account.

(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 profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised ~~in other comprehensive income~~ through the statement of total recognised gains and losses, total equity.

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

ASB Note: Paragraph 39 is amended to read as follows. Paragraph 44F is added but not used and Paragraph 44G is added.

Liquidity risk

39 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 B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Effective date

44G 'Amendments to FRS 29 – Improving Disclosures about Financial Instruments', issued in ~~March~~ May 2009, amended paragraphs 27, 39 and B11 and added paragraphs 9, 27A, 27B, B10A and B11A–B11F. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

3. Appendix A to FRS 29 is amended as follows:

ASB Note: the definition of liquidity risk is amended to read as follows.

liquidity risk	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.

4. Appendix B to FRS 29 is amended as follows:

> ASB Note: The heading directly above paragraph B11 is amended to read as follows. Paragraphs B10A and B11A–B11F are added and paragraphs B12–B16 are deleted. Paragraphs B12 and B13 are replaced by paragraph B11C(a) and (b). Paragraphs B14 and B16 are replaced by paragraph B11D.

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

Quantitative liquidity risk disclosures (paragraphs 34(a) and 39(a) and (b))

B10A In accordance with paragraph 34(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 (eg 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 39(a) or (b).

B11 In preparing the maturity analyses required by paragraph 39(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.

B11A In complying with paragraph 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).

B11B Paragraph 39(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.

B11C Paragraph 39(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 (eg demand deposits) are included in the earliest time band. [includes text from deleted paragraph B12]

(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. [text from deleted paragraph B13]

(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.

B11D The contractual amounts disclosed in the maturity analyses as required by paragraph 39(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 (eg 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 balance sheet 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. [includes text from deleted paragraphs B14 and B16]

B11E Paragraph 39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (eg 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.

B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(c) include, but are not limited to, whether the entity:

(a) has committed borrowing facilities (eg commercial paper facilities) or other lines of credit (eg 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 (eg on the downgrade of the entity's credit rating);

(g) has instruments that could require the posting of collateral (eg 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. [includes text from deleted paragraph IG31]

B12–B16 Deleted

ASB Note: 'Improving Disclosures about Financial Instruments – Amendments to IFRS 7' (March 2009) includes a consequential amendment to paragraph 39(d)(i) of IFRS 4 'Insurance Contracts'. That amendment has not been reproduced here as there is no equivalent standard in UK GAAP.

ADOPTION OF AMENDMENTS

Approval by the ~~Board~~ IASB of *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) issued in March 2009

Improving Disclosures about Financial Instruments (Amendments to IFRS 7) was approved for issue by the fourteen members of the International Accounting Standards Board.

Sir David Tweedie	Chairman
Thomas E Jones	Vice-Chairman
Mary E Barth	
Stephen Cooper	
Philippe Danjou	
Jan Engström	
Robert P Garnett	
Gilbert Gélard	
Prabhakar Kalavacherla	
James J Leisenring	
Warren J McGregor	
John T Smith	
Tatsumi Yamada	
Wei-Guo Zhang	

Approval by the Accounting Standards Board of *Improving Disclosures about Financial Instruments* (Amendments to FRS 29)

Amendments to Financial Reporting Standard 29 (IFRS 7) Financial Instruments: Disclosures was approved for issue by the eleven members of the Accounting Standards Board.

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Michael Ashley	
Edward Beale	
Marisa Cassoni	
Peter Elwin	
Ken Lever	
Robert Overend	
Andy Simmonds	
Professor Geoffrey Whittington CBE	

APPENDIX: OTHER MATERIAL TO BE INSERTED IN FRS 29

Amendment to Notes on the Standard's Application in the UK and the Republic of Ireland

ASB Note: Paragraph N12 is amended to read as follows.

N12 FRS 29 was first introduced in December 2005. At that time, the ASB noted its reservations about the value of disclosures of the credit risk of loans and receivables designated at fair value through the profit and loss. The ASB's view was that these disclosures were unnecessarily burdensome on some preparers, given the general credit risk disclosures required by paragraph 36. For this reason, the ASB decided not to adopt paragraph 9 of IFRS 7. Given developments in financial reporting standards on financial instruments, in November 2008, the ASB issued Financial Reporting Exposure Draft (FRED) 'Improvements to Financial Instrument Disclosures' which proposed, amongst other amendments, to adopt the credit risk disclosure requirements set out in paragraph 9 of IFRS 7. In responding to the FRED, constituents supported the adoption of those requirements and highlighted the importance of ensuring that FRS 29 is fully converged with IFRS 7. Accordingly, the ASB decided to adopt these disclosures in FRS 29.

Amendment to the Basis for Conclusions on FRS 29 (IFRS 7) *Financial Instruments: Disclosures*

ASB Note: The amendment to the IASB's Basis for Conclusions, which accompanies IFRS 7 (and has therefore been reproduced in FRS 29) is set out below. All references in this section to 'the Board' and 'Board members' are references to the IASB Board and IASB Board members

Paragraphs BC5A and BC39A–BC39G are added.

Introduction

BC5A In October 2008 the Board published an exposure draft *Improving Disclosures about Financial Instruments* (proposed amendments to IFRS 7). The aim of the proposed amendments was to enhance disclosures about fair value and liquidity risk. The Board received 89 comment letters. After reviewing the responses, the Board issued amendments to IFRS 7 in March 2009. The Board decided to require application of the amendments for periods beginning on or after 1 January 2009. The Board noted that, although the effective date of IFRSs and amendments to IFRSs is usually 6–18 months after issue, the urgent need for enhanced disclosures about financial instruments demanded earlier application.

Disclosures about the significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

Other disclosures—fair value (paragraphs 25–30)

BC39A Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (SFAS 157) issued by the US Financial Accounting Standards Board requires disclosures that are based on a three-level fair value hierarchy for the inputs used in valuation techniques to measure fair value. The Board was asked by some users of financial statements to include similar disclosure requirements in IFRS 7 to provide more information about the relative reliability of the inputs to fair value measurements. The Board concluded that such a hierarchy would improve comparability between entities about the effects of fair value measurements as well as increase the convergence of IFRSs and US generally accepted accounting principles (GAAP). Therefore, the Board decided to require disclosures for financial instruments on the basis of a fair value hierarchy.

BC39B Because its own fair value measurement project was not yet completed, the Board decided not to propose a fair value hierarchy for measurement, but only for disclosures. The fair value hierarchy for disclosures is the same as that in SFAS 157 but uses IFRS language pending completion of the fair value measurement project. Although the implicit fair value hierarchy for measurement in IAS 39 is different from the fair value hierarchy in SFAS 157, the Board recognised the importance of using a three-level hierarchy for disclosures that is the same as that in SFAS 157.

BC39C The Board noted the following three-level measurement hierarchy implicit in IAS 39:

(a) financial instruments quoted in an active market;

(b) financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument (ie without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets; and

(c) financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (ie without modification or repackaging) and not based on available observable market data.

BC39D For example, the Board acknowledged that some financial instruments that for measurement purposes are considered to have an active market in accordance with paragraphs AG71–AG73 of IAS 39 might be in Level 2 for disclosure purposes. Also, the application of paragraph AG76A of IAS 39 might result in no gain or loss being recognised on the initial recognition of a financial instrument that is in Level 2 for disclosure purposes.

BC39E The introduction of the fair value disclosure hierarchy does not affect any measurement or recognition requirements of other standards. In particular, the Board noted that the recognition of gains or losses at inception of a financial instrument (as required by paragraph AG76 of IAS 39) would not change as a result of the fair value disclosure hierarchy.

BC39F The Board decided to require additional disclosures for instruments with fair value measurements that are in Level 3 of the fair value hierarchy. These disclosures inform users of financial statements about the effects of those fair value measurements that use the most subjective inputs.

BC39G After reviewing comments received on the exposure draft, the Board decided not to require disclosure by level of the fair value hierarchy for financial instruments that are not measured at fair value in the statement of financial position. The Board noted that paragraphs 25 and 27 of IFRS 7, which require the disclosure of the fair value of each class of assets and liabilities in a way that permits it to be compared with its carrying amount, and the methods and assumptions applied in determining fair values, were retained.

After paragraph BC56, a heading is amended to read as follows. The first sentence of paragraph BC57 is footnoted as follows 'Amendments to IFRS 7 issued in March 2009 amended paragraph 39 and paragraphs B11-B16. The paragraph references in paragraph BC57 have not been amended as a result of these amendments.' After paragraph BC58, paragraphs BC58A–BC58D are added.

Liquidity risk (paragraphs 34(a), 39, B10A and B11A–B11F)

BC58A In March 2009 the Board amended the disclosure requirements on the nature and extent of liquidity risk by:

(a) amending the definition of liquidity risk to clarify that paragraph 39 applies only to financial liabilities that will result in the outflow of cash or another financial asset. This clarifies that the disclosure requirements would not apply to financial liabilities that will be settled in the entity's own equity instruments and to liabilities within the scope of IFRS 7 that are settled with non-financial assets.

(b) emphasising that an entity must provide summary quantitative data about its exposure to liquidity risk based on information provided internally to key management personnel of the entity as required by paragraph 34(a). This reinforces the principles of IFRS 7.

(c) amending the requirement in paragraph 39 to disclose a contractual maturity analysis.

BC58B The requirements in paragraph 39(a) and (b) relate to minimum benchmark disclosures as set out in paragraph 34(b) and are expected to be relatively easy to apply. However, the Board noted that the requirement to provide disclosures based on the remaining contractual maturities was difficult to apply for some derivative financial liabilities and did not always result in information that reflects how many entities manage liquidity risk for such instruments. Hence, for some circumstances the Board eliminated the previous requirement to disclose contractual maturity information for derivative financial liabilities. However, the Board retained minimum contractual maturity disclosures for non-derivative financial liabilities (including issued financial guarantee contracts within the scope of the IFRS) and for some derivative financial liabilities.

BC58C The Board noted that for non-derivative financial liabilities (including issued financial guarantee contracts within the scope of the IFRS) and some derivative financial liabilities, contractual maturities are essential for an understanding of the timing of cash flows associated with the liabilities. Therefore, this information is useful to users of financial statements. The Board concluded that disclosures based on the remaining contractual maturities of these financial liabilities should continue to be required.

BC58D The Board also emphasised the existing requirement to disclose a maturity analysis for financial assets held for managing liquidity risk, if that information is required to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The Board also emphasised that an entity must explain the relationship between qualitative and quantitative disclosures about liquidity risk so that users of financial statements can evaluate the nature and extent of liquidity risk.

Amendment to Guidance on implementing *FRS 29*

ASB Note: After paragraph IG13 a heading is amended to read as follows and paragraphs IG13A and IG13B are added.

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

Fair value (paragraphs 27–28)

IG13A ~~IFRS 7~~FRS 29 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~~ balance sheet. A tabular format is required unless another format is more appropriate. An entity might disclose the following for assets to comply with paragraph 27B(a). (Disclosure of comparative information is also required, but is not included in the following example.)

Assets measured at fair value

Description	**31 Dec 20X2**	**Fair value measurement at ~~end of the reporting period~~ <u>the balance sheet date</u> using: Level 1 CU million**	**Level 2 CU million**	**Level 3 CU million**
Financial assets at fair value through profit or loss				
Trading securities	100	40	55	5
Trading derivatives	39	17	20	2
Available-for-sale financial assets				
Equity investments	75	30	40	5
Total	214	87	115	12

(Note: For liabilities, a similar table might be presented.)

IG13B ~~IFRS 7~~<u>FRS 29</u> requires a reconciliation from beginning to ending balances for those assets and liabilities that are measured in the ~~statement of financial position~~ <u>balance sheet</u> 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 27B(c). (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 ~~end of the reporting period~~ the balance sheet date			
	Financial assets at fair value through profit or loss		**Available-for-sale financial assets**	**Total**
	Trading securities	Trading derivatives	Equity investments	
	CU million	CU million	CU million	CU million
Opening balance	6	5	4	15
Total gains or losses				
in profit or loss	(2)	(2)	–	(4)
in ~~other comprehensive income~~ the statement of total recognised gains and losses	–	–	(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 profit or loss for assets held at the ~~end of the reporting period~~ balance sheet date	(1)	(1)	–	(2)
(Note: For liabilities, a similar table might be presented.)				

continued . . .

continued . . .

Gains or losses included in profit or loss for the period (above) are presented in trading income and in other income as follows:

	Trading income
Total gains or losses included in profit or loss for the period	(4)
Total gains or losses for the period included in profit or loss for assets held at the balance sheet date ~~end of the reporting period~~	(2)

(Note: For liabilities, a similar table might be presented.)

ASB Note: Two headings and paragraphs IG30 and IG31 are deleted. Some text is moved to paragraph B11F in Appendix B, Application guidance.

ASB Note: Paragraph IG65B is not included as it refers to IFRS 4 'Insurance Contracts' and there is no equivalent standard in UK GAAP.

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