CHAPTER SEVEN
Financial instruments

7.1 INTRODUCTION, SCOPE, RECOGNITION AND INITIAL MEASUREMENT, HEDGE ACCOUNTING, DERIVATIVES AND EMBEDDED DERIVATIVES AND DEFINITIONS

7.1.8 Definitions

7.1.8.1 The following terms are used in this Code with the meanings specified:

A **financial asset or financial liability at fair value through profit or loss** is a financial asset or financial liability that meets the following conditions. It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:

a) acquired or incurred principally for the purpose of selling or repurchasing it in the near term

b) on initial recognition part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or

c) a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The Annual Improvements to IFRSs 2010 – 2012 Cycle added:

"It is contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies." to the conditions for a financial asset or financial liability at fair value through profit or loss.

CHAPTER EIGHT
Liabilities

8.2 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

8.2.1 Introduction

8.2.1.3 This section of the Code does not cover provisions, contingent liabilities and contingent assets in relation to:

- those provisions and contingent liabilities arising from social benefits provided by an authority for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits (other than through the normal accruals process)
- financial instruments (including measurement of financial guarantees after initial measurement) that are within the scope of chapter seven
- those resulting from executory contracts, other than where the contract is onerous subject to other provisions of this paragraph, and
- where another section of the Code or an IFRS deals with a specific type of provision, contingent liability or contingent asset, instead an authority applies that section of the Code instead of this section, for example; construction contracts (section 5.2), income taxes (Appendix A, paragraph A.1.2), leases (section 4.2), employee benefits (chapter six), insurance contracts (Appendix A, paragraph A.1.7), and contingent consideration of an acquirer in a business combination (see IFRS 3 Business Combinations).

APPENDIX E

~~ADDENDUM TO THE 2014-15 CODE~~

Accounting for schools in local authorities in England and Wales

E.1 REPORTING REQUIREMENTS FOR LOCAL AUTHORITY SCHOOLS WITHIN THE CONTROL OF LOCAL AUTHORITIES IN ENGLAND AND WALES

E.1.1 CIPFA/LASAAC is of the view that local authority maintained schools[1] are capable of being treated as separate entities for control purposes under chapter nine: Group Accounts of the Code.

E.1.2 CIPFA/LASAAC is of the view that, based on the indicators of control ~~within~~ identified under the requirements of the Code's adoption ~~IFRS~~of IFRS 10, the balance of control lies with local authorities for all maintained schools. The recognition of non-current assets used by schools shall be determined in accordance ~~with control of assets being determined in line~~ with the relevant standards adopted by Chapter Four Non-Current Assets of this Code as appropriate to the arrangements for the assets.

[1] Local authority maintained schools are those schools categorised in the Schools' Standards and Framework Act 1998 ie community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.