



cutting through complexity™

Accounting update

The CIPFA Pensions Network

27 January 2012



Agenda

- **Introduction**
- **IFRS 9: Classification and Measurement**
- **IFRS 9: Impairment**
- **IFRS 9: Hedge Accounting**
- **IFRS 13 Fair Value Measurement**

The background features a series of overlapping, slanted rectangular shapes in various shades of blue, from light to dark, and white. The shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to be in front of others. The overall composition is clean and modern.

Introduction

IFRS - the changing landscape

- Published standards with effective date on or after 1 January 2013
 - IFRS 10, 11, 12 and 13
 - IAS 19 (Amended)
- Accounting projects
 - IFRS 9
 - Classification and measurement
 - Impairment (Exposure Draft)
 - Hedging (Exposure Draft)
 - Revenue recognition (Re-exposed Draft)
 - Leases (Exposure Draft)
 - Asset and liability offsetting



**IFRS 9:
Classification &
Measurement**

IAS 39: Financial assets classification categories:

Fair value through profit and loss
Available for sale
Loans and receivables
Held to maturity

IFRS 9: Financial assets classification categories:

Fair value through profit and loss
Amortised cost

Business model

Business model determined by key management.

Applied before assessing the contractual terms of the financial asset.

Is the objective of the business to hold the financial assets in order to collect the contractual cash flows?

Contractual terms

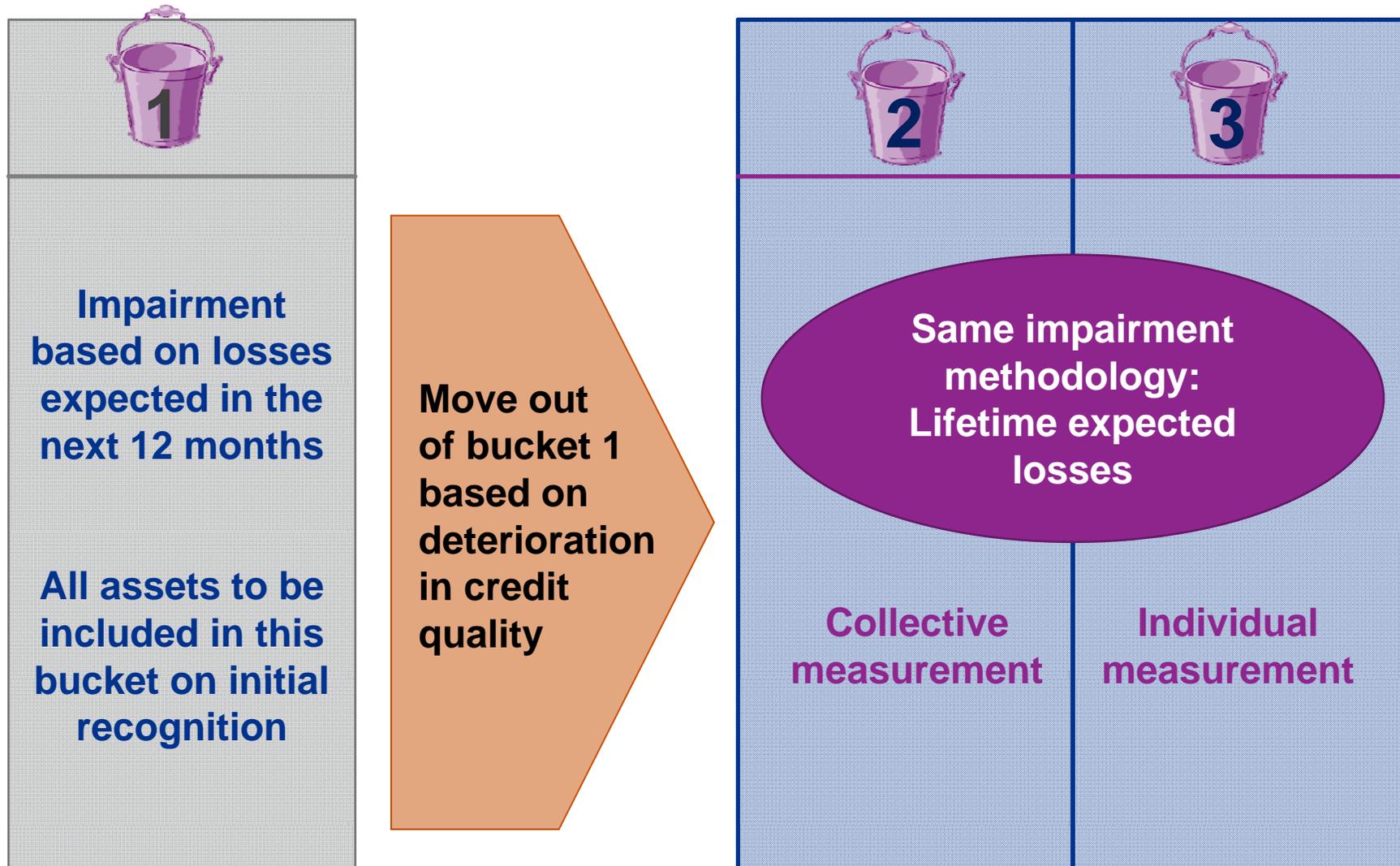
Do the contractual cash flows give rise solely to payments of principal and interest on the principal outstanding?



IFRS 9: Impairment

IFRS 9

Impairment of financial assets





IFRS 9: Hedge accounting

Closer integration of hedge accounting with risk management

Derivatives as part of an aggregate exposure can be designated as hedged items

More scope to use non-derivatives as hedging instruments

Certain risk components of non-financial items potential as eligible hedged items

Net position hedging of a group of items can be permitted

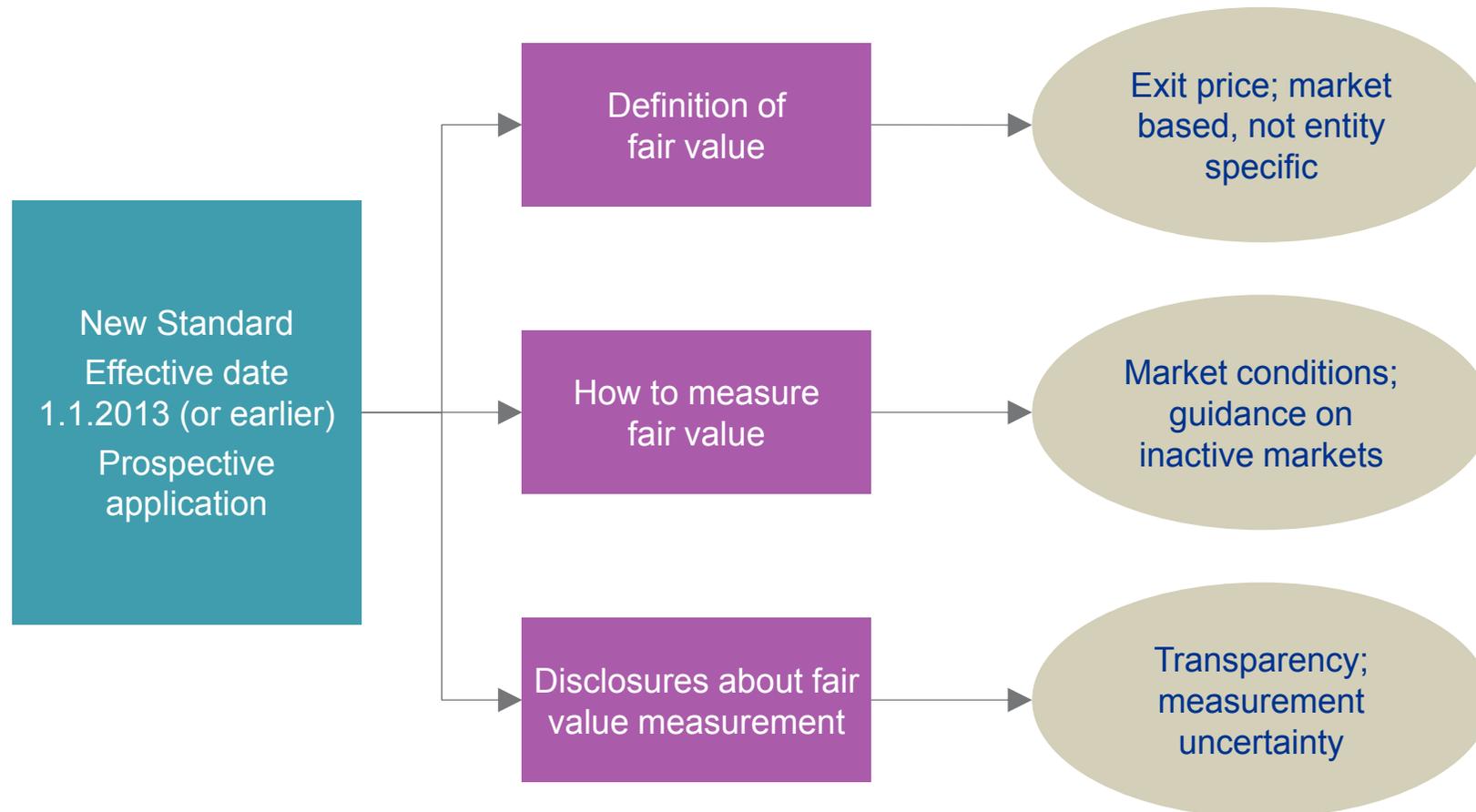
Elimination of 80-125% bright line thresholds

Comprehensive disclosures linking hedging with risk management



**IFRS 13 Fair
value
measurement**

IFRS 13 – overview



Scope

- Financial instruments
- Most assets and liabilities acquired in a business combination
- Non-current assets held for sale in accordance with IFRS 5
- Investment property/intangibles/PP&E held at fair value

Out of scope – measurement and disclosures

- IFRS 2 Share-based Payment
- IAS 17 Leases

Out of scope – disclosures

- IAS 19 Employee Benefits
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 36 Impairment of Assets

Fair value principles

Measurement

- Financial instruments – portfolio exception
- Non-financial assets – highest and best use
- Liabilities – measurement guidance

Valuation

- Appropriate valuation techniques – market, income and cost approach
- Maximising use of observable inputs
- 3 Level fair value hierarchy

Disclosure objectives

- Enable user to assess valuation technique and inputs used
- Financial instruments – interim disclosure required

Disclosures

Ref	Requirement	Recurring			Non-recurring			FV disclosed		
		L1	L2	L3	L1	L2	L3	L1	L2	L3
93(a)	Fair value at end of reporting period									
93(a)	Reasons for the measurement									
93(b)	Level within hierarchy									
93(c)	Transfers within hierarchy									
93(d)	Description of valuation technique and inputs									
93(d)	Any changes to valuation technique and reasons									
93(d)	Quantify unobservable inputs									
93(e)	Reconciliation of opening and closing balance									
93(f)	Unrealised gains/losses from re-measurement									
93(g)	Description of valuation processes and policies									
93(h)(i)	Narrative sensitivity to changes in unobservable inputs									
93(h)(ii)	Quantitative sensitivity to changes in unobservable inputs (for financial assets and financial liabilities only)									
93(i)	If highest and best use differs from actual, then reasons why									

Key: ■ Disclosure required

Potential impacts – IFRS 13

Non-financial instruments at fair value – increased disclosure requirements

Re-assess current fair value practices against IFRS 13 requirements – the devil is in the details!

Interim disclosures required for financial instruments