PBE IPSAS 30: FINANCIAL INSTRUMENTS - DISCLOSURES

Version 1: 2014

Effective Periods Beginning
1 July 2014

DISCLOSURE REQUIREMENTS: SIGNIFICANCE OF FINANCIAL INSTRUMENTS IN TERMS OF THE FINANCIAL POSITION AND PERFORMANCE

STATEMENT OF FINANCIAL POSITION

- Total carrying amount of each category of financial assets and liabilities on face of Statements of Financial Position or in notes.
- Information on fair value of loans and receivables.
- Financial assets and liabilities designated as at fair value through surplus or deficit.
- Financial assets reclassified.
- Financial assets that do not qualify for derecognition.
- Details of financial assets pledged as collateral & collateral held.
- Reconciliation of allowance account for credit losses.
- Compound financial instruments with embedded derivatives.
- Details of defaults and breaches of loans payable.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

- Gain or loss for each category of financial assets and liabilities in the Statement of Comprehensive Revenue and Expense or in the notes.
- Total interest revenue and interest expense (on effective interest method).
- Fee revenue and expense.
- Interest on impaired financial assets.
- Amount of impairment loss for each financial asset.

FAIR VALUE (FV) HIERARCHY

All financial instruments measured at fair value must be classified into the levels below (that reflect how fair value has been determined):

- **Level 1:** Quoted prices, in active markets.
- **Level 2:** Level 1 quoted prices are not available but fair value is based on observable market data.
- **Level 3:** Inputs that are not based on observable market data..

A financial instrument will be categorised based on the lowest level of any one of the inputs used for its valuation. The following disclosures are also required:

- Significant transfers of financial instruments between each category - and reasons why.
- For level 3, a reconciliation between opening and closing balances, incorporating; gains/losses, purchases/sales/settlements, transfers.
- Amount of gains/losses and where they are included in surplus or deficit.
- For level 3, if changing one or more inputs to a reasonably possible alternative would result in a significant change in FV, disclose this fact.

OTHER

Accounting policies:

- All relevant accounting policies. Include measurement basis.

Hedge accounting:

- Description of hedge, description and fair value of hedged instrument and type of risk hedged.
- Details of cash flow hedges, fair value hedges and hedge of net investment in foreign operations.

Fair value:

- Fair value for each class of financial asset and liability.
- Disclose method and relevant assumptions to calculate fair value.
- Disclose if fair value cannot be determined.

Concessionary Loans:

Are loans granted at below market terms. The following disclosures are required:

- A movement reconciliation;
- Nominal value at the end of the reporting period;
- Purpose and terms of the various types of loans; and
- Valuation assumptions made.

DISCLOSURE REQUIREMENTS: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE RISKS ARE MANAGED.

Qualitative disclosure

- Exposure to risk and how it arises.
- Objectives, policies and processes for managing risk and method used to measure risk.

Quantitative disclosure

- Summary of quantitative data about exposure to risk based on information given to key management.
- Concentrations of risks.

SPECIFIC QUANTITATIVE DISCLOSURE REQUIREMENTS

LIQUIDITY RISK

Definition:

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

- Maturity analysis for financial liabilities that shows the remaining contractual maturities - See para AG14
- Time bands and increment are based on entity's judgement
- How is liquidity risk managed.

CREDIT RISK

Definition:

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

- Maximum exposure to credit risk without taking into account collateral.
- Collateral held as security and other credit enhancements.
- Information of financial assets that are either past due (when a counterparty has failed to make a payment when contractually due) or impaired.
- Information of collateral and other credit enhancements obtained.

MARKET RISK

Definition:

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

- A sensitivity analysis (including methods and assumptions used) for each type of market risk exposed, showing impact on surplus or deficit and net assets/equity. **OR:**
- If a sensitivity analysis is prepared by an entity, showing interdependencies between risk variables and it is used to manage financial risks, it can be used in place of the above sensitivity analysis.

SCOPE

PBE IPSAS 30 applies to all types of financial instruments except:

- Interests in controlled entities, associates or joint ventures, unless PBE IPSAS 6, PBE IPSAS 7 and PBE IPSAS 8 permit accounting in accordance with PBE IPSAS 29.
- Employers rights and obligations arising from employee benefit plans to which PBE IPSAS 25 applies.
- Insurance contracts in accordance with PBE IFRS 4 (excluding embedded derivatives in these contracts if PBE IPSAS 29 requires separate accounting).
- 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 for contracts within the scope PBE IPSAS 29.4 - 6, to which that Standard applies.
- Puttable instruments (PBE IPSAS 28.15 -16 or .17 - 18).

TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions under PBE IPSAS 30.