**Snapshot – IFRS 9 – Financial Instruments**

**excluding hedge accounting**

**OBJECTIVE**
The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

**SCOPE**
IFRS 9 shall apply to all types of financial instruments except:
- investments in subsidiaries, associates and joint ventures that are accounted for in accordance with IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements or IAS 28 Investments in Associates and Joint Ventures
- rights and obligations under leases to which IFRS 16 Leases applies (with exceptions)
- employers’ rights and obligations under employee benefit plans, to which IAS 19 Employee Benefits applies (with exceptions)
- financial instruments issued by the entity that meet the definition of an equity instrument in IAS 32 (with exceptions)
- rights and obligations arising under an insurance contract as defined in IFRS 4 Insurance Contracts (with exceptions)
- loan commitments other than those loan commitments described in IFRS 9

**GENERAL RULE**
Initial measurement
An entity shall recognise a financial asset or a financial liability in its statement of financial position when and only when the entity becomes party to the contractual provisions of the instrument.

Classification, subsequent measurement and derecognition of financial assets
An entity shall classify all financial assets as subsequently measured at amortised cost, except for:
- financial assets at fair value through profit or loss
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate.
- contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

Disclosure requirements
The disclosure requirements for IFRS 9 are contained within IFRS 7 Financial Instruments: Disclosure.

Derecognition of financial liabilities
An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Reclassification of financial liabilities
An entity shall not reclassify any financial liability.

**DEFINITIONS**
Financial asset is any asset that is one of the following:
- Cash
- An equity instrument of another entity
- A contractual right: to receive cash or another financial asset from another entity; or to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial liability is any liability which meets either of the following criteria:
- A contractual obligation: to deliver cash or another financial asset to another entity; or to exchange financial instruments with another entity under conditions which are potentially unfavourable to the entity.
- A contract that will, or may, be settled in the entity’s own equity instruments and is a non-derivative for which the entity, or may be obliged to deliver a variable number of its own equity instruments; or a derivative that will, or may, be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instruments (which excludes puttable financial instruments classified as equity and instruments that are themselves contracts for a future receipt or delivery of the entity’s equity instruments).

**EFFECTIVE DATE**
An entity shall apply this Standard for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Derecognition of financial assets
An entity shall derecognise a financial asset when, and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset and the transfer qualifies for derecognition.

Reclassification of financial assets
If an entity reclassifies financial assets it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Subsequent measurement of financial assets
After initial recognition, an entity shall measure a financial asset at:
- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

An entity shall recognise a loss allowance for expected credit losses on a financial asset that is measured at amortised cost or fair value through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply.