

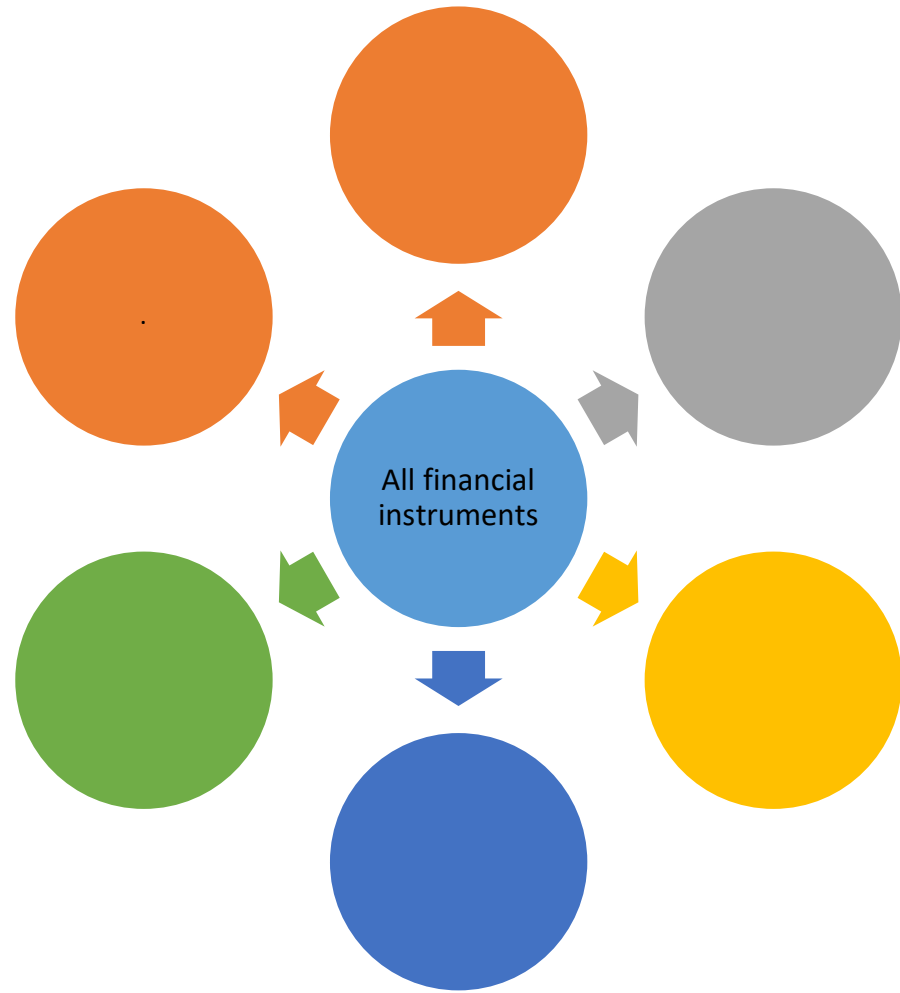


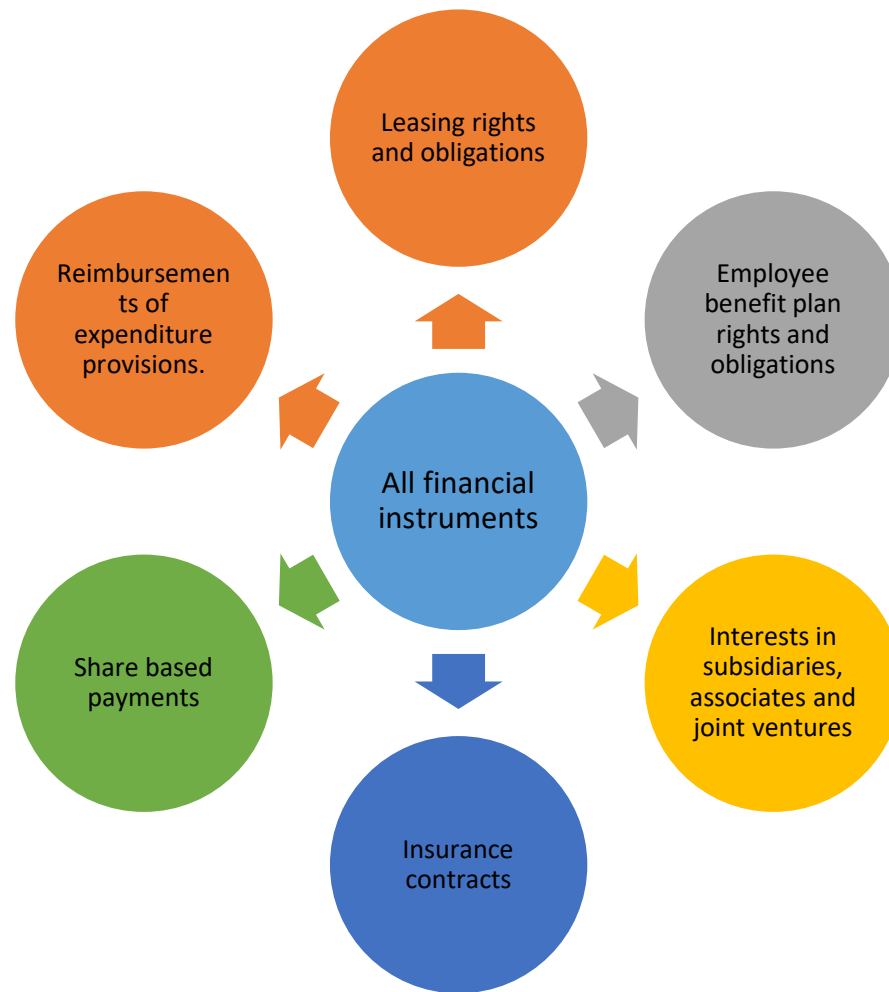
PASSFR.EU

A Digital Learning Platform for Generation Z:
Passport to IFRS®

IFRS® Standard 9 Financial Instruments







RECOGNITION

- Trade date accounting
- Settlement date accounting

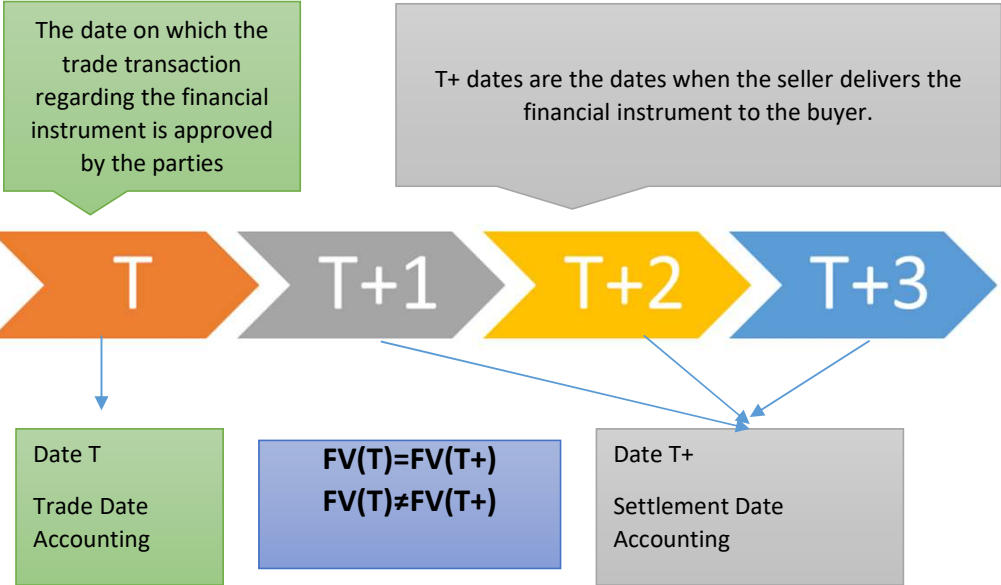
RECOGNITION

The date on which the trade transaction regarding the financial instrument is approved by the parties



Date T
Trade Date
Accounting

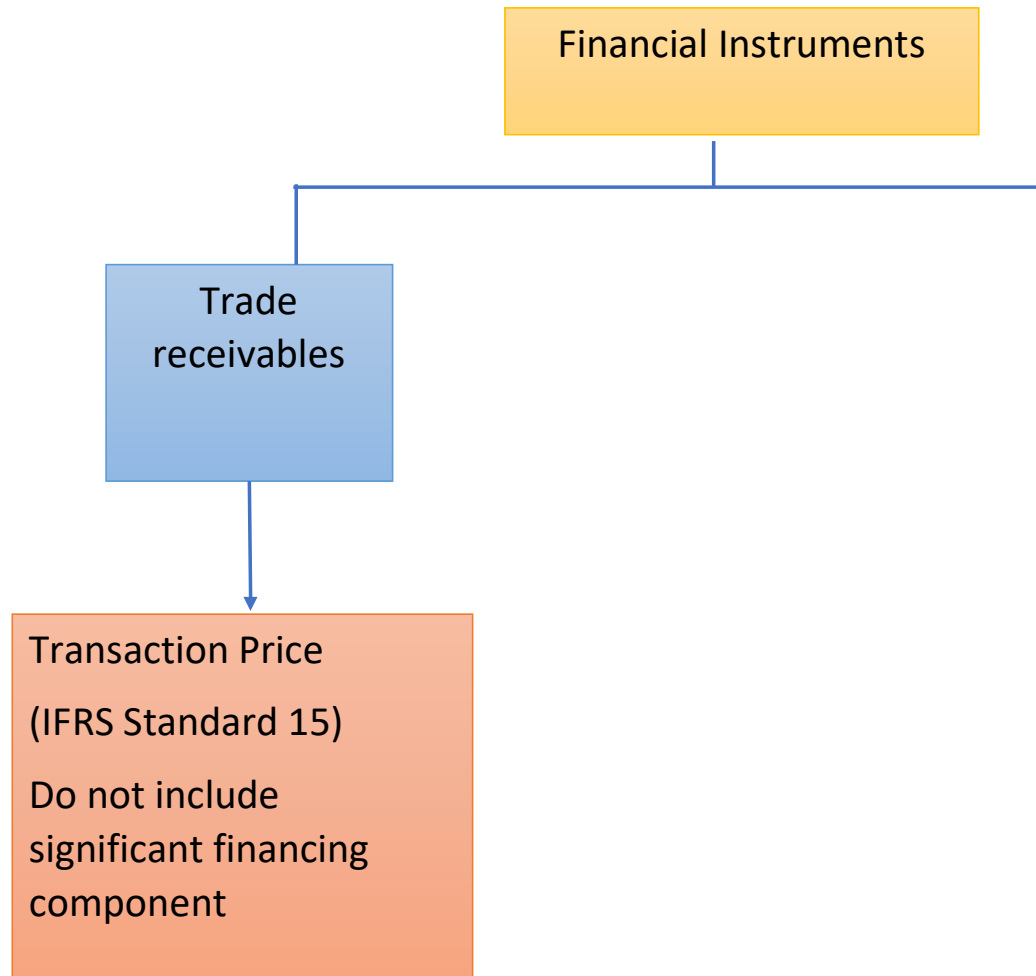
RECOGNITION



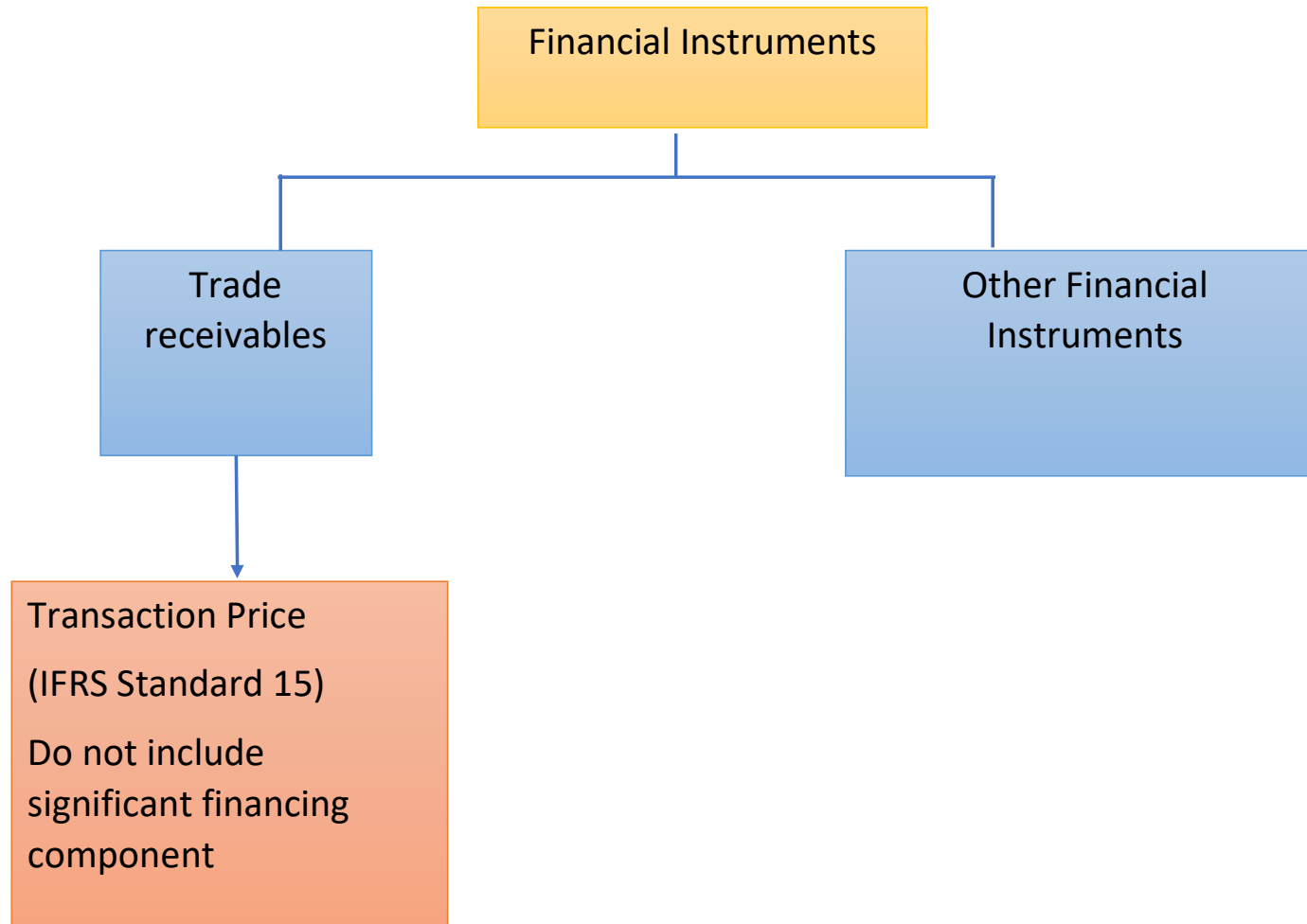
RECOGNITION OF FINANCIAL INSTRUMENTS

Financial Instruments

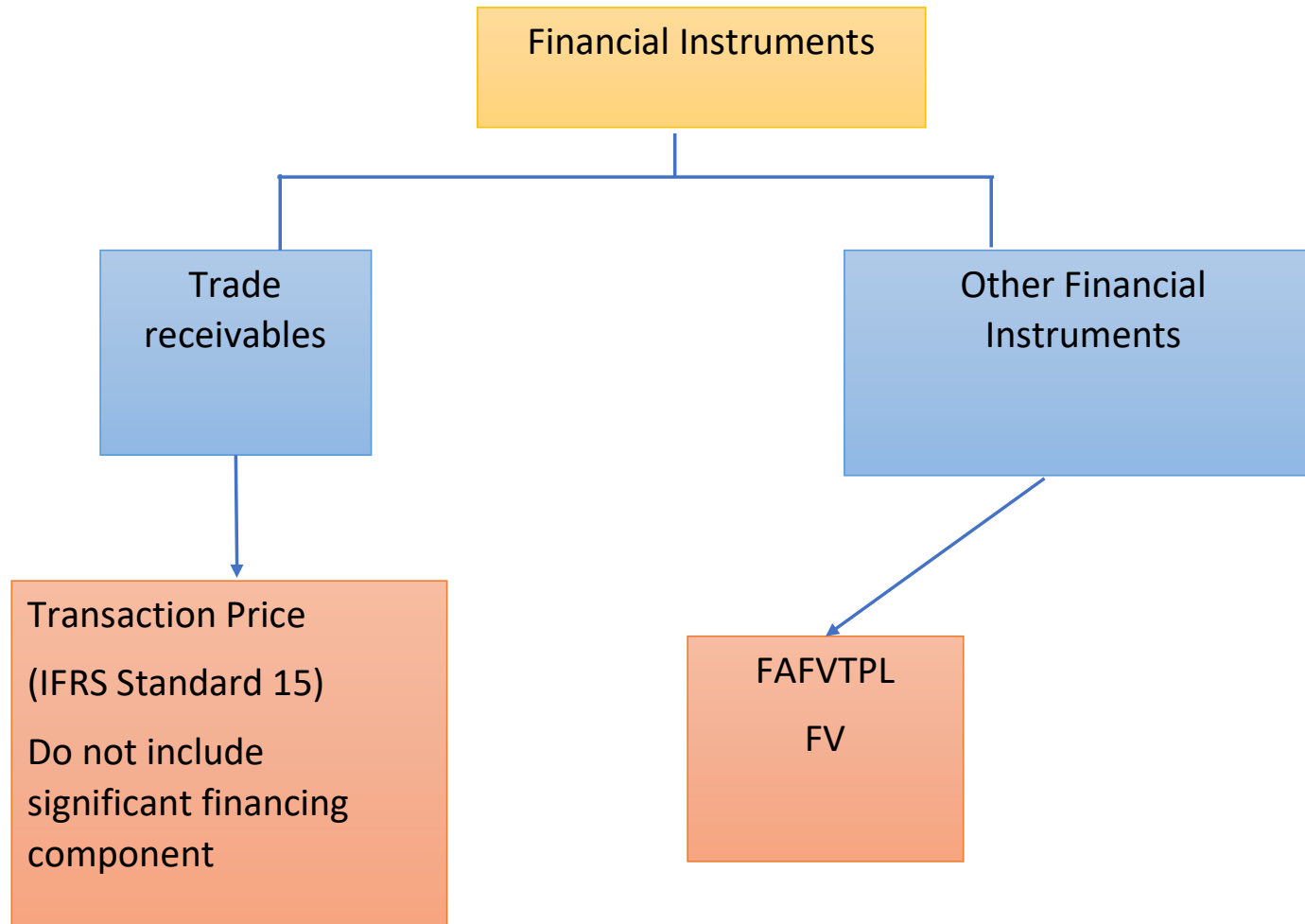
RECOGNITION OF FINANCIAL INSTRUMENTS



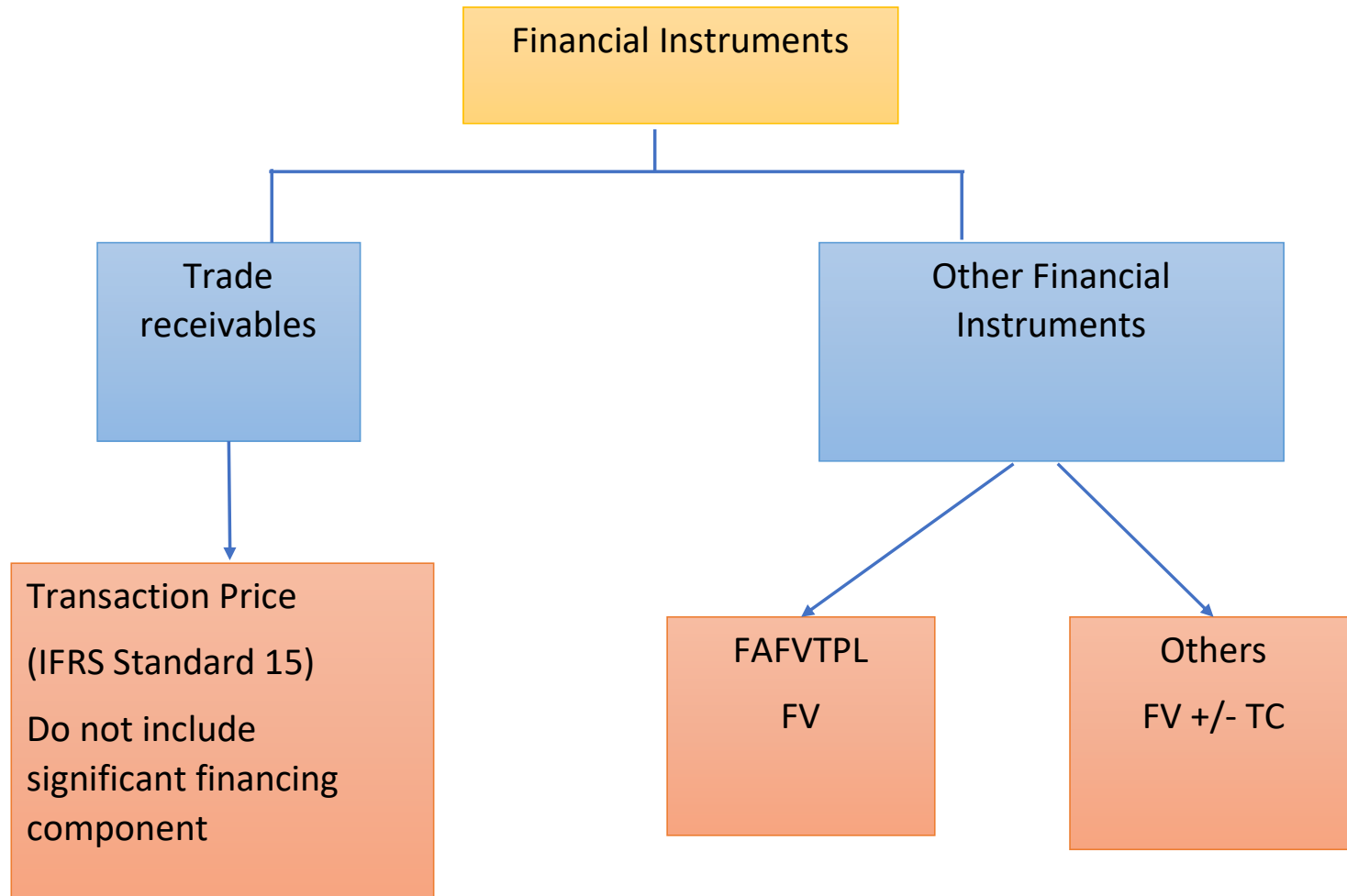
RECOGNITION OF FINANCIAL INSTRUMENTS



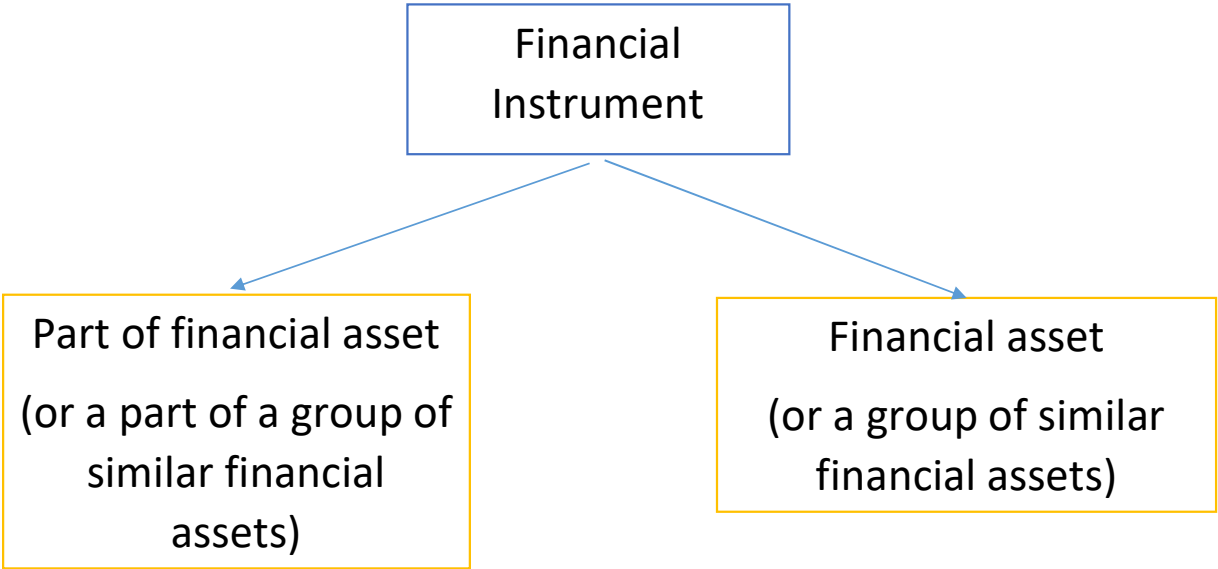
RECOGNITION OF FINANCIAL INSTRUMENTS



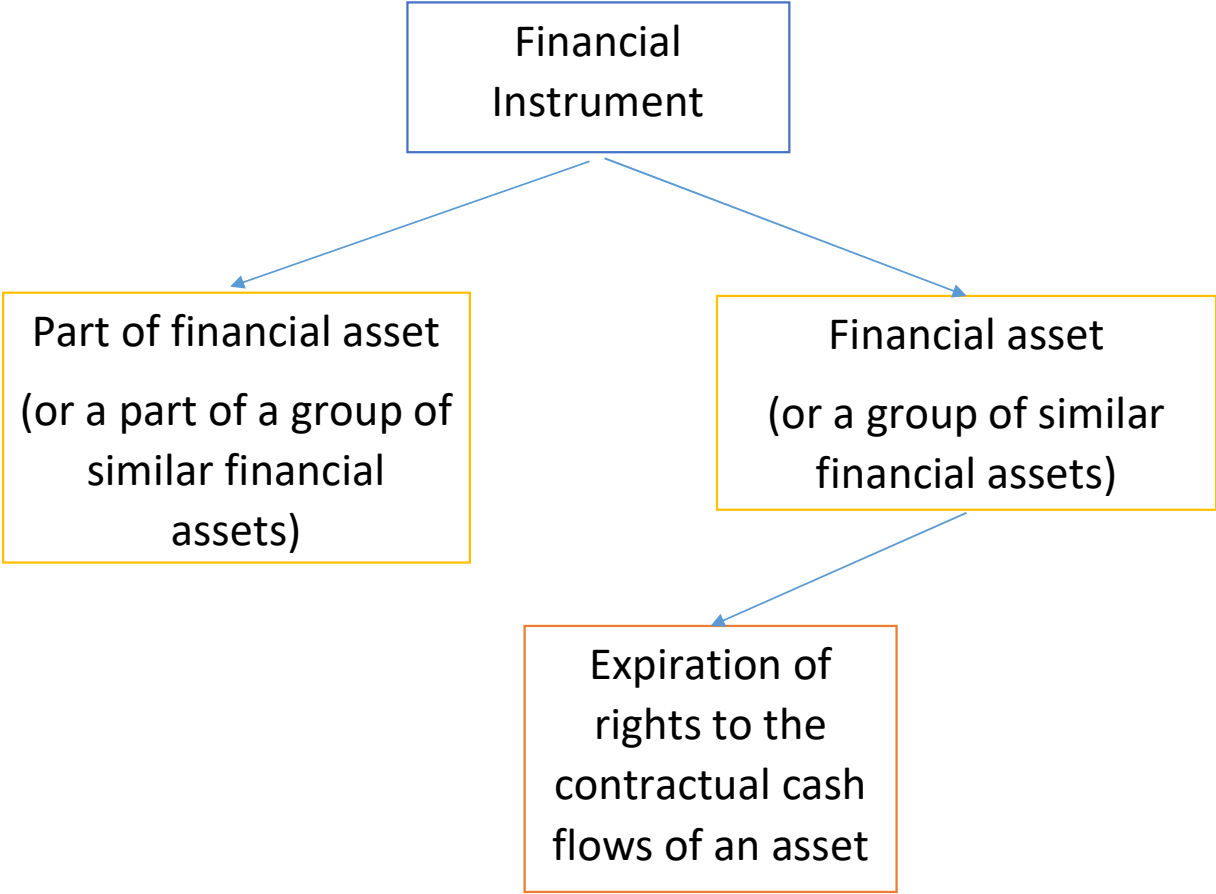
RECOGNITION OF FINANCIAL INSTRUMENTS



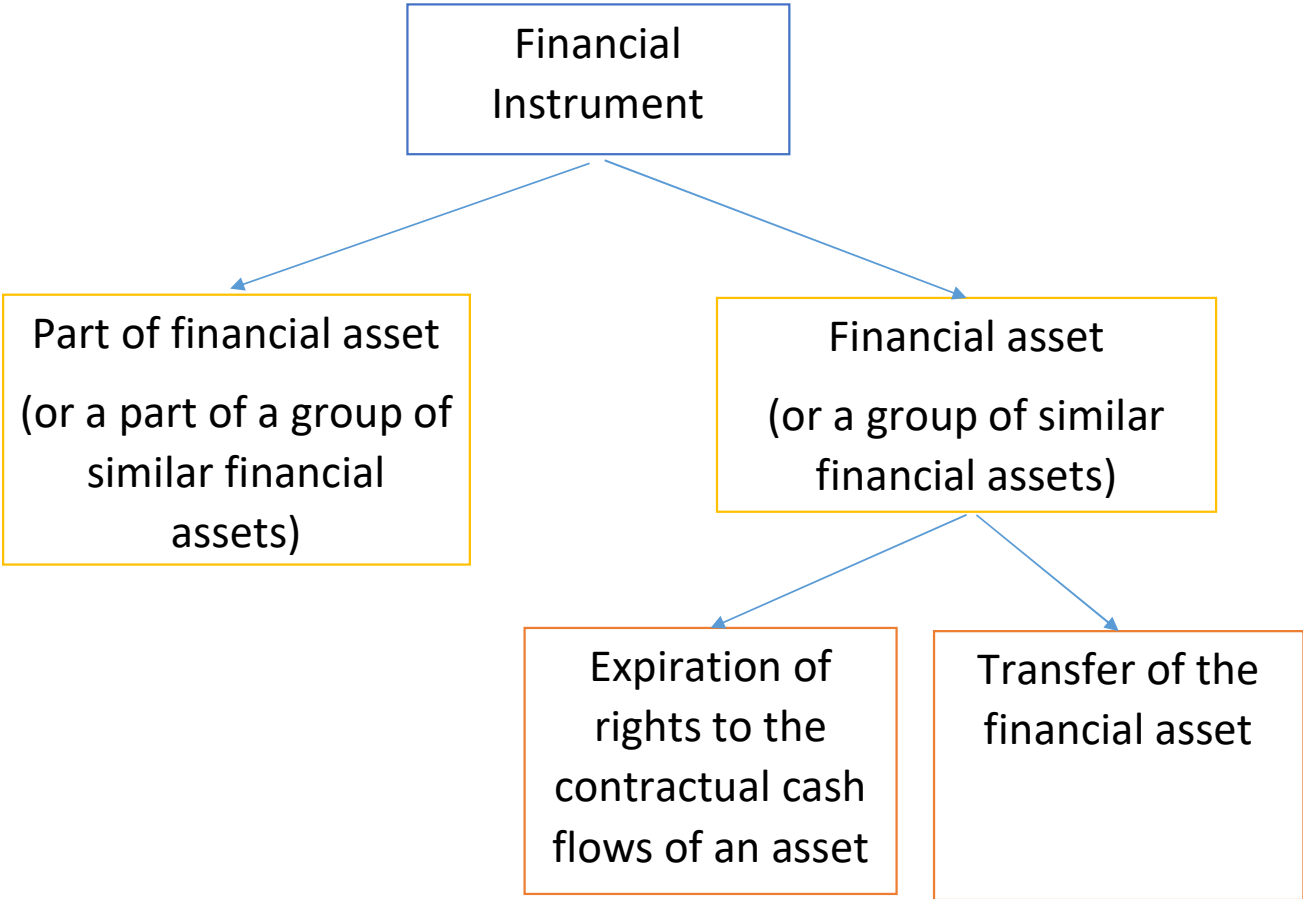
DERECOGNITION



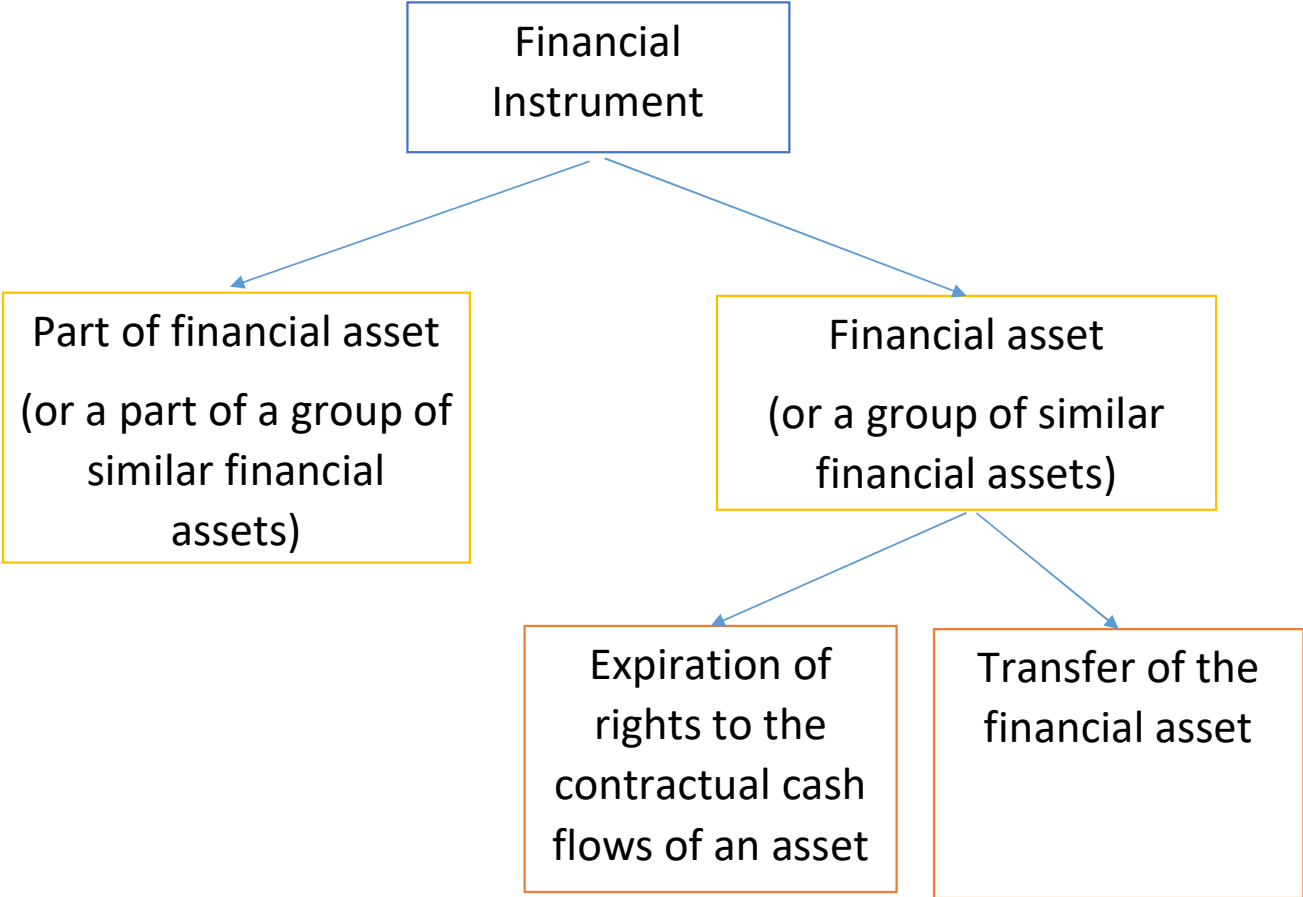
DERECOGNITION



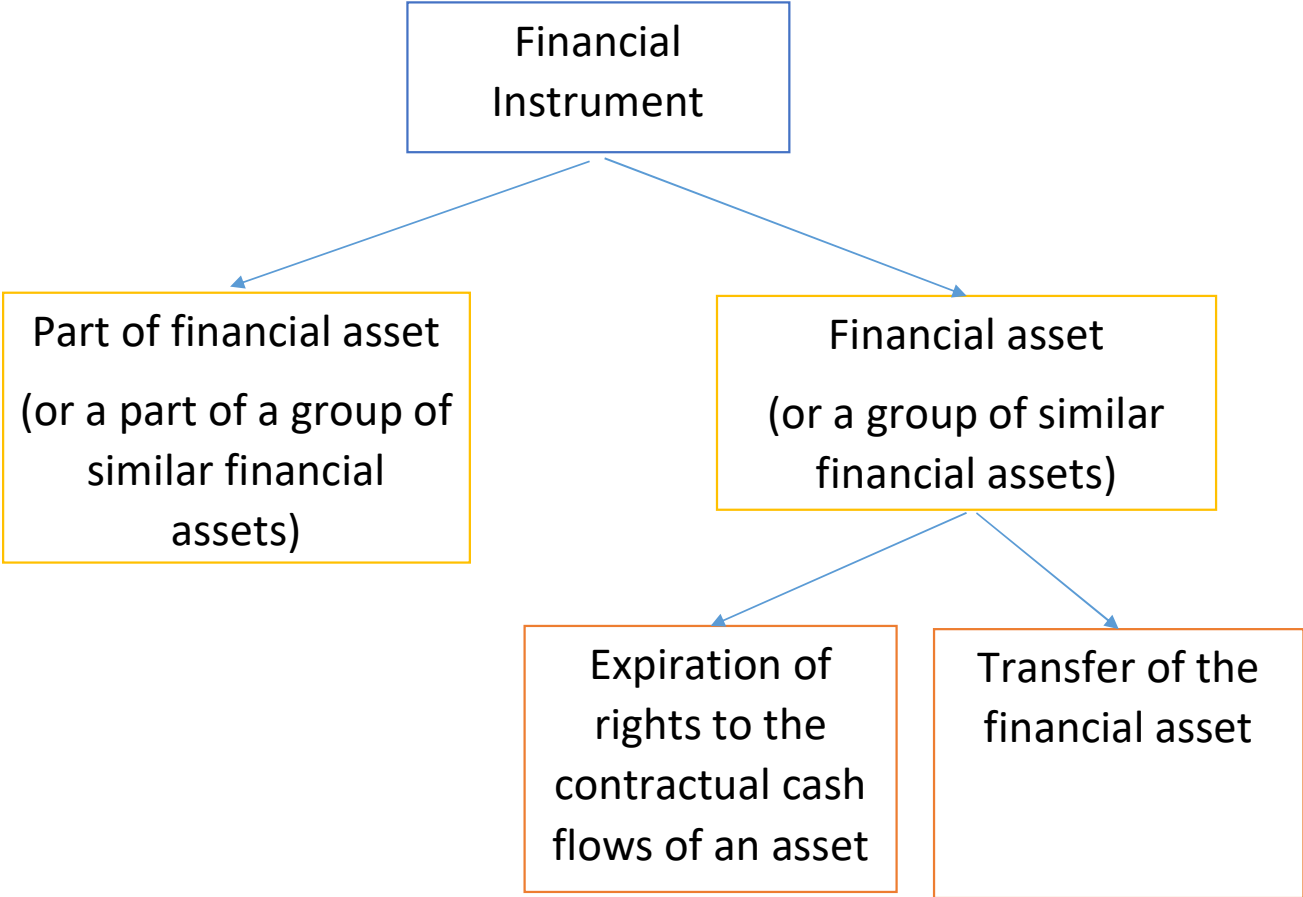
DERECOGNITION



DERECOGNITION



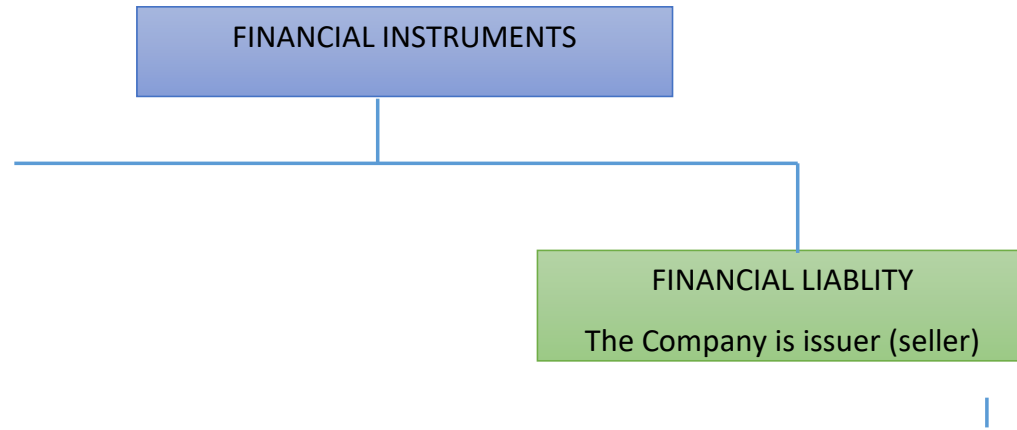
DERECOGNITION



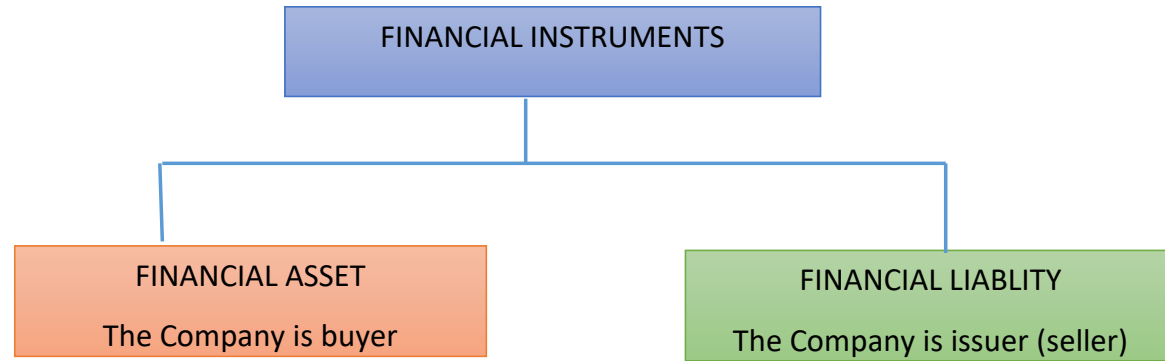
CLASSIFICATION OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS

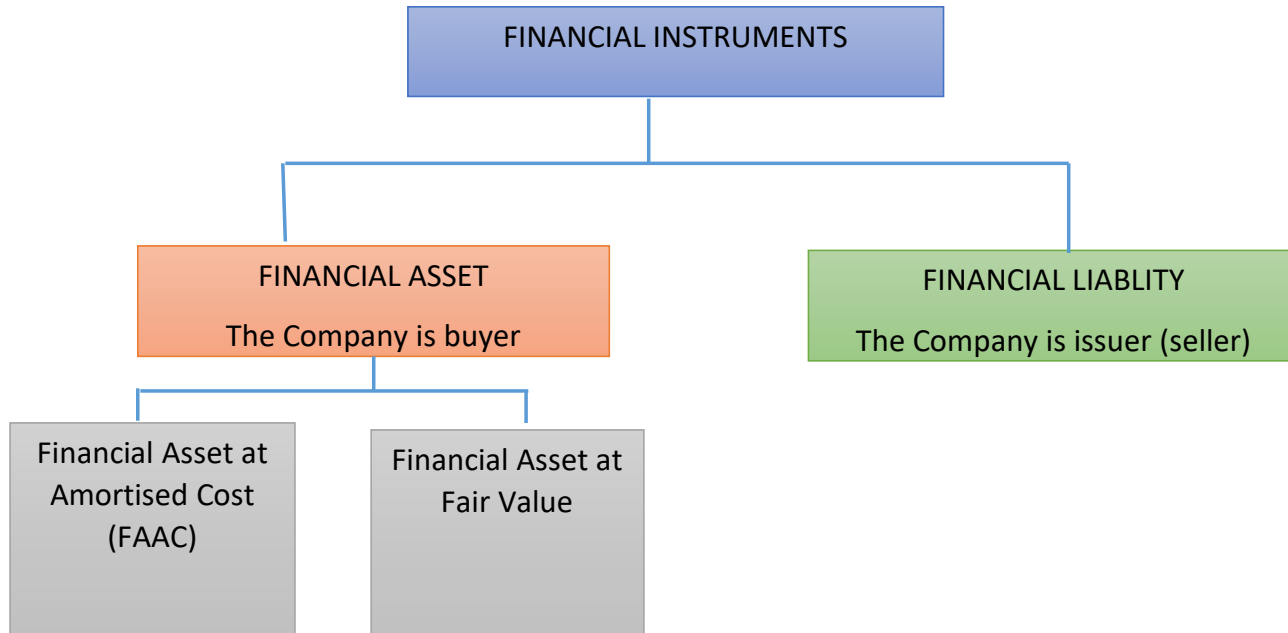
CLASSIFICATION OF FINANCIAL INSTRUMENTS



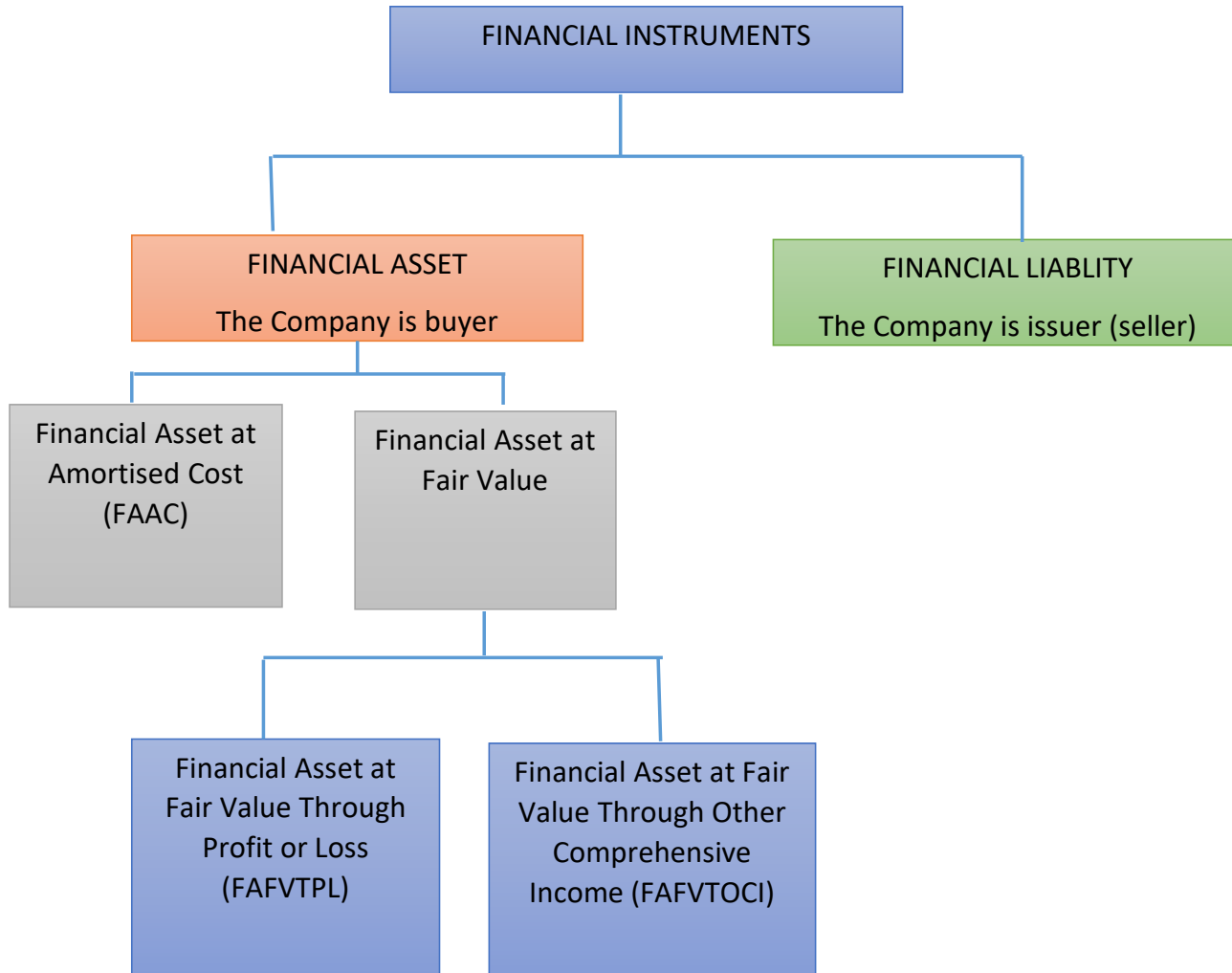
CLASSIFICATION OF FINANCIAL INSTRUMENTS



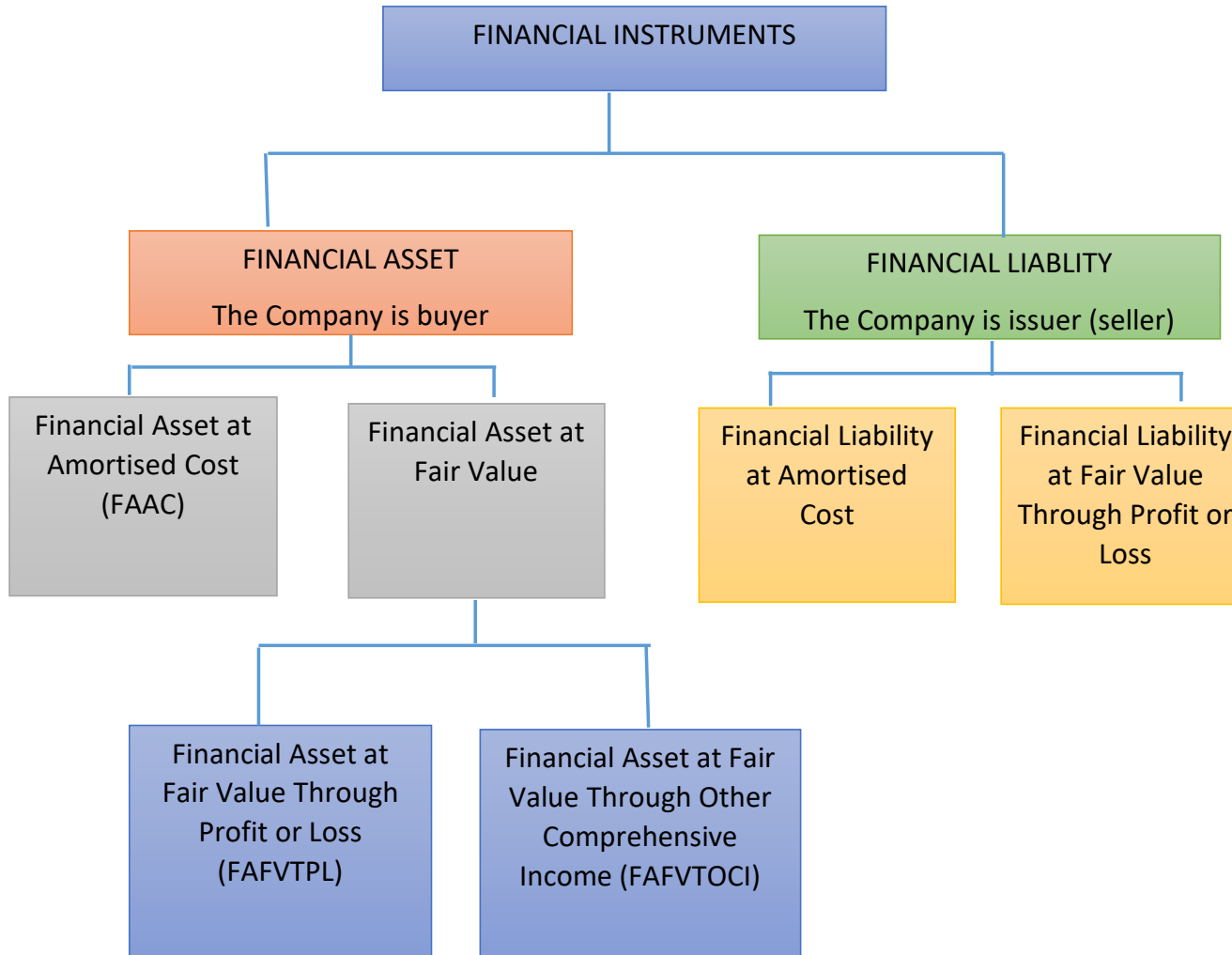
CLASSIFICATION OF FINANCIAL INSTRUMENTS



CLASSIFICATION OF FINANCIAL INSTRUMENTS



CLASSIFICATION OF FINANCIAL INSTRUMENTS



CLASSIFICATION OF FINANCIAL ASSETS

Classification of financial assets based on some tests called;

- Business Test
- Cash flow characteristics test

CLASSIFICATION OF FINANCIAL ASSETS

Classification of financial assets based on some tests called;

- Business Test
- Cash flow characteristics test

Business Model Test

The business model test is to determine how the business will generate cash flows from its financial assets

CLASSIFICATION OF FINANCIAL ASSETS

Classification of financial assets based on some tests called;

- Business Test
- Cash flow characteristics test

Business Model Test

The business model test is to determine how the business will generate cash flows from its financial assets

- Hold them
- Hold or sell them
- Sell them

CLASSIFICATION OF FINANCIAL ASSETS

Classification of financial assets based on some tests called;

- Business Test
- Cash flow characteristics test

Business Model Test

The business model test is to determine how the business will generate cash flows from its financial assets

- Hold them
- Hold or sell them
- Sell them

Contractual Cash Flows' Characteristics Test

In this test, the contractual cash flow characteristics of financial instruments are evaluated

APPLICATION OF THE BUSINESS MODEL AND CONTRACTUAL CASH FLOW TESTS

BUSINESS MODEL

+

**CONTRACTUAL
CASH FLOWS**

CLASSIFICATION

**MANAGEMENT'S
CHOICE**

Hold to Collect	Hold to Collect + Sell	Contractual principal and interest payments	
-----------------	------------------------	---	--

v

v

Amortised Cost

--

APPLICATION OF THE BUSINESS MODEL AND CONTRACTUAL CASH FLOW TESTS

BUSINESS MODEL		+	CONTRACTUAL CASH FLOWS	CLASSIFICATION	MANAGEMENT'S CHOICE
Hold to Collect	Hold to Collect + Sell		Contractual principal and interest payments		
v			v	Amortised Cost	
	v		v	FAFVTOCI	

APPLICATION OF THE BUSINESS MODEL AND CONTRACTUAL CASH FLOW TESTS

BUSINESS MODEL		+	CONTRACTUAL CASH FLOWS	CLASSIFICATION	MANAGEMENT'S CHOICE
Hold to Collect	Hold to Collect + Sell		Contractual principal and interest payments		
v			v	Amortised Cost	
	v		v	FAFVTOCI	
x	x		x	FAFVTPL	

APPLICATION OF THE BUSINESS MODEL AND CONTRACTUAL CASH FLOW TESTS

BUSINESS MODEL		+	CONTRACTUAL CASH FLOWS	CLASSIFICATION	MANAGEMENT'S CHOICE
Hold to Collect	Hold to Collect + Sell		Contractual principal and interest payments		
v			v	Amortised Cost	FAFVTPL
	v		v	FAFVTOCI	
x	x		x	FAFVTPL	

APPLICATION OF THE BUSINESS MODEL AND CONTRACTUAL CASH FLOW TESTS

BUSINESS MODEL		+	CONTRACTUAL CASH FLOWS	CLASSIFICATION	MANAGEMENT'S CHOICE
Hold to Collect	Hold to Collect + Sell		Contractual principal and interest payments		
v			v	Amortised Cost	FAFVTPL
	v		v	FAFVTOCI	
x	x		x	FAFVTPL	Equity Investments-FAFVTOCI

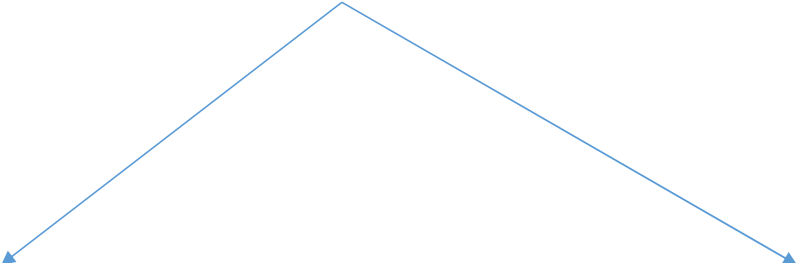
Reclassification of Financial Assets

Initial Classification	Revised Classification	Gains and Losses in Reclassification	Notes
FAAC	FAFVTPL	Profit or Loss	
FAAC	FAFVTOCI	OCI	
FAFVTPL	FAAC	No gain or loss	Fair value becomes gross carrying amount. New effective rate is calculated using the new carrying amount.
FAFVTPL	FAFVTOCI	No gain or loss	
FAFVTOCI	FAAC	No gain or loss	Transition value is the fair value. However cumulative gain or loss is adjusted against the fair value.
FAFVTOCI	FAFVTPL	No gain or loss	Cumulative gains or losses in OCI reclassified to profit or loss

SUBSEQUENT MEASUREMENT

Anortized Cost

Fair Value



SUBSEQUENT MEASUREMENT

Classification of Financial Assets	Valuation	Valuation Difference Reporting	Interest / Dividend
Financial asset measured at amortised cost (FAAC)	Amortised Cost	N/A	Profit or Loss

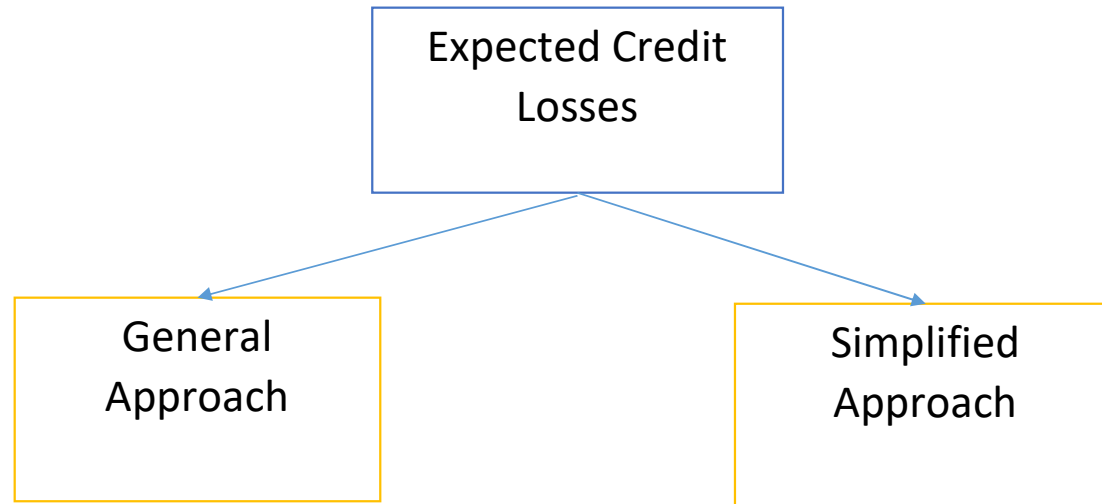
SUBSEQUENT MEASUREMENT

Classification of Financial Assets	Valuation	Valuation Difference Reporting	Interest / Dividend
Financial asset measured at amortised cost (FAAC)	Amortised Cost	N/A	Profit or Loss
Financial asset measured at fair value though profit or loss (FAFVTPL)	Fair Value	Profit or Loss	Profit or Loss
Financial asset measured at fair value though other comprehensive income (FAFVTOCI)	Fair Value	Other Comprehensive Income	Profit or Loss

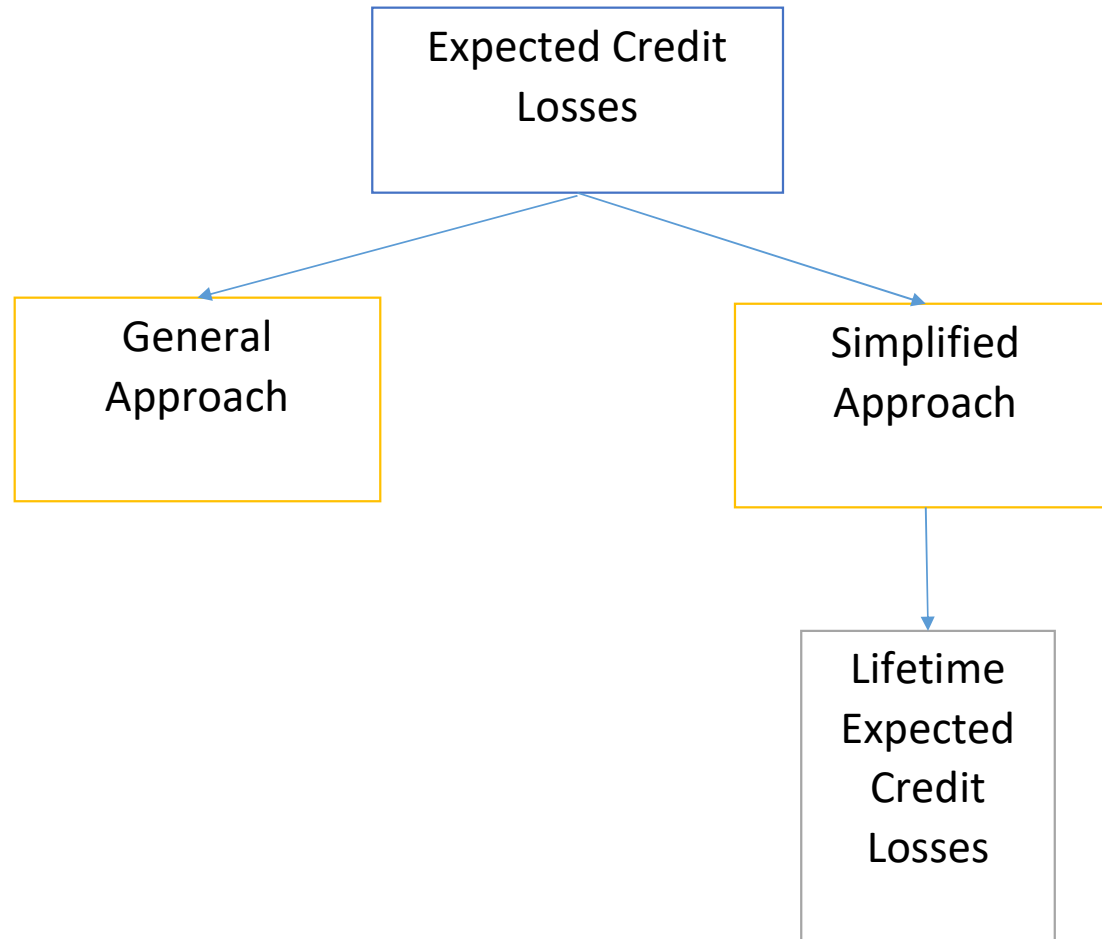
IMPAIRMENT OF FINANCIAL ASSETS

Expected Credit
Losses

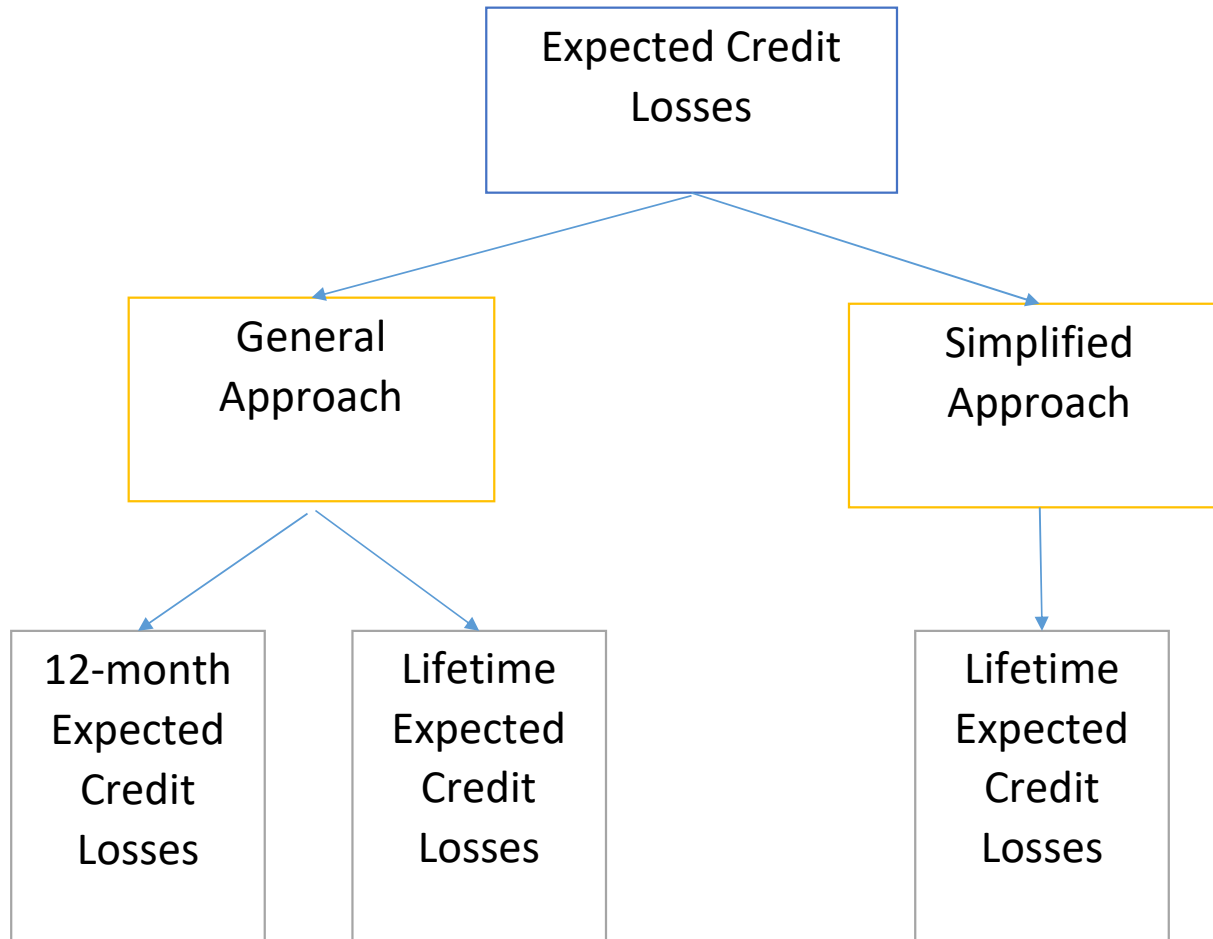
IMPAIRMENT OF FINANCIAL ASSETS



IMPAIRMENT OF FINANCIAL ASSETS



IMPAIRMENT OF FINANCIAL ASSETS



EXAMPLE

ABC Co. purchased 1,000 shares of XYZ co. for CU 100,000. XYZ Co. paid dividends of CU 5,000 to ABC Co. during the period. On the reporting date fair value of a XYZ share is CU 120.

Assume that ABC Co. classified XYZ shares as;

- Financial asset measured at fair value through profit or loss (FAFVTPL)
- Financial asset measured at fair value through other comprehensive income (FAFVTOCI)

EXAMPLE

ABC Co. purchased 1,000 shares of XYZ co. for CU 100,000. XYZ Co. paid dividends of CU 5,000 to ABC Co. during the period. On the reporting date fair value of a XYZ share is CU 120.

Assume that ABC Co. classified XYZ shares as;

- Financial asset measured at fair value through profit or loss (FAFVTPL)
- Financial asset measured at fair value through other comprehensive income (FAFVTOCI)

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL

100,000

Cr. Cash

100,000

A) FAFVTOCI

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL	100,000
Cr. Cash	100,000
Dr. Cash	5,000
Cr. Dividend Income	5,000

A) FAFVTOCI

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

Dr. FAFVTPL	20,000
Cr. Fair Value Gain (P/L)	20,000

A) FAFVTOCI

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

Dr. FAFVTPL	20,000
Cr. Fair Value Gain (P/L)	20,000

A) FAFVTOCI

Dr. FAFVOCI	100,000
Cr. Cash	100,000

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

Dr. FAFVTPL	20,000
Cr. Fair Value Gain (P/L)	20,000

A) FAFVTOCI

Dr. FAFVOCI	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

EXAMPLE

A) FAFVTPL

Dr. FAFVTPL	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

Dr. FAFVTPL	20,000
Cr. Fair Value Gain (P/L)	20,000

A) FAFVTOCI

Dr. FAFVOCI	100,000
Cr. Cash	100,000

Dr. Cash	5,000
Cr. Dividend Income	5,000

Dr. FAFVOCI	20,000
Cr. Fair Value Fund (OCI)	20,000

A) FAFVTPL

Statement of Financial Position

Assets

Financial Assets 120,000

Liabilities

-

Equity

-

Statement of Profit or Loss

Dividend Income 5,000

Fair Value Gain 20,000

A) FAFVTOCI

A) FAFVTPL

Statement of Financial Position

Assets

Financial Assets 120,000

Liabilities

-

Equity

-

Statement of Profit or Loss

Dividend Income 5,000

Fair Value Gain 20,000

A) FAFVTOCI

Statement of Financial Position

Assets

Financial Assets 120,000

Liabilities

-

Equity

Fair Value Fund 20,000

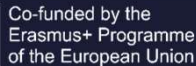
Statement of Profit or Loss

Dividend Income 5,000



PASSFR.EU

A Digital Learning Platform for Generation Z:
Passport to IFRS®



Co-funded by the
Erasmus+ Programme
of the European Union