



Technical Accounting Alert

Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)

Introduction

The purpose of this alert is to provide an overview of the recent amendments to IFRS 7 in relation to improved disclosures relating to transfers of financial assets.

Relevant standards

References are made to standards issued by the International Accounting Standards Board. The Australian equivalent to each standard included in this alert is shown below:

International Standard reference	Australian equivalent standard
IFRS 7 Financial Instruments: Disclosures	AASB 7 Financial Instruments: Disclosures
IAS 39 Financial Instruments: Recognition and Measurements	AASB 139 Financial Instruments: Recognition and Measurement

Overview

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' amends the disclosures required under IFRS 7, to help users of financial statements evaluate the risk exposures relating to more complex transfers of financial assets and the effect of those risks on an entity's financial position.

The intention behind the Amendments is to improve IFRS 7's existing disclosure requirements and reduce the differences with US GAAP disclosure requirements. The additional disclosures required are designed to provide information that enables users:

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, any continuing involvement of the reporting entity in financial assets that are derecognised in their entirety.

IAS 39's actual derecognition requirements have not changed, as these were seen as having performed favourably during the financial crisis.

Effective date and transition

The Amendments shall be applied for annual periods beginning on or after 1 July 2011, with earlier application being permitted. Transitional relief means that the disclosures required need

All TA alerts can be found GTAssist (http://gtassist.au.gt.local/?page_id=4215) under Professional Services/Audit & Assurance/Alerts & News/Technical Accounting (TA) Alerts for Grant Thornton staff only and the Grant Thornton website (www.granthornton.com.au) under Publications & News/Tools and resources/Technical publications/Local technical and financial reporting alerts. This alert is not a comprehensive analysis of the subject matter covered and is not intended to provide accounting or auditing advice. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at accounting and audit decisions that comply with matters addressed in this alert. Grant Thornton is a trademark owned by Grant Thornton International Ltd (UK) and used under licence by independent firms and entities throughout the world. Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

not be provided for any period presented that begins before the date of initial application of the Amendments.

Grant Thornton comment

The Amendments aim to address perceived deficiencies in the disclosure of more complex transfers of financial assets (e.g. those involving securitisations of financial assets) that were exposed during the financial crisis. Simple derecognition transactions such as the straight-forward sale of a financial asset should not be affected by the Amendments.

The changes are aimed at providing users with better information to evaluate the risk exposures relating to transfers of financial assets. For example, where a reporting entity has derecognised financial assets in their entirety but has continuing involvement in them, it has to disclose the amount that best represents the entity's maximum exposure to loss from its continuing involvement and how that amount has been determined. Similarly where an entity has transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition, then it has to explain the nature of the risks and rewards and make certain quantitative disclosures.

The Amendments are however limited to improving disclosure requirements. The greater issue of the actual derecognition criteria to apply to financial assets will not be addressed in the near future.

Further information

For further information on any of the information included in this TA Alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team via the GTAL Helpdesk.