

## 7.4 FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION REQUIREMENTS

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### Changes since the 2010/11 Code [Additional Paragraph]

7.1.1.9 The 2011/12 Code incorporates minor changes to the disclosures of the nature and extent of risks arising from financial instruments in section 7.4.3 of the Code. These changes reflect the amendments made to IFRS 7 by the *Improvements to IFRS* issued in May 2010. Changes include reduced disclosures in respect of financial assets that are neither past due nor impaired, and clarification of the disclosures required in respect of collateral and other credit enhancements obtained.

### 7.4.3 Nature and extent of risks arising from financial instruments

7.4.3.1 An authority shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the authority is exposed at the end of the reporting period and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

7.4.3.2 Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

#### Qualitative disclosures

~~7.4.3.3~~ For each type of risk arising from financial instruments, an authority shall disclose:

- a) its exposures to risk and how they arise
- b) its objectives, policies and processes for managing the risk and the methods used to measure the risk, and
- c) any changes in a) or b) from the previous period.

#### Quantitative disclosures

~~7.4.3.4~~ For each type of risk arising from financial instruments, an authority shall disclose:

- a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided

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internally to key management personnel of the authority, for example the authority's finance committee or chief executive officer, and

- b) concentrations of risk if not apparent from the disclosures made in accordance with a).

7.4.3.5 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an authority's exposure to risk during the period, an authority shall provide further information that is representative.

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### Credit risk

7.4.3.6 An authority shall disclose by class of financial instrument:

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- a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements: this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk
- b) a description of collateral held as security and other credit enhancements, and their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk
- c) information about the credit quality of financial assets that are neither *past due* nor impaired.

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### Financial assets that are either past due or impaired

7.4.3.7 An authority shall disclose by class of financial asset:

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- a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired, and
- b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the authority considered in determining that they are impaired.

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c) . for the amounts disclosed in a) and b), a description of collateral held by the authority as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

### Collateral and other credit enhancements obtained

7.4.3.8 When an authority obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the Code's criteria for recognition, an authority shall disclose for such assets held at the reporting date:

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- a) the nature and carrying amount of the assets, and
- b) when the assets are not readily convertible into cash, its policies for disposing of such assets or using them in its operations.

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### Liquidity risk

7.4.3.9 An authority shall disclose:

- a) a maturity analysis for financial liabilities that shows the remaining contractual maturities, and
- b) a description of how it manages the liquidity risk inherent in a).

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### Market risk

7.4.3.10 An authority shall disclose:

- a) a sensitivity analysis for each type of market risk to which the authority is exposed at the reporting date, showing how the Surplus or Deficit on the Provision of services and Other Comprehensive Income and Expenditure would have been affected by changes in the relevant risk variable that were reasonably possible at that date
- b) the methods and assumptions used in preparing the sensitivity analysis, and
- c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

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