

## 7.1 INTRODUCTION, SCOPE, RECOGNITION AND INITIAL MEASUREMENT, HEDGE ACCOUNTING, DERIVATIVES AND EMBEDDED DERIVATIVES AND DEFINITIONS

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### 7.1.1 Introduction

#### Changes since the ~~2010~~2011/11-12 Code

- ~~7.1.1.6~~ The 2012/13 Code includes the amendments to IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets). It replaces the previous requirements by detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. This is not a common transaction for local authorities and an authority would need to refer directly to the standard in the event that such disclosures applied. ~~Additional disclosures are required where the level of soft loans granted by an authority is material. The Code also clarifies the financial instrument disclosure requirements in respect of leases and PFI, PPP and similar schemes.~~
- ~~7.1.1.7~~ Some forward contracts relating to a business acquisition are excluded from the scope of this chapter.
- ~~7.1.1.8~~ In addition, authorities should note that there have been amendments to IAS 39, IFRIC 9 *Reassessment of Embedded Derivatives* and IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*. Where an authority applies IFRS directly, it will need to refer to these amendments.
- ~~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 FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION REQUIREMENTS

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### Balance Sheet disclosures

## Transfers of Financial Assets Derecognition

~~7.4.2.4~~ If an authority has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition it shall disclose for each class of such financial assets An authority shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. An authority shall present the disclosures required by paragraphs 42B-42H of IFRS 7 (as amended) in a single note to its financial statements. For the purposes of applying the disclosure requirements in those paragraphs; an authority transfers all or a part of a financial asset (the transferred financial asset), if, and only, if it either:

- ~~a) the nature of the assets~~
  - ~~b) the nature of the risks and rewards of ownership to which the authority remains exposed~~
  - ~~e) when the authority continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and~~
  - ~~d) when the authority continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the authority continues to recognise, and the carrying amount of the associated liabilities.~~
- a) transfers the contractual rights to receive the cash flows of that financial asset; or
  - b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.