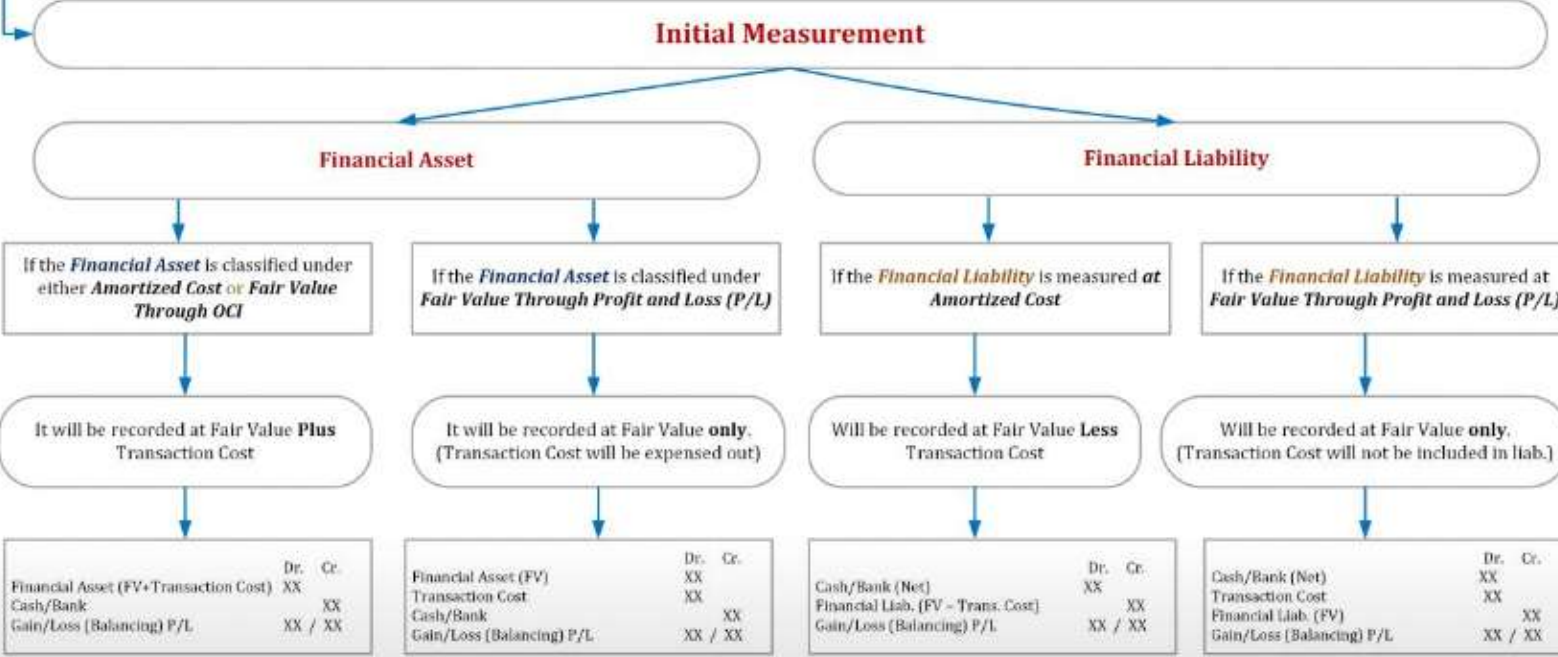
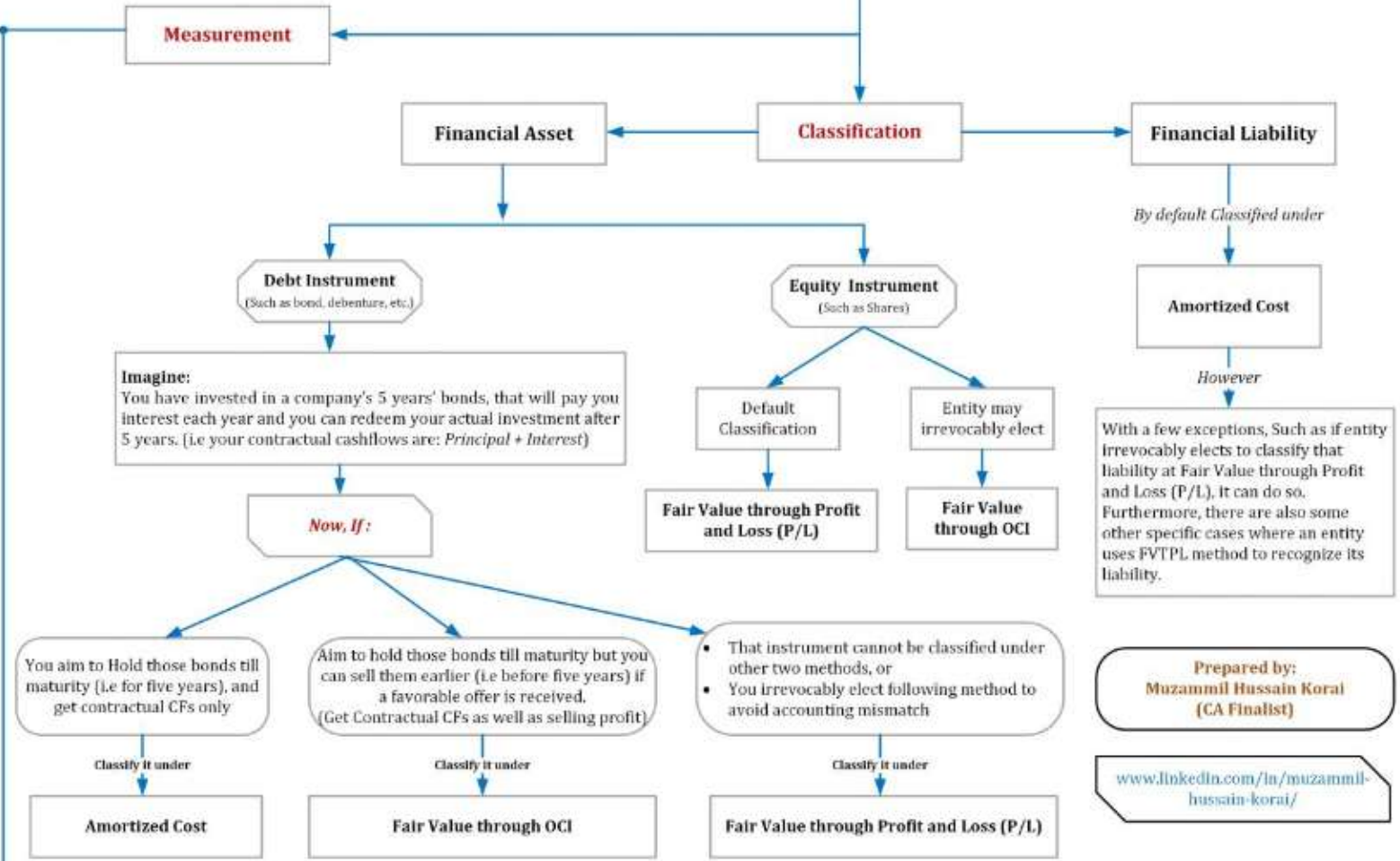
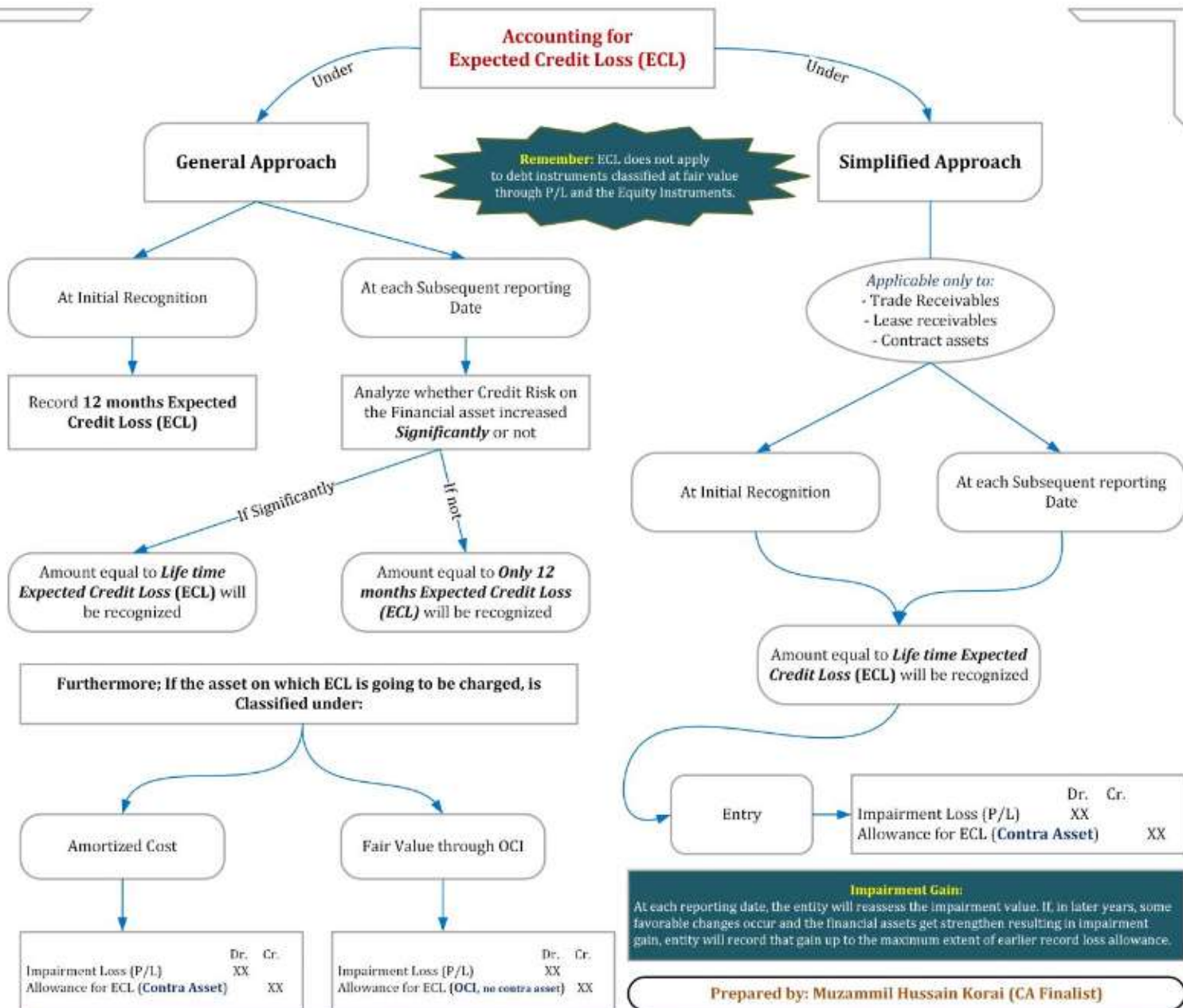


IFRS-9 (Part:1)
Classification and Initial Measurement
of Financial Instruments



IFRS-9 (Part:2) ECL (Expected Credit Loss)/Impairment



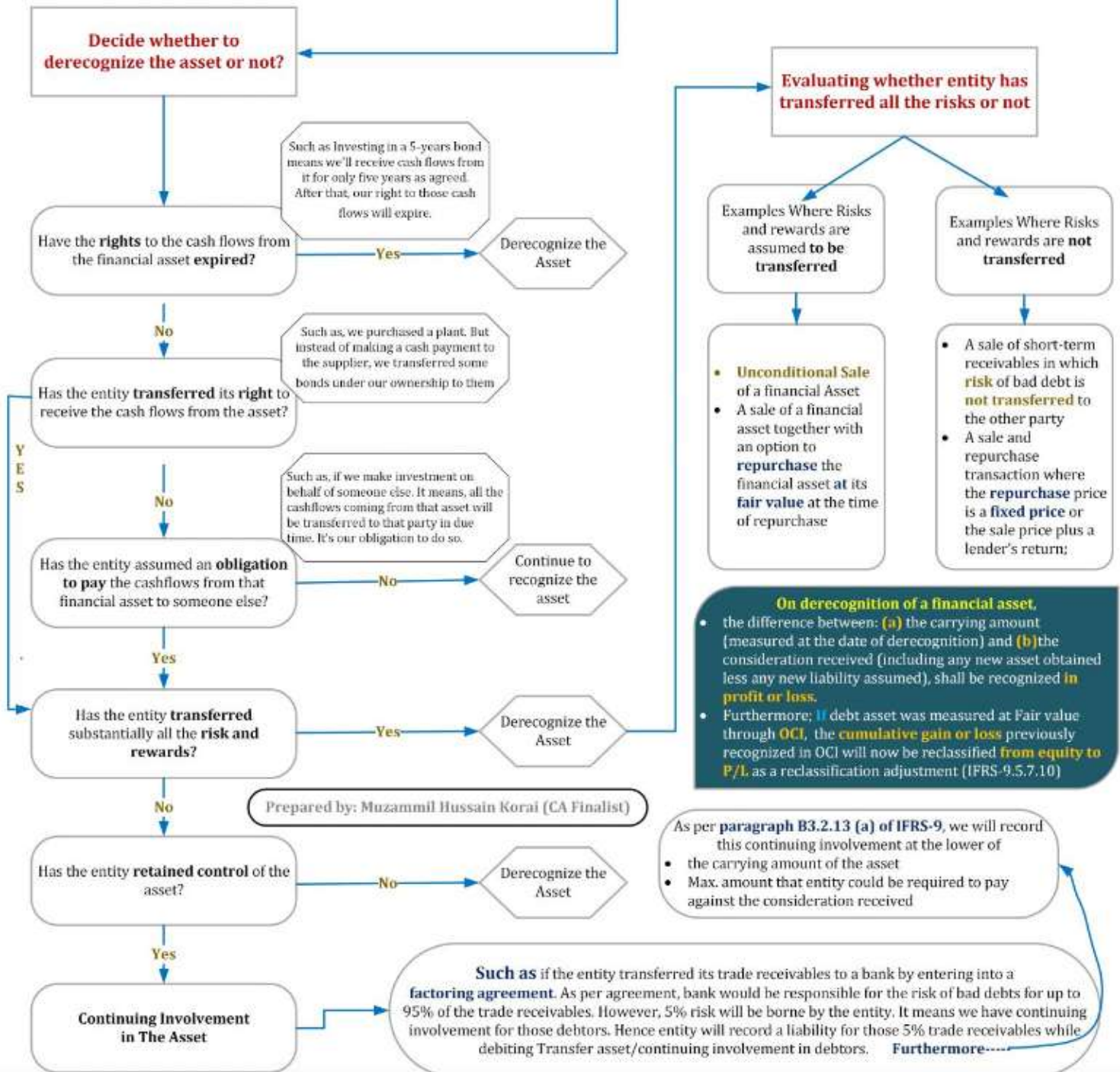
Impairment Gain:
At each reporting date, the entity will reassess the impairment value. If, in later years, some favorable changes occur and the financial assets get strengthen resulting in impairment gain, entity will record that gain up to the maximum extent of earlier record loss allowance.

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Important Point

All of the above discussion applies when asset is either at stage 1 (No significant increase in credit risk since initial recognition), or stage 2 (Significant increase in credit risk since initial recognition, but not yet credit-impaired). However, if the asset reaches stage 3 (asset has actually become credit impaired), in that case things become a bit more complex. Such as interest income is recognized at net basis, instead of gross basis.

IFRS-9 (Part:3) Derecognition of Financial Asset



IFRS-9 (Part:4) Modification and derecognition of Financial Liability

Derecognition of Financial Liability

When

When

the obligation specified in the contract is discharged or cancelled or expires.

There's a significant modification in financial liability (equal to or more than 10% of its carrying value)

	Dr.	Cr.
Financial Liability	XXX	
Cash/Bank (if any)		XXX
Gain/loss (Balancing) P/L	XXX / XXX	

Treatment of costs incurred during modification

- If significant modification ($\geq 10\%$), this cost will be charged to P/L
- If not significant modification ($< 10\%$), this cost will be adjusted with financial liability and amortized over the remaining term of the modified liability. This is done by adjusting Effective Interest rate

	Dr.	Cr.
Old Liability (carrying amount)	XXX	
New Liability (at Fair Value)		XXX
Gain/Loss (Balancing) P/L	XXX / XXX	

- Derecognize the old liability.
- Recognize the new liability at its Fair Value. We can calculate that fair value by discounting the **new cashflows at market interest rate**.
- Any difference between the two will be charged to P/L

- Calculate NPV of **new cashflows** discounted at the **original Effective Interest rate**. This would be our revised liability now.
- Any difference between our revised liability and old liability will be charged to P/L

When new liab. is
less than old oneWhen new liab. is
More than old one

	Dr.	Cr.
Financial Liability	XXX	
Modification gain (P/L)		XXX

	Dr.	Cr.
Modification loss (P/L)	XXX	
Financial Liability		XXX

Modification in Financial Liability

Apply the following formula

To get the
Change/Change

Existing liability (Carrying amount)	(A)	XXX
Less:		
Present Value of liability under new terms (discounted using original/earlier effective interest rate.)		XXX
Transaction/Modification fee		XXX
		(XXX)
Net Difference	(B)	XXX
Difference Percentage	(B)/(A) x 100%	XX%

Difference is $\geq 10\%$ Difference is $< 10\%$

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IFRS-9 (Part:5) Hedge Accounting (Fair Value & Cashflow Hedging)

(Note: This flowchart is just for quick revision.
Prior Knowledge is must to understand this properly.)

