Financial Instruments

WIRC – IFRS Study Circle Ind AS session

Financial Instruments Workshop

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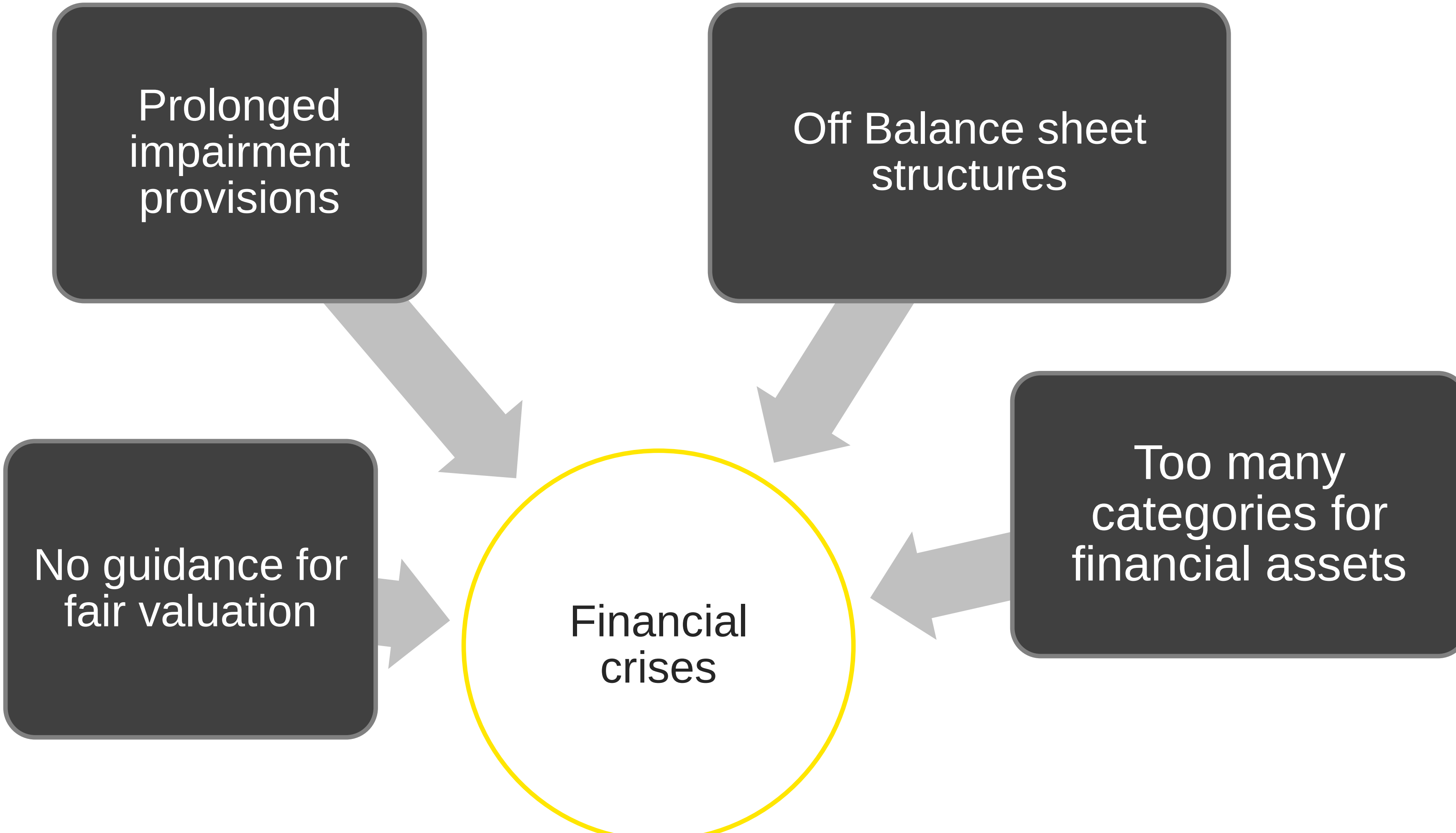
Agenda for rest of the day

Agenda for Tomorrow

Why IFRS 9?

Feedback to the IASB for financial crises



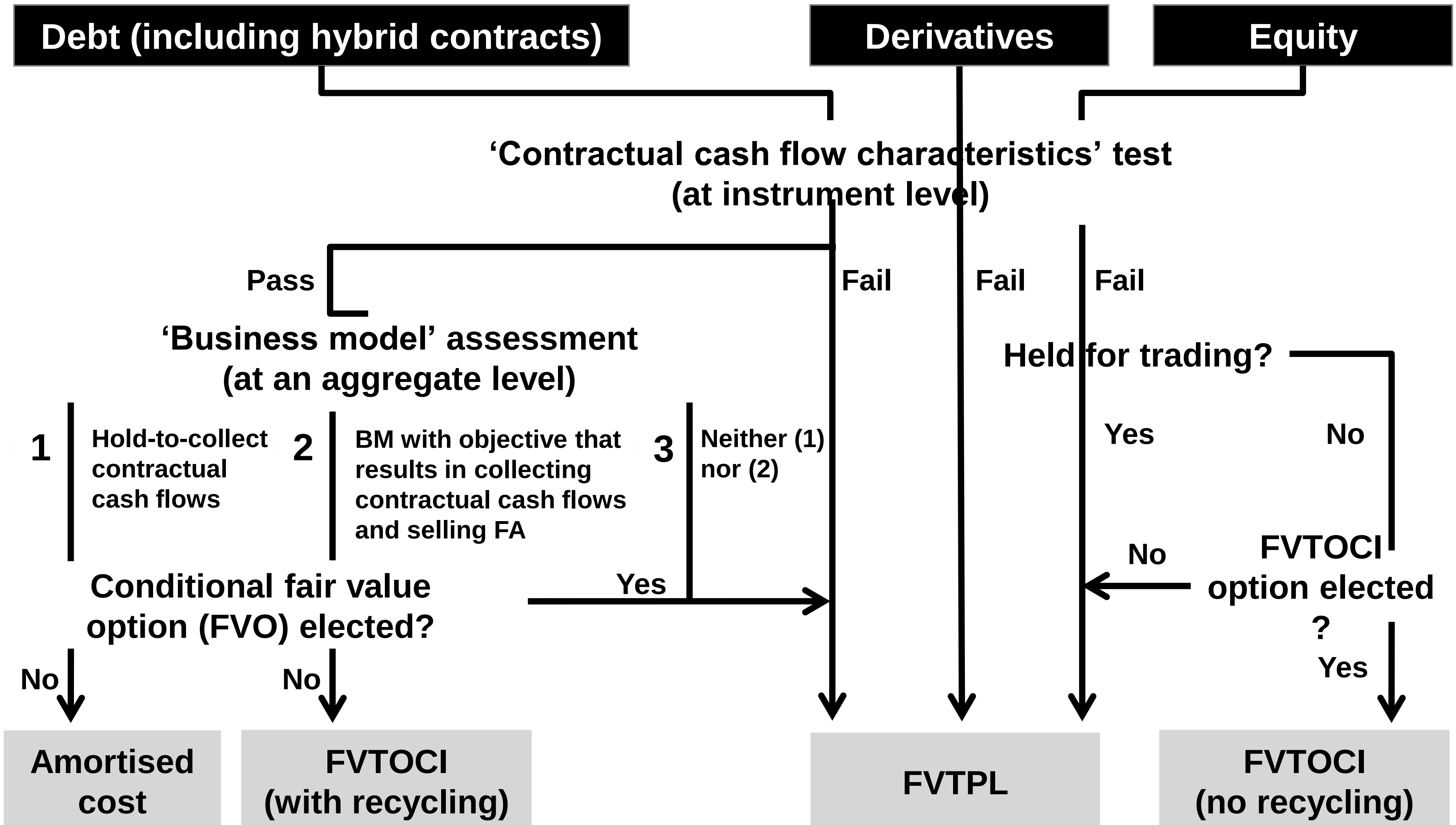
Revised standards around financial instruments- Key features

Financial Crisis Advisory Group and Financial Stability Board recommendations

- Simplified / reduced categories for financial assets
- Expected credit loss model
- Standard on fair valuation
- Hedge accounting requirements; aligned with risk management practices
- Extended disclosures

Classification of financial assets

Synopsis of the model for financial assets



Classification of financial assets – an overview

Three categories as per Ind AS 109:

Financial Assets

- **Amortised Cost**
- **Fair Value through other comprehensive income (FVTOCI)**
- **Fair Value through profit or loss (FVTPL)**

- Key criteria to decide classification:
  - Entity's **business model** for managing the financial assets

    AND
  - **Contractual cash flow** characteristics i.e. Solely representing Payments of Principal and Interest (SPPI) test

Classification of debt instruments

Business model	Contractual cash flow characteristics: Contractual cash flows are solely payments of principal and interest on the principal amount outstanding — yes	no
Objective to hold to collect contractual cash flows	Amortised cost	FVTPL
Objective is **both** collecting contractual cash flows **and** selling financial assets	FVTOCI	FVTPL
Neither held at amortised cost nor FVTOCI	FVTPL	FVTPL

SPPI test

Solely payments of principal and interest cash flows – the SPPI test

Contractual cash flows that are solely payments of principal and interest (SPPI)	
Consistent with a **basic lending arrangement** which includes consideration for:	Do not introduce exposure to risks or volatility unrelated to a basic lending arrangement

► **Time value of money**
► **Credit risk**
► Other basic lending risks and costs:
  ► Liquidity risk
  ► Admin costs
  ► Profit margin
	► Elements inconsistent with a basic lending arrangement include:
	  ► Exposure to changes in equity or commodity prices
	  ► Leverage

SPPI test – What will PASS, What will FAIL

- Examples that will **PASS**:
  - Interest payments linked to an inflation index of the country
  - Variable rate instrument
  - Loan secured by collateral

- Examples that will **FAIL:**
  - Instruments with leverage
    - Stand-alone derivatives
    - Leveraged interest rates- interest rates not in sync with the circumstances of the borrower/ lender
  - Interest / other payments with a link to a price index
  - Equity conversion option

Business Model Test

Business model assessment – factors to consider

- Objective of the business model
- Grouping of the assets – aggregated level, not at instrument-by-instrument level
- Reasonable expectations
- Matter of fact, not mere assertion
- Impact of sale
- Relevant information
  - Performance evaluation
  - Risk management
  - Re measurement
- Changes in circumstances and reclassification

Amortised cost business model (hold to collect)

Objective of the business model	► Hold assets to collect contractual cash flows
Considerations for sales	► Frequency, value and timing of past sales ► Expectations for future sales ► Sales should be considered even if imposed by a regulator
Examples of sales consistent with a hold to collect BM	► Due to deterioration in credit quality (asset no longer meets documented investment strategy) ► Infrequent sales even if significant (e.g., stress case scenario) ► Insignificant sales, even if frequent ► Sales made close to maturity

FVTOCI business model (hold to collect and sell)

- Positively defined measurement category; neither a free choice nor a residual
- Managing financial assets, both to collect contractual cash flows and for sale, is the outcome of the way in which financial assets are managed to achieve a particular objective, rather than the objective itself
- Examples of such objectives include:
  - Manage every day liquidity needs
  - Replication portfolios
  - Liquidity portfolio where regulator requires ‘churning’
- Sales are integral to the FVTOCI business model and there is no threshold for the frequency or amount of sales
- Measurement basis:
  - Interest income based on EIR in P&L
  - Foreign exchange in P&L
  - Impairment in P&L
  - Other FV gains and losses in P&L

FVTOCI business model – Example 1

- A bank holds financial assets to meet its everyday liquidity needs
- The bank seeks to minimise the costs of managing its liquidity needs and therefore **actively manages the return on the portfolio**
- The bank typically **holds some** financial assets to collect contractual cash flows and **sells others to reinvest** in higher yielding assets or to better match the duration of liabilities
- This strategy has resulted in **significant and recurring** sales activity in the past, which is expected to continue

FVTOCI business model – Example 2

- A non-financial entity anticipates incurring capital expenditure in a few years' time. The entity invests its excess cash in financial assets in order to fund the expenditure when the need arises
- The entity's objective for managing the financial assets is to **maximise the return** on those financial assets
  - Accordingly, the entity will sell financial assets and re-invest the cash in financial assets with a higher yield when an opportunity arises
- The managers responsible for the portfolio are **remunerated based on the return** generated by the financial assets

FVTPL business model (other business model objectives)

- FVTPL is the measurement category for all financial assets neither measured at amortised cost nor measured at FVTOCI
- Characteristics or FVTPL business model:
  - Management of financial assets with the objective to realise cash flows through sales
  - Decisions based on fair value information
  - Objectives result in active buying and selling
  - Collecting contractual cashflows is only incidential and not integral to that business model
- Portfolios of assets held for trading fall under a FVTPL business model

Reclassifications of financial assets

- When, and only when, an entity changes its business model for managing financial assets
- A high hurdle
  - Expected to be very infrequent
  - Changes causing reclassifications are determined by senior management
  - Occur only when an entity either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal)
- Examples that are not a change in business model:
  - Change in intention for particular financial assets
  - Temporary disappearance of an active market
  - Transfer of an asset between parts of an entity

Investments in equity investments

Financial assets	Measurement	Recognition of fair value changes
FVTPL	**Fair value**	**Profit or loss**
FVTOCI - Equity		♦ **OCI except for dividend** ♦ **Dividends in income statement** ♦ **No recycling from OCI to P&L**

Classification of Financial Liabilities

Classification of financial liabilities

Financial liabilities has been classified into two categories:

Fair value through profit or loss	► Financial liabilities that are held for trading (including derivatives) ► Financial liabilities that are designated as FVTPL on initial recognition ► Contingent consideration recognised by an acquirer in a business combination
Amortised Cost	► All liabilities not in the above category

Initial Measurement

Initial measurement – financial instruments

Financial asset	Initial measurement	Transaction costs
At fair value through profit or loss	Fair value	Expense
At fair value through OCI	Fair value	Capitalize
At amortized cost	Fair value	Capitalise

Financial liability	Initial measurement	Transaction costs
At fair value through profit or loss	Fair value	Expense
Other financial liabilities*	Fair value	Deduct from the amount originally recognized

Financial guarantee contracts

- Generally covered under Ind AS 109
- Initial recognition: At fair value
- Subsequent measurement: At the higher of the following
  - Amount determined in accordance with Ind AS 37
  - Amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with Ind AS 18

Investment measurement – summary

Nature	Current Indian GAAP	Ind AS 109
Equity shares of subsidiaries/ associates/JV	Cost less other than temporary decline in value	Option to use either cost or Ind AS 109 (fair value)
Other strategic equity investment: long term	Cost less other than temporary decline in value	Option to use either FVTPL or FVTOCI
Non strategic equity investments: long-term	Cost less other than temporary decline in value	Option to use either FVTPL or FVTOCI
Traded equity instruments	Lower of cost and market value	FVTPL
Mutual funds	Lower of cost and market value	Generally FVTPL

Classification of Financial Liabilities

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Fair value through profit or loss	► Financial liabilities that are held for trading (including derivatives) ► Financial liabilities that are designated as FVTPL on initial recognition ► Contingent consideration recognised by an acquirer in a business combination
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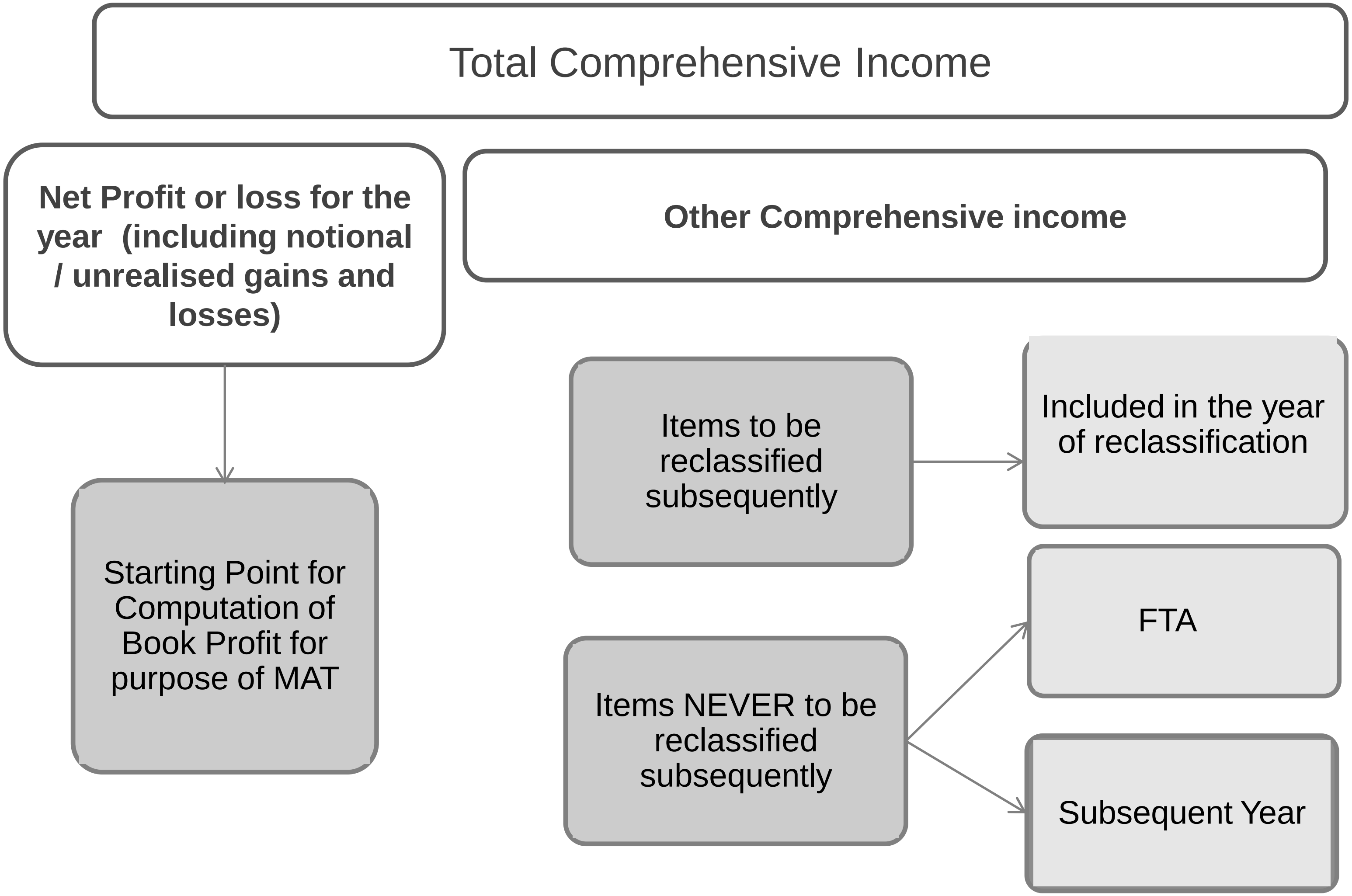
MAT provisions

Composites of Ind AS impacting MAT



Overview of the Finance Bill 2017 on MAT Rationalization- Financial instruments

- Gains and losses from investments in equity instruments designated at fair value through OCI (Ind AS 109)
- Investment in a subsidiary, joint venture or associate at fair value as deemed cost (Ind AS 101)

To be included in book profits at the time of realization / disposal / retirement.

Overview of the Finance Bill 2017 on MAT Rationalization- Financial instruments

Any other item- Transition impact

In FTA in Ind AS: To be included in book profits equally over a period of 5 years starting from the year of FTA of Ind AS.

In subsequent periods: To be included in book profits every year as the gains and losses arise

Exercise

Response to Q1 – Redeemable preference shares with discretionary dividend

- Accounting by I (issuer):
  - I treats the preference share as compound instrument – redemption obligation – debt and discretionary dividend - equity
- Accounting by H(holder):
  - Since the dvividend is discretionary, the SPPI test will not be met. So H accounts for the investment as FVPL

Response to Q2 – Optionally convertible preference shares – fixed conv ratio

- Accounting by I (issuer):
  - I treats the preference share as compound instrument
    - Redemption obligation – debt
    - Conversion option and discretionary dividend - equity
- Accounting by H(holder):
  - Since the dvividend is discretionary, the SPPI test will not be met. So H accounts for the investment as FVPL

Response to Q3 – Compulsorily convertible preference shares

- Accounting by I (issuer):
  - No obligation to pay money and fixed conversion ratio-equity
- Accounting by H(holder):
  - Since equity from issuer side, investment in equity-FVPL or FVOCI

Response to Q4 – perpetual bonds

- Accounting by I (issuer):
  - I treats the perpetual bonds as equity. Economic compulsions and market reputation issues are ignore for classification of financial liabilties.
- Accounting by H(holder):
  - Since I treats as equity, H would treat this as investment in equity shares- FV (FVOCI or FVPL)

Tata Steel

Response to Q5 – interest free loan – Holding -subsidiary

- Accounting by S(issuer):
  - I treats the loan from parent as borrowing. On day1, it measures the at fair value. The differential amount (loan proceed – FV) is considered as equity
- Accounting by H(holder):
  - H would treat this as financial asset to be measured on day 1 at FV. The differential amount (loan money – FV) is considered as capital contribition – investment in shares

Response to Q6 – Refundable lease deposit

- Accounting by A (lessee):
  - I treats the deposit as financial asset- measures on day 1 at FV (7 lacs). The differential is recognised on SLM over 3 years (additional rental charge). The deposit is subsequently amortised at 7% pa (interest income)
- Accounting by lessor:
  - Lessor would treat this as financial liabilty to be measured on day 1 at FV. The differential amount (deposit money – FV) is considered as advance rental (liability) recognised over lease term 3 years on SLM. Deposit fin liabilty is amortised over 3 years on EIR basis

Response to Q7 – Interest free loan foreign sub

- Accounting by S (sub):
  - S treats the loan as financial liabilty - measures on day 1 at FV. The differential is recognised as equity contribution. The liabilty is subsequently unwound at EIR.
- Accounting by H (parent):
  - H Lessor would treat this as financial loan. SPPI test is not vitiated due to the fact that there are foreign exchange movements in addition to the principal and interest

Response to Q8 – Interest free loan - Sub-holding

- Accounting by S (sub):
  - S treats the loan as financial asset - measures on day 1 at FV. The differential is recognised as dividend distribution. The asset is subsequently unwound at EIR.
- Accounting by H (parent):
  - H parent would treat this as financial liabilty. Measure at FV initially, FV differential is can be divdend income or capital reduction depending on the facts and circumstances

Response to Q9 – Retention money

View 1 - No discounting required:

The arrangement does not constitute a financing transaction, and hence discounting of retention money is not required. Ind AS 18.11 states that "…When the arrangement *effectively constitutes a financing transaction*, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest…" There is no further elaboration on what constitutes a financing arrangement. Ind AS 109 would come into play only if the arrangement effectively constitutes financing. Practically, such retention feature is common amongst government contracts. It would be counter intuitive to treat such retention features as effectively constituting financing by the vendor to the government agency.

View 2: Discounting is required:

Ind AS 18 would require determination of revenue at the fair value of consideration receivable and therefore discounting of retention money would be required. Ind AS 113 and Ind AS 109 would also require discounting of retention money. In absence of elaborate guidance under Ind AS 18, it seems that, where, under any arrangement, money is not paid instantaneously, there will be a time loss of value of the consideration, which needs to be recognized.

Response to Q10 – Advance against share subscription

- Accounting by I (issuer):
  - Financial liabilty if the conversion ratio is not fixed.
  - If conversion ratio is fixed and advance is non refundable, equity
- Accounting by H (holder):
  - Financial asset. If conversion ratio is not fixed – SPPI test not met. FVPL
  - Financial asset if conversion ratio fixed, investment in equity – FVPL/ FVOCI

Spice Jet

Response to Q11 – Investments in MF equity scheme

- Accounting by MF :
  - Financial liabilty.
- Accounting by investor:
  - Financial asset. SPPI test is not met- FVPL

Response to Q12 – Investments in MF FMP scheme

- Accounting by MF :
  - Financial liabilty.
- Accounting by investor:
- Given that the fund invests in low-risk underlying fixed income debt instruments which forms the basis of the returns generated for the holders, SPPI test may be met.
- If the investments in FMP units are held by the company with an objective of collecting their contractual cash flows, which would be generally the case, the business model test for classification as amortised cost would also be met. Therefore, these investments may qualify for AC classification.
- However, careful analysis of the specific facts and circumstances, required

Response to Q13 – Electricity deposit

- Accounting by Electricity company :
  - Financial liabilty repayable on demand – current liabilty
- Accounting by company:
  - Financial asset –
  - View 1 – no discounting required since the same is not refundable on a going concern basis
  - View 2- discounting is required since, after all, it is a financial asset. Expectation needs to be developed

Response to Q14 – OCPS – non fixed conversion ratio

- Accounting by issuer:
  - Financial liabilty since not fixed conversion ratio
- Accounting by company:
  - Financial asset – SPPI met since the IRR is fixed and there is no element other than principal and interest. Shares are being issued as a ‘currency’ even if conversion option is exercised

Response to Q15 – Inter corporate – repayable on demand

- Accounting by issuer S:
  - Financial liabilty, no discounting, current liability
- Accounting by Holding H:
  - Financial asset- Amortised cost

Response to Q16 – Inter corporate – repayable on demand- borrower option

- Accounting by issuer S:
  - Financial liabilty,
  - Discounting and current/non-current classification based on expected repayment by the issuer
- Accounting by Holding H:
  - Financial asset
  - Amortised cost
  - Discounting and current/non-current classification based on expectations

Response to Q17 – Redeemable preference shares with premium

- Accounting by I (issuer):
  - I treats the preference share as compound instrument – redemption obligation – debt and discretionary dividend – equity. Redemption premium can not be directly charged to securities premuium and should be charged to P&L based on EIR
- Accounting by H(holder):
  - Since the dividend is discretionary, the SPPI test will not be met. So H accounts for the investment as FVPL

IIHL Q2

Response to Q18 – Trade receivables

- Trade receivable measured amortised cost - since the tenure is 6 months, no discounting

Response to Q19 – Trade receivables- discounting/ factoring

- Since discounting is 'with recourse' derecognition test is not met. The trade receivable continues to be recognised in balance sheet.
- Whether 'hold to collect' business model is met or not is a policy choice:
  - If based on accounting treatment - 'hold to collect' business model
  - If based on legal form – NOT 'hold to collect' business model

Response to Q20 – Employee loan

- Employee loan is a financial asset to be measured at FV. The difference between day 1 FV and loan proceeds is treated as employee benefits
- Scenario 1- Amortised based on expected employment tenure
- Scenario 2- Recognised as employee benefit cost immediately

Response to Q21 – Shares of co op society

- Not a financial instrument

Response to Q22 – Unbilled revenue

- Whether financial asset or not - depends on why unbilled
  - If for administrative formalities – financial assets – measured at AC, no discounting if realisable in 12 months
  - If non-performance by vendor, not a financial asset

Response to Q23 – Equity shares

- FVPL or FVOCI

Response to Q24 – Equity shares of listed sub

- Choice
  - Cost less impairment
  - FVPL
  - FVOCI

Response to Q25 –listed debentures

- Depends on SPPI test and business model
- The fact that the debentures are listed does not necessarily mean that the hold-to-maturity model is not met

Response to Q26 –compound instrument

- Issuer perspective
  - Split into equity and financial liability

  Scenario 1: need to split the equity and financial liability

  Scenario 2: No need to split since conversion prior to date of transition- liability component not outstanding at transition date
- Holder perspective
  - SPPI test not met - FVPL

Response to Q27 –treasury shares

- ESOP investments reduced from equity
  - Contra (debit) to share capital of Rs. 10 lacs
  - Contra (debit) to reserves of Rs. 2 lacs

Response to Q28 –restructuring

- Scenario 1 is accounted for by the continuing recognition of the debt because no legal release has been obtained

- Scenario 2 is accounted for by derecognition of the debt, and recognition of the guarantee, notwithstanding that the effect of the guarantee is to put A back in the same position as if it had not been released from its obligations under the original bond

Response to Q29 – Buyback obligation

- Accounting by I (issuer):
  - If I does not have any buyback obligation, the shares are treated as equity

- Accounting by H (Hlolding):
  - Financial Liablity since H is obliged to provide 16% IRR to PE investor on behalf of the subsidiary.

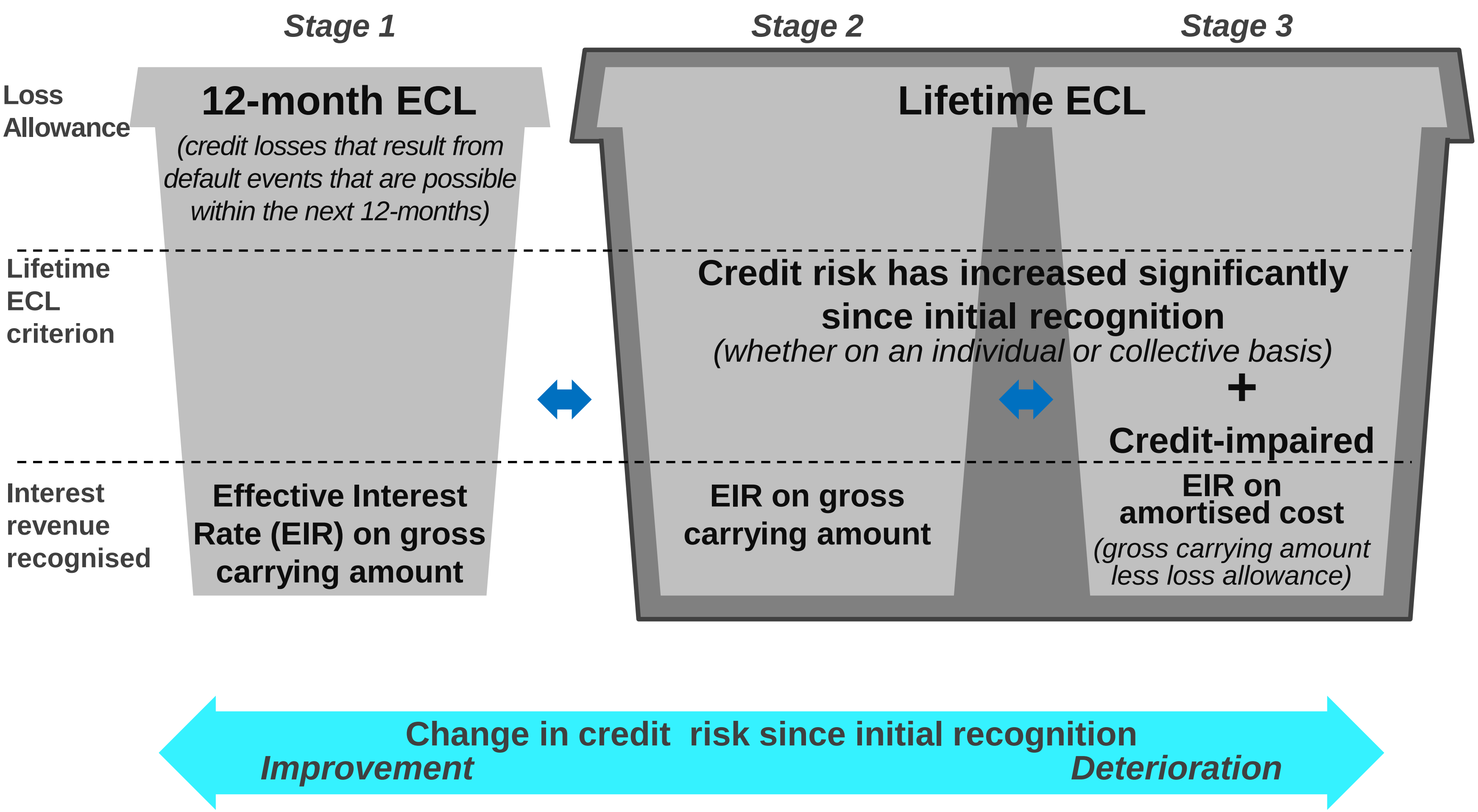
Response to Q30 – Guarantee

- Accounting by Holdco:
  - Scenario 1: It is financial liabilty recognised at fair value, based on the fair value of the future commision income
  - Scenario 2: It is financial liabilty recognised at fair value, based on the fair value of the future notional commision income. The day 1 debit is to investment in equty of subsidiary
- Accounting by Subco:
  - No accounting if guarantee integral part of the loan

C Greaves

Impairment of financial assets

Expected credit loss model – general approach



Simplified approach and purchased or originated credit-impaired assets

Simplified approach

- *Scope:* contract assets, trade receivables and lease receivables
- Loss allowance based on lifetime ECL
- No tracking of changes in credit risk

Purchased or originated credit-impaired assets

- *Scope:* financial assets that are credit-impaired on purchase or origination
- ECL on initial recognition reflected in credit-adjusted EIR (no 'day one' 12-month ECL)
Loss allowance based on subsequent changes in lifetime ECL

Simplified approach: Provision matrix

- According to the simplified approach, for trade receivables and contract assets that do not contain a significant financing component, an entity shall always measure loss allowance at an amount equal to lifetime expected credit losses.
- A provision matrix could be used to estimate ECL for these financial instruments.

Simplified approach: Provision matrix - Example

- A Ltd, a manufacturing company, has trade receivables with gross carrying amount of Rs.500,000 at the end of 2014.Careful analyses of receivables shows:
  - A customer - Debtor X filed for bankruptcy proceedings during 2014. A’s receivables to X amounts to Rs.2,200 and A’s expectation to recover is NIL
  - Ageing structure of remaining trade receivables is as follows:

DPD	Amt in Rs.	% of ECL	Provision in Rs.
	A	**B**	**A X B**
Within maturity	392,200	0.5%	1,961
1-30 days	52,300	0.8%	418
31-90 days	27,600	5.6%	1,546
91-180 days	13,200	8.9%	1,175
181-365 days	7,500	20.3%	1,522
365 + days	5,000	70%	3,500
Debtor X	2,200	100%	2,200
	500,000	**NA**	**12,322**

Impairment of FVOCI debt investment - example

	Period 1	Period 2
Fair value	100	75
12-month ECL	5	15
Lifetime ECL	10	20
Significant increase in credit risk	No	Yes

Period 1			Period 2		
	Dr.	Cr.		Dr.	Cr.
Asset	100		Asset		25
Cash		100	P&L (ECL)	15	
			OCI	10	
P&L (ECL)	5				
OCI		5			

Expected Credit Loss method - experiences

Company	Ind AS impact (Rs. Cr.)
Tata Motors	*Provision for expected credit losses impact on profits* 362.69 (HY Sep 2015)
L&T	*Provision for expected credit loss* impact on profits 302.06 (FY March 2016); impact on equity 785.56 (31 March 2016)
Wipro	*Expected credit loss recognised* impact on profits 4 (HY Sep 2015); impact on equity 134.7 (31 March 2016)

Ind AS 107 - *Financial Instruments Disclosures*

Objectives

- Requires entities to provide disclosures that would enable users to evaluate:
  - The **significance of financial instruments** for an entity's
    - Financial position
    - Financial performance; and
    - Cash flows
  - The **nature and extent of risks arising from financial instruments** to which the entity is exposed
    - During the period and
    - At the reporting date, and
  - **How** the entity **manages those risks**

Scope

- Similar to Ind AS 109/ Ind AS 32
- Applies to all entities
- Applies to all financial instruments, except:
  - those interests in subsidiaries, associates and joint ventures that are accounted for in accordance with Ind AS 27 and IndAS 28
  - employers' rights and obligations arising from employee benefit plans
  - insurance contracts as defined in Ind AS 104
  - financial instruments, contracts and obligations under share-based payment transactions to which Ind AS 102 applies

Ind AS 107 – Disclosure summary

- Disclosures
  - Classes of financial instruments and level of disclosures
  - Significance of financial instruments and level of disclosure
    - Balance sheet
    - Income statement
    - Other disclosures
  - Nature and extent of risks arising from financial instruments
    - Quantitative disclosures
    - Qualitative disclosures

Classes of financial instruments

- Group financial instruments into classes that:
  - Are appropriate to the nature of the information disclosed; and
  - Take into account the characteristics of those financial instruments
- Classes are determined by the entity
- May be distinct from the categories specified in Ind AS 109

Classes of financial instruments (cont'd.)

- In determining classes, at a minimum:
  - distinguish instruments measured at amortised cost from those measured at fair value
  - treat financial instruments outside the scope of Ind AS 107 as a separate class or classes
- Strike a balance between:
  - overburdening financial statements with excessive details; and
  - obscuring important information as a result of too much aggregation

Significance of financial instruments for financial position and performance

- Disclose information that enables users to evaluate the significance of financial instruments for an entity's:
  - Financial position; and
  - Performance

Balance sheet disclosures

- Disclosure permitted on the face of the balance sheet or in the notes to the financial statements
- Focus on disclosure by class of financial instrument
- Additional detail in disclosures for each category of financial instruments

Categories of financial assets and financial liabilities

- Disclose carrying amounts of the following categories either on face of balance sheet or in notes:
  - Financial assets at fair value through profit or loss (FVTPL), showing separately:
    - Designated as such upon initial recognition; and
    - Classified as held-for-trading
  - FVOCI equity investments
  - FVOCI debt investments
  - Financial assets at amortised cost
  - Financial liabilities at fair value through profit or loss (FVTPL), showing separately:
    - Designated as such upon initial recognition; and
    - Classified as held-for-trading
  - Financial Liabilities carried at amortised cost

Categories of financial assets and financial liabilities

- Sufficient information should be provided to permit the disclosures by class of asset to be reconciled to the line items presented in the balance sheet
- Carrying amounts of financial instruments classified as held for trading and those designated at fair value through profit or loss are shown separately because designation is at the discretion of the entity

- Example:
  - Infosys

Infy- FI FV note.xps

Nature and extent of risks

- Disclose information that enables users to evaluate
  - Nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.
- Combination of qualitative and quantitative risk disclosures required to meet the objective
- To bring financial reporting more closely into line with the way the management views/ runs their businesses
- May bridge gap between the internal management information and the general purpose financial statements

Nature of risks

- Credit risk
- Liquidity risk
- Market risk
  - Currency risk
  - Interest rate risk
  - Other price risk

Qualitative disclosures

- Disclose for each type of risk
  - exposures to risk and how they arise;
  - objectives, policies and processes for managing the risk;
  - methods used to measure the risk; and
  - any changes in the above from the previous period

Quantitative disclosures

- For each type of risk arising from financial instruments, an entity shall disclose:
  - summary quantitative data about its exposure to that risk at the reporting date
  - This disclosure shall be based on the information provided internally to key management personnel of the entity
  - disclosures required by specific paragraphs of the standard, to the extent not provided in above, unless the risk is not material
  - concentrations of risk if not apparent from the above

Examples

Quantitative disclosures – liquidity risk

- An entity shall disclose:
  - A maturity analysis for financial liabilities that shows the remaining contractual maturities; and
  - A description of how it manages the liquidity risk inherent in the above requirement
- Disclosure of contractual maturities i.e. undiscounted future cash flows arising from the financial instruments

Example – liquidity risk disclosures

Liquidity Risk – How should financial guarantees be disclosed?

- Financial Guarantees to be recorded in the contractual maturity analysis based on the maximum amount guaranteed
- Financial guarantees disclosures based on the earliest date they can be drawn down, irrespective of whether it is likely that those guarantees will be drawn or the amount that is expected to be paid.

Quantitative disclosures

- Market risks

  Market risk is “the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and other price risk.”
- Disclosure
  - Sensitivity analysis for each type of market risk
    - Market risk sensitivity analysis includes the effect of ‘a reasonably possible change’ in risk variables in existence at balance sheet date if applied to all risks in existence at that date.
    - Reasonable possible change is not remote or ‘worst-case’ scenarios or ‘stress tests
  - Affect on profit or loss and equity
  - Methods and assumption used in analysis
  - Changes for previous period
  - Reason for change


Thank you