In depth
A look at current financial reporting issues

IFRS 9 disclosures for corporates: a practice aid

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What's inside:

At a glance

IFRS 9, 'Financial instruments', effective for reporting periods commencing on or after 1 January 2018, brings in extensive new disclosure requirements. PwC's 'VALUE IFRS Plc: Illustrative IFRS consolidated financial statements December 2017' publication includes examples of IFRS 9 disclosures within its Appendix E.

This In depth is designed for use by non-financial services entities, and it signposts, for each type of financial instrument that an entity might hold, where an illustrative disclosure or further guidance can be found.

Financial services entities should use PwC's 'IFRS 9 for banks: Illustrative disclosures' publication.

Background

New disclosure requirements

The additional disclosure requirements brought about by IFRS 9 are extensive. Whilst some disclosures are specifically required in the year of adoption, the majority of disclosures need to be provided on an ongoing basis. Ongoing disclosures can be broadly summarised as:

- Classification and measurement: Updated accounting policies (including information on an entity's business models); and, if the fair value through other comprehensive income category is elected for equities, a listing of each equity instrument that it is applied to.

- Impairment: Updated accounting policies and quantitative information about the loss allowance calculation, including detailed reconciliations of the loss allowance.

- Hedge accounting: Updated accounting policies and narrative and quantitative information about hedge strategies, objectives, instruments, hedge reserves and ineffectiveness.

On transition, entities are required to disclose a reconciliation of the closing balances under IAS 39, 'Financial instruments: recognition and measurement', to the opening IFRS 9 balances for all financial assets, financial liabilities and any loss allowances.

If comparatives are not restated (comparatives can only be restated if it is possible to avoid the use of hindsight), accounting policies for the current period (that is, IFRS 9) and the comparative period (that is, IAS 39) need to be provided.

Practice aid

Signposting disclosures

This tool is designed to signpost where illustrated disclosures can be found within Appendix E of PwC's 'VALUE IFRS Plc: Illustrative IFRS consolidated financial statements December 2017'.

The tool has three sections:

- disclosures required in the first year of adoption;
- ongoing disclosures required in each reporting period after adoption; and
- where to find further guidance for disclosures not illustrated.

To use the tool, follow these easy steps:

1. Locate the financial asset, financial liability or hedge relationship in the first column of each of the three sections noted above.
2. Moving right across the table columns, next understand an overview of the disclosure requirements for this financial asset, financial liability or hedge relationship.
3. Moving further right, readily see where to find further guidance in IFRS 7, 'Financial instruments: disclosures', and locate the illustrative disclosure.

The tool is designed to highlight where illustrative disclosures can be found for the most common situations that corporates will encounter, and it is not designed to be an exhaustive list. Entities will need to ensure that they have fully considered all of the facts and circumstances of their financial instruments and hedging relationships, and the related disclosure requirements.

Disclosures required in the first period of adoption				
Classification and measurement				
Financial instruments that an entity has …	***Disclosures that an entity needs to consider*** **Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes**		**IFRS 7 requirement**	**Link to illustrative disclosure**
	Narrative	**Quantitative**		
(A) All financial instruments whose classification has changed	*For each class of financial instrument:* 1) How you applied the classification requirements in IFRS 9 to those financial assets whose classification has changed 2) The reasons for any designation or de-designation of financial assets or financial liabilities at fair value through profit or loss at the date of initial application	*In a tabular format:* 1) Each financial instrument's original measurement category and carrying amount (under IAS 39), differentiating between the change attributable to transition to IFRS 9 and that which is in the normal course of business 2) Each financial instrument's new measurement category and carrying amount (under IFRS 9), differentiating between the change attributable to transition to IFRS 9 and that which is in the normal course of business 3) Reconciliation between the carrying amounts of financial instruments as accounted for under IAS 39 and IFRS 9 * *It is not necessary to show the carrying amounts of financial instruments under IAS 39 in the current period or under IFRS 9 in the prior period*	Para 42K Para 42J Para 42I Para 42L Para 42O Para 42Q	Note 26(a)(i)–(viii)

(B) Instruments no longer held at fair value through profit or loss		1) The amount of any financial instruments in the statement of financial position that were previously designated at fair value through profit or loss but are no longer so designated, differentiating between those that IFRS 9 requires you to reclassify and those that you chose to reclassify at the date of initial application 2) The fair value of the instruments at the end of the reporting period 3) The fair value gain or loss that would have been recognised in profit or loss if the instruments had not been reclassified 4) The effective interest rate determined on the date of initial application 5) The interest revenue or expense recognised	Para 42J Para 42M Para 42N	Commentary 6
(C) Instruments no longer held at fair value through other comprehensive income		1) The fair value of the instruments at the end of the reporting period 2) The fair value gain or loss that would have been recognised in other comprehensive income if the instruments had not been reclassified	Para 42M	Note 26(a)(ii)
(D) Amortised cost, which has a modified time value element which could not be assessed at initial recognition (see Para s B4.1.9B–B4.1.9D of IFRS 9)		1) The carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset	Para 42R	Commentary 11
Impairment				
Financial assets that an entity has …	***Disclosures that an entity needs to consider***		**IFRS 7 requirement**	**Link to illustrative disclosure**
	Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes			
	Narrative	**Quantitative**		
(A) All financial assets which impairment requirements apply to (see Para 5.5.1 of IFRS 9)		1) Information to reconcile the end impairment allowance calculated under IAS 39 and IAS 37 with the opening loss allowance calculated under IFRS 9 2) Disclose the effect of changes in financial assets' measurement category on the loss allowance separately from other changes in the loss allowance at the date of initial application	Para 42P	Note 12(c)(i)–(iii)

<table>
<tr><th colspan="5">Ongoing disclosures required in each reporting period after adoption</th></tr>
<tr><th colspan="5">Classification and measurement</th></tr>
<tr><th rowspan="3">Financial assets that an entity has …</th><th colspan="2">Disclosures that an entity needs to consider</th><th rowspan="3">IFRS 7 requirement</th><th rowspan="3">Link to illustrative disclosure</th></tr>
<tr><th colspan="2">Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes</th></tr>
<tr><th>Narrative</th><th>Quantitative</th></tr>
<tr><td>(A) Amortised cost</td><td>1) Update accounting policies to reflect accounting treatment under IFRS 9</td><td>1) The carrying amount, gross of any impairment loss allowance. The impairment allowance will be disclosed separately (see Impairment, (A) below)
2) Net gains or losses on derecognition of assets, and reasons for derecognition
3) Total interest income or expense
4) Fee income or expense
5) Gains or losses, disclosed separately from each other, arising from derecognition

If the asset has been reclassified from fair value through profit or loss on transition to IFRS 9, by instrument or group of instruments:
6) The effective interest rate determined on the date of initial application
7) The interest revenue or expense recognised

If the asset has a modified time value element which could not be assessed at initial recognition (see Para s B4.1.9B–B4.1.9D of IFRS 9):
8) The carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset</td><td>Para 8
Para 16A
Para 20
Para 20A
Para 42N</td><td>Statement of Financial Position
Income Statement
Note 7(e)
Note 25(o)
Note 26(a)(ii)
Commentary 9</td></tr>
<tr><td>(B) Fair value through other comprehensive income</td><td>1) Update accounting policies to reflect accounting treatment under IFRS 9</td><td>1) The carrying amount, showing separately debt assets and equity assets designated at fair value through other comprehensive income
2) Net gains or losses recycled to profit or loss on derecognition of assets

3) Total interest income or expense
4) Fee income or expense
5) The amount recognised in other comprehensive income during the period</td><td>Para 8
Para 20</td><td>Statement of Financial Position
Income Statement
Statement of Other Comprehensiv e Income
Note 7(a)
Note 25(o)
Commentary 8</td></tr>
<tr><td>(C) Fair value through profit or loss</td><td>1) Update accounting policies to reflect accounting treatment under IFRS 9</td><td>1) The carrying amount, showing separately those which you have chosen to designate at fair value through profit</td><td>Para 8
Para 20</td><td>Statement of Financial Position
Income Statement
Note 7(f)
Note 25(o)</td></tr>
</table>

		and loss[i] and those which you have had to measure at fair value through profit or loss 2) net gains or losses, showing separately those relating to assets which you have chosen to designate at fair value through profit and loss and those which you have had to measure at fair value through profit or loss		

[i] See (A) under 'Where to find further guidance for disclosures not illustrated – Classification and measurement' below.

Financial liabilities that an entity has …	***Disclosures that an entity needs to consider*** **Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes**		**IFRS 7 requirement**	**Link to illustrative disclosure**
	Narrative	**Quantitative**		
(A) Amortised cost	1) Update accounting policies to reflect accounting treatment under IFRS 9	*By category of liabilities at amortised cost:* 1) The carrying amount 2) Net gains or losses 3) Total interest income or expense 4) Fee income or expense *If the liability has been reclassified from fair value through profit or loss on transition to IFRS 9, by instrument or group of instruments:* 5) The effective interest rate determined on the date of initial application 6) The interest revenue or expense recognised	Para 8 Para 20 Para 42N	Statement of Financial Position Income Statement Note 7(f) Note 25(o)
Impairment				
Financial assets that an entity has …	***Disclosures that an entity needs to consider*** **Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes**		**IFRS 7 requirement**	**Link to illustrative disclosure**
	Narrative	**Quantitative**		
** Information can be cross-referenced to other reports (such as a management commentary or risk report), provided that it is available to users of the financial statements on the same terms as the financial statements and at the same time.* ** An entity determines how much detail to disclose and how much emphasis to place on different aspects of the disclosure requirements. An entity should use the same level of aggregation/disaggregation applied to disclosure requirements elsewhere in IFRS 7 and IFRS 13, 'Fair value measurement'. If an entity deems that the disclosure requirements below do not adequately explain their credit risk and credit risk management, further disclosure beyond those requirements should be given.*			Para 35C Para 35D Para 35E	Note 12(c)
(A) Trade receivables, contract assets, lease receivables using the simplified impairment approach	1) Update accounting policies to reflect accounting treatment under IFRS 9 2) Where the presumption that there have been significant increases in credit risk since initial recognition, if financial assets are more than 30 days past due, has been rebutted, how this has been determined 3) Your definition of default, and reasons for that definition 4) How the instruments were grouped, if expected credit losses were measured on a collective basis 5) How you determined that financial assets are credit-impaired 6) Your write-off policy, including the indicators that there is no reasonable expectation of recovery, and information about the policy for financial assets that are written off but are still subject to enforcement activity 7) How forward-looking information has been incorporated into the determination of expected credit losses, including the use	1) By class of financial instrument, a tabular reconciliation of the loss allowance from the opening balance to the closing balance. The reconciliation should include amounts representing the changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance (for example, origination or acquisition of assets and write-offs) 2) The maximum exposure to credit risk, without taking into account collateral or other credit enhancements 3) Quantification of the extent to which collateral and other credit enhancements mitigate credit risk for financial assets that are credit-impaired at the reporting date 4) Contractual amounts outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity 5) By credit risk rating grades, the gross carrying amount of financial assets, showing those separately which are credit impaired. This information could be based on a provision matrix (see Para B5.5.35 of IFRS 9)	Para 35B Para 35F Para B8A Para B8B Para 35G Para B8C Para 35H Para B8D Para 35K Para B8F Para 35L Para 35N	Note 12(c) Note 12(c)(i) Note 25(o)

	of macro-economic information 8) Changes in the estimation techniques or significant assumptions made during the reporting period, and the reasons for those changes 9) An explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance (for example, origination or acquisition of assets and write-offs) 10) Description of collateral held as security and other credit enhancements, including the nature and quality of collateral, an explanation of any significant changes in the quality of collateral, and information about any assets for which a loss allowance has not been recognised because of its related collateral			
Hedge accounting				
An entity's hedges involve …	***Disclosures that an entity needs to consider***		**IFRS 7 requirement**	**Link to illustrative disclosure**
	Statements of Financial Position, Income Statement, Other Comprehensive Income; or Notes			
	Narrative	**Quantitative**		
** Hedge accounting disclosures should be provided in a single note or separate section within the financial statements. Information can be cross-referenced to other reports (such as a management commentary or risk report), provided that it is available to users of the financial statements on the same terms as the financial statements and at the same time. * Risk categories are to be determined based on the risk exposures which an entity decides to hedge and for which hedge accounting is applied. Risk categories should be determined consistently for all hedge accounting disclosures. * An entity determines how much detail to disclose and how much emphasis to place on different aspects of the disclosure requirements. An entity should use the same level of aggregation/disaggregation applied to disclosure requirements elsewhere in IFRS 7 and IFRS 13, 'Fair value measurement'.*			Para 21B Para 21C Para 21D	Note 12(b)

(A) Cash flow hedges ** Plus consider (C) and (D) below and (B)–(E) under 'Where to find further guidance for disclosures not illustrated – Hedge accounting' below*	1) Update accounting policies to reflect accounting treatment under IFRS 9 *For each category of risk exposure for which you hedge and have applied hedge accounting:* 1) Your risk management strategy and how it is applied to manage risk, including: how each risk arises; whether a risk is hedged in its entirety, or a risk component of an item is hedged, and why; and the extent of risk exposures that you manage 2) How your hedging activities might affect the amount, timing and uncertainty of future cash flows 3) A description of the hedging instruments and how they are used 4) How the economic relationship between the hedging instrument and hedged item is established for the purpose of effectiveness testing 5) How the hedge ratio is established 6) What sources of ineffectiveness might impact the hedge relationship; and, if additional sources of ineffectiveness emerge, explain these by risk category 7) A description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur	*In a tabular format, for each risk category:* 1) Profile of the timing of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instrument 2) If applicable, the average rate or price of the hedging instrument (for example, the strike price or interest rate) 3) Carrying amount of the hedging instruments (financial assets separately from financial liabilities) 4) Line item in the statement of financial position that includes the hedging instrument 5) Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period 6) Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period 7) Balances in the cash flow hedge reserve for continuing hedges 8) Balances remaining in the cash flow hedge reserve from any hedging relationships for which hedge accounting is no longer applied 9) Hedging gains or losses of the reporting period that were recognised in other comprehensive income 10) Hedge ineffectiveness recognised in profit or loss, and the line item in the statement of comprehensive income that includes the hedge ineffectiveness 11) Amount reclassified from the cash flow hedge reserve into profit or loss, differentiating between: amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur; and amounts that have been transferred because the hedged item has affected profit or loss 12) Line item in the statement of comprehensive income that includes the reclassification adjustment 13) For hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive income 14) A reconciliation of each component of the cash flow hedge reserve which, at a minimum, differentiates between hedging gains and losses recognised in other comprehensive income during the period and amounts reclassified from other comprehensive income to profit or loss[ii].	Para 21A Para 22A Para 22B Para 23D Para 23E Para 23A Para 23B Para 23F Para 24A Para 24B Para 24C	Note 12(b)(i) Note 12(b)(ii) Note 25(o) Commentary 11

[ii] See also (C) and (D) below and (B)–(E) under 'Where to find further guidance for disclosures not illustrated – Hedge accounting' below.

(B) Net investment hedges ** Plus consider (C) and (D) below and (B)–(E) under 'Where to find further guidance for disclosures not illustrated – Hedge accounting' below*	1) Update accounting policies to reflect accounting treatment under IFRS 9 *For each category of risk exposure for which you hedge and have applied hedge accounting:* 1) Your risk management strategy and how it is applied to manage risk, including: how each risk arises; whether a risk is hedged in its entirety, or a risk component of an item is hedged, and why; and the extent of risk exposures that you manage 2) A description of the hedging instruments and how they are used 3) How the economic relationship between the hedging instrument and hedged item is established for the purpose of effectiveness testing 4) How the hedge ratio is established 5) What sources of ineffectiveness might impact the hedge relationship; and, if additional sources of ineffectiveness emerge, explain these by risk category	*In a tabular format, for each risk category:* 1) Profile of the timing of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instrument 2) If applicable, the average rate or price of the hedging instrument (for example, the strike price or interest rate) 3) Carrying amount of the hedging instruments (financial assets separately from financial liabilities) 4) Line item in the statement of financial position that includes the hedging instrument 5) Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period 6) Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period 7) Balances in the foreign currency translation reserve for continuing hedges 8) Balances remaining in the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied 9) Hedging gains or losses of the reporting period that were recognised in other comprehensive income 10) Hedge ineffectiveness recognised in profit or loss, and the line item in the statement of comprehensive income that includes the hedge ineffectiveness 11) Amount reclassified from the foreign currency translation reserve into profit or loss 12) Line item in the statement of comprehensive income that includes the reclassification adjustment 13) A reconciliation of each component of the foreign currency translation reserve which, at a minimum, differentiates between hedging gains and losses recognised in other comprehensive income during the period and amounts reclassified from other comprehensive income to profit or loss[iii].	Para 21A Para 22A Para 22B Para 23D Para 23E Para 23A Para 23B Para 24A Para 24B Para 24C	Note 12(b)(i) Note 25(o) Commentary 11
For fair value hedges, see 'Where to find further guidance for disclosures not illustrated – Hedge accounting' below				
(C) Forward contracts, designated in hedge relationships	1) Update accounting policies to reflect accounting treatment under IFRS 9	1) Where the forward element of forward contracts in hedge relationships is deferred in other comprehensive income, a reconciliation of the costs of hedging reserve which differentiates between the amounts associated with forward elements of forward contracts that hedge transaction-related hedged items, and the amounts associated with forward	Para 24E Para 24F	Note 12(b)(i) Note 25(o) Commentary 11

[iii] See also (C) and (D) below and (B)–(E) under 'Where to find further guidance for disclosures not illustrated – Hedge accounting' below.

		elements of forward contracts that hedge time-period-related hedged items		
(D) Option contracts, designated in hedge relationships	1) Update accounting policies to reflect accounting treatment under IFRS 9	1) Where the time value element of option contracts in hedge relationships is deferred in other comprehensive income, a reconciliation of the costs of hedging reserve which differentiates between the amounts associated with the time value of options that hedge transaction-related hedged items and the amounts associated with the time value of options that hedge time-period-related hedged items	Para 24E Para 24F	Note 12(b)(i) Note 25(o)

Where to find further guidance for disclosures not illustrated		
Classification and measurement		
Financial assets that an entity has …	**IFRS 7 requirement**	**Link to illustrative disclosure**
(A) Chosen to designate at fair value through profit or loss	Para 21 Para B5 Para 9 Para 11 Para 20	Commentary 7
(B) With prepayment features requiring fair value measurement, and the fair value at initial recognition could not be assessed	Para 42S	
Financial liabilities that an entity has …	**IFRS 7 requirement**	**Link to illustrative disclosure**
(A) Measured at fair value through profit or loss, with all changes in fair value taken to profit or loss	Para 8 Para 10A Para 11 Para 20	Commentary 7
(B) Chosen to be designated at fair value through profit or loss, with credit risk changes taken to other comprehensive income	Para 21 Para B5 Para 10 Para 11	Commentary 13
Impairment		
Financial assets that an entity has …	**IFRS 7 requirement**	**Link to illustrative disclosure**
(A) Receivables with a significant financing component (for example, long-term trade receivables, inter-entity loans) and lease receivables/contract assets for which an accounting policy choice to apply the full impairment model has been made	Para 35B Para 35F Para B8A Para B8B Para 35G Para B8C Para 35H Para B8D Para 35I Para 35J Para 35K Para B8F Para 35L Para 35M Para B8H	Commentary 13 Note 12(c) Note 25(o)

(B) Financial assets that the impairment requirements are not applied to	Para 36 Para B9	Commentary 12
Hedge accounting		
An entity's hedges involve …	**IFRS 7 requirement**	**Link to illustrative disclosure**
(A) Fair value hedges ** Plus consider (B)–(E) below*	Para 21A Para 22A Para 22B Para 23D Para 23E Para 23A Para 23B Para 24A Para 24B Para 24C	Commentary 11
(B) Cross-currency swaps, cross-currency interest rate swaps, designated in hedge relationships	Para 24E Para 24F	
(C) Designated risk components of hedged items	Para 21C	Commentary 11
(D) Hedge relationships which are frequently reset	Para 23C Para 24D	Commentary 11
(E) Use of credit derivatives to hedge the credit risk of financial instruments designated at fair value through profit or loss	Para 24G	Commentary 11

Questions?

PwC clients who have questions about this *In depth* should contact their engagement partner.

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