

Fair Value through PL

Classification

- At election of entity provided no criteria for amortized cost / FV through OCI was met / an accounting mismatch would be prevented by the classification.

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Initial Measurement

At Fair Value on Acquisition date
NB - **Acquisition Cost is expensed**

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Journals

Dt Financial Asset (SFP) XXX
Ct FV adj (P/L) XXX

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Financial Asset Definition

- Cash
 - Equity Instrument of another entity
 - Contractual Right to:
 - Receive cash / another FA
 - Exchange FA / FL under potentially favorable conditions
- A contract that may / will be settled in the entity's own equity instruments.

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Derivative Definition

- An Instrument with **all 3** characteristics:
- Value changes based on a contractual variable.
 - No initial net investment
 - Settled at a future date

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Assessment of Classification

- Disprove the Amortization Criteria.
- Disprove the FV through OCI Criteria.
- Consider whether an accounting mismatch will be resolved through classification.

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Subsequent Measurement

- The financial asset's fair value should be remeasured at the end of each reporting period.

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Fair Value Calculation

Prior year FV - Current year FV

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Financial Liability Definition

- Contractual Obligation to:
 - Deliver cash / another FA
 - Exchange FA / FL under potentially unfavorable conditions
- A contract that may / will be settled in an entity's own equity instruments.

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The Trick to IFRS9

- Understand how a business model is determined.
- Understand how cashflow characteristics are determined.
- Marks are in your definition application not your theory dump.