



<b>Project:</b>	<b>Classification and Measurement of Financial Instruments</b>	<b>Meeting:</b>	March 2025 (M211)
<b>Topic:</b>	<b>Ballot Draft AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures for AASB member Voting</b>	<b>Agenda Item:</b>	5.1
		<b>Date:</b>	19 February 2025
<b>Contact(s):</b>	Jia Wei <a href="mailto:jwei@asb.gov.au">jwei@asb.gov.au</a>  Helena Simkova <a href="mailto:hsimkova@asb.gov.au">hsimkova@asb.gov.au</a>	<b>Project Priority:</b>	Medium
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Ballot draft for Board voting

### Objective of this paper

- The objective of this paper is to provide the Board with:
  - an update on the proposed amendments to [AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#) on the Classification and Measurement of Financial Instruments project; and
  - a ballot draft version of amending Standard AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures and the accompanying Explanatory Statement **for voting**.

### Attachments

Agenda paper 5.2	Ballot Draft: AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures
Agenda paper 5.3	[Draft] Explanatory Statement to accompany AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures
Agenda paper 5.4	Submission received on ED 332 [supporting material folder]

### Background

- In response to feedback received as part of the post-implementation review of the classification and measurement requirements in IFRS 9 and related requirements in IFRS 7, the IASB issued [Amendments to the Classification and Measurement of Financial Instruments \(Amendments to IFRS 9 and IFRS 7\)](#) in May 2024. In July 2024, the AASB issued the Australian equivalent [AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments](#).

- 3 Following the amendments made to the AASB Standards, the Board considered whether any disclosures should be added to AASB 1060.<sup>1</sup>
- 4 In August 2024, the AASB issued Exposure Draft [ED 332 Classification and Measurement of Financial Instruments: Tier 2 Disclosures](#), which proposed to amend AASB 1060 to require disclosure of the following information:
- (a) To enable users of financial statements to understand the effect of contractual terms that could change the amount of contractual cash flows based on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in basic lending risks and costs (such as the time value of money or credit risk), an entity shall disclose:
    - (i) a qualitative description of the nature of the contingent event;
    - (ii) quantitative information about the possible changes to contractual cash flows that could result from those contractual terms (for example, the range of possible changes); and
    - (iii) the gross carrying amount of financial liabilities subject to those contractual terms.
  - (b) An entity shall disclose this information by class of financial assets measured at amortised cost or fair value through other comprehensive income and by class of financial liabilities measured at amortised cost. The entity shall consider how much detail to disclose, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate any quantitative information disclosed.
  - (c) For example, an entity shall disclose the information for a class of financial liabilities measured at amortised cost whose contractual cash flows change if the entity achieves a reduction in its carbon emissions.
- 5 ED 332 also proposed renumbering the supplier finance arrangement disclosures in AASB 1060 (currently paragraphs 119A–119C) and relocating them and their related heading from the “Basic Financial Instruments” section of AASB 1060 to the “Statement of Cash Flows” section.
- 6 ED 332 did not propose any amendments to AASB 1060 to replicate the new disclosure requirements added by AASB 2024-2 to paragraphs 11A and 11B of AASB 7 for investments in equity instruments designated at fair value through other comprehensive income.
- 7 The effective date proposed in ED 332 is annual periods beginning on or after 1 January 2026, with earlier application permitted.

## International alignment

### *IFRS for SMEs Standard*

- 8 The IASB confirmed in October 2023 that it would not align the *IFRS for SMEs Standard* with any other amendments to full IFRS Standards with an effective date after 1 January 2020 that were not considered in developing the Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard*.<sup>2</sup>
- 9 Since *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* have an effective date for annual periods beginning on or after January 1, 2026, these amendments were not considered in developing the Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard*, and were outside the scope of the second comprehensive review of *IFRS for SMEs Standard*.

---

1 Paragraph BC96 of AASB 1060 states that "a review of the disclosures will need to take place any time ... amendments are made to existing Australian Accounting Standards or Interpretations".

2 See [IASB staff paper 30E](#) to the October 2023 meeting. There were some exceptions to this decision such as disclosures relating to the IASB's supplier finance arrangements and lack of exchangeability projects.

## New Zealand

- 10 At its December 2024 meeting, the NZASB agreed to consult on proposed RDR concessions in NZ IFRS 7 *Financial Instruments: Disclosures*, for some of the disclosures introduced by *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*.
- 11 The NZASB's Exposure Draft aligns with our Ballot Draft and proposed:
  - (a) RDR concession for disclosures about investments in equity instruments measured at fair value through other comprehensive income; but
  - (b) no RDR concession for disclosures on information about financial instruments with contingent features that do not relate directly to basic lending risks.
- 12 The NZASB will be asked for a decision on RDR concessions at its February 2025 meeting, which has not yet occurred as of the drafting of this staff paper.

### IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

- 13 Whilst not required by the AASB's standard-setting frameworks, staff also considered how the IASB addressed the new disclosure requirements in IFRS 19.<sup>3</sup> The IASB decided:
  - (a) not to include the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income because the requirements did not satisfy the principles as described in paragraph BC33 of the Basis for Conclusions on IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. Consequently, these disclosure requirements would not be relevant to eligible subsidiaries applying IFRS 19; and
  - (b) to include the amendments to IFRS 7 relating to financial instruments with contingent features. The IASB believes that information about contractual terms that could alter the cash flows of financial assets and liabilities would help users understand an eligible subsidiary's short-term cash flows, obligations, solvency, and liquidity. Although eligible subsidiaries are less likely than public companies to hold financial assets with such terms, they may issue financial liabilities with them. If such a liability represents a significant portion of an entity's financing, changes in its cash flows could impact the entity's liquidity.
- 14 The disclosures were added to IFRS 19 through the amending standard *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* issued in May 2024. As there was no public consultation on these additional disclosures due to timing of IFRS 19 publication (IFRS 19 was issued in May 2024), the IASB issued [Exposure Draft IASB/ED/2024/5 Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures](#) in July 2024. The ED proposes no changes to those disclosure requirements.
- 15 Staff note that the amendments to IFRS 19 are consistent with our Ballot Draft.
- 16 The IASB plans to discuss the ED feedback at its February 2025 meeting. At the time of writing this paper, that meeting has not yet taken place. The IASB staff recommends in the [IASB staff paper 32B](#) that the IASB approves the Exposure Draft's proposals without further changes.

### Stakeholders' feedback on ED 332

- 17 The comment period for ED 332 closed on 11 October 2024. As of that date, the AASB had received one comment letter.

---

<sup>3</sup> The standard-setting frameworks do not set out whether/how amendments to IFRS 19 should be considered when determining whether/how to update AASB 1060. This is because, at this time, the AASB has not determined whether/how IFRS 19 will be adopted for use in Australia. The AASB will perform outreach to gather initial feedback from stakeholders on whether there are any significant problems or concerns with implementing and applying AASB 1060 and as part of this outreach stakeholders will also have the opportunity to provide preliminary views on how IFRS 19 should be considered in Australia for Tier 2 entities. This outreach will inform future AASB decisions about whether/how IFRS 19 will be adopted for use in Australia.

- 18 The comment letter expressed support for the proposed amendments to AASB 1060 for Tier 2 entities, agreeing that disclosures related to financial instruments with contractual terms affecting cash flows are relevant for users and justified under AASB 1060 principles. It also acknowledged that the IASB has included similar disclosures in IFRS 19 but not yet in the *IFRS for SMEs Accounting Standard*, possibly due to timing. The comment letter recommended that if the IASB ultimately decides that these disclosures are unnecessary for SMEs, the AASB should align and remove any additional requirements for consistency.

### **Staff recommendation**

- 19 Staff recommend that AASB members vote to make *AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures*, and approve the Explanatory Statement accompanying *AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures*.
- 20 If AASB members vote to make the proposed amending Standard and approve the Explanatory Statement, the content of the Standard and the ES will be finalised by replacing “AASB 2025-X” with the next Standard number in the sequence and the various dates formally inserted into the Standard or ES as indicated. The Standard and the ES would then be registered on the Federal Register of Legislation and published on the AASB Standards Portal.

### **Questions to Board members**

- Q1: Do Board members have any questions or comments on amendments to AASB 1060?
- Q2: Do Board members vote in favour of making *AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures*?
- Q3: Do Board members approve the Explanatory Statement accompanying *AASB 2025-X Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures*?