

TREASURY ANALYSIS - AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments

AASB 2009-2 (April 2009) amends AASB 4, AASB 7, AASB 123 and AASB 1038

Major impact of changes for 2009/10

- Introduces a three-level fair value hierarchy for disclosure purposes that reflects the significance of the inputs used in measuring fair values.
- Enhances disclosures for fair value measurements recognised in the statement of financial position by using the three-level hierarchy, requiring:
 - specific disclosures for the level 3 category.
 - other disclosures for transfers between levels in the hierarchy and changes in valuation techniques.
- Only requires liquidity risk disclosures for financial liabilities when there is an outflow of cash or another financial asset.

Key features of Standard

- AASB 2009-2 (April 2009) applies to annual reporting periods beginning on or after 1 July 2009 (i.e. years ending on or after 30 June 2010 for 30 June year end entities). In the first year of application, comparative information is not required.
- AASB 2009-2 arises from the issue of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009.
- It introduces a three level fair value hierarchy in AASB 7 for determining the amount of information to be disclosed about estimating fair values and clarifies quantitative disclosure on liquidity risk.

Main differences applicable for 2009/10 compared to 2008/09

New fair value hierarchy

- Agencies must disclose for each class of financial instruments, for fair value measurements recognised in the statement of financial position, the fair value level into which the fair value measurements are categorised, any significant transfers between Level 1 and Level 2 and the reasons for the transfers.
- AASB 2009-2 requires specific disclosures for the level 3 category, including a reconciliation disclosing the changes in the period and the effect of a reasonably possible change in valuation input.

Liquidity risk

- AASB 2009-2 only requires liquidity risk disclosures for financial liabilities that will result in an outflow of cash or another financial asset.
- However, it requires increased disclosure for liquidity risk in certain areas, including:
 - maturity analysis; i.e. different requirements for derivative and non-derivative financial liabilities
 - explanation of how to determine the summary quantitative data on liquidity risk
 - disclosure of any change in valuation techniques and the reason for the change
- Agencies must disclose a maturity analysis for financial assets held for managing liquidity risk if it provides information necessary to enable users to evaluate the nature and extent of liquidity risk.

Impact on the public sector

There is no differential impact on the public sector.

Policy and Implementation issues

In the first year of application, agencies need not provide comparative information.

This summary has been written in general terms and is intended for reference only. Agencies should review the contents of the AASB Standard to determine its application in particular circumstances: http://www.aasb.com.au/admin/file/content105/c9/AASB2009-2_04-09.pdf.