IFRS 9

REVISION OF THE BALANCING OF FINANCIAL INSTRUMENTS

CORE ASPECT

IFRS 9 – 2019

There are four different categories and fairly extensive reclassification possibilities.

IFRS 9 – 2015

Financial instruments are classified according to:

- The business model
- The characteristics of the receivable cash flows

There are two basic categories:

- Amortized cost
- Fair value (through OCI and P&L)

ECONOMIC FOCUS

Aimed at an integrated view on risk

Expansion of the scope of application of hedge economic risk hedging under IAS 39 provisions

RECLASSIFICATION

The only possible reason: change in the business model

- Changes on the reclassification key date become the base case
- The reclassification key date is always the first day of the accounting period that begins after the change in the business model

HEDGE ACCOUNTING

Focus on balance sheet, only limited coverage of economic risk hedging under IAS 39 provisions

EMBEDDED DERIVATIVES

Embedded derivatives are part of a structured instrument consisting of a non-derivative host contract and a derivative. In contrast to IAS 39, the derivative need not be recognized separately. Instead, under IFRS 9 the overall contract is recognized. In most cases, this will lead to a valuation of fair value recognized in the income statement. In case of a non-financial host contract, the derivative still has to be recognized under IAS 39.

OUR SOFTWARE SOLUTION

- Allocation of financial instruments to the defined IFRS categories
- Definition of the categorization rules via a graphic user interface
- Identification of controls and discrepancies in the categorization rules
- Audit proof recording of all settings

CHALLENGES

- Identification of controls and discrepancies in the categorization rules
- Changes on the reclassification key date become the base case

Our Software Solution

- Support of all IFRS relevant valuation methods
- Differentiation at a consistent effective interest rate, connection to an external price index, mark-to-model valuation

The software solution to meeting the requirements of the IFRS 9 REVISION OF THE BALANCING OF FINANCIAL INSTRUMENTS