

Financial Reporting During Disruption (IFRS 7 Overview)

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Credibility.

Professionalism.

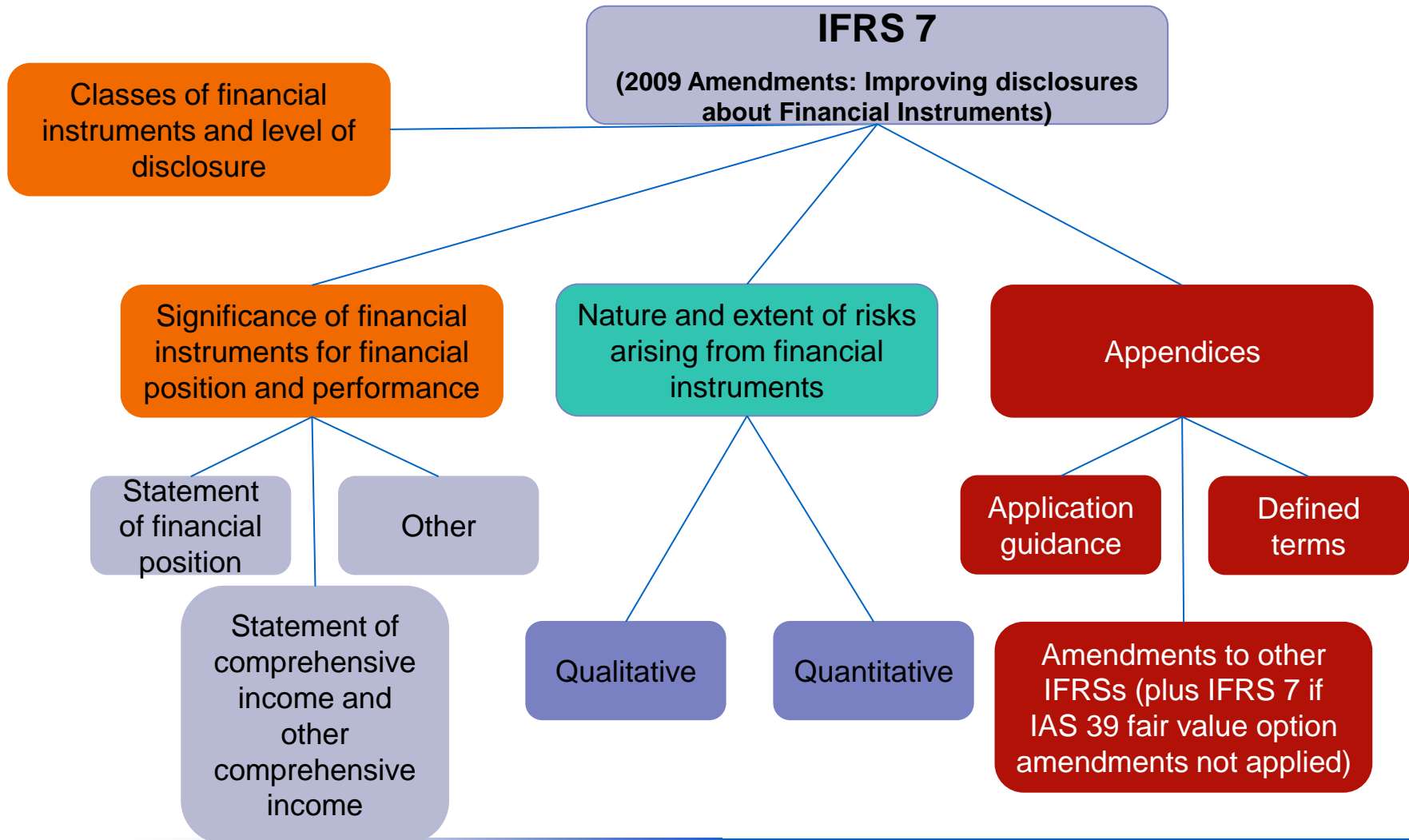
AccountAbility

Learning objectives

◆ Enhance understanding of

- Significance of financial instruments to an entity's overall financial position and performance
- Performance and risk exposures resulting from such financial instruments
- Purpose, scope and structure of IFRS 7
- Key features and requirements of IFRS 7

IFRS 7 - Overview



Significance of Financial Instruments for Financial Position and Performance (continued)

◆ Other disclosures

– Fair value

| | |
|----------------|--|
| Level 1 | <ul style="list-style-type: none">● Fair values measured using quoted prices (unadjusted) in active markets for <u>identical</u> assets or liabilities |
| Level 2 | <ul style="list-style-type: none">● Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) |
| Level 3 | <ul style="list-style-type: none">● Fair values measured using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) |

Nature and Extent of Risks Arising from Financial Instruments

◆ Qualitative disclosures

- For each type of risk (e.g., credit, liquidity and market) arising from financial instruments, disclose:
 - The exposures to risk and how they arise
 - Objectives, policies and processes for managing the risk and methods used to measure the risk
 - Any changes to the above from the previous period

Nature and Extent of Risks Arising from Financial Instruments (continued)

◆ Quantitative disclosures

- For each type of risk arising from financial instruments, disclose:
 - Summary quantitative data about the risk exposure as provided to key management personnel
 - Detailed disclosures to the extent not disclosed already from the point above
 - Concentrations of risk if not included above

Nature and Extent of Risks Arising from Financial Instruments (continued)

◆ Quantitative disclosures (continued)

– Credit risk

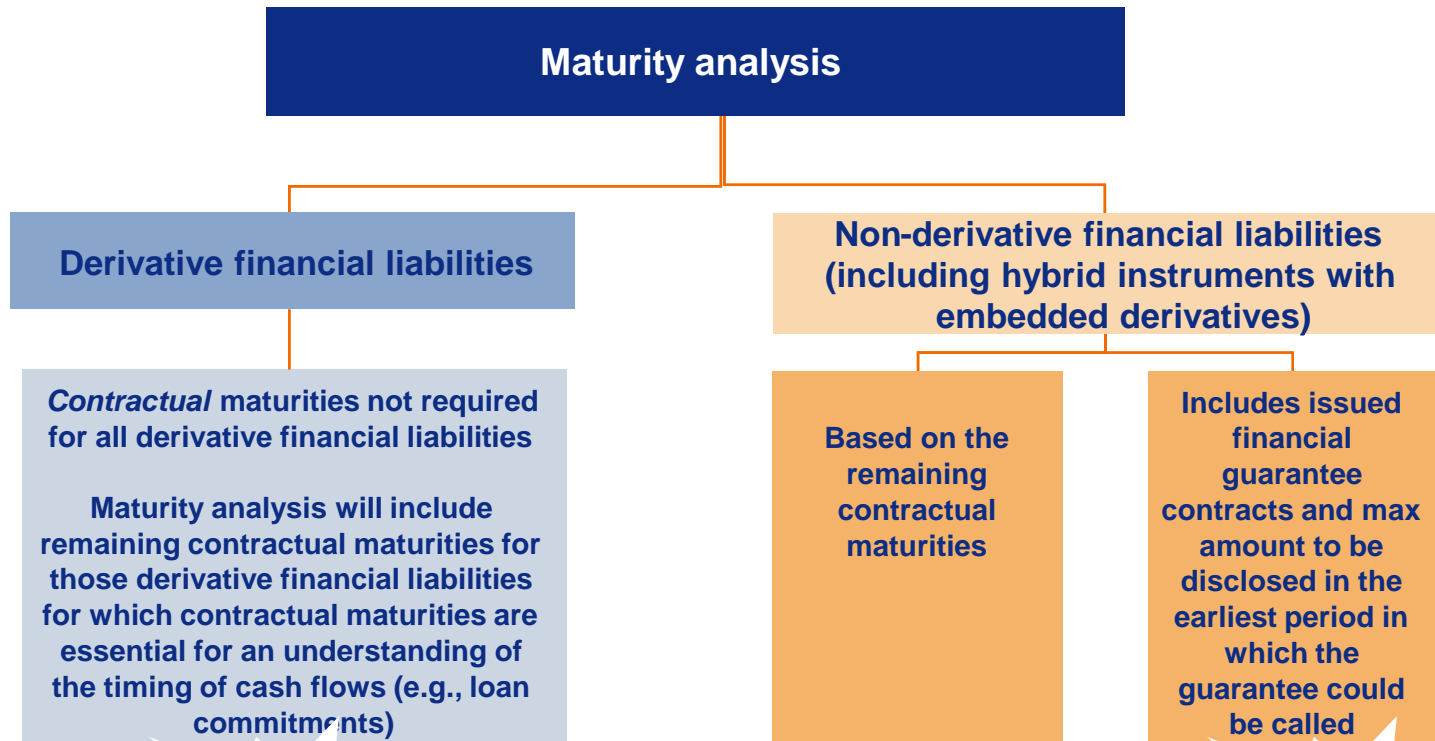
by class of financial instruments:

- Maximum credit exposure (without collateral or other credit enhancements)
 - In respect of the above, description of collateral and other credit enhancements
- Information about credit quality of financial assets that are neither past due nor impaired
- Carrying amount of renegotiated financial assets
- Analysis of financial assets past due or impaired
 - In respect of above, description of collateral and other credit enhancements and unless impracticable, an estimate of their fair value

Nature and Extent of Risks Arising from Financial Instruments (continued)

◆ Quantitative disclosures (continued)

– Liquidity risk



Nature and Extent of Risks Arising from Financial Instruments (continued)

◆ Quantitative disclosures (continued)

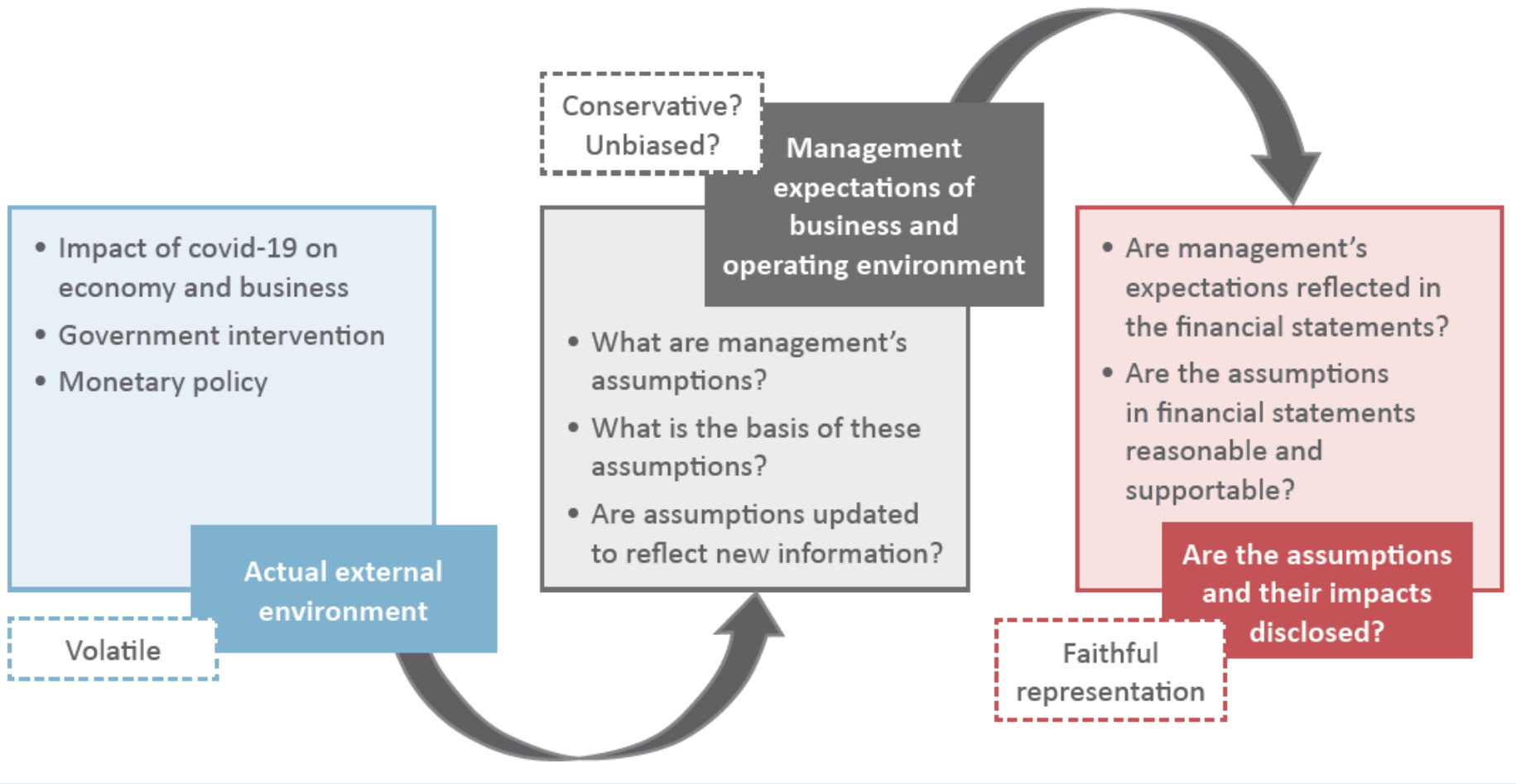
- Liquidity risk (continued)
 - How liquidity risk is managed
 - How the data in the liquidity risk disclosures are determined
 - disclose if cash outflows could occur significantly earlier or at significantly different amounts
 - further quantitative information to evaluate extent of risk
 - Maturity analysis of financial assets
 - *if* held as part of managing liquidity risk

Nature and Extent of Risks Arising from Financial Instruments (continued)

◆ Quantitative disclosures (continued)

- Market risk (including interest rate risk, currency risk, other price risk)
 - Sensitivity analysis for each type of market risk.
 - Effect on profit or loss and equity
 - Methods and assumptions used in sensitivity analysis.
 - Changes in methods and assumptions used from the previous period
- Sensitivity analysis that reflects interdependencies between risk variables (e.g. value at risk) can replace the sensitivity analysis above
 - Explain methodology and assumptions underlying analysis
 - Objective of the method used and limitations that may result in the information not fully reflecting fair value of the assets and liabilities involved

Reporting under Covid 19



Reporting under Covid 19

| Clarity | Transparency | Context |
|--|---|---|
| <ul style="list-style-type: none">• Tell it like it is• Highlight changes from year end | <ul style="list-style-type: none">• Consistency with basis for management decisions• Focus on the big picture and whether the short term is indicative | <ul style="list-style-type: none">• What assumptions have been made• Level of uncertainty in assumptions• Update for most current information |

IFRS 7 – Covid 19 Implications

- How credit risk management practices have been affected;
- How the segmentation of financial assets has been affected (e.g. have groups and/or portfolios been further sub-divided or regrouped);
- Whether risk concentrations have changed (e.g. has ECL increased significantly relating to specific sub-portfolios or types of financial assets);
- How systems have been updated to address the effects of COVID-19, including how the entity is assessing significant increases in credit risk and how those processes have changed;

IFRS 7 – Covid 19 Implications

- Significant assumptions underlying ECL measurement (e.g. how scenarios were developed and weighted that were incorporated);
- Revisions to the entity's definition of default or write-off policy;
- The basis of inputs into the assessment of SICR, and both 12-month and lifetime ECL, which may have changed significantly due to COVID-19); and
- How forward-looking information has been incorporated.