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Financial Instruments - IFRS 9 and related Standards

Volume B

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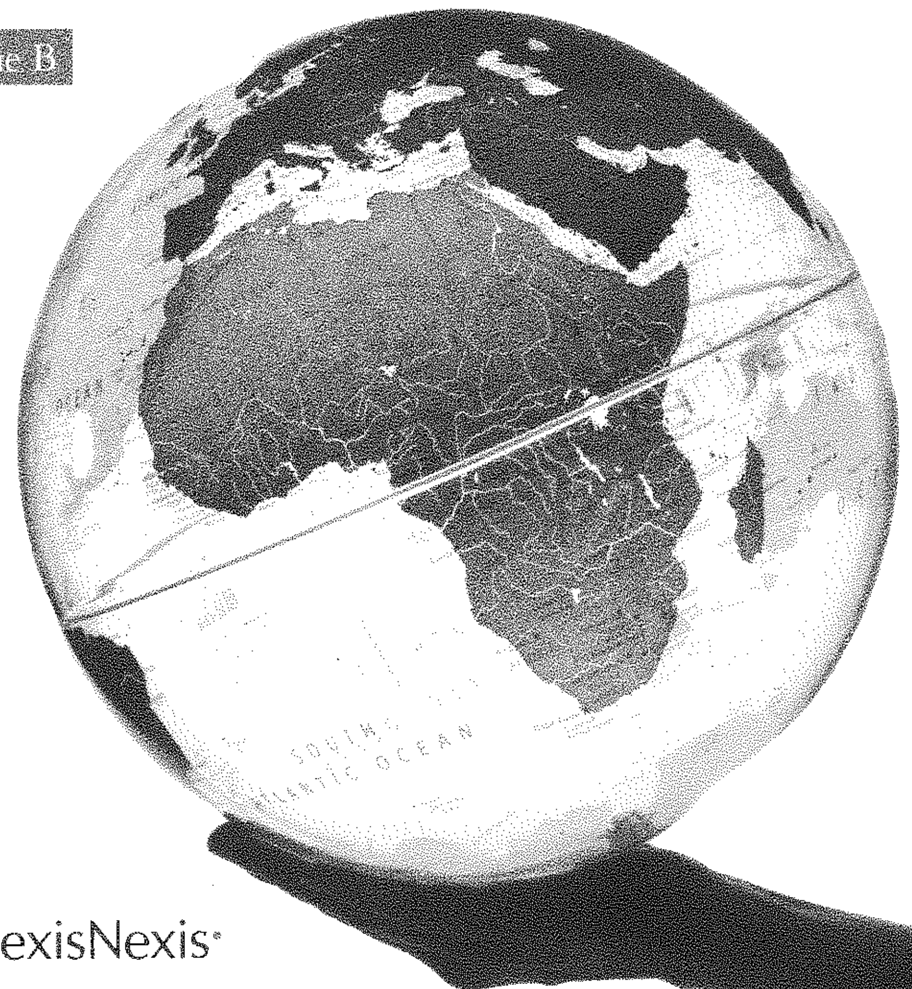

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1 Introduction

In IFRS accounting literature, four Standards deal with the accounting for financial instruments.

- IAS 32 *Financial Instruments: Presentation* deals with the presentation and classification of financial instruments as financial liabilities or equity, and sets out the requirements regarding the offset of financial assets and financial liabilities in the statement of financial position.
- IAS 39 *Financial Instruments: Recognition and Measurement* contains the key guidance regarding amortised cost measurement and hedge accounting.
- IFRS 7 *Financial Instruments: Disclosures* sets out the disclosures required in respect of financial instruments.
- IFRS 9 *Financial Instruments* contains the key guidance regarding the recognition, derecognition, classification and measurement of financial instruments, with the exception of amortised cost measurement (dealt with in IAS 39).

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IFRS 9 was issued in November 2009 and, at that time, included the requirements for classification and measurement of financial assets only. Since then, amendments have been made to IFRS 9 to add requirements regarding the classification and measurement of financial liabilities, and the requirements regarding recognition and derecognition that were previously included in IAS 39. At the time of writing, the measurement requirements sit partly in IFRS 9 and partly in IAS 39; the latter only contains the requirements regarding amortised cost because the development of those requirements, along with reforms to hedge accounting, is still in process. Once the reforms to amortised cost measurement and hedge accounting are completed, the revised guidance will be included in IFRS 9 and IAS 39 will be withdrawn.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. In August 2011 the IASB issued an exposure draft, ED/2011/3, *Mandatory Effective Date of IFRS 9*, which proposed deferring the effective to annual periods beginning on or after 1 January 2015.

Throughout this manual, guidance is provided on the assumption that the entity has adopted all of the requirements of IFRS 9 in issue at 30 April 2011. *iGAAP 2012 – Financial Instruments: IAS 39 and related Standards – Volume C*, Deloitte's companion volume for this manual, provides guidance for entities that have not yet adopted any of the

requirements of IFRS 9. Chapter B14 provides guidance for entities that already apply IFRSs but that are adopting the requirements of IFRS 9 for the first time.

The definition of a financial instrument is broad; a financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and payables, bank loans and overdrafts, issued debt, ordinary and preference shares, investments in securities (e.g. shares and bonds), and various derivatives are just some examples of financial instruments. In addition, some contracts to buy and sell non-financial items that would not meet the definition of financial instruments are specifically brought within the scope of the financial instruments Standards on the basis that they behave and are used in a similar way to financial instruments (see **2.5** below).

This chapter explains which items that meet the definition of a financial instrument are scoped out of IAS 32 and/or IAS 39, IFRS 7 and IFRS 9. The detailed scope exclusions of IFRS 7 are discussed in more detail in **section 2** of **chapter B12**.

All four Standards have detailed scoping paragraphs that exclude from their scope certain financial instruments. In the case of IFRS 9 only, the scoping paragraphs in the Standard simply cross-refer to the scoping paragraphs of IAS 39 so that all the scope exceptions in IAS 39 are equivalent to those in IFRS 9. The scoping paragraphs of the remaining three Standards (IAS 32, IAS 39 and IFRS 7) differ slightly so that:

- all financial instruments that are scoped out of IAS 32 are also scoped out of IAS 39 and IFRS 9;
- financial instruments that an entity issues with a discretionary participation feature are accounted for under IFRS 4 *Insurance Contracts* and are scoped out of IAS 39 and IFRS 9. Such instruments are within the scope of IFRS 7 and IAS 32 except that, for such contracts, the requirements of IAS 32 regarding the distinction between financial liabilities and equity instruments are not applicable;
- IAS 39 and IFRS 9 have some additional scope exclusions that go beyond the scope exclusions in IAS 32 (see **section 3** below); and
- IAS 39 and IFRS 9 exclude all instruments classified as equity from their scope, whereas IFRS 7 appears to exclude only those derivatives over own equity, puttable instruments and instruments that impose on the entity an obligation to deliver a pro rata share of the net assets upon liquidation that are classified as equity, making no reference to other non-derivative instruments such as ordinary shares. It appears that this difference does not have any practical effect (see **3.1** below).

2 Financial instruments scoped out of IAS 32, IAS 39, IFRS 7 and IFRS 9

The following table summarises the scope of IAS 32, IAS 39, IFRS 7 and IFRS 9 with respect to financial instruments only.

Financial instrument	Within scope of IAS 32?	Within scope of IFRS 7?	Within scope of IAS 39 and IFRS 9?
Interests in subsidiaries, associates and joint ventures accounted for in accordance with IAS 27(2008), IAS 28(2008), IAS 31(2008), IAS 27(2011) or IAS 28(2011)	No	No	No
Interests in subsidiaries, associates and joint ventures accounted for in accordance with IFRS 9 as permitted by IAS 27(2008):38(b) or IAS 27(2011):10(b)	Yes	Yes	Yes
Investments in equity securities	Yes	Yes	Yes
Investments in debt securities	Yes	Yes	Yes
Trade receivables and payables	Yes	Yes	Yes
Finance lease receivables of a lessor	Yes	Yes	No [1]
Construction contract receivables that do not qualify as financial instruments and are accounted for under IAS 11 *Construction Contracts* (see **2.7** below)	No	No	No
Cash and cash equivalents	Yes	Yes	Yes
Borrowings and other financial liabilities (e.g. preference shares classified as financial liabilities)	Yes	Yes	Yes
Derivatives (and non-closely related embedded derivatives)	Yes	Yes	Yes
Derivatives over interests in subsidiaries, associates and joint ventures in individual financial statements	Yes	Yes	Yes
Derivatives over interests in associates and joint ventures in consolidated financial statements	Yes	Yes	Yes

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Consequently, it is reasonable to consider such a loan commitment for Entity Y as also being outside the scope of IAS 39 and IFRS 9.

4 Future developments

IFRS 9 is expected to replace IAS 39 in its entirety in the second half of 2011. The IASB has previously agreed to consider all aspects of IAS 39 as part of its replacement of that Standard, including reconsideration of the scope of the finalised financial instruments Standard, IFRS 9. However, at the date of writing, no decisions have been made in this regard.

In December 2010 the IASB issued an exposure draft, ED/2010/13, *Hedge Accounting*, as part of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* with IFRS 9 *Financial Instruments*. Within the exposure draft was a proposed amendment to IAS 32 to extend the scope of financial instruments accounting to include more non-financial contracts than is currently permitted. The exposure draft proposed that an entity would account for a contract that was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements as a derivative financial instrument if that accounting is in accordance with the entity's underlying business model and how the contracts are managed. That would be the case for a fair value-based risk management strategy, i.e. the entire business is managed on a fair value basis and the net exposure is maintained close to nil.

At the date of writing the proposals included in the exposure draft have not been finalised.

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B2 Financial assets

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1 Introduction

IFRS 9 *Financial Instruments* was published in November 2009 and subsequently amended in October 2010. The Standard has replaced the classification requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for both financial assets and financial liabilities as well as incorporating the recognition and derecognition requirements, and most of the measurement requirements, previously contained in IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. However, in August 2011 the IASB issued an exposure draft, ED/2011/3, *Mandatory Effective Date of IFRS 9*, which proposed deferring the effective to annual periods beginning on or after 1 January 2015.

Eventually, it is intended that IFRS 9 will become a single comprehensive financial instruments Standard; additional requirements will be added regarding, for example, amortised cost measurement, impairment and hedge accounting. Until those requirements are finalised, entities applying IFRS 9 will continue to apply IAS 39 for the aspects of financial instrument accounting not yet addressed in IFRS 9.

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The objective of IFRS 9 is to establish principles for financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

Under IFRS 9, financial assets are classified as being subsequently measured at either amortised cost or fair value. Gains and losses on assets measured at fair value are recognised either in profit or loss ('fair value through profit or loss') or, for certain investments in equity instruments, in other comprehensive income ('fair value through other comprehensive income').

2 Interaction with IAS 39, IFRS 7 and IAS 32

At the date of writing, IFRS 9 addresses the classification, measurement (except for amortised cost measurement), recognition and derecognition of financial instruments. The aspects of financial instrument accounting not yet dealt with by IFRS 9, for which entities applying IFRS 9 need to continue to refer to IAS 39, are as follows.

- **Amortised cost measurement guidance.** IFRS 9 determines whether a financial asset is measured at amortised cost or at fair value. The

definitions for, and guidance on determining, amortised cost remain in IAS 39 (see **section 4** of **chapter B6**).

- **Recognition and measurement of impairment for financial assets measured at amortised cost.** Financial assets measured at amortised cost in accordance with IFRS 9 are subject to the impairment requirements of IAS 39 (see **section 5** of **chapter B6**). [IFRS 9:5.2.2]
- **Hedge accounting.** The hedge accounting provisions of IAS 39 apply whether or not the hedged item or hedging instrument is in the scope of IFRS 9 (see **chapters B9 to B11**).

In addition, the disclosure requirements of IFRS 7 *Financial Instruments: Disclosures*, after consequential amendments arising from IFRS 9, are also applicable (see **chapter B12**).

The requirements of IAS 32 *Financial Instruments: Presentation* apply to entities applying IFRS 9. Specifically, the definition of a financial asset (see **section 3** below), whether a derivative over own equity is an equity instrument or an asset or liability in the scope of IFRS 9 (e.g. a purchased or written call option over own shares) (see **section 6** in **chapter B3**), and the requirements regarding the offset of financial assets and financial liabilities (see **section 6** in **chapter B12**), are all applicable.

3 Definition of a financial asset

A financial asset is "any asset that is:
[IAS 32:11]

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

 (i) to receive cash or another financial asset from another entity; or

 (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

 (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

 (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with [IAS 32:16A and 16B], instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with [IAS 32:16C and 16D], or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments".

A deposit of cash with a bank or similar institution is a financial asset because it represents the contractual right of the depositor to obtain cash from the institution or to draw a cheque or similar instrument against the balance in favour of a creditor in payment of a financial liability.

Common examples of financial assets that represent a contractual right to receive cash in the future are trade accounts receivable, notes and loans receivable, and debt securities. An example of a financial asset that represents a contractual right to receive a financial asset other than cash is a note payable in treasury bonds which gives the holder the contractual right to receive treasury bonds.

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Gold bullion is not a financial instrument, it is a commodity. Although bullion is highly liquid, there is no contractual right to receive cash or another financial asset inherent in the bullion. [IFRS 9:IG.B.1] When the anticipated future economic benefit is the receipt of goods or services (e.g. in the case of prepaid expenses), the asset is not a financial asset. Also, assets that represent rights to receive cash that are not contractual (e.g. tax receivables) are not financial assets because they arise from statutory requirements. [IAS 32:AG12]

The definition for a financial asset as set out above (in combination with the scope requirements of IFRS 9 detailed in **chapter B1**) results in the following contractual arrangements being financial assets within the scope of IFRS 9:

- investments in equity instruments;
- investments in debt instruments;
- trade receivables;
- cash and cash equivalents;
- derivative assets;
- interests in subsidiaries, associates and joint ventures accounted for in accordance with IFRS 9; and

- deferred or contingent consideration receivable in a business combination (seller).

The definition of a financial asset also includes some derivative and non-derivative contracts indexed to, or settled in, an issuer's equity instruments, as illustrated in **example 3**.

> **Example 3**
>
> **Derivative financial asset**
>
> On 1 February 20X0, Entity E enters into a contract with Entity F under which Entity E will receive the fair value of 1,000 of its own ordinary shares in exchange for a payment of CU104,000 in cash (i.e. CU104 per share) on 31 January 20X1. Under the terms of the contract, settlement will be net in cash. The market price per share of Entity E's ordinary shares on 1 February 20X0 is CU100.
>
> The initial value of the forward contract on 1 February 20X0 is zero. On 31 December 20X0, Entity E's share price has increased and, as a result, the fair value of the forward contract has increased to CU6,300. Entity E recognises a derivative asset of CU6,300.

For further detail on the classification of contracts indexed to or settled in an entity's own equity instruments as derivative assets or liabilities, gross liabilities or equity, by the issuer, see **section 6** in **chapter B3**.

4 Initial recognition and initial measurement of financial assets

4.1 Initial recognition

An entity should only recognise a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. [IFRS 9:3.1.1] For a more detailed discussion of IFRS 9's requirements regarding the initial recognition of financial assets, see **section 2** of **chapter B8**.

Under IFRS 9:3.1.2, a 'regular way' purchase or sale of financial assets can be recognised (and derecognised) using either trade date or settlement date accounting (see **2.2** of **chapter B8**).

4.2 Initial measurement

IFRS 9 requires that a financial asset should be measured at initial recognition at its fair value plus, for financial assets not subsequently

measured 'at fair value through profit or loss' (see **section 5** below), transaction costs that are directly attributable to the acquisition of the financial asset (see **section 2** of **chapter B6**). [IFRS 9:5.1.1]

> **Example 4.2**
>
> **Transaction costs**
>
> [IFRS 9:B5.2.2]
>
> An entity acquires an asset for CU100 plus a purchase commission of CU2. It elects to measure the asset at fair value through other comprehensive income (see **5.3** below). Initially, the entity recognises the asset at CU102. The reporting period ends one day later, when the quoted market price of the asset is CU100. If the asset were sold, a commission of CU3 would be paid. On that date, the entity measures the asset at CU100 (without regard to the possible commission on sale) and recognises a loss of CU2 in other comprehensive income.

IFRS 9's requirements regarding initial measurement are described in more detail in **chapters B6** and **B7**; the discussion includes the definition of fair value (see **section 3** of **chapter B7**), the appropriate accounting for transaction costs on initial recognition (see **2.1** of **chapter B6**) and guidance regarding the recognition of 'day 1 P&L' (see **5.3.1** of **chapter B7**).

5 Classification and measurement of financial assets

Subsequent to initial recognition, IFRS 9 requires all assets within its scope to be measured at either amortised cost or fair value. [IFRS 9:5.2.1] For those assets measured at fair value, gains and losses arising are recognised either in profit or loss or, for certain investments in equity instruments, in other comprehensive income.

Therefore, under IFRS 9 there are three measurement classifications for financial assets:

- amortised cost (see **5.1 below**);
- fair value through profit or loss (see **5.2 below**); and
- fair value through other comprehensive income (see **5.3 below**).

IFRS 9 precludes the separation of any embedded derivatives from a hybrid contract when the host contract is a financial asset within its scope (see **section 2** of **chapter B5**). Instead, the entire hybrid financial asset is categorised into one of the three categories above.

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5.1 Amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:
[IFRS 9:4.1.2]

(a) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows (the *business model test*, see **5.1.1** below); and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the *contractual cash flows characteristics test*, see **5.1.2** below).

If a financial asset satisfies both of these conditions, it is required to be measured at amortised cost unless it is designated as at fair value through profit or loss (FVTPL) on initial recognition (see **5.2.1** below). Financial assets that do not meet both conditions are required to be subsequently measured at fair value (see **5.2** and **5.3** below).

Because both conditions (the business model test and the contractual cash flows characteristics test) must be met for amortised cost measurement, the order in which the tests are performed is irrelevant. However, in practice it is likely that the business model test will be considered first because it is performed at a higher level of aggregation and not for each financial asset individually.

5.1.1 *Business model test*

For the purpose of the business model test, an entity is required to assess whether its business objective in holding the financial assets under consideration is to collect the contractual cash flows of the assets rather than realise their fair value by disposing of the financial assets before their contractual maturity. [IFRS 9:4.1.2(a)]

The business model test is not applied at an individual instrument level but instead applies at a higher level of aggregation (e.g. a business unit level or a portfolio level). Therefore, it is not based on management's intent for an individual instrument. [IFRS 9:B4.1.2]

Whether an entity's financial assets meet this test is based on the objective of the business model as determined by the entity's key management personnel (as defined in IAS 24 *Related Party Disclosures*). [IFRS 9:B4.1.1] An entity's business model is not a matter of choice (i.e. it is not a

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voluntary designation) but rather it is a matter of fact that can be observed by the way an entity is managed and information is provided to its management. [IFRS 9:BC4.20]

5.1.1.1 *Holding assets to collect contractual cash flows*

In order to determine if financial assets are held with the objective of collecting the contractual cash flows, it is necessary to have a thorough understanding of why the entity is holding financial assets within that business and to apply judgement.

IFRS 9's business model test is not equivalent to IAS 39's criteria for qualification as held-to-maturity investments; that is to say, eligibility for amortised cost measurement under IFRS 9 is not dependent on the entity holding the assets until their maturity. However, the objective of the entity's business model must be to collect the contractual cash flows, rather than to realise the value of the financial assets through sale.

IFRS 9 does not specifically define what is meant by the expression "to hold assets in order to collect contractual cash flows", although it does provide application guidance on how this condition should be applied. The business model test in IFRS 9 is intended to capture more financial assets at amortised cost than simply those financial assets that fail the held for trading definition in Appendix A of IFRS 9. However, if financial assets meet IFRS 9's definition for 'held for trading' (see **5.1.1.4** below) they will not pass the business model test because the objectives for holding held for trading assets are inherently inconsistent with the concept of holding the financial assets to collect the contractual cash flows.

Business models are likely to remain unchanged for prolonged periods. When an entity's business model does change, IFRS 9 requires financial assets to be reclassified (see **section 7** below).

Example 5.1.1.1A

Trade receivables

Entity B sells goods to customers on credit. Entity B typically offers customers up to 60 days following the delivery of goods to make payment in full. Entity B collects the cash in accordance with the contractual cash flows of the trade receivables and has no intention to dispose of the receivables.

Entity B's objective is to collect the contractual cash flows from the trade receivables and, therefore, the trade receivables meet the business model test for the purpose of classifying the financial assets at amortised cost.

Example 5.1.1B

Liquidity portfolio

[illegible]

An entity may determine that financial assets are held for the purpose of collecting contractual cash flows even if those cash flows are hedged (whether merely economically hedged or in a hedge accounting relationship). When debt instruments are held with a view to collecting the contractual cash flows, but the business also makes use of derivatives to manage risk (e.g. interest rate or foreign currency swaps), this does not necessarily alter the assessment regarding whether the debt instruments meet the business model test for the purpose of measurement at amortised cost. This is the case even if the cash inflows from the debt instruments (e.g. interest) are received under the contractual terms of the debt instrument and are concurrently paid out gross (or net of receipts under the derivative) to the counterparty of the derivative. Because the assets are held by the business with a view to receiving the contractual cash flows, the business model test for the purpose of classifying the financial assets at amortised cost may still be met.

Example 5.1.1C

Financial assets with incurred credit losses that are hedged

[IFRS 9:B4.1.4, Example 2]

An entity's business model is to purchase portfolios of financial assets, such as loans. Those portfolios may or may not include financial assets with incurred credit losses. If payment on the loans is not made on a timely basis, the entity attempts to extract the contractual cash flows through various means—for example, by making contact with the debtor by mail, telephone or other methods.

In some cases, the entity enters into interest rate swaps to change the interest rate on particular financial assets in a portfolio from a floating interest rate to a fixed interest rate.

The objective of the entity's business model is to hold the financial assets and collect the contractual cash flows. The entity does not purchase the portfolio to make a profit by selling them.

The same analysis would apply even if the entity does not expect to receive all of the contractual cash flows (e.g. some of the financial assets have incurred credit losses).

Moreover, the fact that the entity has entered into derivatives to modify the cash flows of the portfolio does not in itself change the entity's business model. If the portfolio is not managed on a fair value basis, the objective of the business model could be to hold the assets to collect the contractual cash flows.

5.1.1.2 *Multiple business models*

A single entity may have more than one business model for managing various holdings of financial instruments. Therefore, classification need not be determined at the reporting entity level. An entity may hold a portfolio of investments that it manages in order to collect contractual cash flows and another portfolio of investments that it manages in order to trade to realise fair value changes. [IFRS 9:B4.1.2]

Example 5.1.1.2

More than one business model

[illegible]

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5.1.1.3 *Asset sales before contractual maturity*

Because the assessment under the business model test is performed at a portfolio level, and not on an instrument-by-instrument basis, an entity's business model can be to hold financial assets to collect contractual cash flows even when there are infrequent sales of those financial assets. Therefore, although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. [IFRS 9:B4.1.3]

For example, the entity may sell a financial asset if:
[IFRS 9:B4.1.3]

- the financial asset no longer meets the entity's investment policy (e.g. the credit rating of the asset declines below that required by the entity's investment policy); or
- an insurer adjusts its investment portfolio to reflect a change in expected duration (i.e. the expected timing of payouts); or
- an entity needs to fund capital expenditures.

However, if more than an infrequent number of sales are made out of a portfolio, the entity should assess whether and how such sales are consistent with an objective of collecting contractual cash flows. [IFRS 9:B4.1.3]

Example 5.1.1.3A

Selling an investment in specified circumstances

[IFRS 9:B4.1.4, Example 1]

An entity holds investments to collect their contractual cash flows but would sell an investment in particular circumstances.

Although an entity may consider, among other information, the financial assets' fair values from a liquidity perspective (i.e. the cash amount that would be realised if the entity needs to sell assets), the entity's objective is to hold the financial assets and collect the contractual cash flows. Some sales would not contradict that objective.

Example 5.1.1.3B

Unexpected sales and impact on business model assessment

Entity F holds a portfolio of debt instruments with the objective of collecting the contractual cash flows from those instruments. Entity F measures the debt instruments at amortised cost.

Entity F sells some of the debt instruments prior to their maturity to fund the settlement of a legal claim which was not previously expected to be settled.

Notwithstanding the unforeseen sale of the debt instruments, Entity F can continue to assert that its business model is to collect the contractual cash flows on its debt instruments because the sales were unexpected and are not customary. This business model assessment is applicable to debt instruments that continue to be recognised in the business as well as new debt instruments recognised by the business.

Example 5.1.1.3C

Sales of assets to minimise credit losses

Entity Q is a financial institution that holds for the long term a portfolio of debt investments with a high credit quality. Entity Q expects to collect the contractual cash flows on the instruments. However, Entity Q's internal guidelines require that if a debt instrument's credit rating falls below a specified level, and its fair value falls below 60 per cent of its par value, Entity Q is required to sell the asset (a 'stop loss feature').

Even though Entity Q's business model requires the debt instruments to be sold when specified trigger events occur, it may still be appropriate for Entity Q to regard its business as holding the assets to collect the contractual cash flows. Sales of assets are not expected to be frequent and they are only carried out in order to limit losses in circumstances when there is significant deterioration in the credit quality of a particular instrument.

An entity will need to reassess its business model each reporting period to determine whether the business model has changed since the preceding period. Increasing levels of sales of financial assets held within a business that previously met the amortised cost criteria may be evidence that the business model has changed and, therefore, warrant reclassification of financial assets (see **section 7** below).

When sales of financial assets measured at amortised cost become more frequent, but the business model is itself unchanged, the remaining assets in the business will continue to be measured at amortised cost. However, this would not be the case if the business model assessment underlying the amortised cost classification in the previous financial statements was determined to be in error; in such circumstances, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would require the financial assets to be reclassified as at FVTPL.

As described in **5.1.1.2** above, an entity may have multiple business models. At initial recognition, care should be taken in determining whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model; if they are considered to reflect the commencement

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