

IAS 1 Presentation of Financial Statements (May 2007)

IAS 1 Presentation of Financial Statements/IAS 39 Financial Instruments: Recognition and Measurement—Current or non-current presentation of derivatives classified as ‘held for trading’ under IAS 39

The IFRIC was asked to provide guidance on whether derivatives that are classified as held for trading in accordance with IAS 39 should be presented as current or non-current in the balance sheet. Such derivatives may be settled more than one year after the balance sheet date.

IAS 39 sets out requirements on the recognition and measurement of financial instruments. It does not address how financial instruments should be presented in the balance sheet. Consequently, some believed that the held-for-trading classification under IAS 39 is solely for measurement purposes. IAS 1 paragraphs 51-62 set out requirements for the presentation of an asset or a liability as current or noncurrent in the balance sheet. IAS 1 paragraph 56 states that information about the liquidity and solvency of an entity is useful for users of the financial statements. In the light of the above requirements, the IFRIC decided not to take the issue on to its agenda. However, it noted that some believe that IAS 1 paragraph 62 could be read as implying that financial liabilities that are classified as held for trading in accordance with IAS 39 are required to be presented as current. Therefore, the IFRIC directed the staff to recommend to the Board an amendment to IAS 1 paragraph 62 to remove that implication.