

IAS 39 Financial Instruments: Recognition and Measurement (January 2015)

***Recognition and Measurement* and IAS 1 *Presentation of Financial Statements*—Income and expenses arising on financial instruments with a negative yield—presentation in the statement of comprehensive income**

The Interpretations Committee discussed the ramifications of the economic phenomenon of negative effective interest rates for the presentation of income and expenses in the statement of comprehensive income.

The Interpretations Committee noted that interest resulting from a negative effective interest rate on a financial asset does not meet the definition of interest revenue in IAS 18 *Revenue*, because it reflects a gross outflow, instead of a gross inflow, of economic benefits. Consequently, the expense arising on a financial asset because of a negative effective interest rate should not be presented as interest revenue, but in an appropriate expense classification. The Interpretations Committee noted that in accordance with paragraphs 85 and 112(c) of IAS 1 *Presentation of Financial Statements*, the entity is required to present additional information about such an amount if that is relevant to an understanding of the entity's financial performance or to an understanding of this item.

The Interpretations Committee considered that in the light of the existing IFRS requirements an interpretation was not necessary and consequently decided not to add the issue to its agenda.