

IAS 39 Financial Instruments: Recognition and Measurement (May 2010 - July 2010)

IAS 39 *Financial Instruments: Recognition and Measurement* – Impairment of financial assets reclassified from available-for-sale to loans and receivables

The Committee received a request for guidance on how an entity should account for the impairment of financial assets with a fixed maturity after they have been reclassified from the available-for-sale ('AFS') category to loans and receivables.

The Committee noted that paragraph 50C of IAS 39 requires that the fair value of a financial asset on the date of reclassification becomes its new cost or amortised cost. A new effective rate of interest is then calculated and applied to the financial asset. This is the rate that discounts the estimated future cash flows to the new carrying amount of the financial asset. The Committee also noted that, when an impairment loss is recognised, applying the requirements of paragraph 54 of IAS 39 would result in all gains or losses that have been recognised in other comprehensive income being reclassified from equity to profit or loss.

The Committee noted that IAS 39 provides sufficient guidance on financial assets that are reclassified from AFS to loans and receivables and that it does not expect diversity in practice. Consequently, the Committee [decided] not to add this issue to its agenda.