
IASB[®] meeting

Date	February 2024
Project	Annual Improvements to IFRS Accounting Standards—Volume 11
Topic	Gain or Loss on Derecognition (Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i>): Analysis of feedback
Contacts	Stefano Tampubolon (stampubolon@ifrs.org)

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Introduction

1. As explained in Agenda Paper 12 *Maintenance and consistent application—Cover paper*, this paper analyses feedback on *Gain or Loss on Derecognition* (Amendments to IFRS 7 *Financial Instruments: Disclosures*) included in the [Exposure Draft Annual Improvements to IFRS Accounting Standards—Volume 11](#). The International Accounting Standards Board (IASB) proposed to amend paragraph B38 of IFRS 7 to update an obsolete cross-reference.

Summary of staff recommendations

2. We recommend that the IASB finalise with no changes the proposed amendments to paragraph B38 of IFRS 7.

Structure of this paper

3. This paper includes:
 - (a) [Background information](#);
 - (b) [Summary of feedback](#);
 - (c) [Staff recommendation and question for the IASB](#); and

- (d) [Appendix A—Extract from the Exposure Draft for proposed amendments to paragraph B38 of IFRS 7 *Financial Instruments: Disclosures*.](#)

Background information

4. Paragraphs BC1–BC3 of the Basis for Conclusions on the proposed amendments to IFRS 7 in the Exposure Draft explain the background and the IASB’s rationale for the proposed amendments. Paragraphs BC1–BC3 state:

BC1 In May 2011 the IASB issued IFRS 13 *Fair Value Measurement* and made consequential amendments to several IFRS Accounting Standards. The amendments included the deletion of paragraphs 27–27B of IFRS 7 *Financial Instruments: Disclosures*. However, the IASB omitted to delete from paragraph B38 of IFRS 7 what would become, after IFRS 13 was issued, an obsolete reference to paragraph 27A of IFRS 7.

BC2 Paragraphs 27–27B of IFRS 7 had set out disclosure requirements relating to fair value. In particular, paragraph 27A described a fair value hierarchy and how an entity would classify fair value measurements within each level of the hierarchy.

BC3 The IASB observed that the requirements in paragraphs 72–73 of IFRS 13 effectively replaced the requirements in paragraph 27A of IFRS 7. The IASB therefore proposes to amend paragraph B38 of IFRS 7 to replace:

- (a) the reference to paragraph 27A of IFRS 7 with a reference to paragraphs 72–73 of IFRS 13; and
- (b) the phrase ‘inputs that were not based on observable market data’ with ‘unobservable inputs’

to align that paragraph with the wording in paragraph 72 of IFRS 13.

5. The IASB did not propose any specific transition requirements. As discussed in [Agenda Paper 12G](#) for the February 2023 IASB meeting, the IASB does not expect any change in practice arising from the proposed amendments. In the absence of any specific transition requirements, an entity would apply the proposed amendments retrospectively in accordance with paragraph 19(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
6. Appendix A to this paper reproduces the proposed amendments to paragraph B38 of IFRS 7.

Summary of feedback

7. Thirty-five respondents commented on the proposed amendments to paragraph B38 of IFRS 7. All respondents agreed with the proposed amendments and provided no other comments.
8. No respondents commented on the proposed transition requirements.

Staff recommendation and question for the IASB

9. Based on the feedback, we recommend the IASB finalise with no changes the proposed amendments to paragraph B38 of IFRS 7 (see Appendix A to this paper).

Question for the IASB

Does the IASB agree with our recommendation to finalise with no changes the proposed amendments to paragraph B38 of IFRS 7 (see Appendix A to this paper)?

Appendix A—Extract from the Exposure Draft for proposed amendments to paragraph B38 of IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44KK is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

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44KK *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in [Month, Year], amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after [date to be determined]. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

...

Appendix B Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

Derecognition (paragraphs 42C–42H)

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Gain or loss on derecognition (paragraph 42G(a))

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs 72–73 of IFRS 13~~paragraph 27A~~.