IFRS 7
Financial instruments: disclosures

1. Objective

This Standard sets out information relating to financial instruments that must be disclosed in the entity's financial statements. The aim of the Standard is to enable users to evaluate the significance of financial instruments for the entity's financial position and performance, as well as the nature and extent of risks arising from the financial instruments.
The Standard complements IAS 32 and IFRS 9.

2. Scope

This Standard applies to all types of financial instruments, recognized or not, with the exception of:

- interests in subsidiaries, associates and joint ventures which are accounted for under IAS 27, IAS 28 and IFRS 10 at cost;
- employers' rights and obligations arising from employee benefit plans within the scope of IAS 19;
- insurance contracts under IFRS 17;
- financial instruments, contracts and obligations under share-based payment transactions under IFRS 2.

Information must be presented by classes of financial instruments, taking into account the characteristics of these instruments. Such information must be sufficient to enable reconciliation to the respective line items presented in the Statement of financial position.

3. Disclosure

3.1 Concerning the Statement of financial position (balance sheet)

The following information must be disclosed:

- the categories of assets and financial liabilities (carrying amount of the categories defined in IFRS 9), namely:
  - ✓ financial assets at fair value through profit or loss;
  - ✓ financial liabilities at fair value through net profit or loss;
  - ✓ financial liabilities measured at amortized cost;
  - ✓ financial assets at fair value through other comprehensive income.

- financial assets or financial liabilities at fair value through other comprehensive income, disclosing:
  - ✓ the maximum exposure to credit risk of the financial asset or liability at the end of the reporting period;
  - ✓ the amount by which any related credit derivatives or similar instruments mitigate this maximum exposure to credit risk;
  - ✓ the amount of change, during the period and cumulatively, in the fair value of the financial asset or liability that is attributable to changes in the credit risk of the financial asset;
  - ✓ the amount of the change in the fair value of any related credit derivatives or similar instruments, occurring during the period and cumulatively since the financial asset or liability was designated.

- reclassifications

This may be the case, for example, when the company reclassifies a financial asset as measured at amortized cost, having previously been measured at fair value, or vice-versa, as well as when changing from one category to another. Justification for this reclassification must be given.

- derecognition

For each derecognized financial asset, the company must indicate in its financial statements:
  - ✓ the nature of the assets;
  - ✓ the nature of the risks and rewards of ownership of its assets to which the company remains exposed;
  - ✓ if the company continues to recognize the entirety of its assets, the carrying amount of these assets and associated liabilities.

- financial collateral

The entity must disclose the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities, as well as the terms and conditions of such pledge;

- allowance account for credit losses;
- compound financial instruments with multiple embedded derivatives;
- defaults and breaches.

3.2 The Statement of comprehensive income and the Statement of changes in equity

An entity shall disclose all items of income, expenses, gains or losses related to financial assets and liabilities.

3.3 Other disclosures

The following must also be disclosed:

- judgements made by management that have the most significant effect on the amounts recognised in the financial statements, except those involving estimates used to apply accounting policies to be provided for a better understanding of the financial statements;
- hedge accounting, providing a description of each type of hedge, a description of the financial instruments designated as hedging instruments, and their fair value at the end of the reporting period, as well as the nature of the risks hedged;
- fair value. The entity must indicate the fair value of each category of assets and financial liabilities so as to enable comparisons with their respective carrying amounts;
- the nature and extent of the risks arising from financial instruments. A distinction must be made between:
  - ✓ qualitative information, such as: exposures to risk, objectives, policies and the risk management procedures; methods implemented to measure the risk and the variations in risk compared with the previous period.
  - ✓ quantitative information.

The main risks are:

- **credit risk**: this is the risk that one party to a financial instrument will fail to discharge its obligations and thus cause the other party to incur a financial loss;

- **liquidity risk**: this is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities;

- **Market risk**: this is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. the market risk includes three types of risks: currency risk, interest rate risk and other price risk.

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