



# SLFRS 9 - FINANCIAL INSTRUMENTS

✓ **WHAT IS A FINANCIAL INSTRUMENT?**

✓ **DIFFERENCES BETWEEN LKAS 39 & SLFRS 9**

	LKAS 39	SLFRS 9
Classification	FVTPL L & R HTM AFS	Financial Instruments (FI) Measured At Amortized Cost FI Measured AT FVTPL FI Measured At FVTOCI
Classification Depend On	Type of instrument	Contractual Cash Flow Characteristics (SPPI) Business Model
Impairment	Incurred Loss Model	Expected Loss Model

**Financial Instruments**

**Debt Instruments**  
(Contractual Cash Flow Test- Cash Flows solely for the Payment of Principle & Interest)

**Equity Instruments**  
(Additional Cash Flows like Capital Gains will receive – Trading Stock)

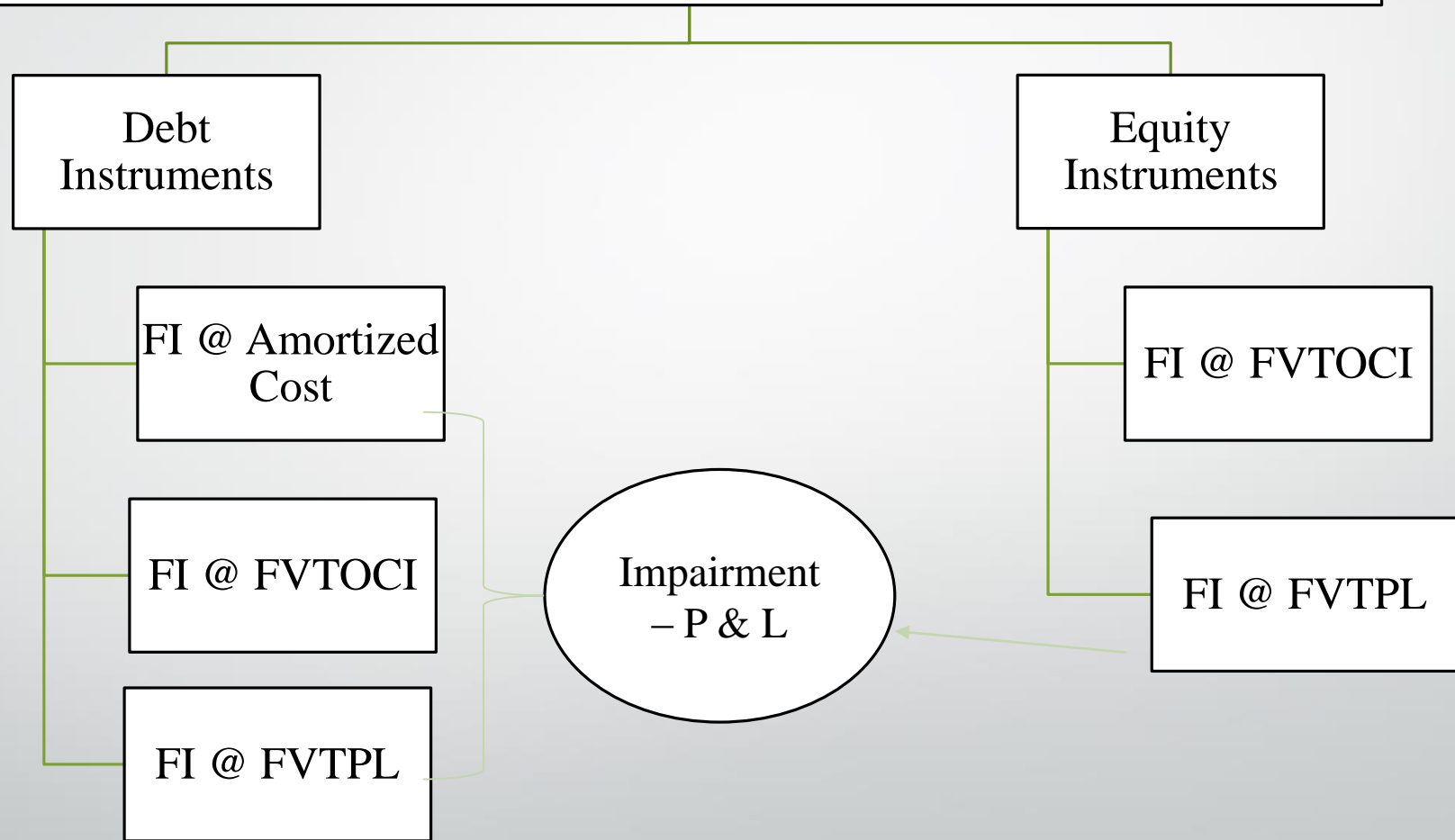
Business Model Test – How an entity manages it's Financial Instruments to generate Cash Flows

Hold To Collect  
at Amortized  
Cost

Hold To Collect  
& Sell  
at FVTOCI

Hold To Sell  
at FVTPL

# Impairment – Expected Credit Loss Model



# Impairment – Expected Credit Loss Model Contd.....

Stage 1	Stage 2	Stage 3
Performing	Under Performing	Non- Performing
Credit risk not increased significantly	Credit risk increased significantly	Credit impaired
12 Months ECL	Lifetime ECL	Lifetime ECL
Default events within one year	All possible default events over expected life of the financial instrument	

# Impairment – Expected Credit Loss Model Contd.....

<b>Simplified Approach</b>	<b>General Approach</b>
Trade Receivables/ Contract Assets	Debt Instruments
No Significant Finance Component	Significant Finance Component is available
Lifetime ECL	Three Stage ECL

# HOW TO CALCULATE THE IMPAIRMENT UNDER ECL MODEL?

## ✓ Components of ECL

1. Probability of Default (PD)
2. Economic Factor Analysis (EFA)
3. Loss Given Default (LGD)
4. Discounting Factor