Companies (Accounting Standards) (Amendment) Regulations 2006

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No. S 2

COMPANIES ACT
(CHAPTER 50)

COMPANIES (ACCOUNTING STANDARDS) (AMENDMENT) REGULATIONS 2006

In exercise of the powers conferred by section 200A(1) of the Companies Act, the Accounting Standards Committee (known as the Council on Corporate Disclosure and Governance), with the approval of the Minister for Finance, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Companies (Accounting Standards) (Amendment) Regulations 2006 and shall come into operation on 3rd January 2006.

Amendment of Third Schedule

2. The Third Schedule to the Companies (Accounting Standards) Regulations (Rg 6) is amended —

(*a*) by inserting, immediately after paragraph (iv) in the third column of the item relating to FRS 1, the following paragraphs:

				"(v) Insert, immediately after paragraph 124 of IAS 1, the following paragraphs:
				"Capital
				124A. An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
				124B. To comply with paragraph 124A, the entity discloses the following:
				(*a*) qualitative information about its objectives, policies and processes for managing capital, including (but not limited to):
				(i) a description of what it manages as capital;
				(ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and
				(iii) how it is meeting its objectives for managing capital.
				(*b*) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges).
				(*c*) any changes in (*a*) and (*b*) from the previous period.
				(*d*) whether during the period it complied with any externally imposed capital requirements to which it is subject.
				(*e*) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
				These disclosures shall be based on the information provided internally to the entity's key management personnel.
				124C. An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may

					include entities that undertake insurance activities and banking activities, and those entities may also operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.".”;

(*b*) by inserting, immediately after paragraph (iii) in the third column of the item relating to FRS 32, the following paragraphs:

					"(iv) Delete sub-paragraph (*d*) of paragraph 4 in IAS 32 and substitute the following sub-paragraph:
					(d) insurance contracts as defined in FRS 104 Insurance Contracts. However, this Standard applies to derivatives that are embedded in insurance contracts if FRS 39 requires the entity to account for them separately. Moreover, an issuer shall apply this Standard to financial guarantee contracts if the issuer applies FRS 39 in recognising and measuring the contracts, but shall apply FRS 104 if the issuer elects, in accordance with paragraph 4 (d) of FRS 104, to apply FRS 104 in recognising and measuring them.".
					(v) Insert, immediately after the words "financial asset or financial liability at fair value through profit or loss" in paragraph 12 of IAS 32, the following words:
					"• financial guarantee contract".
					(vi) Delete sub-paragraphs (*b*) and (*c*) of paragraph 66 in IAS 32, and substitute the following sub-paragraphs:
					"(*b*) the basis of measurement applied to financial assets and financial liabilities on initial recognition and subsequently;
					(*c*) the basis on which income and expenses arising from financial assets and financial liabilities are recognised and measured; and
					(*d*) for financial assets or financial liabilities designated as at fair value through profit or loss:

			(i) the criteria for so designating such financial assets or financial liabilities on initial recognition.
			(ii) how the entity has satisfied the conditions in paragraph 9, 11A or 12 of FRS 39 for such designation. For instruments designated in accordance with paragraph 9 (*b*) (i) of FRS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph 9 (*b*) (ii) of FRS 39, that disclosure includes a narrative description of how designation as at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.
			(iii) the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss.".
			(vii) Re-number sub-paragraphs (*g*) to (*j*) of paragraph 94 in IAS 32 as sub-paragraphs (*j*) to (*m*), delete sub-paragraphs (*e*) and (*f*) of paragraph 94 in IAS 32 and substitute the following sub-paragraphs:
			"***(e) An entity shall disclose the carrying amounts of:***
			(i) financial assets that are classified as held for trading;
			(ii) financial liabilities that are classified as held for trading;
			(iii) financial assets that, upon initial recognition, were designated by the entity as financial assets at fair value through profit or loss (i.e. those that are not financial assets classified as held for trading);
			(iv) financial liabilities that, upon initial recognition, were designated by the entity as financial liabilities at fair value through profit or loss (i.e. those that are not financial liabilities classified as held for trading).
			(f) An entity shall disclose separately net gains or net losses on financial assets or financial liabilities

					designated by the entity as at fair value through profit or loss.
					(g) If the entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose:
					(i) the maximum exposure to credit risk (see paragraph 76 (a)) at the reporting date of the loan or receivable (or group of loans or receivables),
					(ii) the amount by which any related credit derivative or similar instrument mitigates that maximum exposure to credit risk,
					(iii) the amount of change during the period and cumulatively in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in credit risk determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk,
					(iv) the amount of the change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated.
					(h) If the entity has designated a financial liability as at fair value through profit or loss, it shall disclose:
					(i) the amount of change during the period and cumulatively in the fair value of the financia liability that is attributable to changes in credit risk determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see paragraph AG40); or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk.
					(ii) the difference between the carrying