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A financial instrument (or, its component parts) should be classified: by the issuer, upon its ① initial recognition, as (a) financial liability <u>OR</u> (b) an equity instrument	Classification as liabilities or equity Substance Definition			
according to: ② substance of the contractual arrangement (rather than its legal form); according to: ③ the definition of ^(a) financial asset ^(b) financial liability and ^(c) Equity instrument - under this Standard	Is there a contractual obligation to transfer economic benefits			
For some financial instruments, although their legal form may be Equity, the substance of the arrangements is that they are liabilities. e.g. a preference share may display either equity or, liability characteristics – depending on the substance of the rights attaching to it	Liability Equity			
Likewise, some financial instruments may combine the features of both the equity instrument and financial liabilities.				











What is NOT Financial Instrument





Timing of Liability vs. Equity Classification

Anjani Kumar Khetan











Initial Measurement of Financial Assets & Financial Liabilities

Anjani Kumar Khetan







Subsequent Measurement of Financial Assets

Anjani Kumar Khetan

Subsequent Measurement – Financial Assets					
Financial Assets subsequently measured @	Subsequent	Interest / Dividend	Recognition of Fair Value Changes		
	@	Income Recognition	Unrealized FV Changes	Realized FV Changes	
Amortized Cost	Amortized Cost	Profit and Loss A/c	Not Relevant	Profit and Loss A/c	
		Profit and Loss A/c	осі	Recycled to P&L A/c	
FVTOCI (Debt Instruments)	\rangle	Interest Income is recognized, using EIR Method	FV changes are recognized in OCI (except for <u>interest income</u>)	Recycling (of cumulative FV changes) permitte from OCI to P/L	
FVTPL	Fair Value	Profit and Loss A/c	Profit and Loss A/c	Profit and Loss A/c	
FVTOCI		Profit and Loss A/c	0CI	осі	
(Equity Instruments not held for trading)	<u>}</u>		FV changes are recognized in OCI (except for <u>dividend income</u>)	Recycling (of cumulative FV changes) NOT permitted from OCI to P/L	





























