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# **AMENDMENTS TO STATUTORY BOARD FINANCIAL REPORTING STANDARDS**

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## **Annual Improvements to SB-FRSs Volume 11**

The amendments apply for annual reporting periods beginning on or after 1 January 2026.  
Earlier application is permitted.

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## Introduction

- IN1 This document sets out amendments to Statutory Board Financial Reporting Standards (SB-FRSs) made as part of Annual Improvements to SB-FRSs.
- IN2 Annual improvements provide a mechanism to efficiently issue a collection of minor amendments to SB-FRSs. Annual improvements are limited to changes that either clarify the wording in a SB-FRS or correct relatively minor unintended consequences, oversights or conflicts between the requirements in SB-FRSs.
- IN3 Table 1 lists the amended SB-FRSs and accompanying guidance and the subjects of the amendments.

**Table 1—Summary of amendments**

<b>SB-FRS</b>	<b>Subject of amendments</b>
SB-FRS 101 <i>First-time Adoption of Statutory Board Financial Reporting Standards</i>	Hedge accounting by a first-time adopter
SB-FRS 107 <i>Financial Instruments: Disclosures</i>	Gain or loss on derecognition
<i>Guidance on implementing SB-FRS 107 Financial Instruments: Disclosures</i>	Introduction
	Disclosure of deferred difference between fair value and transaction price
	Credit risk disclosures
SB-FRS 109 <i>Financial Instruments</i>	Derecognition of lease liabilities
	Transaction price
SB-FRS 110 <i>Consolidated Financial Statements</i>	Determination of a 'de facto agent'
SB-FRS 7 <i>Statement of Cash Flows</i>	Cost method

## **Amendments to SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards***

Paragraph 39AK is added. For ease of reading, this paragraph has not been underlined.

### **Effective date**

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...

39AK *Annual Improvements to SB-FRSs—Volume 11*, issued in April 2025, amended paragraphs B5–B6. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Appendix B

### Exceptions to the retrospective application of other SB-FRSs

Paragraphs B5–B6 are amended. New text is underlined and deleted text is struck through.

#### Hedge accounting

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- B5 An entity shall not reflect in its opening SB-FRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with SB-FRS 109 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of SB-FRS 109). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with SB-FRSs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of SB-FRS 109, provided that it does so no later than the date of transition to SB-FRSs.
- B6 If, before the date of transition to SB-FRSs, an entity had designated a transaction as a hedge but the hedge does not meet the qualifying criteria ~~conditions~~ for hedge accounting in paragraph 6.4.1(b)–(c) of SB-FRS 109, the entity shall apply paragraphs 6.5.6 and 6.5.7 of SB-FRS 109 to discontinue hedge accounting. Transactions entered into before the date of transition to SB-FRSs shall not be retrospectively designated as hedges.

## **Amendments to SB-FRS 107 *Financial Instruments:* *Disclosures***

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

### **Effective date and transition**

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44NN *Annual Improvements to SB-FRSs—Volume 11*, issued in April 2025, amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. 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 SB-FRS 113~~paragraph 27A~~.

## Amendments to *Guidance on implementing SB-FRS 107* Financial Instruments: Disclosures

Paragraphs IG1, IG14 and IG20B are amended. New text is underlined and deleted text is struck through. Footnotes to the headings are not reproduced.

### Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in SB-FRS 107. The guidance does not necessarily illustrate all the requirements in the referenced paragraphs of SB-FRS 107, nor does it create additional requirements.

...

### Significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

...

#### Fair value (paragraph 28)

IG14 ~~At initial recognition an entity measures the fair value of financial instruments that are not traded in active markets. However, when, after initial recognition, an entity will use a valuation technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that valuation technique. In some cases, the transaction price of a financial instrument differs from its fair value at initial recognition, and that fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets. In these circumstances, the difference will be recognised in profit or loss in subsequent periods in accordance with SB-FRS 109 *Financial Instruments* and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of SB-FRS 109). Paragraph 28 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 28(a)–(b) (paragraph 28(c) is not illustrated):~~

#### Background

On 1 January 20X1 an entity purchases for CU15 million financial assets that are not traded in an active market. The entity has only one class of such financial assets.

The transaction price is of CU15 million ~~is the fair value at initial recognition.~~

The entity determines that the transaction price differs from the fair value of the financial assets at ~~After initial recognition,~~ The the entity applies ~~will apply~~ a valuation technique to measure the financial assets' fair value. This valuation technique uses inputs other than data from observable markets.

At initial recognition, the fair value of the financial assets measured using that same ~~valuation technique is~~ would have resulted in an amount of CU14 million, which differs from the transaction price ~~fair value~~ by CU1 million.

At 1 January 20X1, prior to this transaction, the ~~The~~ entity has a balance of existing differences of CU5 million yet to be recognised in profit or loss ~~at 1 January 20X1.~~

**Application of requirements**

The entity's 20X2 disclosure would include the following:

*Accounting policies*

The entity uses the following valuation technique to measure the fair value of financial instruments that are not traded in an active market: [description of technique, not included in this example]. Differences may arise between the ~~fair value at initial recognition (which, in accordance with SB-FRS 113 and SB-FRS 109, is generally the transaction price)~~ and the fair value measured amount determined at initial recognition using the valuation technique. Any such differences are [description of the entity's accounting policy].

***In the notes to the financial statements***

As discussed in note X, the entity uses [name of valuation technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with SB-FRS 113 and SB-FRS 109, the fair value of an instrument at initial recognition inception is normally the transaction price. If the transaction price differs from the fair value measured amount determined at initial recognition inception using the valuation technique, that difference is [description of the entity's accounting policy].

The differences yet to be recognised in profit or loss are as follows:

	<b>31 Dec X2</b>	<b>31 Dec X1</b>
	CU million	CU million
Balance at beginning of year	5.3	5.0
New transactions	–	1.0
Amounts recognised in profit or loss during the year	(0.7)	(0.8)
Other increases	–	0.2
Other decreases	(0.1)	(0.1)
Balance at end of year	<u>4.5</u>	<u>5.3</u>

## **Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)**

...

### **Credit risk (paragraphs 35A–36, B8A–B10)**

...

### **Illustrating the application of paragraphs 35H and 35I**

IG20B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 35H–35I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

...

## Amendments to SB-FRS 109 *Financial Instruments*

### Chapter 2 Scope

Paragraph 2.1(b)(ii) is amended. Paragraph 2.1(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

**2.1 This Standard shall be applied by all entities to all types of financial instruments except:**

...

**(b) rights and obligations under leases to which SB-FRS 116 *Leases* applies. However:**

**(i) finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;**

**(ii) lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraphs 3.3.1 and 3.3.3 of this Standard; and**

...

## Chapter 5 Measurement

Paragraph 5.1.3 is amended. Paragraphs 5.1.1–5.1.2 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

### 5.1 Initial measurement

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- 5.1.1 Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.
- 5.1.1A However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.1.2A.
- 5.1.2 When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).
- 5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at the amount determined by applying their transaction price (as defined in SB-FRS 115) if the trade receivables do not contain a significant financing component in accordance with SB-FRS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of SB-FRS 115).

## Chapter 7 Effective date and transition

Paragraphs 7.1.14 and 7.2.50 and the subheading before paragraph 7.2.50 are added. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined.

### 7.1 Effective date

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- 7.1.14 *Annual Improvements to SB-FRSs—Volume 11*, issued in April 2025, amended paragraph 2.1(b)(ii), paragraph 5.1.3 and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

...

### 7.2 Transition

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#### **Transition for *Annual Improvements to SB-FRSs—Volume 11***

- 7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by *Annual Improvements to SB-FRSs—Volume 11* to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

## Appendix A Defined terms

The last paragraph of Appendix A is amended. New text is underlined and deleted text is struck through. Footnotes to the text are not reproduced.

...

The following terms are defined in paragraph 11 of SB-FRS 32, Appendix A of SB-FRS 107, or Appendix A of SB-FRS 113 ~~or Appendix A of SB-FRS 115~~ and are used in this Standard with the meanings specified in SB-FRS 32, SB-FRS 107, or SB-FRS 113 ~~or SB-FRS 115~~:

- (a) credit risk;
- (b) equity instrument;
- (c) fair value;
- (d) financial asset;
- (e) financial instrument; and
- (f) financial liability.;
- ~~(g) transaction price.~~

## Amendments to SB-FRS 110 *Consolidated Financial Statements*

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

### Assessing control

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#### Relationship with other parties

- B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf (ie they are 'de facto agents'). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.
- B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has, ~~or those that direct the activities of the investor have,~~ the ability to direct that party to act on the investor's behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. ~~The In these circumstances, the investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.~~
- B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:
- (a) the investor's related parties.
  - (b) a party that received its interest in the investee as a contribution or loan from the investor.
  - (c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor's prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).
  - (d) a party that cannot finance its operations without subordinated financial support from the investor.
  - (e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.
  - (f) (a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

## Appendix C

### Effective date and transition

Paragraph C1E is added. For ease of reading, this paragraph has not been underlined.

### Effective date

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- C1E *Annual Improvements to SB-FRSs—Volume 11*, issued in April 2025, amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to SB-FRS 7 *Statement of Cash Flows*

Paragraph 37 is amended. New text is underlined and deleted text is struck through.

### **Investments in subsidiaries, associates and joint ventures**

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- 37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity method or at cost~~method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

Paragraph 65 is added. For ease of reading, this paragraph has not been underlined.

### **Effective date and transition**

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...

- 65 *Annual Improvements to SB-FRSs—Volume 11*, issued in April 2025, amended paragraph 37. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.