

S02.02-AS-05-I.2

I - Financial Assets: General principles

2. Content of financial assets

2.1. Are covered

- 2.1.1. Trade receivables
- 2.1.2. Other short-term receivables
- 2.1.3. Other non-current financial assets
- 2.1.4. Other current financial assets
- 2.1.5. Other long-term financial assets
- 2.1.6. Cash & Cash Equivalents including securitization and discounted receivables and liabilities

2.2. Four categories of financial assets and their definitions

In order to determine the subsequent accounting measurement method for financial assets (fair value or amortised cost), IAS 39 requires financial assets to be classified under one of the following four asset categories:

2.2.1. Financial assets at fair value through profit or loss

(IAS 39, par 9)

A **financial asset or financial liability at fair value through profit or loss** is a financial asset or financial liability that meets either of the following conditions:

- a. It is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:
 - i. acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - ii. part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
 - iii. a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- b. Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted by paragraph 11A, or when doing so results in more relevant information, because either
 - i. it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
 - ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel (as defined in IAS 24 "Related Party Disclosures"), for example the entity's board of directors and chief executive officer.

2.2.2. Held-to-maturity financial assets

(IAS 39, par 9)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

2.2.3. Loans and receivables

(IAS 39, par 9)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- (a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

This category should thus be used for the recognition of operating receivables, as well as loans not listed on an active market granted to non-group counterparties:

2.2.4. Available-for-sale financial assets

(IAS 39, par 9)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as

- (a) *loans and receivables*,
- (b) *held-to-maturity investments or*
- (c) *financial assets at fair value through profit or loss*.

For example, non-consolidated investments fall into this category.