

Suggestion for Exposure Draft of Amendments to the Classification and Measurement of Financial Instruments (Proposed amendments to IFRS 9 and IFRS 7)

Question:

derecognition of a financial liability settled through electronic transfer —to clarify that an entity is required to apply settlement date accounting when derecognising a financial asset or a financial liability; and to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met.

Suggestion:

This will have an Implications on the year end financial liabilities settlement entries. At the end of the financial year there may be some of the electronic transfers which might not be in a 'successful' status due to loads on the bank servers. This will lead to asset liabilities mismatch while comparing the books of lender and borrower. The ideal way to derecognise financial liabilities is when the amount gets credited in the bank of lender.

At the year end reconciliation, the auditor will see this item as a reconciliation item. Rather once the transaction settled in the books of lender should be considered as a settlement date of such financial liability.