

SLFRS 9 : Financial Instruments

AAT Level III FAR - Financial Reporting

Sandeepa Jayasekera

ACA, B.Sc. (Accounting) Sp. Hons., ACMA (SL), SAT, CIMA Passed Finalist,
Reading for MBA (PIM), CA and CIMA Prize Winner



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MANAGEMENT CENTRE**
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AAT Level 03

Financial Accounting and Reporting

Sandeepa Jayasekera

B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner, MBA (PIM-SJP).

SLFRS 9/ LKAS 32- Financial Instruments

Financial Instruments

A Financial
Asset of one
entity



Financial Liability/
Equity
for another entity

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Financial Assets

- Cash
- Equity instrument of another entity
- Contractual right to receive cash or another financial asset
- Favourable contracts to exchange financial instruments
- A non-derivative contract that entitles to receive variable number of the entity's own equity instruments
- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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Financial Liabilities

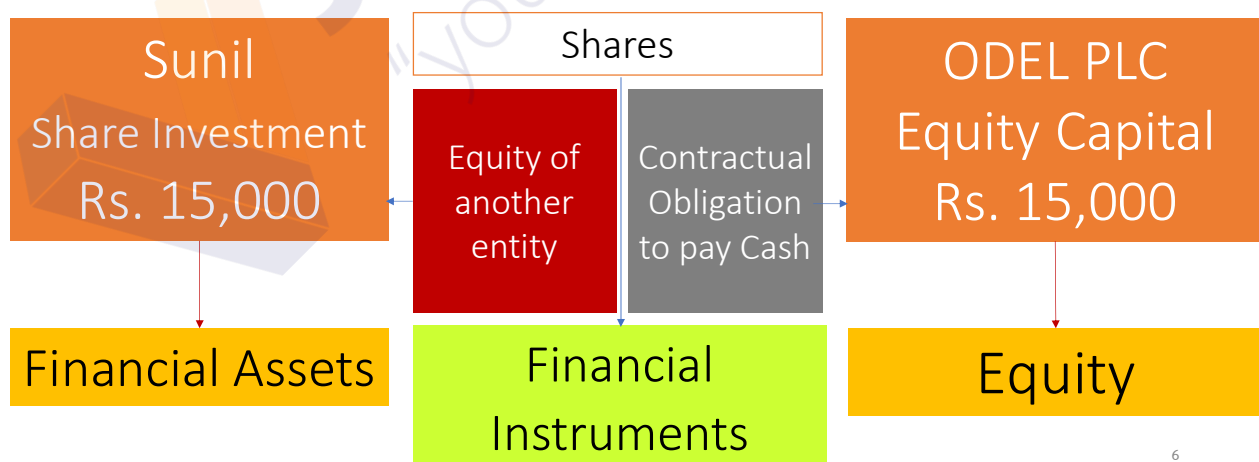
- Contractual obligation to deliver cash or another financial asset to another entity
- Exchange of financial instruments under conditions that are unfavourable to the entity
- A non-derivative contract that obliges to deliver variable number of the entity's own equity instruments
- A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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What are Financial Instruments?

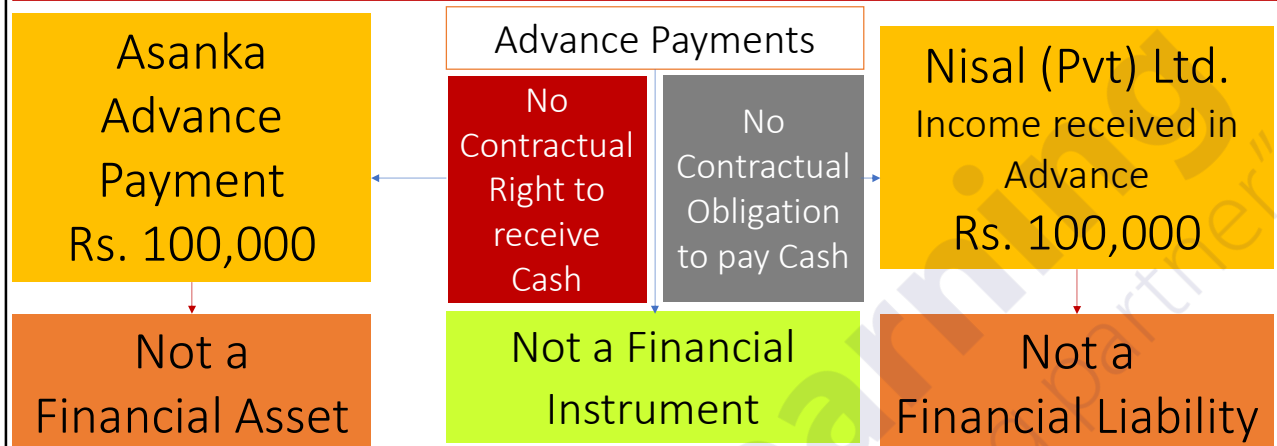
Sunil purchased 100 shares of Odel PLC worth Rs. 150/- per share



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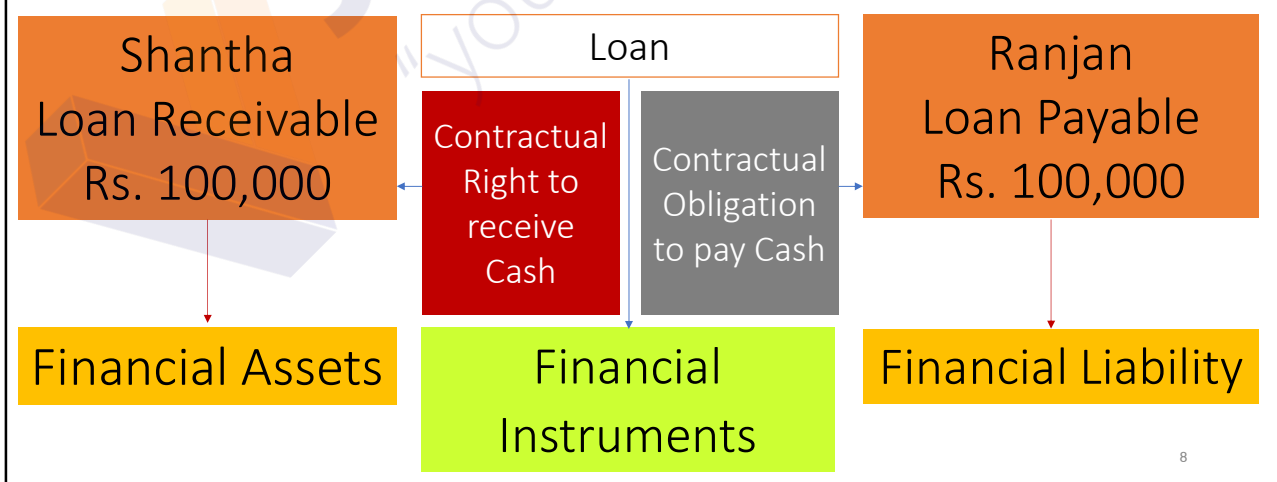
What are Financial Instruments?

Asanka made an Advance Payment of Rs. 100,000/- to Nisal Cleaning (Pvt.) Ltd.

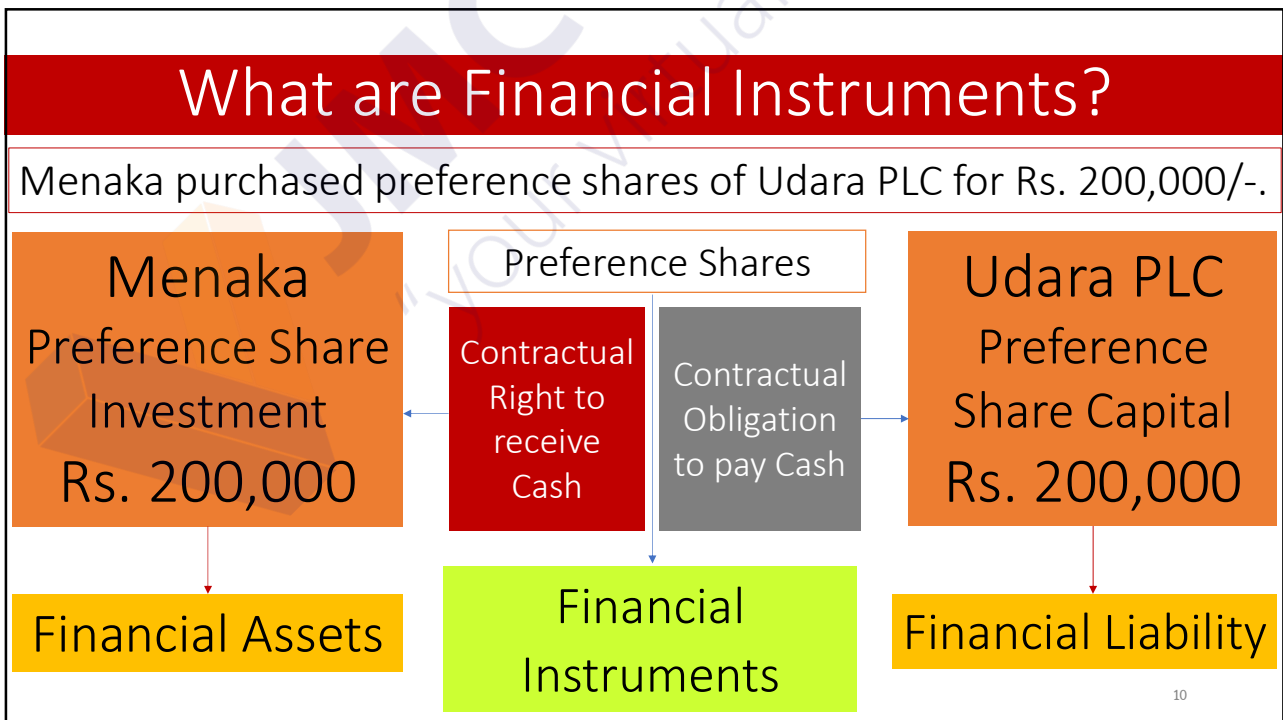
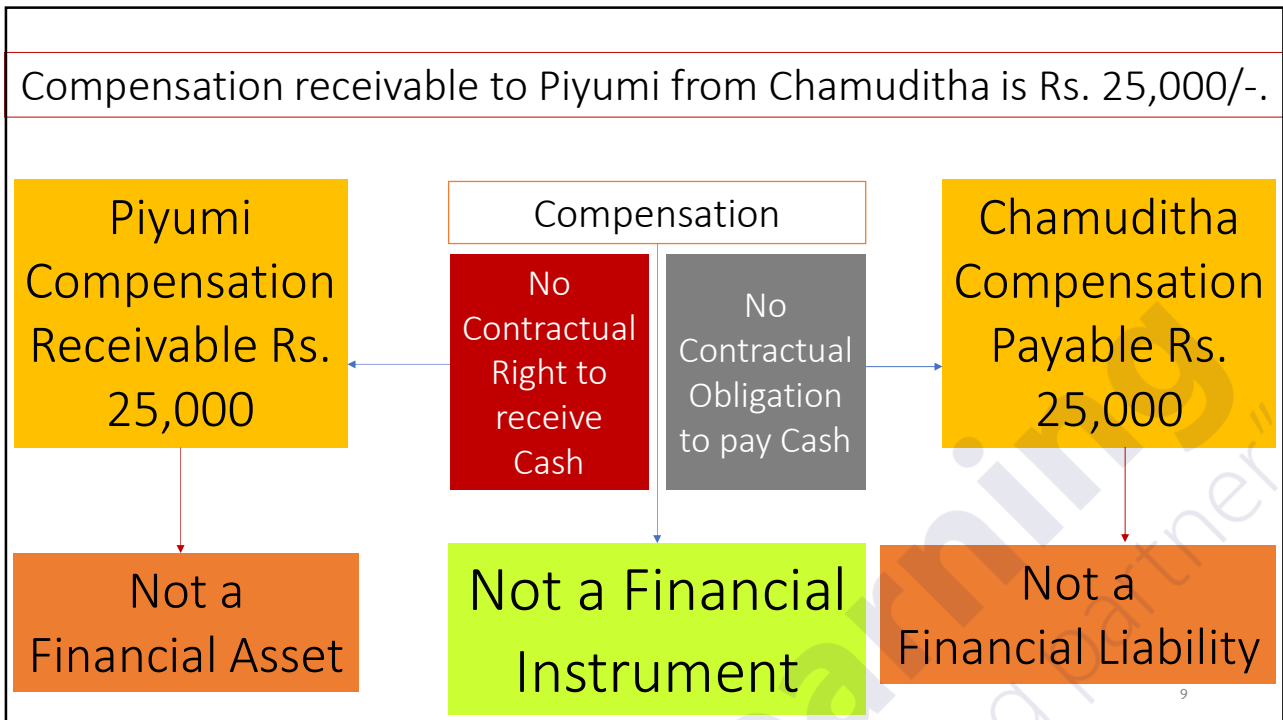


What are Financial Instruments?

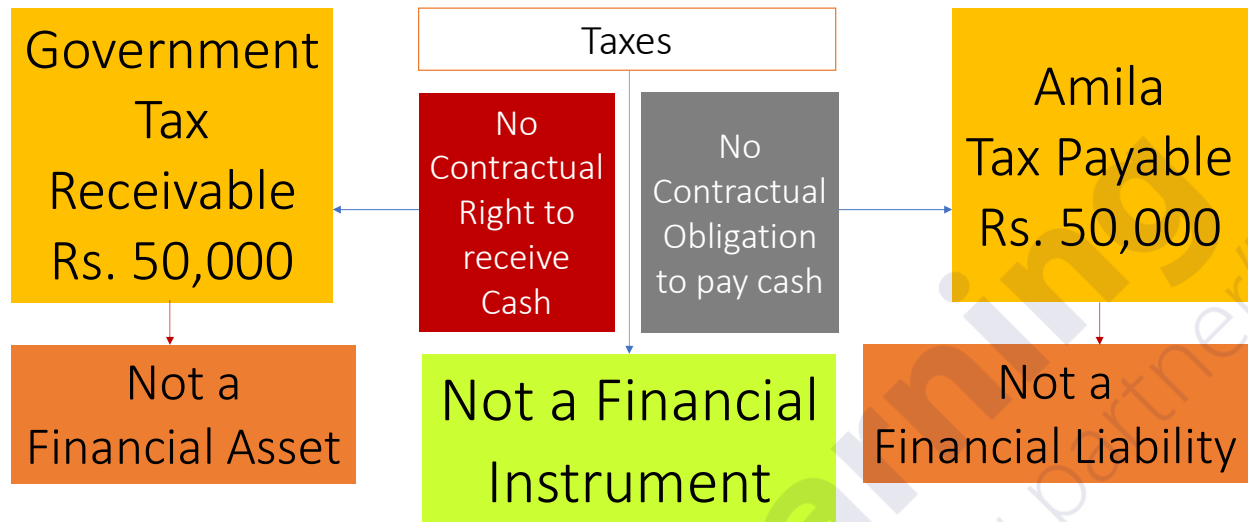
Ranjan obtained a Loan of Rs. 100,000 from Shantha.



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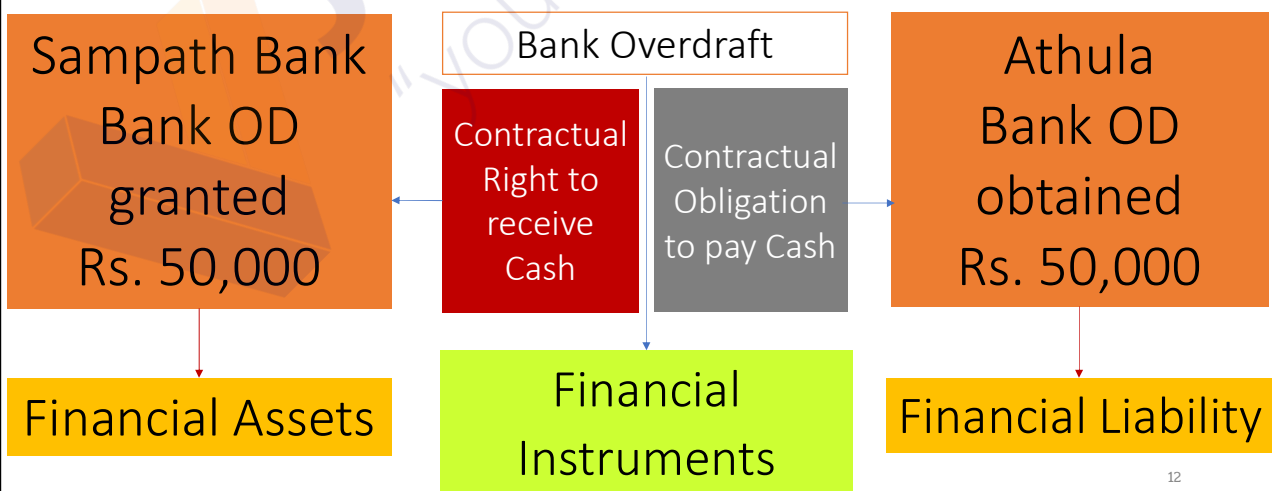
Tax Payable to Government on Business Profits by Amila is Rs. 50,000/-.



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What are Financial Instruments?

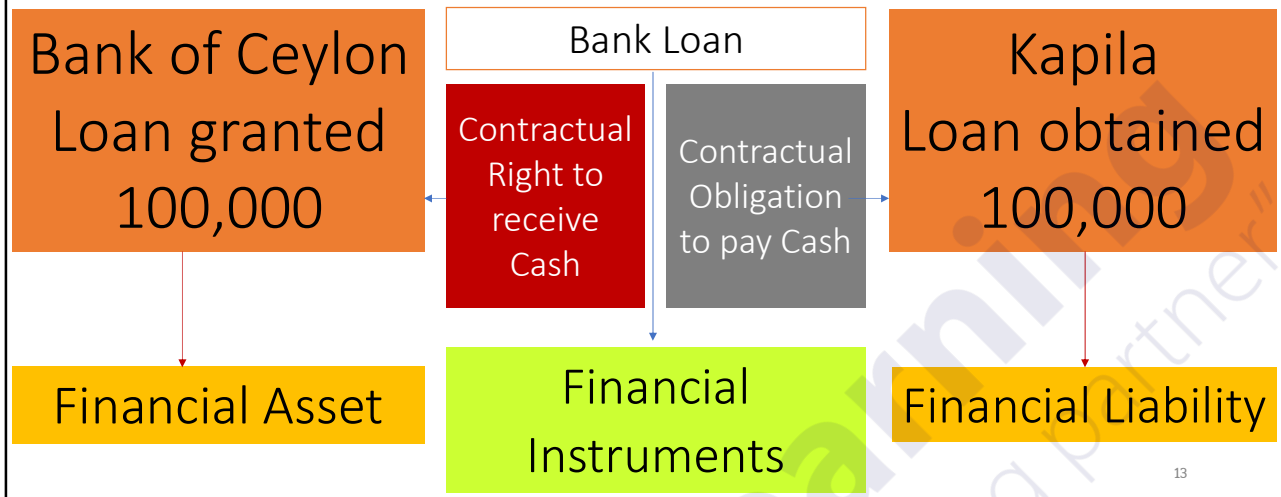
Athula obtained a Bank Overdraft of Rs. 50,000/- from Sampath Bank.



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What are Financial Instruments?

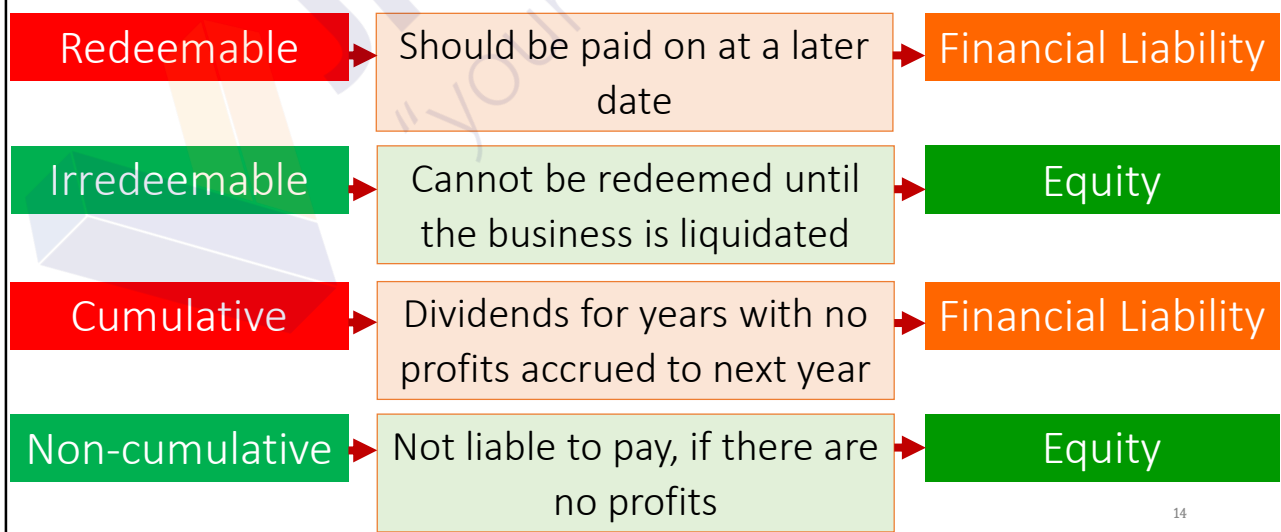
Kapila obtained a Loan of Rs. 100,000/- from Bank of Ceylon.



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Are Preference Shares Financial Liability? Or Equity?

Based on the Nature of Preference Shares



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Question No. 01

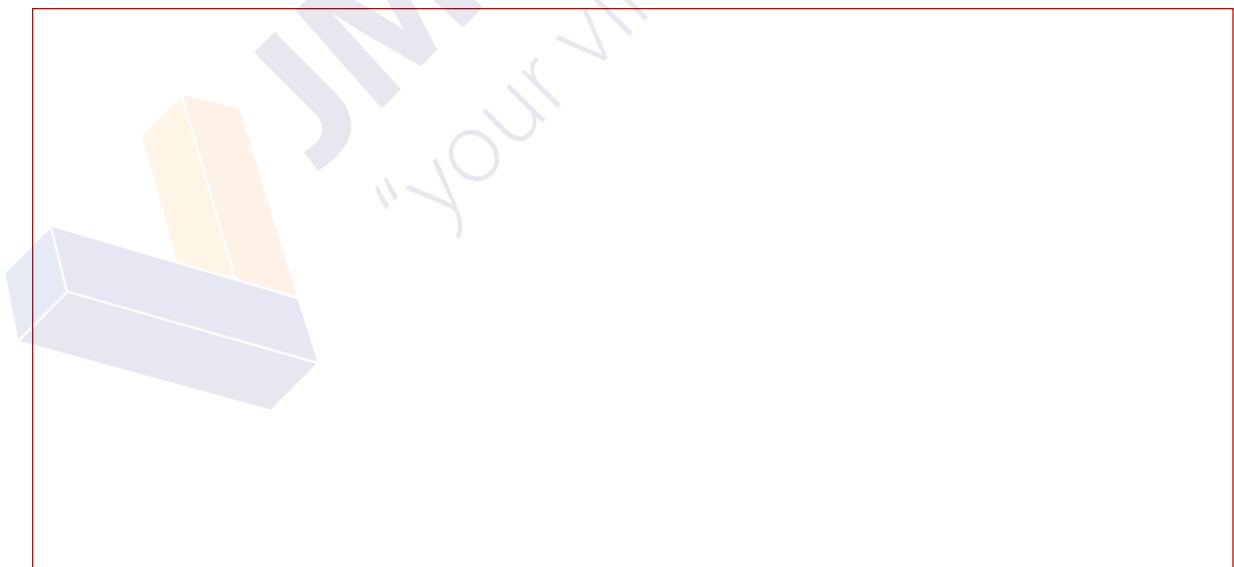
Palitha PLC provided a loan of Rs. 500,000/- on 1/1/20X9 at 5% interest. The market interest rate is 12%. Nominal interest is charged annually, and the total loan amount is recovered after 3 years.

Calculate the value of the Employee Loan as at 1/1/20X9. Explain how the transactions are carried out through accounts.

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Answer 01



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2021 January Question 05 (b)

Financial Instrument is considered as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

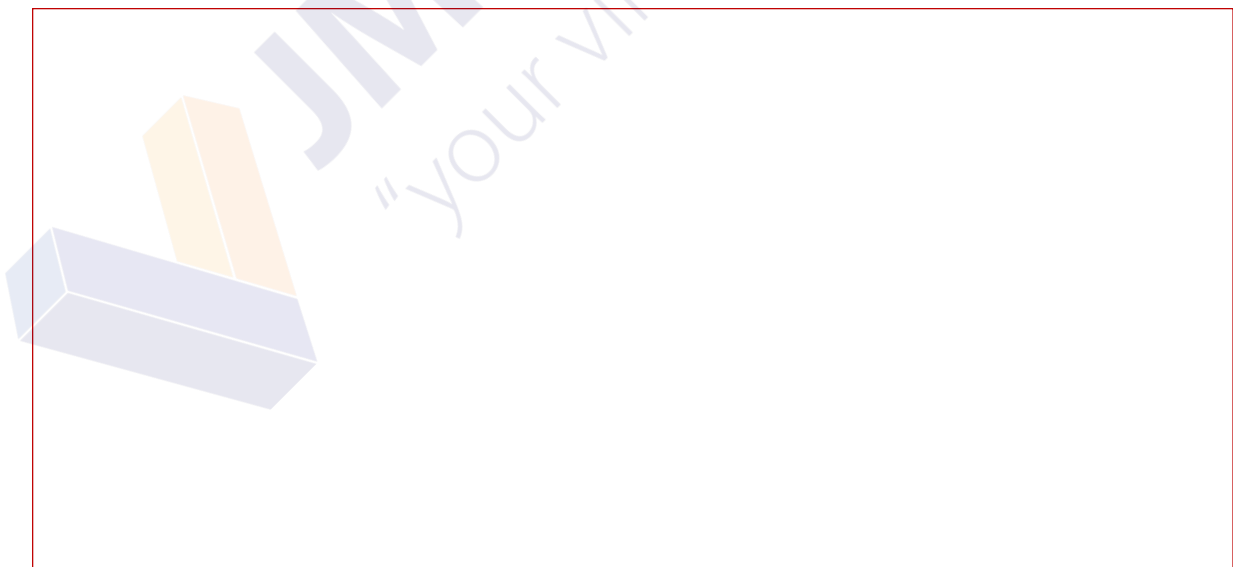
You are required to:

List three (03) items included under financial assets and two (02) items included under financial liabilities. (05 marks)

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Answer



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