



# Comparison of IAS 39 and IFRS 9: The Analysis of Replacement

**Mojca Gornjak**

*International School of Social and Business Studies, Slovenia*

The financial crisis had an impact on international financial reporting standards. The International Accounting Standards Board (IASB) prepared a new standard for financial instruments. The replacement changes the view to accounting data in financial statements and changes the view to data in organizations, especially banks, and financial institutions. Historical prices are replaced with expectation in the future, which is not anymore a decision of the managers but has its basis on business operations.

**Keywords:** international financial reporting standards, IFRS 9, expected credit loss, business model, impairment

## Introduction

The IASB published a final version of the international financial reporting standard IFRS 9 – Financial instruments in July 2014, which will replace the current international accounting standard IAS 39 – Financial instruments on 1st January 2018. All organizations that have financial instruments in the statement of financial position have to replace the existing IAS 39 with IFRS 9. The replacement has a significant impact on accounting itself, processes, activities, decision-making and ultimately on financial statements. This article presents the comparison between standards, its pros and cons, a fair value accounting, impairment of financial instruments and changes in decision making in the organizations.

## IAS 39 and IFRS 9: Pros and Cons of Replacement

IFRS 9 introduces accounting on the basis of principles, while IAS 39 is based on rules, despite the fact that these rules allow the decision makers to take more stable and predictable decisions in an unstable environment (Scapens, 1994, p. 310). Criticism to the rules-based approach includes the fact that rules do not adapt and are useless in an environment with innovative transactions, while criticism to the standards based on the principles approach include the lack of operational guidance (Benston, Bromwich, & Wagenhofer, 2006, p. 169). With the introduction of standards based on principles, a comparison across organizations is no longer possible, because standards require from the organizations the determination of the

assumptions and judgments that are confirmed and verified by the regulators and auditors (Benston et al., 2006, p. 169).

Huain (2012, p. 28) summarizes that the IAS 39 is one of the causes of the financial crisis in 2008, so the G20, the Ecofin Council, and the Committee proposed the improvement of the standard for financial instruments with the view to increase financial stability, taking into account:

- the complexity of the existing standard for financial instruments,
- the extent to which the financial instrument is subject to fair value, and
- the procedure of recognition and measurement of financial instruments.

The IASB's Chairman, in a speech in January 2016 before the European Parliament, pointed out that the biggest change deriving from the replacement of the standard is a model of expected credit losses that require a timely recognition of inevitable losses in financial statements, particularly in banks (Hoogervorst, 2016). Furthermore, IFRS 9 improves the financial reporting, notably in the field of debt instruments. Impairment of financial assets brings different but significant changes in accounting policies, which are based on the model of future losses, while stakeholders have an insight into instruments with increased credit risk (Marshall, 2015).

As a weakness, we can point out the costs incurred at the time of implementation, but Marshall (2015, p. 1) estimates that the benefits outweigh the costs of implementation. A further disadvantage is the lack of convergence with US GAAP standards, but the IASB believes that requirements for recognition, classification, measurement and concluded are the same in EU and USA and that the European organizations are not in a position of competitive disadvantage mainly on specific models of impairments (Marshall, 2015, p. 2).

IFRS 9 introduces a new accounting within the selected business model and where assets are managed in order to generate cash flows – by collecting contractual cash flows, selling financial assets, or both (Marshall, 2015, p. 13). The business model for managing basic debt instruments is set up by the operations in an organization that has to consider into the nature of business (Marshall, 2015, p. 13):

- the way the presentation of performance within business model and management of financial assets and the presentation to the key management personnel,
- risks that affect the performance of the business model and the way in which those risks are managed, and
- the determination of the compensation for executives.

**Table 1** Comparison of Key Categories between IAS 39 and IFRS 9

Category	IAS 39	IFRS 9
The purpose of the standard	Applies to all financial assets, with a few exceptions.	The same.
The initial recognition of assets	When an organization becomes a party to the contractual provisions.	The same.
Initial measurement	The fair value including transactions costs (for financial assets that are not intended for trading purposes).	The same.
Subsequent measurement	The fair value. Amortized cost. Cost (for the share-based instruments, which do not have a reliable fair value measurement).	Fair value through profit or loss (FVTPL). Amortized cost (AC). Fair value through other comprehensive income (FVOCI).
Types of classification	Available for sale (AFS). Held to maturity (HTM). Loans and receivables. Fair value through profit or loss (FVTPL).	Fair value through profit or loss (FVTPL). Amortized cost (AC). Fair value through other comprehensive income (FVOCI).
Reclassification	Reclassification is prohibited through profit or loss after initial recognition.	Change of business model.
Equity instruments	All equity instruments available for sale are measured at a fair value in another comprehensive income.	Irrevocable choice to designate as fair value through other comprehensive income, fair value through profit and loss if held for trading.
Gains and losses	Usually through profit or loss.	Usually through profit or loss.
Impairment	Several models of impairment, model of incurred losses.	A unified model of impairment for all financial instruments – the expected loss model.

**Notes** Adapted from Huian (2012, p. 35).

In Table 1 we present a comparison between IAS 39 and IFRS 9 in the light of the purpose of the standard, the initial recognition, the measurement of the initial categories of the instruments, reclassification of instruments, profit or loss and impairment.

We can conclude that in purpose, in initial recognition and in initial measurement there are no differences between the standards. The classification of financial instruments and its subsequent measurement are the biggest changes in the replacement. IAS 39 has four categories of classification and three categories of measurement, while IFRS 9 has only three categories of measurement, which are also the categories of classification. IFRS 9 simplifies the classification of financial instruments. The replace-

**Table 2** Changes When Replacing Standard Financial Instruments

Removed elements of IAS 39	New elements in IFRS 9
Cost exception of unquanted equity.	Fair value through profit or loss (FVPL) is a
No bifurcation of embedded derivatives.	'residual' category.
No tainting rules; business model	Presentation option: fair values changes in OCI
direct reclassification: (1) only	for some equity instruments not for trading.
possible for financial assets, (2) if and	If measured at fair value, own credit gains and
only if an entity's business model	losses be presented in OCI.
changes (should be uncommon).	Unified impairment model.

**Notes** Adapted from European Banking Authority (2015, p. 9.).

ment also decreases several models of impairment in IAS 39 to a less complex and unified model of impairment in IFRS 9. By replacing the standard, some elements of accounting for financial instruments will change.

The authors Onali and Ginesti (2014, p. 636) note on their research that investors embraced a positive accounting reform in the field of financial instruments, highlighting in particular the stakeholders of countries that have bigger differences in the implementation of accounting rules and that are sure that the replacement solves the problems of the standard IAS 39.

Huian (2012, p. 42) has prepared a SWOT (strengths and weaknesses and opportunities and threats) analysis for IFRS 9, which we summarize below.

**Strengths.** The benefits of IFRS 9 are the following:

- reduce the complexity of the classification and measurement,
- accounting is aligned with business strategy,
- extensive disclosures of the reasons for any changes in the business model,
- addressing the issues arising from the financial crisis,
- simplification of rules with measurement of derivate (Huian, 2012, p. 42),
- focus on shareholders,
- detecting the losses properly,
- comparability and standardization of accounting and of financial reporting,
- improving in consistency and transparency of reporting with global rivals,
- better access to foreign capital investment (Ghasmi, 2016, pp. 28–30).

**Weaknesses.** The disadvantages may be grouped into the following points:

- the introduction of new concepts (business model) that require more professional judgment and can introduce subjectivity,
- the detention of many options and a variety of financial solutions,
- does not provide a systematic approach for financial liabilities,
- does not solve questions about impairment of hedge accounting (Huian, 2012, p. 42),
- adjusting or upgrading the existing accounting systems to new calculations for IFRS 9 (Ghasmi, 2016, pp. 30, 31).

**Opportunities.** IFRS 9 opportunities are defined as (Huian, 2012, p. 42):

- the standard allows professional judgment in accounting decisions,
- the original classification, reclassification of certain financial assets measured at fair value at amortized cost, and vice versa,
- the completion of the second and third stages of a slower staging may allow better choices made by the standard setter.

**Threats.** Threats, offered by IFRS 9:

- reduces comparability due to various decisions (for example, the business model),
- too much tolerance on several topics (removal of tainting rules) that may result in choosing a certain option only to meet accounting requirements,
- the indicator of the cost-benefit ratio does not favor an early adoption of the standard,
- the cost of implementation is relatively difficult to quantify,
- earlier adoption of standard means the display of both standards in presentations and disclosures, which weakens the usefulness of financial statements,
- an approach with multiple stages creates mismatches because of new requirements or other existing rules (Huian, 2012, p. 42),
- IASB as the only standard-setter,
- the possibility that the IFRS 9 applies only to the organizations listed on the stock exchange (in 2005, at the first implementation of the standards was 7000), while around 700,000 small and medium organizations are using the national accounting standards (Ghasmi, 2016, p. 31).

In 2000 the CFA Institute distributed among its members a questionnaire on IFRS 9 (Centre for Financial Market Integrity, 2009, p. 3). The aim was to obtain opinions about the objectivity of the reform of accounting for financial instruments, a general introduction, and an evaluation of certain

standard assessment solutions by introducing a standard and the use of the fair value of assets and liabilities. Respondents pointed out that the most important goal was improvement and usefulness of accounting information about the financial instruments (p. 5).

The replacement affects accounting in organizations and it is a shift from values at historical or fair prices to fair prices and future expectations. In the European Union, more than 7,000 organizations are changing the accounting policies because they are committed to consolidating financial statements in accordance with international financial reporting standards from 2005, of which 5,323 are issuers of shares and thus committed to making statements in accordance with IFRS (Pope & McLeay, 2011, p. 1).

### Fair Value Accounting

IASB introduces a fair value measurement in IFRS 9. Fair value accounting means that assets and liabilities are valued at fair value that 'represents the amount by which an asset could be exchanged between two knowledgeable, willing parties in an arm's length transaction.' Fair value accounting is defined as the mark-to-market accounting, as in the determination of the value of the account of fair prices, which are provided by the market (see <http://lexicon.ft.com/term?term=fair-value-accounting>).

Historically speaking, the prior of fair value accounting is accounting to the purchase price. The difference between two accountings was researched by Jones in 1988 (Emerson, Karim, & Rutledge, 2010, p. 80), who noted that the purchase price does not represent the general economic situation of complex instruments. Financial Accounting Standards Board (FASB) in the 1990's apperated Jones's predictions and introduced a standard SFAS 115, which allows classification of assets into three categories: bond investments measured to maturity at amortized cost, bond and stock investment measured in the category of trading at fair value, including unrealized gains and losses and other investments that do not fall into the first two categories, but fall within the category of available for sale at fair value but unrealized gains and losses are reported separately in the capital (Emerson et al., 2010, p. 81).

Reactions to the proposed standard were different: proponents of traditional measurement were convinced of the advantages of the measurement at the purchase price, while proponents of the fair value accounting were disappointed by the introduction of the evaluation at fair value (Emerson et al., 2010, p. 81). The introduction of the standard was the answer to the dilemma of how to evaluate and report to the securities market.

The debate in the following years focused on the introduction of the standard with the definition of fair value, which was after the FASB (Emerson et al., 2010, p. 81) 'the amount of replacement instrument between two

willing parties, except in the case of a compulsory winding-up or sales.' Researchers (Barth, Landsman, Lang, & Williams, 2013) argued that the definition is too restrictive on FASB markets where competition is limited and they pointed out that the fair value can be measured in three different ways, as (Emerson et al., 2010, p. 81):

- entry value, which is the value of the purchase, in the event of changes in price levels, as a means of replacement costs,
- the exit value, which includes the price at which the asset could be sold, and
- the value in use, which represents the incremental value that an asset provides to the organization.

FASB proposed that standards use the exit value of the financial assets on the reporting date because assets are not in the acquisition (Emerson et al., 2010, p. 82). A similar criticism came from Europe, where authors (Cristin & Pepi, 2013; Korošec, 2011; Linsmeier, 2011; Palea, 2014) pointed to both positive and negative features of the introduction of fair value accounting. Accounting at cost has a weakness in the selling of those assets, whose value increased during the period from the purchase because the carrying amount is not adapted to the increased prices (Cristin & Pepi, 2013, p. 1400). Such a failure value eliminates accounting at fair value where the assets are valued in the financial statements under the current transaction prices, which is optimal only in markets with high liquidity, but as it is in terms of lower liquidity of the asset depends on the prices realized by other players on the market (Cristin & Pepi, 2013, p. 1400).

After the year 2008 the criticism was louder and the US Congress, the European Commission, as well as banking and financial regulators around the world, debated about the fair value. Some critics argue that fair value accounting contributed to the financial crisis, others claim that the fair value of the long-term assets has no influence and potentially is not misleading if the assets are in possession to the maturity (Palea, 2014, p. 103).

The existing model of financial reporting represents a compromise between the traditional accounting and accounting at fair value, while the IASB announced an approximation of fair value, which is introduced and adopted in standard IFRS 9 since it refers to all the fair value of financial instruments (Palea, 2014, p. 104).

Reporting of fair value presents the current market situation in the organization and enables decision makers to create the usefulness and the importance of information (Palea, 2014, p. 104). Similarly, Linsmeier (2011, p. 410) defines fair value stating that fair value provides early warning for investors and regulators, due to changes in current market expectations,

when prices on the market are falling and the risk regarding financial institutions is high. The IASB uses the standard IFRS 13 to introduce the measurement of fair value and to set the definition of fair value, which refers to both assets as liabilities in the financial statements, the definition of transaction participants, pricing, and the use of non-financial assets. IASB also introduces techniques of assessing the fair value in levels from 1 to 3, where level 1 represents a fair price in an active market, while level 3 represents a fair price calculated on the basis of the models.

The former president of IASB, Mr. Tweedie, in his speech announced the end of the times when income and profits were steady, because of the existence of uneven and fragile markets (Palea, 2014, p. 104).

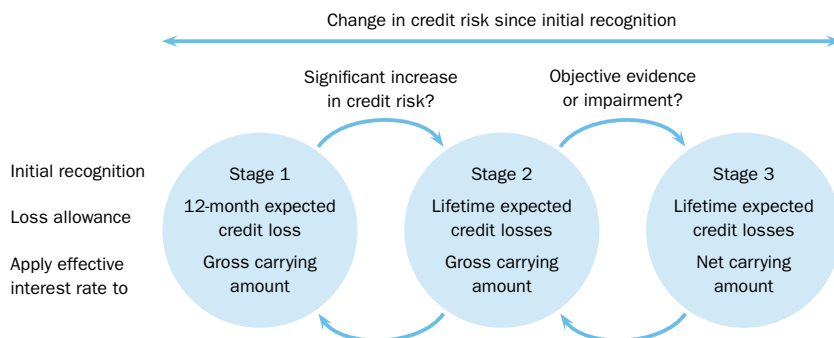
### Impairment of Financial Assets

Impairment of financial instruments is a correction of the prices in the financial statements with the prices and conditions on the markets. Impairment of financial instruments in IAS 39 is based on incurred losses, while IFRS 9 introduces an impairment on the basis of the expected losses (Marshall, 2015, p. 15) and is the response to the problems that caused the financial crisis because of delayed recognition of impairment and losses. The model of impairment under IFRS 9 is conceptually a 'loss allowance' model, recognizing a provision for expected credit losses on financial assets before any losses have been incurred and updating the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of financial instruments (Marshall, 2015, p. 15). Organizations in connection with impairment increase the number of assumptions and additional assessment regarding the expectations of expected credit losses (Deloitte, 2015, p. 5).

For a better understanding, we present the difference between the economic and accounting value of the loans, which is the basis for a subsequent accounting in accordance with IFRS 9 and with the calculation of expected credit losses. The economic value of the loans is the present value of future cash flows from the borrower and, when the loans are recorded on economic values, there is no need for recognition and compensation for the loss (loss allowance), because the contractual interests cover all of the expected losses for the entire period of the loan (Novotny-Farkas, 2015, p. 11). With the new circumstances, the economic value is adapted due to changes in the expected probability of default of the borrower and changes in the interest rate. The expected loss can be calculated using the following formula (Novotny-Farkas, 2015, p. 11):

$$EL_t = \sum_{(t=1)}^N (PD_t(I_t) \frac{LGD_t(I_t)}{(1 + dr)^t}), \quad (1)$$





**Figure 1** A General Model of the Impairment of the Financial Assets  
(adapted from Deloitte, 2016, p. 10)

where  $EL_t$  is expected life loss,  $PD_t(I_t)$  is cumulative probability of default,  $LGD_t(I_t)$  is loss given default, and  $dr$  is discounted rate for discounting expected cash flows; all parameters are upsized at the new information at time  $t(I_t)$ .

Only fair value accounting should include all expected losses arising both from changes in the credit risk (and reflects a change in PD) and from changes in market interest rates. Fair value accounting corresponds to the definition of the economic value of the loans (Novotny-Farkas, 2015, p. 11).

A model of expected credit losses is used for financial assets measured at amortized cost, and for financial assets measured at fair value through other comprehensive income and for loans and financial guarantees, which are not measured through profit and loss in accordance with IAS 17 leases and receivables IFRS 15 (Marshall, 2015, p. 15). The model of impairment in accordance with IFRS 9 is based on three stages. According to the change in credit risk, the financial instrument is placed on stage 1 or stage 2 or stage 3.

The financial asset is classified in stage 1 on initial recognition and if the instrument has low or unchanged credit risk. In accordance with IFRS 9, the 12-month expected credit loss is calculated and recognized as a provision in liability in the statement of financial position and as profit or loss in the statement of profit and loss. On the first reporting date, the organization examines whether the credit risk of the financial instrument significantly increases and, in the case of a significant increase, the lifetime expected credit risk is calculated and the financial instrument is transferred from stage 1 to stage 2. If, on the next reporting date, the credit risk significantly decreases, there is a transfer from stage 2 back to stage 1. Transfer from stage 2 to stage 3 is for those financial instruments for which there are objective facts for impairment, which standard sets. Depending on the stage, there is a different use of the annual effective interest rate for the

calculation of future cash flows (whether it is the basis for the calculation of the gross or net book value).

As shown in Figure 1, stage 1 includes financial instruments with an insignificant increase in credit risk at the reporting date or financial instruments with low credit risk. For such assets, the 12-month expected credit loss is recognized in profit or loss. A 12-monthly expected credit loss represents a credit loss of defaults that we can expect in the next 12 months after the reporting date (12-month ECL = 12-monthly probability of default  $\times$  LGD  $\times$  EAD). (Novotny-Farkas, 2015, p. 13) In addition, it is necessary to point out that the calculations take into account the effective interest rate at the time of recognition or purchase of the financial instrument. Comparison with IAS 39 shows that, in the case of an existing standard, interests are recognized as income without an adjustment for credit risks at purchase (Novotny-Farkas, 2015, p. 13).

Stage 2 includes financial instruments with a significant increase in the credit risk from the initial recognition or purchase, but there are no objective conditions for impairment and the lifelong credit loss is recognized in the financial statements (Novotny-Farkas, 2015, p. 13). If we compare a 12-month expected credit loss with a lifetime credit loss, we can expect several (maybe more than 10-fold) increases in provisions.

Stage 3 includes financial instruments with an objective factor of impairment on the reporting date and the lifetime credit loss is recognized (but prior to the actual default), and this is before as it is in accordance with IAS 39 (Novotny-Farkas, 2015, p. 13).

The difference between stage 2 and stage 3 refers to the recognition of interest income. In stage 3 the calculation is based on the adjusted value of gross book value less net claims adjustment, similar to IAS 39 (Novotny-Farkas, 2015, p. 13).

A three-staged model of impairment on the basis of the expected credit losses is an approximation of fair value accounting and the economic value of the loans.

How the organization defines the significant change of credit risk can be assumed from a questionnaire carried out by Deloitte. 41% of the bank questioned are defining as a trigger the missed payments and 35% the change in in the rating (Deloitte, 2015, p. 6) Additionally, 60% of banks replied that they use the existing models of impairments, used for the calculations of capital adequacy according to Basel (Deloitte, 2015, p. 11). At the same time, however, they see the biggest challenge in the data.

In terms of assets, which fall into the measurement model FVTPL, impairment has never been the subject of debate. IFRS 9 introduces a new model of impairment from events in the past to a forward-looking expected loss model (KPMG, 2015, p. 4). Calculations at each reporting date are

more detailed and require a comprehensive review of the existing portfolio of the organization. The new model introduces impairment the day after purchasing a financial instrument (Deloitte, 2016, p. 4). Let me cite as an example that of one organization purchasing assets in the amount of 100 euros, but, as a result of fair value accounting using expected loss, it recognizes only the amount of 90 euros in the statement of financial position (100 euros of assets and 10 euros of provisions for expected credit loss, although the price is still 100).

The new model of impairment on the basis of the expected credit losses assumes that organizations are able to evaluate the expected credit losses and on the reporting date verify a significant increase in credit risk (KPMG, 2015, p. 4).

The model of expected credit losses approaches generally uses double measurement (the credit loss is recognized in the price and then in the impairment).

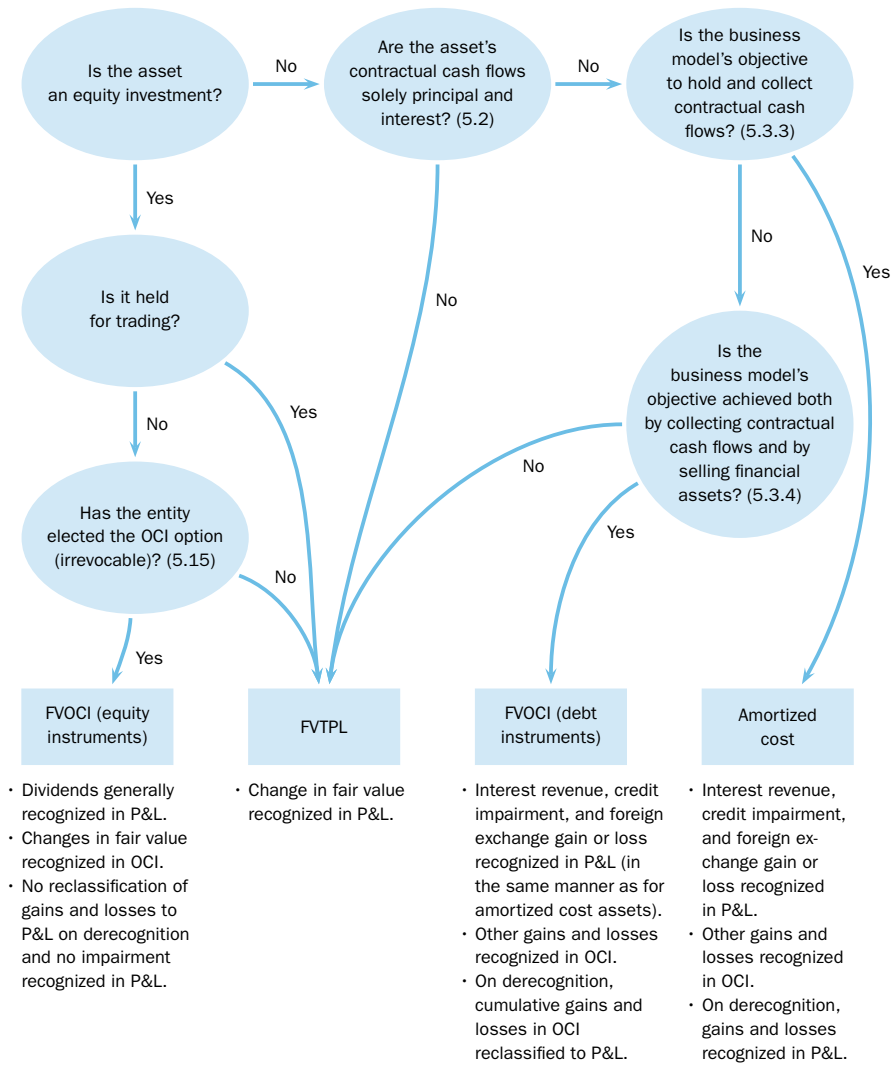
### Changes in the Decision-Making of the Organization

Despite the similarities in the categories of measuring for financial instruments under an existing and new standard, standards are different and this change arises mainly in the processes of decision-making within the organization. All financial instruments should be assessed on the basis of their cash flows and/or business model in which they are placed (KPMG, 2015, p. 2).

At the time of recognition of a financial asset, the organization uses the decision tree (Figure 2) that allows the classification of assets in the relevant business model. Differences exist in equity and debt securities.

Investments in equities primarily serve the objectives of the business model, either through profit or loss (FVTPL) or through other comprehensive income (FVOCI). Then the organization has to check whether the investment supports the liability or surplus. For those investments that are classified as available for sale in accordance with IAS 39 the decision on the classification is complex. Such an equity might be classified in FVTPL (all changes in fair value are measured in profit and loss accounts) or, if it is not intended for trading, also in FVOCI. The FVOCI business model represents an obstacle because the decision for the classification is irrevocable and all gains and losses that are recognized in the other comprehensive income remain in the OCI and are not recycled in profit or loss, even if the asset is sold (KPMG, 2015, p. 3). Organizations are likely to select the classification of equities in FVTPL where changes in fair value are recognized in profit or loss (KPMG, 2015, p. 3).

Investments in bonds or debt securities generally fall into two categories: the amount being used to back policy liabilities (the majority of the invest-



**Figure 2** Decision Tree for Financial Instruments at the time of Recognition in Accordance with IFRS 9 (adapted from KPMG, 2015, p. 2)

ment) and the amount being used to back surplus (the amount remaining after investment assets having been matched with policy liabilities/potential claim payouts) (KPMG, 2015, p. 3). Classification is the business model of amortized cost (AC) or through other comprehensive income (FVOCI) or in the business model through profit or loss (FVTPL). If the bond is placed in the business model for the collection of cash flows without selling, the SPPI-test has to be made (business model of AC or FVOCI). If the test is

passed the bond can be classified in the AC or FVOCI. If the bond does not pass the test, the business model of FVTPL is chosen. The organization has to consider other factors that affect the decision on the classification of the bonds (maturity of liabilities, the nature of the obligation, etc.).

According to the current standard, the loans and receivables are measured held to maturity, and also in accordance with IFRS 9, the loans and advances are classified in amortized cost (Linsmeier, 2011, p. 409).

## Conclusions

The lack of prudence is the basis for criticism of the existing standard of IAS 39, which is based on the perception that the IFRS allows greater lending and credit expansion, unrealized profits and unwarranted bonuses and dividends (D'Alterio, 2012), but the academic research in the years after the crisis, which is summed up by the Basel Committee, shows that there is no evidence to support the statement that fair value accounting should have triggered, or even extended, the financial crisis.

Similarly, if we compare the financial statements of the failed banks with information in theirs' audited annual reports, we can see that even auditors had difficulties with the impact on liquidity and the functioning of the organization because the last audit reports were positive (Hollow, Akinbami, & Michie, 2016, p. 298). In the United States in 2009, 140 banks failed, of which 120 publicly released financial statements from which is apparent that they were in accordance with the regulation of the relevant capital (Linsmeier, 2011, p. 409).

Fair value accounting should not only recognize the unrealized gains but should also require early recognition of expected losses (D'Alterio, 2012). Additional professional literature in the field of early recognition of future accounting losses estimates as crucial even for the supervisory institutions that can carry out the corrective action at the time and not with delay (D'Alterio, 2012). The fair value accounting identifies changes in the overall credit risk exposure and the changes in interest rates, which are among the key risks to which financial organizations are exposed (Linsmeier, 2011, p. 414).

The replacement of the standard that determines financial instruments is a challenge for organizations, as there is a shift from looking back to forward-looking. Even if the organization purchases the debt instrument at the market at the fair price, it should still calculate the expected credit loss on the day after the purchase.

Increased confidence in financial markets, a greater the independence of financial institutions and a greater complexity of business and organizational structures before the crisis contributed to various decisions that were based on a variety of technical accounting solutions (Hollow et al., 2016,

p. 299), but lost confidence can be returned with the help of the qualitative characteristics of IFRS standards, which include the importance of the reliability of the presentation, comparability, verifiability, timeliness, and understandability of the accounting data presented (International Accounting Standards Board, 2010, p. 16).

## References

- Barth, M. E., Landsman, W. R., Lang, M. H., & Williams, C. D. (2013). *Effects on comparability and capital market benefits of voluntary adoption of IFRS by US firms: Insights from voluntary adoption of IFRS by non-US firms* (Working Paper Series No. 133). Stanford, CA: Rock Center for Corporate Governance at Stanford University.
- Benston, G. J., Bromwich, M., & Wagenhofer, A. (2006). Principles-versus rules-based accounting standards: The FASB's standard-setting strategy. *Abacus*, 42(2), 165–188.
- Centre for Financial Market Integrity. (2009). *International Financial Reporting Standards (IFRS) financial instrument accounting survey*. Charlottesville, VA: Centre for Financial Market Integrity.
- Cristin, N. T., & Pepi, M. (2013). Fair value accounting versus historical cost accounting – the impact on financial statement presentation. *Ovidius University Annals, Economic Sciences Series*, 13(1), 1399–1404.
- D'Alterio, E. (2012). Relations between global law and EU law. In S. Cassese, B. Carotti, L. Casini, E. Cavalieri, & E. MacDonald (Eds.), *Global administrative law: The casebook* (3rd. ed., pp. 7–15). Rome, Italy: Istituto di Ricerche sulla Pubblica Amministrazione.
- Emerson, D. J., Karim, K. E., & Rutledge, R. W. (2010). Fair value accounting: A historical review of the most controversial accounting issue in decades. *Journal of Business & Economics Research*, 8(4), 77.
- European Banking Authority. (2015, 8 December). *Draft Implementing Technical Standards amending Commission Implementing Regulation (EU) 680/2014 on supervisory reporting of institutions with regard to financial reporting (FINREP) following the changes in the International Accounting Standards (IFRS 9)* (EBA/CP/2015/23). Retrieved from [https://www.eba.europa.eu/documents/10180/1303111/EBA-CP-2015-23+\(CP+draft+ITS+amending+FINREP+reporting\).pdf](https://www.eba.europa.eu/documents/10180/1303111/EBA-CP-2015-23+(CP+draft+ITS+amending+FINREP+reporting).pdf)
- Deloitte. (2015). *Fifth global IFRS banking survey*. Retrieved from <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/gx-fsi-fifth-banking-ifrs-survey-full.pdf>
- Deloitte. (2016, April). *IFRS in focus: IFRS 9; Financial Instruments – high-level summary*. Retrieved from [http://www.iasplus.com/en/publications/global/ifrs-in-focus/2016/ifrs-9/at\\_download/file/IFRS%20in%20Focus%20IFRS%209%20April%202016.pdf](http://www.iasplus.com/en/publications/global/ifrs-in-focus/2016/ifrs-9/at_download/file/IFRS%20in%20Focus%20IFRS%209%20April%202016.pdf)
- Frérejacque, P. (2014). *From IAS 39 to IFRS 9: An overview*. Retrieved from <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/3/>

- 524961426611752780/Pascal-Frerejacque-From-IAS-39-to-IFRS-9-An-overview.pptx
- Ghasmi, H. M. (2016). Deliberative and comparative study of international financial reporting standards IFRS 9. *International Journal of Science Research and Technology*, 2(2), 23–32.
- Hollow, M., Akinbami, F., & Michie, R. (2016). *Complexity and crisis in the financial system*. Northampton, England: Edward Elgar.
- Hoogervorst, H. (2016, 11 January). *Introductory comments to the European Parliament*. Retrieved from <http://www.ifrs.org/Alerts/Conference/Documents/2015/Hans-Hoogervorst-speech-Jan-2016.pdf>
- Huian, M. C. (2012). Accounting for financial assets and financial liabilities according to IFRS 9. *Annals of the Alexandru Ioan Cuza University – Economics*, 59(1). <https://doi.org/10.2478/v10316-012-0002-0>
- KPMG. (2015). *IFRS 9 creates specific challenges for insurers*. Retrieved from <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/06/8947-ifrs-9-insurers-eng-web-f.pdf>
- International Accounting Standards Board (Ed.). (2010). *Conceptual framework for financial reporting 2010*. London, England: IFRS.
- Korošec, B. (2011). Corporate governance and (financial) accounting: Relations and problems. *Organizacija*, 44(6), 219–227.
- Linsmeier, T. J. (2011). Financial reporting and financial crises: The case for measuring financial instruments at fair value in the financial statements. *Accounting Horizons*, 25(2), 409–417.
- Marshall, R. (2015). *Adoption of IFRS 9 financial instruments*. Brussels: European Financial Reporting Advisory Group.
- Novotny-Farkas, Z. (2015, October). *The significance of IFRS 9 for financial stability and supervisory rules*. Retrieved from [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/563461/IPOL\\_STU\(2015\)563461\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/563461/IPOL_STU(2015)563461_EN.pdf)
- Onali, E., & Ginesti, G. (2014). Pre-adoption market reaction to IFRS 9: A cross-country event-study. *Journal of Accounting and Public Policy*, 33(6), 628–637.
- Palea, V. (2014). Fair value accounting and its usefulness to financial statement users. *Journal of Financial Reporting and Accounting*, 12(2), 102–116.
- Pope, P. F., & McLeay, S. J. (2011). The European IFRS experiment: Objectives, research challenges, and some early evidence. *Accounting and Business Research*, 41(3), 233–266.
- Scapens, R. W. (1994). Never mind the gap: Towards an institutional perspective on management accounting practice. *Management Accounting Research*, 5, 301–321.

**Mojca Gornjak** is a Senior Lecturer at International School for Social and Business Studies in Celje, Slovenia and visiting expert at Faculty of Economics and Business, Maribor, Slovenia. Her research area is accounting, specially management accounting. She is finishing the doctoral thesis about

the replacement of International Financial Reporting Standards for financial instruments. *mojca.gornjak@mfdps.si*



This paper is published under the terms of the Attribution-NonCommercial-NoDerivatives 4.0 International (CC BY-NC-ND 4.0) License (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).