



# National Financial Reporting Authority

*"Creating a Better Financial Reporting Ecosystem"*

## WEBINAR ON "Expected Credit Loss – Ind AS 109, *Financial Instruments*"

Inaugural Address by Shri Nitin Gupta, Chairperson, NFRA

Technical Sessions by:-



CA Rajosik Banerjee  
Risk Management Professional



Rachit Gupta  
Risk Model Professional

### Programme Schedule



Wednesday, 28<sup>th</sup> Jan 2026



4:00 PM – 5:30 PM

#### Technical Sessions




4:00 PM – 4:10 PM

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## Ind AS 109 (IFRS 9) Financial Instruments Applicability of Impairment Loss Requirements

Ind AS 109 (IFRS 9) classification category for subsequent measurement	Impairment Loss Applicable ?	ECL Approaches																												
<i>Financial Assets of Ind AS 109 (IFRS 9)</i>																														
<i>Amortized cost (AC)</i>	Yes	❖ <b>General ‘3’ Stage Model</b> 																												
<i>Fair Value through Other Comprehensive Income (FVOCI)</i>	Yes																													
<i>Equity investments – OCI</i>	No																													
<i>Fair Value through Profit or Loss (FVTPL)</i>	No																													
<i>Other Items</i>																														
<ul style="list-style-type: none"><li><i>Financial Guarantee Contracts (other than those Classified as FVTPL or those arising from transfer of financial assets not meeting de-recognition requirements)</i></li></ul>	Yes	❖ <b>Simplified Approach</b> <table><tr><th></th><th>ECL rate</th><th>Trade receivables</th><th>Impairment allowance</th></tr><tr><td>Current</td><td>0.3%</td><td>15,000</td><td>45</td></tr><tr><td>1–30 days past due</td><td>1.6%</td><td>7,500</td><td>120</td></tr><tr><td>31–60 days past due</td><td>3.6%</td><td>4,000</td><td>144</td></tr><tr><td>61–90 days past due</td><td>6.6%</td><td>2,500</td><td>165</td></tr><tr><td>Over 90 days past due</td><td>10.6%</td><td>1,000</td><td>106</td></tr><tr><td><b>Total</b></td><td></td><td><b>30,000</b></td><td><b>580</b></td></tr></table>		ECL rate	Trade receivables	Impairment allowance	Current	0.3%	15,000	45	1–30 days past due	1.6%	7,500	120	31–60 days past due	3.6%	4,000	144	61–90 days past due	6.6%	2,500	165	Over 90 days past due	10.6%	1,000	106	<b>Total</b>		<b>30,000</b>	<b>580</b>
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<ul style="list-style-type: none"><li><i>Loan Commitments ((other than those Classified as FVTPL)</i></li></ul>	Yes																													
<ul style="list-style-type: none"><li><i>Lease Receivables (Ind AS 116 (IFRS 16))</i></li></ul>	Yes																													
<ul style="list-style-type: none"><li><i>Trade Receivables &amp; Contract Assets (Ind AS 115 (IFRS 15))</i></li></ul>	Yes																													

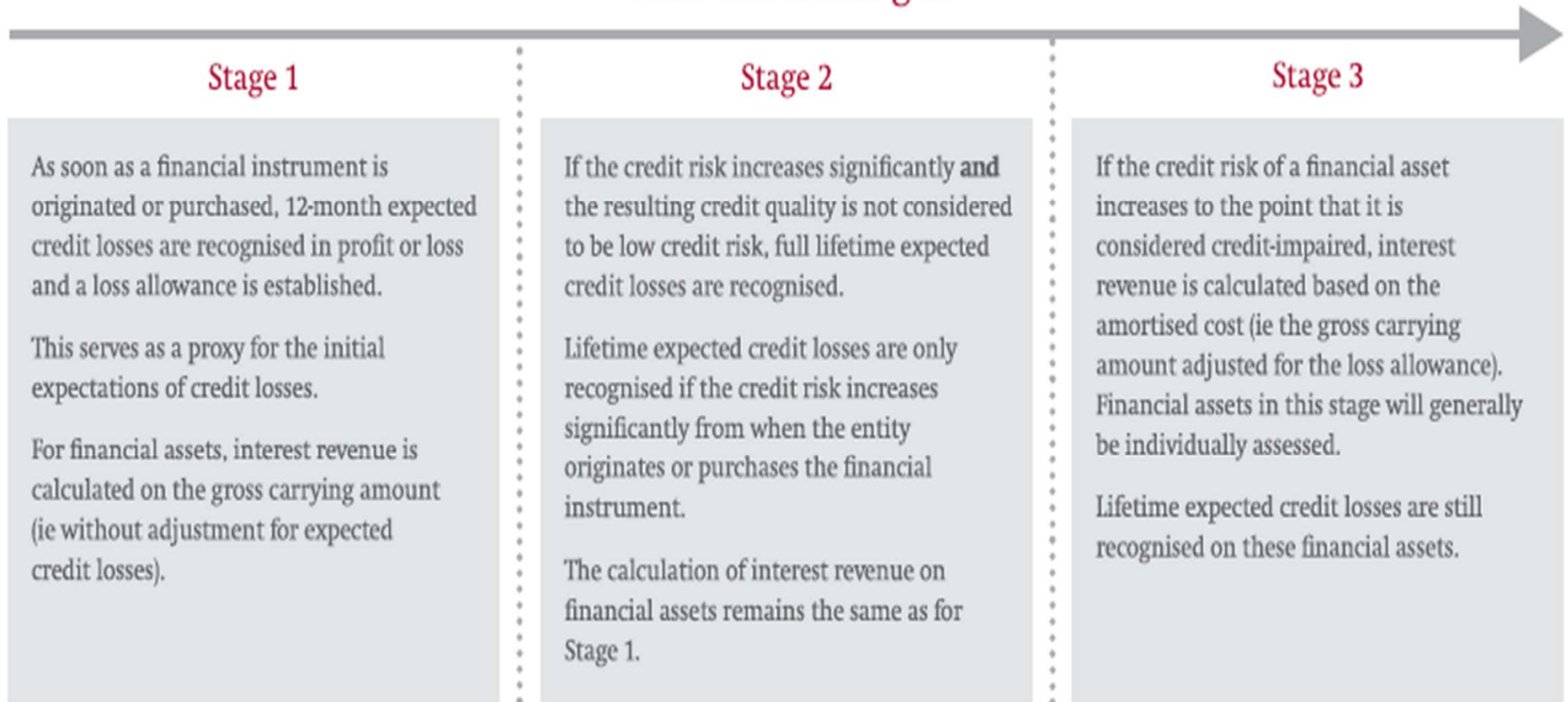


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### Overview of the impairment requirements

#### What are the stages?



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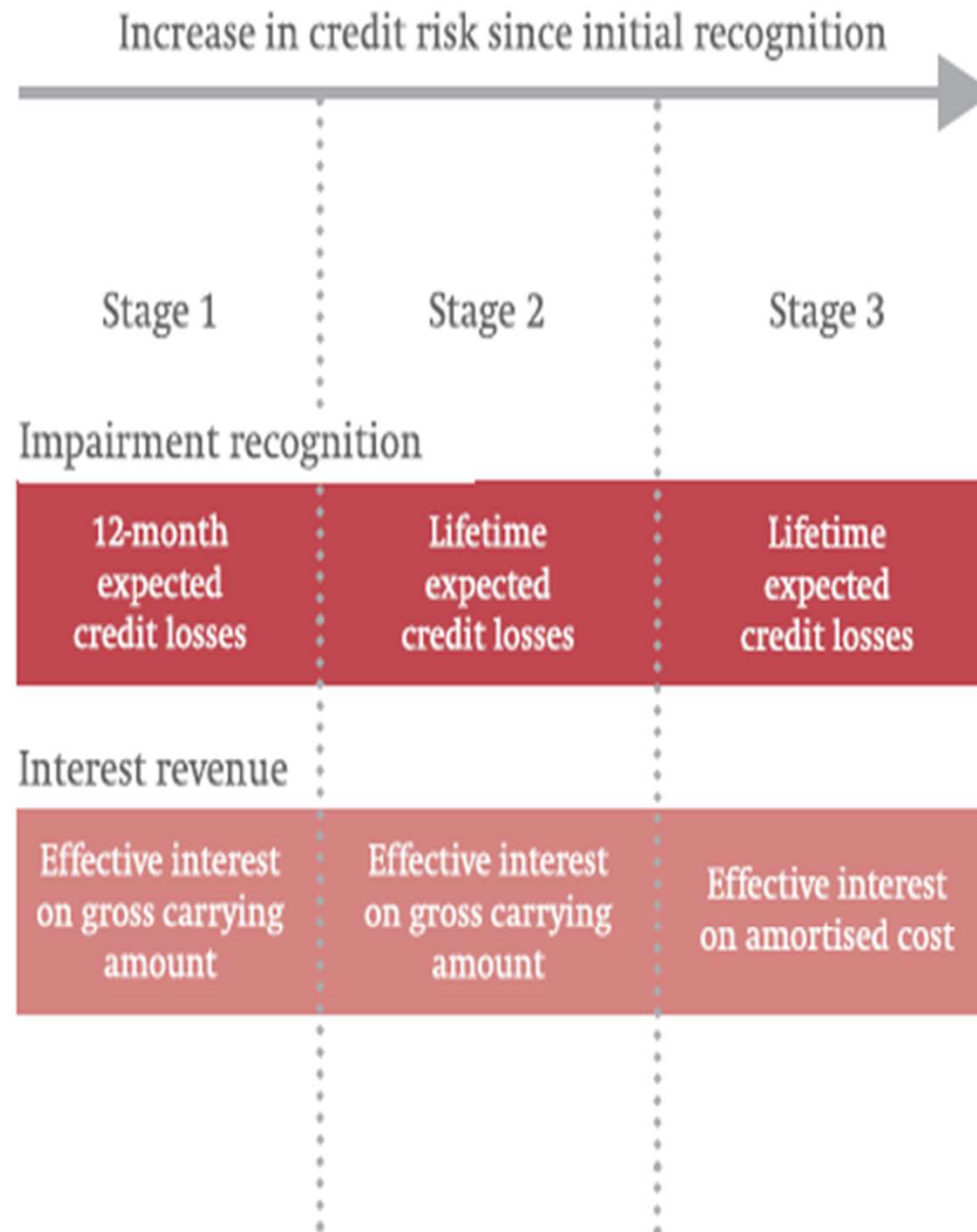
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### What are 12-month expected credit losses?

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

It is not the expected cash shortfalls over the next twelve months—instead, it is the effect of the entire credit loss on an asset weighted by the probability that this loss will occur in the next 12 months.

It is also not the credit losses on assets that are forecast to actually default in the next 12 months. If an entity can identify such assets or a portfolio of such assets that are expected to have increased significantly in credit risk, lifetime expected credit losses are recognised.



### What are lifetime expected credit losses?

Lifetime expected credit losses are an expected present value measure of losses that arise if a borrower defaults on their obligation throughout the life of the financial instrument. They are the weighted average credit losses with the probability of default as the weight.

12-month expected credit losses are the portion of the lifetime expected credit losses associated with the possibility of a default in the next twelve months.

Because expected credit losses consider the amount and timing of payments, a credit loss (ie cash shortfall) arises even if the entity expects to be paid in full but later than when contractually due.

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### Accounting for expected credit losses—example

Portfolio of home loans originated in a country.

12-month expected credit losses are recognised for all the loans on initial recognition (**Stage 1**).

Information emerges that a region in the country is experiencing tough economic conditions.

Lifetime expected credit losses are recognised for those loans within that region (**Stage 2**) and 12-month expected credit losses, including any changes in that estimate, for other loans (**Stage 1**).

More information emerges and the entity is able to identify the particular loans that have defaulted or will imminently default (**Stage 3**).

Lifetime expected credit losses continue to be recognised and interest revenue switches to a net interest basis.

- Stage 1
- Stage 2
- Stage 3

