HMRC - CFM23075 - FRS 102: Derecognition Of A Financial Asset

Derecognition criteria

FRS 102 states that a financial asset is derecognised only when:

The contractual rights to the cash flows expire or are settled, or

Substantially all the risks and rewards of ownership of the financial asset are transferred to another party, or

The entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the assets in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Accounting treatment

On derecognition the carrying amounts of the asset is allocated between the rights/obligations retained and those transferred on the basis of their relative fair values at the date of transfer. Newly created or acquired rights and obligations are measured at their fair value.

Any difference between the consideration received and the amounts recognised and derecognised are recognised in the profit or loss account in that period.

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