

**Measurement of debt investments is based on:**

1. Business model of managing the financial asset
2. Cashflow characteristics

**Business model is held for trading or realizing fair value changes:**

- This debt investment is measured at fair value through profit or loss.
- Initial measurement: Fair value or purchase price
- Transaction cost: Expense immediately
- Subsequent measurement: At fair value, with changes recognized immediately in profit or loss
- Interest income = Face amount x Nominal interest rate
- On derecognition or disposal, the difference between proceeds and carrying amount on disposal date is recognized as gain or loss on sale in profit or loss.

**Business model is held for collecting contractual cash flows that are composed of interest and principal:**

- This debt investment is measured at amortized cost.
- Initial measurement: Fair value or purchase price, plus transaction cost
- Subsequent measurement: Amortized cost is equal to initial measurement plus discount amortization or minus premium amortization and minus any impairment losses.

- Effective interest method:

|                                                           |                |
|-----------------------------------------------------------|----------------|
| Interest Income (Carrying amt. x Effective interest rate) | xx             |
| Interest Received (Face amount x Nominal interest rate)   | (xx)           |
| Discount/(Premium) Amortization                           | <u>xx/(xx)</u> |

- The investment can also be measure at fair value through profit or loss (FVPL) even if the Amortized Cost measurement is satisfied.
- The entity may elect to use the Fair Value Option on initial purchase of this investment.
- Such election is irrevocable and therefore cannot be reclassified out into another category.
- Recognition and measurement rates are the same as Held for Trading or Realizing Fair Value Changes.

**Business model is held for collecting contractual cashflow and sell the financial asset. (Cash flows are composed of interest and principal):**

- The debt investment is measured at fair value through OCI (FVOCI),
- Initial measurement: Fair value or Purchase price plus transaction cost
- Subsequent measurement: At fair value, and changes in fair value after considering any impairment loss are recognized in OCI. Any impairment loss is recognized in profit or loss.
- Interest income is computed using the effective interest method.
- On disposal, the difference between the proceeds and carrying amount of the investment on disposal date is recognized as gain or loss on sale in profit or loss. Any cumulative amount in OCI is transferred to profit or loss (recycling to profit or loss).