



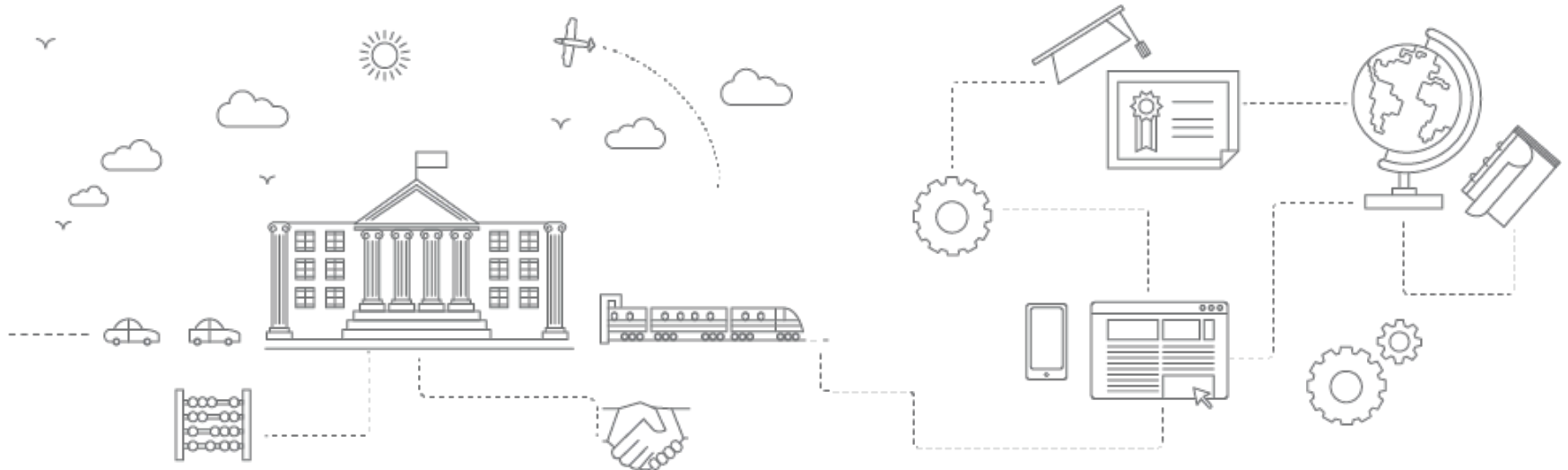
# Financial instruments

*RSM Vietnam – Assurance updates (01/2021)*

# What are the basics with regards to financial instruments?

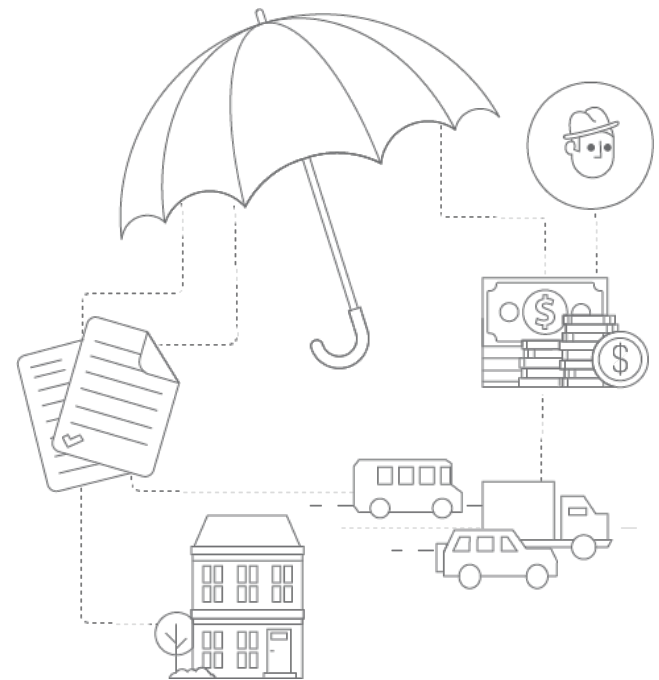
A financial instrument is defined as any contract that gives rise to:

- A financial asset of one entity and
- A financial liability or equity instrument of another entity



# Financial asset

- Cash
- A contractual right to:
  - Receive cash or another financial asset
  - Exchange other financial instruments under potentially favorable conditions
- Equity instruments of another entity
- A contract that will/ may be settled in entity's own equity instruments and is:
  - A non-derivative for which entity is/may be obliged to receive a variable number of its own equity instruments; or
  - A derivative that will/may be settled other than by exchange of a fixed amount of cash or another financial asset for the fixed number of the entity's own equity instruments



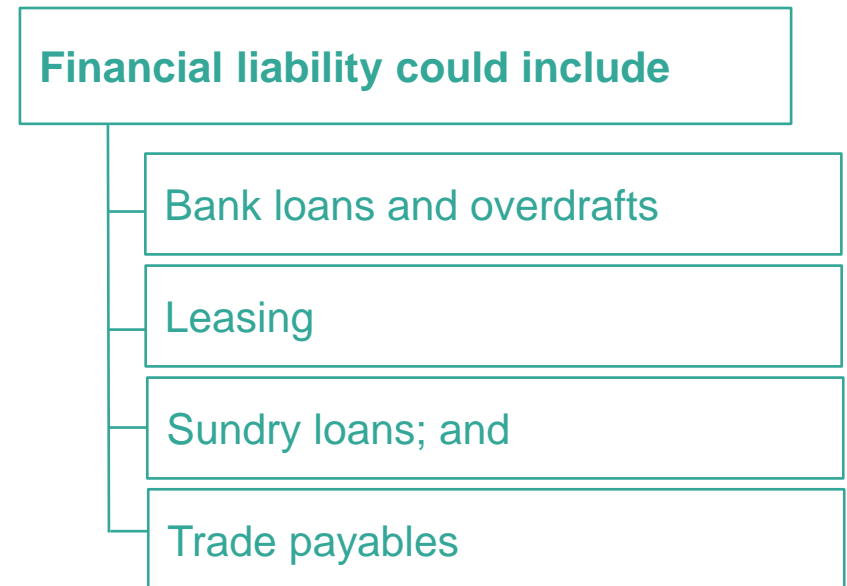
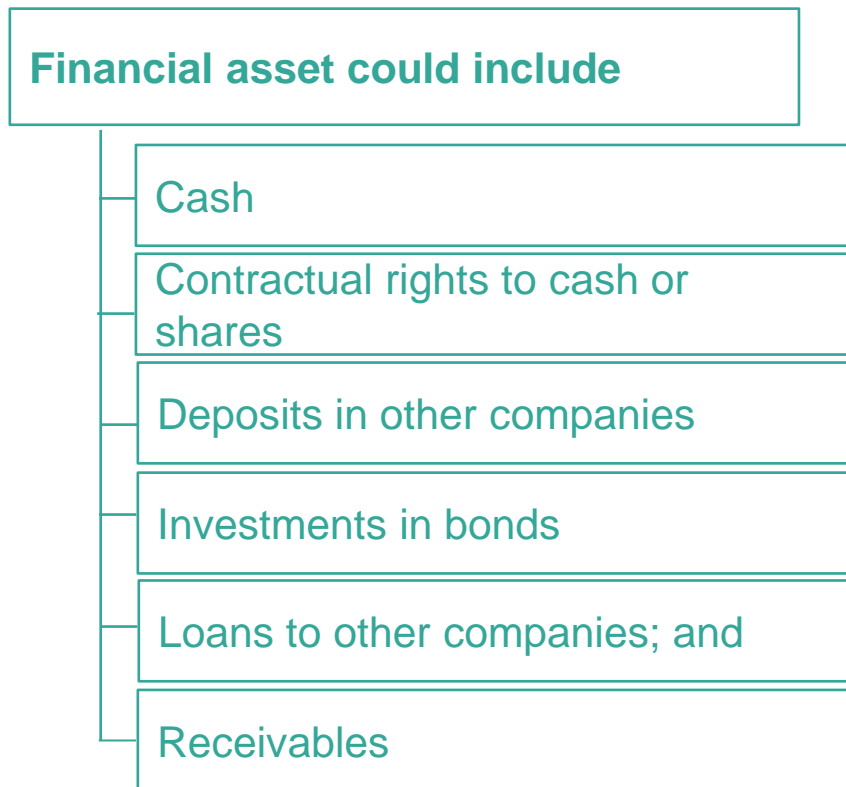
# Financial liability

- A contractual obligation:
  - To delivery cash or another financial asset to another entity; or
  - To exchange financial instruments with another entity under potentially unfavorable conditions; or
- A contract that will/ may be settled in entity's own equity instruments and is:
  - A non-derivative for which entity is/may be obliged to receive a variable number of its own equity instruments; or
  - A derivative that will/may be settled other than by exchange of a fixed amount of cash or another financial asset for the fixed number of the entity's own equity instruments

**Equity  
instrument**

Any contract that evidences as a residual interest in the assets of an entity after deducting all of its liabilities

A simple way of understanding what gives rise to a financial instrument is to consider that when a company needs to raise finance, a third party has to provide that finance



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