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# Accounting Alert

## Quarterly update – For-profit entities – What's new in financial reporting for March 2016?

This alert includes a high level overview of new and revised financial reporting requirements that need to be considered by for-profit entities for annual and interim financial reporting periods ending on 31 March 2016. Information is also included for June, September and December 2015 year ends.

Entities can use this listing to identify areas that may need to be considered further as part of their close process.

## Financial reporting standards update

The XRB has updated XRB A1 *Application of the Accounting Standards Framework* and removed Tier 3 (NZ IFRS Differential Reporting (NZ IFRS Diff Rep)) and Tier 4 (old NZ GAAP) for for-profit entities. NZ IFRS Diff Rep and old NZ GAAP are no longer available for periods beginning on or after 1 April 2015.

31 March 2016 is therefore the first balance date where Tier 3 and Tier 4 are no longer available for use by for-profit entities. Entities transitioning to NZ IFRS or NZ IFRS RDR from NZ IFRS Diff Rep or old NZ GAAP will need to consider the requirements of XRB A1 and NZ IFRS 1 *First-time Adoption of NZ IFRS*.

For those entities transitioning to NZ IFRS RDR it may be useful to refer to our for-profit FAQ publication, which discusses some of the key differences between NZ IFRS Diff Rep and NZ IFRS RDR. Click here to access this publication.

For March 2016 annual financial statements there are only a handful of new financial reporting amendments, including various amendments resulting from two annual improvement cycles. Entities will need to assess the impact and ensure that relevant policies and functionalities are in place to implement and comply with the changes.

There are also a number of new Standards and amendments which entities may wish to consider for early adoption.

The information below was updated on 10 March 2016 for developments to that date.

## For-profit entities: What are the new and revised accounting pronouncements for March 2016?

As occurs so often with changes in accounting standards and financial reporting requirements, some of the new or revised pronouncements may have a substantial impact on particular entities. Therefore, it is important that the pronouncements listed below are carefully reviewed for any potential impacts or opportunities.

The tables overleaf outline the new and revised pronouncements that are either to be applied for the first time for a 31 March 2016 annual reporting period, or which may be early adopted at that date[1]. The footnotes distinguish between mandatory initial application, and pronouncements which were also mandatory in a previous period. We have also included links to our Deloitte publications, where appropriate.

In the majority of cases, the disclosure requirements of the individual pronouncements listed in the tables below would not be applicable to half-year financial reports however the recognition and measurement requirements would be applied where those pronouncements have been adopted by the entity.

In addition, **disclosure** of the application of new and revised accounting pronouncements needs to be carefully considered. We have outlined some considerations in respect of these in Appendix A.

1 Amendments to NZ IFRS 1 *First-time Adoption of NZ IFRS* have not been considered in this publication. First time adopters should consult the latest version of NZ IFRS 1 when preparing their first financial statements in compliance with NZ IFRS, and consider the impact of NZ IFRS 14 *Regulatory Deferral Accounts* for first-time adopters (if applicable). Entities will also need to monitor approvals between the date of this publication and the date the financial statements are approved.

# Summary

The table below sets out the recent new pronouncements and whether they are optional or mandatory for financial years ending 30 June, 30 September or 31 December 2015, and whether they are optional or mandatory for the financial year or interim period ending 31 March 2016. Further information on each pronouncement can be found in the next section.

| New Pronouncement | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| **New or revised Standards or Interpretations** | | | | | | |
| Standard XRB A1 *Application of the Accounting Standards Framework* | Several updates made – refer to page 4 | | | | | |
| NZ IFRIC 21 *Levies* | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| NZ IFRS 14 *Regulatory Deferral Accounts* | 1 Jan 2016 | O | O | O | O | O |
| NZ IFRS 9 *Financial Instruments* | 1 Jan 2018 | O | O | O | O | O |
| NZ IFRS 15 *Revenue from Contracts with Customers* | 1 Jan 2018 | O | O | O | O | O |
| NZ IFRS 16 *Leases* | 1 Jan 2019 | O | O | O | O | O |
| **Other new amendments** | | | | | | |
| *Amendments to* NZ IFRS 10 *Consolidated Financial Statements,* NZ IFRS 12 *Disclosure of Interests in Other Entities and* NZ IAS 27 *Separate Financial Statements – Investment Entities* | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| *Amendments to* NZ IAS 32 *Offsetting Financial Assets and Financial Liabilities* | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| *Amendment to* NZ IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| *Amendments to* FRS 42 *Prospective Financial Statements* | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| *Amendments to* NZ IAS 19 *Defined Benefit Plans - Employee Contributions* | 1 Jul 2014 | M | M | M | M | M[2] |
| *Annual Improvements to NZ IFRSs 2010–2012 Cycle* | 1 Jul 2014 | M | M | M | M | M[2] |
| *Annual Improvements to NZ IFRSs 2011–2013 Cycle* | 1 Jul 2014 | M | M | M | M | M[2] |
| *Statutory Funds (Amendments to Appendix C of* NZ IFRS 4 *Insurance Contracts) - Life Insurance Entities* | 1 Jul 2014 | M | M | M | M | M[2] |
| *Fair Value Disclosures by Retirement Benefit Plans (Amendments to* NZ IAS 26*)* | 1 Jan 2015 | O | O | M | M | M |
| *2014 Omnibus Amendments to NZ IFRSs* | 1 Apr 2015 | O | O | O | M | M |
| *Amendments to* NZ IFRS 11 *- Accounting for Acquisitions of Interests in Joint Operations* | 1 Jan 2016 | O | O | O | O | O |
| *Amendments to* NZ IAS 16 *and* NZ IAS 38 *– Clarification of Acceptable Methods of Depreciation and Amortisation* | 1 Jan 2016 | O | O | O | O | O |
| *Agriculture: Bearer Plants (Amendments to* NZ IAS 16 *and* NZ IAS 41*)* | 1 Jan 2016 | O | O | O | O | O |
| *Equity Method in Separate Financial Statements (Amendments to* NZ IAS 27*)* | 1 Jan 2016 | O | O | O | O | O |
| *Annual Improvements to NZ IFRSs 2012–2014 Cycle* | 1 Jan 2016 | O | O | O | O | O |
| *Disclosure Initiative (Amendments to* NZ IAS 1*)* | 1 Jan 2016 | O | O | O | O | O |
| *Investment Entities: Applying the Consolidation Exception (Amendments to* NZ IFRS 10, NZ IFRS 12 *and* NZ IAS 28*)* | 1 Jan 2016 | O | O | O | O | O |
| *Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments* | 1 Jan 2016 | NP | NP | NP | O | O |
| *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to* IAS 12*)* | 1 Jan 2017 | O | O | O | O | O |
| *Disclosure Initiative (Amendments to* IAS 7*)* | 1 Jan 2017 | O | O | O | O | O |
| *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to* NZ IFRS 10 *and* NZ IAS 28*)* | 1 Jan 2020 | O | O | O | O | O |

**Key**

O Optional
M Mandatory – first time
M[2] Mandatory in a previous period
NP Early application not permitted

* Annual reporting periods beginning on or after

[2] These amendments were mandatory for first time application in a previous interim/annual reporting period.

# Impact of each new and revised pronouncement

The following tables set out information on the impact of the recent new pronouncements (see key on page 3).

We have also included a link to our Deloitte publications, where appropriate.

| Accounting Standards Framework | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| **Standard XRB A1 *Application of the Accounting Standards Framework*** | Various updates with different effective dates | | | | | |
| The Accounting Standards Framework is a two sector (for-profit and PBE), multi-tiered Framework. This approach has been adopted in order to meet the differing information needs of each sector's users of financial statements. The for-profit entity framework is based on International Financial Reporting Standards (IFRS).<br><br>The XRB issued XRB A1: *Accounting Standards Framework*, which has been regularly updated as phases of the Accounting Standards Framework have been finalised. XRB A1 sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers. Entities will need to carefully consider which tier applies, to determine whether they will be required to apply NZ IFRS or NZ IFRS RDR.<br><br>**Tiers 3 and 4 have been removed with effect from periods beginning on or after 1 April 2015.** An updated XRB A1 was issued in March 2015 and these tiers were removed. The updated XRB A1 is effective for annual reporting periods beginning on or after 1 April 2015.<br><br>In December 2015 the new (and final) versions of the Accounting Standards Framework and XRB A1 were issued, which include updated descriptions, clarifications and the removal of redundant requirements and duplications. No substantive changes were made to the Framework. The latest XRB A1 is effective for annual reporting periods beginning on or after 1 January 2016 (with early application permitted for annual reporting periods beginning on or after 1 April 2015). | **Accounting Alert - Staying on top of developments**<br><br>**Frequently asked questions** | | | | | |

| New or revised Standards | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| **NZ IFRIC 21 *Levies*** | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| The Interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.<br><br>The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:<br>• The liability is recognised progressively if the obligating event occurs over a period of time<br>• If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. | **IFRS in Focus Newsletter** | | | | | |
| **NZ IFRS 14 *Regulatory Deferral Accounts*** | 1 Jan 2016 | O | O | O | O | O |
| NZ IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' (i.e. deferred expenses which would not generally qualify for recognition as an asset under NZ IFRS) in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. New Zealand application is expected to be rare.<br><br>Note: Entities which are eligible to apply NZ IFRS 14 are not required to do so, and so can choose to apply only the requirements of NZ IFRS 1 *First-time Adoption of International Financial Reporting Standards* when first applying NZ IFRSs. However, an entity that elects to apply NZ IFRS 14 in its first NZ IFRS financial statements must continue to apply it in subsequent financial statements. | **IFRS in Focus Newsletter** | | | | | |

<table>
<tr><th rowspan="2">New or revised Standards</th><th rowspan="2">Effective date*</th><th colspan="4">Year Ending</th><th>Interim Ending</th></tr>
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<tr><td>NZ IFRS 9 Financial Instruments</td><td>1 Jan 2018</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>
Financial assets<br>
NZ IFRS 9 introduces a new classification and measurement regime for financial assets and will need to be carefully considered by each entity. Some key changes include:<br>
• debt instruments meeting both a ‘business model’ test and a ‘cash flow characteristics’ test are measured at amortised cost (the use of fair value is optional in some limited circumstances) (however, see below – Revised NZ IFRS 9 (2014) has introduced a further category for debt instruments held to collect the contractual cash flows and for sale)<br>
• investments in equity instruments can be designated as ‘fair value through other comprehensive income’ (FVTOCI) with only dividends being recognised in profit or loss<br>
• The new measurement category of FVTOCI will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.<br>
• all other instruments (including all derivatives) are measured at fair value with changes recognised in profit or loss<br>
• the concept of ‘embedded derivatives’ does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines<br>
• all equity investments are measured at fair value (including unquoted equity investments).<br>
Financial liabilities<br>
• NZ IAS 39 classification categories of amortised cost and fair value through profit or loss are retained<br>
• changes in credit risk on liabilities designated as at fair value through profit or loss is recognised in other comprehensive income, unless it creates or increases an accounting mismatch, and is not recycled to profit or loss<br>
• the meaning of credit risk is clarified to distinguish between asset-specific and performance credit risk<br>
• the cost exemption in NZ IAS 39 for derivative liabilities to be settled by delivery of unquoted equity instruments is eliminated.<br>
Hedge accounting and credit risk on own liabilities<br>
The key changes to the hedge accounting model are:<br>
• a broadening of the risks eligible for hedge accounting<br>
• changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces profit or loss volatility<br>
• the effectiveness test has been replaced with the principle of an “economic relationship” and retrospective assessment of effectiveness is no longer required<br>
• enhanced disclosures regarding an entity’s risk management activities.<br>
The expected loss impairment model<br>
The expected loss impairment model will apply to debt instruments measured at amortised cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses (the latter applies if credit risk has increased significantly since initial recognition). A different approach applies to purchased or originated credit-impaired financial assets. Extensive disclosure requirements have also been added to NZ IFRS 7 Financial Instruments: Disclosures.<br>
Consequential amendments and transition<br>
Consequential amendments affecting a number of Standards including NZ IFRS 7 can be found in Appendix C of NZ IFRS 9 and should be considered. These have been issued with the same effective date as NZ IFRS 9.<br>
For annual periods beginning before 1 January 2018, an entity may elect to apply an earlier version of NZ IFRS 9 if the entity’s date of initial application is before 1 February 2015. The Standard shall be applied retrospectively, subject to certain exceptions (e.g. most hedge accounting is applied prospectively).
</td><td colspan="6">
IFRS in Focus Newsletter - deferral<br>
IFRS in Focus Newsletter - financial liabilities<br>
IAS Plus Newsletter - financial assets<br>
IFRS in Focus Newsletter - hedging<br>
IFRS in Focus Newsletter - impairment
</td></tr>
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<tr><td>NZ IFRS 15 Revenue from Contracts with Customers</td><td>1 Jan 2018</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>NZ IFRS 15 provides a single, comprehensive principles-based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:<br>• identify the contract with the customer<br>• identify the performance obligations in the contract<br>• determine the transaction price<br>• allocate the transaction price to the performance obligations in the contract<br>• recognise revenue when (or as) the entity satisfies a performance obligation.<br><br>Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.<br><br>Note:<br>• for some entities, the profile of revenue and profit recognition may change significantly.<br>• On 22 July 2015 the IASB amended the effective date from 1 January 2017 to 1 January 2018. On 5 November 2015 the deferral of the effective date was approved in New Zealand.<br><br>Some disclosure exemptions for Tier 2 entities can be found in a separate document entitled NZ IFRS 15 Disclosure Concessions on the XRB website.</td><td colspan="6">IFRS in Focus Newsletter</td></tr>
<tr><td>NZ IFRS 16 Leases</td><td>1 Jan 2019</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>The new leases standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets.<br>Highlights of NZ IFRS 16 include the following:<br>Use of a control model for the identification of leases<br>This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.<br>Distinction between operating and finance leases removed<br>Assets and liabilities will now be recognised in respect of all leases, with the exception of certain short-term leases and leases of low value assets.<br>The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17 Leases.<br>NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance. Early application is permitted, provided that NZ IFRS 15 is also early adopted.</td><td colspan="6">IFRS in Focus Newsletter<br><br>Accounting Alert - January 2016</td></tr>
</table>

| Other new amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| ***Amendments to* NZ IFRS 10 *Consolidated Financial Statements,* NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IAS 27 *Separate Financial Statements – Investment Entities*** | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| The amendments set out new requirements for investment entities. Where an entity qualifies as an "investment entity" it does not consolidate its subsidiaries but measures its investments at fair value. Consideration of the criteria for meeting the definition of an "investment entity" will require a degree of judgement based on facts and circumstances, and these changes may impact entities beyond those traditionally seen as investment-type entities.<br><br>Note: entities affected by this amendment may also wish to consider early adoption of *Investment Entities: Applying the Consolidation Exception* (*Amendments to* NZ IFRS 10, NZ IFRS 12 *and* NZ IAS 28) set out below. | **IFRS in Focus Newsletter** | | | | | |
| ***Amendments to* NZ IAS 32 *Offsetting Financial Assets and Financial Liabilities*** | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| Amends NZ IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:<br>• the meaning of 'currently has a legally enforceable right of set-off'<br>• the application of simultaneous realization and settlement<br>• the offsetting of collateral amounts<br>• the unit of account for applying the offsetting requirements. | **IFRS in Focus Newsletter** | | | | | |
| ***Amendment to* NZ IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*** | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| Amends NZ IAS 39 *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. | **IFRS in Focus Newsletter** | | | | | |
| ***Amendments to* FRS 42 *Prospective Financial Statements*** | 1 Jan 2014 | M | M | M[2] | M[2] | M[2] |
| The amendments resolve a conflict between the requirements of FRS 42 to present prospective financial statements in respect of an annual period, and the requirements of the Securities Regulations 2009 (in certain cases) to present prospective financial statements in respect of an interim period.<br><br>The amendments to FRS 42 permit an entity to present prospective financial statements in respect of an interim period but also require the entity, under FRS 44, to present a comparison of actual amounts versus the previously published prospective interim financial information in the subsequent interim financial statements. | | | | | | |
| ***Amendments to* NZ IAS 19 *Defined Benefit Plans - Employee Contributions*** | 1 Jul 2014 | M | M | M | M | M[2] |
| The amendments reduce the complexity of allocating employee or third party contributions to a defined benefit plan to periods of service using the projected unit credit method. Instead, entities are permitted to account for contributions which are independent of the number of years of service, as a reduction in the service cost in the same period in which they are payable (e.g. where the contribution is a fixed percentage of an employee's salary). This is an accounting policy choice.<br><br>Other contributions are required to be attributed to periods of service either using the plan's contribution formula, or on a straight line basis. | **IFRS in Focus Newsletter** | | | | | |

| Other new amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| ***Annual Improvements to NZ IFRSs 2010–2012 Cycle*** | 1 Jul 2014 | M | M | M | M | M[2] |
| The annual improvements are largely clarifications, covering:<br>• the definition of vesting condition in NZ IFRS 2 *Share-based Payments*<br>• accounting for contingent consideration in a business combination under NZ IFRS 3 *Business Combinations*<br>• disclosure re aggregating operating segments under NZ IFRS 8 *Operating Segments*<br>• fair value of short term receivables and payables under NZ IFRS 13 *Fair Value Measurement*<br>• restatement of accumulated depreciation/amortisation under the revaluation method in NZ IAS 16 *Property, Plant and Equipment* and NZ IAS 38 *Intangible Assets*<br>• management entities providing key management personnel services to a reporting entity under NZ IAS 24 *Related Party Disclosures.*<br>A list of all the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant. | **IFRS in Focus Newsletter** | | | | | |
| ***Annual Improvements to NZ IFRSs 2011–2013 Cycle*** | 1 Jul 2014 | M | M | M | M | M[2] |
| These annual improvements are also largely clarifications, including clarification of the:<br>• scope exclusion for joint ventures under NZ IFRS 3<br>• scope of the portfolio exception under NZ IFRS 13<br>• interrelationship between NZ IFRS 3 and NZ IAS 40 *Investment Property*.<br>A list of all the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant. | **IFRS in Focus Newsletter** | | | | | |
| ***Statutory Funds (Amendments to Appendix C of* NZ IFRS 4 *Insurance Contracts) - Life Insurance Entities*** | 1 Jul 2014 | M | M | M | M | M[2] |
| To be consistent with the Amendments to the Insurance (Prudential Supervision) Act 2010, Appendix C of NZ IFRS 4 now requires disclosures in relation to the statutory funds of life insurance entities under that Act. In addition, entities are now required to disclose disaggregated information for each life fund (previously entities distinguished only between investment linked business and non-investment linked business). | | | | | | |
| ***Fair Value Disclosures by Retirement Benefit Plans (Amendments to* NZ IAS 26*)*** | 1 Jan 2015 | O | O | M | M | M |
| These amendments require additional New Zealand specific disclosures regarding the fair value hierarchy and retirement benefit plan investments measured at fair value in accordance with NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans.* | | | | | | |
| ***2014 Omnibus Amendments to NZ IFRSs*** | 1 Apr 2015 | O | O | O | M | M |
| A number of New Zealand specific amendments have been made, including:<br>• FRS 44 *New Zealand Additional Disclosures* – the amendments require for-profit entities to disclose the statutory basis or other reporting framework, if any, under which the financial statements have been prepared.<br>The amendments apply to annual periods beginning on or after 1 April 2015, with early application permitted. | | | | | | |
| ***Amendments to* NZ IFRS 11 *- Accounting for Acquisitions of Interests in Joint Operations*** | 1 Jan 2016 | O | O | O | O | O |
| Amends NZ IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in NZ IFRS 3) to:<br>• apply all of the business combinations accounting principles in NZ IFRS 3 and other NZ IFRSs, except for those principles that conflict with the guidance in NZ IFRS 11<br>• disclose the information required by NZ IFRS 3 and other NZ IFRSs for business combinations.<br>The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).<br>Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in NZ IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted. | **IFRS in Focus Newsletter** | | | | | |

| Other new amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| ***Amendments to* NZ IAS 16 *and* NZ IAS 38 *– Clarification of Acceptable Methods of Depreciation and Amortisation*** | 1 Jan 2016 | O | O | O | O | O |
| Amends NZ IAS 16 and NZ IAS 38 to:<br>• clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment<br>• introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated<br>• add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. | **IFRS in Focus Newsletter** | | | | | |
| ***Agriculture: Bearer Plants (Amendments to* NZ IAS 16 *and* NZ IAS 41*)*** | 1 Jan 2016 | O | O | O | O | O |
| The amendments bring bearer plants, which are used solely to grow produce, into the scope of NZ IAS 16 *Property, Plant and Equipment* (and out of the scope of NZ IAS 41 *Agriculture*) so that they are accounted for in the same way as property, plant and equipment.  A bearer plant is defined as "a living plant that:<br>• is used in the production or supply of agricultural produce;<br>• is expected to bear produce for more than one period; and<br>• has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales."<br>The amendments also clarify that produce growing on bearer plants continues to be accounted for under NZ IAS 41 and that government grants related to bearer plants no longer fall into the scope of NZ IAS 41 but need to be accounted for under NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*<br>For cost benefit reasons, the amendments permit the use of fair value as deemed cost on transition. The amendments apply retrospectively to annual periods beginning on or after 1 January 2016, with early application permitted. | **IFRS in Focus Newsletter** | | | | | |
| ***Equity Method in Separate Financial Statements (Amendments to* NZ IAS 27*)*** | 1 Jan 2016 | O | O | O | O | O |
| The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements, and now allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements<br>• at cost;<br>• in accordance with NZ IFRS 9 *Financial Instruments* (or NZ IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted NZ IFRS 9); or<br>• using the equity method as described in NZ IAS 28 *Investments in Associates and Joint Ventures*.<br>The accounting option must be applied by category of investments.<br>Dividends are recognised in profit or loss unless the investment is accounted for using the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.<br>The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.<br>In addition to the amendments to NZ IAS 27, there are consequential amendments to NZ IAS 28 to avoid a potential conflict with NZ IFRS 10 and to NZ IFRS 1. | **IFRS in Focus Newsletter** | | | | | |

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<tr><td>These annual improvements are also largely clarifications, covering:<br>• changes in methods of disposal under NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations<br>• servicing contracts and applicability of the amendments to NZ IFRS 7 on offsetting disclosure to condensed interim financial statements.<br>• discount rate: regional market issue - NZ IAS 19 Employee Benefits.<br>• disclosure of information “elsewhere in the interim report” in accordance with the requirements of NZ IAS 34 Interim Financial Reporting.<br>A list of all the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.</td><td colspan="6">IFRS in Focus Newsletter</td></tr>
<tr><td>Disclosure Initiative (Amendments to NZ IAS 1)</td><td>1 Jan 2016</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>These amendments have been issued as part of the Disclosure Initiative project to improve presentation and disclosure requirements and:<br>• clarify that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in NZ IFRSs<br>• clarify that the list of line items specified by NZ IAS 1 for the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant. Additional guidance has also been added on the presentation of subtotals in these statements<br>• clarify that an entity’s share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate and separated into the share of those items that will not be reclassified subsequently to profit or loss and those that will or may be reclassified to profit or loss<br>• clarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes.<br>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted.</td><td colspan="6">IFRS in Focus Newsletter</td></tr>
<tr><td>Investment Entities: Applying the Consolidation Exception (Amendments to NZ IFRS 10, NZ IFRS 12 and NZ IAS 28)</td><td>1 Jan 2016</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>Amends NZ IFRS 10, NZ IFRS 12 and NZ IAS 28 to:<br>• exempt a parent entity that is a subsidiary of an investment entity from the requirement to prepare consolidated financial statements, even if the investment entity measures all its subsidiaries at fair value in accordance with NZ IFRS 10. The exemption is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity<br>• clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to its investment activities applies only to subsidiaries that are not themselves investment entities<br>• permit a non-investment entity investor, in applying the equity method to an associate or a joint venture that is an investment entity, to retain the fair value measurements that the associate or joint venture used for its subsidiaries<br>• clarify that an investment entity that measures all its subsidiaries at fair value should provide the NZ IFRS 12 disclosures related to investment entities.<br>The amendments apply retrospectively to annual periods beginning on or after 1 January 2016, with early application permitted.</td><td colspan="6">IFRS in Focus Newsletter</td></tr>
</table>

| Other new amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2015 | Sep 2015 | Dec 2015 | Mar 2016 | Mar 2016 |
| ***Amendments to For-profit Accounting Standards as a Consequence of XRB A1 and Other Amendments*** | 1 Jan 2016 | NP | NP | NP | O | O |
| These amendments consist of the following:<br>• generic amendments arising as a result of the updated XRB A1 (e.g. changing the name of XRB A1 in various standards)<br>• other amendments, which include:<br>  • clarification of the scope section in NZ IFRS 1<br>  • clarification that Tier 2 entities must comply with any requirements of NZ IFRS 7 *Financial Instruments: Disclosures* that are referred to in NZ IFRS 4.<br>• other minor amendments<br>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for annual periods beginning on or after 1 April 2015. | | | | | | |
| ***Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to* IAS 12)** | 1 Jan 2017 | O | O | O | O | O |
| The amendments clarify the following:<br>• unrealised losses on debt instruments measured at fair value for accounting purposes but at cost for tax purposes can give rise to deductible temporary differences, regardless of whether the carrying amount is expected to be recovered through holding the instrument until maturity or by sale of the instrument<br>• When determining whether future taxable profits are available against which deductible temporary differences may be utilized, tax deductions resulting from the reversal of those deductible temporary differences are excluded<br>• Estimates of future taxable profits may take into account the recovery of an asset for more than its carrying amount if there is sufficient evidence that this recovery is probable<br>The amendments apply retrospectively to annual periods beginning on or after 1 January 2017, with early application permitted. | **IFRS in Focus Newsletter** | | | | | |
| ***Disclosure Initiative (Amendments to* IAS 7)** | 1 Jan 2017 | O | O | O | O | O |
| These amendments have been issued as part of the Disclosure Initiative project to improve presentation and disclosure requirements. The amendments require disclosures that allow users of financial statements to evaluate changes in liabilities which arise from financing activities – this includes both changes arising from cash flows and non-cash changes.<br>Illustrative examples have been included in the amendments to demonstrate how to meet the objective; namely, to improve the information provided by entities about their financing activities.<br>The amendments apply prospectively to annual periods beginning on or after 1 January 2017, with early application permitted. Comparative information is not required to be presented for prior periods. | **IFRS in Focus Newsletter** | | | | | |

<table>
<tr><th rowspan="2">Other new amendments</th><th rowspan="2">Effective date*</th><th colspan="4">Year Ending</th><th>Interim Ending</th></tr>
<tr><th>Jun 2015</th><th>Sep 2015</th><th>Dec 2015</th><th>Mar 2016</th><th>Mar 2016</th></tr>
<tr><td>Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28)</td><td>1 Jan 2020</td><td>O</td><td>O</td><td>O</td><td>O</td><td>O</td></tr>
<tr><td>The amendments clarify that in a transaction involving an associate or joint venture, the extent of the gain or loss recognised is dependent upon whether the assets sold or contributed constitute a business, as defined in NZ IFRS 3 Business Combinations.<br><br>A gain or loss is recognised in full where an entity:<br>• sells or contributes assets constituting a business to a joint venture or associate; or<br>• loses control of a subsidiary that contains a business but retains joint control or significant influence.<br><br>Where the sold or contributed assets do not constitute a business, or where the subsidiary over which control was lost does not contain a business then the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.<br><br>Originally the amendments were to apply prospectively to annual periods beginning on or after 1 January 2016. However, the IASB has decided to postpone the effective date indefinitely in order to complete its research project on equity accounting (which may include further clarifications to these amendments). Since the Financial Reporting Act 2013 requires all accounting standards issued in New Zealand to have an effective date, the NZASB has decided on an effective date of 1 January 2020 (which would be reassessed in accordance with the IASB's decision on the matter). Early application of the amendments is still permitted.</td><td colspan="6">IFRS in Focus Newsletter<br><br>IFRS in Focus Newsletter - deferral of effective date</td></tr>
</table>

# Appendix A – Shedding light on the disclosures required

NZ IFRS requires disclosures in relation to all the new or revised Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, **whether they have been adopted or not.** The requirements for interim financial reports are less onerous but must still be considered.

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- for annual reporting periods – NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- for interim reporting periods – NZ IAS 34 *Interim Financial Reporting.*

Entities which qualify for differential reporting (Tier 3 entities) and entities reporting under NZ IFRS RDR (Tier 2 entities) are permitted exemptions from certain disclosures as noted below.

### What disclosures are required?

| Applicability of new or revised pronouncement | Summary of disclosures required | |
|---|---|---|
| | Annual financial report | Interim financial report |
| Initial mandatory or voluntary application of a new or revised pronouncement | The relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.<br><br>*Tier 2 entities would not need to disclose details of transitional provisions.*<br><br>*(NZ IAS 8.28)*<br><br>When initial application has not had a material impact on the financial statements (and is also not expected to have a material impact in future periods), an entity may wish to include a generic disclosure such as:<br><br>*"All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements."* | The nature and effect of any change in accounting policy compared with the most recent annual financial report.<br><br>(NZ IAS 34.16A(a))<br><br>NZ IAS 34 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with NZ IAS 8. However, best practice might suggest that the requirements of NZ IAS 8 be used as a guide. |
| Pronouncement on issue but not adopted | The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).<br><br>The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 30 June 2015, 30 September 2015, 31 December 2015 or 31 March 2016 (updated to 10 March 2016).<br><br>When initial application is not expected to have a material impact on the financial statements, an entity may wish to include a generic disclosure such as:<br><br>*"There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become mandatory. None are expected to result in a material impact on the Company's financial statements."*<br><br>*Tier 2 and 3 entities are exempt from these disclosures.*<br><br>(NZ IAS 8.30-31) | The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously disclosed in the prior annual financial report.<br><br>*Tier 2 and 3 entities are exempt from these disclosures in an annual financial report, and accordingly would also be exempt at the interim period.* |

Example disclosures can be found in our global model financial statements, at the following link: **Model financial statements**. Our New Zealand model financial statements (which also illustrates the RDR disclosure concessions for Tier 2 entities) can be found **here**

### Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date or at the mandatory adoption date.

Other Interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of each Interpretation and its potential impacts when making a decision whether early adoption is appropriate.

### Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent New Zealand pronouncement has not been approved at the date of signing the financial report?

Yes

Although not technically required by paragraph 30 of NZ IAS 8, "for-profit" entities should disclose the information required by that paragraph (where material) in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 16 of NZ IAS 1 *Presentation of Financial Statements*.

As at 10 March 2016, the following amendments were approved by the IASB, but not yet approved in New Zealand:

- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to* IAS 12*)* (effective for periods beginning on or after 1 January 2017)
- *Disclosure Initiative (Amendments to* IAS 7*)* (effective for periods beginning on or after 1 January 2017)

**Example disclosure:**

The following wording, amended from the wording in our model financial statements, may be used in these circumstances:

*'At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved, were on issue but not yet effective.'*

Where this wording is utilised, the relevant IASB/IFRIC Standards and Interpretations should be cited by their IASB or IFRIC references and names, e.g. IFRIC X, IFRS Y, etc. Any Standards and Interpretations already approved by the NZASB should be cited by their New Zealand references and names.

# Appendix B – Annual Improvements

The IASB undertakes an annual project to pass necessary but non-urgent amendments to Standards and Interpretations.  This appendix includes a list of the Standards affected and subject matters of the amendments passed in the IASB's annual improvement projects as follows:

**2010-2012 cycle:**

| NZ IFRS | Subject of amendment |
|---|---|
| NZ IFRS 2 *Share-based Payments* | The definition of vesting condition and market condition are amended and the definition of performance condition and service condition are added (which were previously included within the definition of vesting condition). |
| NZ IFRS 3 *Business Combinations* | Clarifies that contingent consideration that is classified as an asset or a liability, whether financial or non-financial, should be measured at fair value at each reporting date.  Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. |
| NZ IFRS 8 *Operating Segments* | Requires an entity to disclose judgements made in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics".<br>Clarifies that a reconciliation of segment assets is only required if the segment assets are regularly provided to the chief operating decision-maker. |
| NZ IFRS 13 *Fair Value Measurement* | Clarifies that the issuance of NZ IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. |
| NZ IAS 16 *Property, Plant and Equipment and NZ IAS 38 Intangible Assets* | Clarifies that on revaluation:<br>• the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset (e.g. proportionately) and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or<br>• accumulated depreciation/amortisation is eliminated against the gross carrying amount. |
| NZ IAS 24 *Related Party Disclosures* | Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. |

(Applicable for periods beginning on or after 1 July 2014)

## 2011-2013 cycle:

| NZ IFRS | Subject of amendment |
|---|---|
| NZ IFRS 3 *Business Combinations* | The scope section was amended to clarify the Standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself. |
| NZ IFRS 13 *Fair Value Measurement* | The scope of the portfolio exception for measuring the fair value of a group of financial assets and liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement* or NZ IFRS 9 *Financial Instruments*, even if those contracts do not meet the definitions of financial assets or liabilities under NZ IAS 32 *Financial Instruments: Presentation*. |
| NZ IAS 40 *Investment Property* | The amendment clarifies that NZ IAS 40 and NZ IFRS 3 are not mutually exclusive and application of both standards may be required. |

(Applicable for periods beginning on or after 1 July 2014)

## 2012-2014 cycle:

| NZ IFRS | Subject of amendment |
|---|---|
| NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* | When an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued:<br>• such reclassifications are not considered changes to a plan of sale or a plan of distribution to owners. The classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and<br>• assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) are treated in the same way as assets that cease to be classified as held for sale. |
| NZ IFRS 7 *Financial Instruments: Disclosures* | Provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets.<br>Clarifies that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with NZ IAS 34 *Interim Financial Reporting*. |
| NZ IAS 19 *Employee Benefits* | High quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments result in the depth of the market for high quality corporate bonds being assessed at currency level. |
| NZ IAS 34 *Interim Financial Reporting* | The amendments require that information required by NZ IAS 34 that is presented elsewhere, outside the interim financial statements, is incorporated by way of a cross-reference from the interim financial statements to the other statement (e.g. management commentary) and that the other statement is to be made available to users on the same terms and at the same time as the interim financial statements. |

(Applicable for periods beginning on or after 1 January 2016)

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