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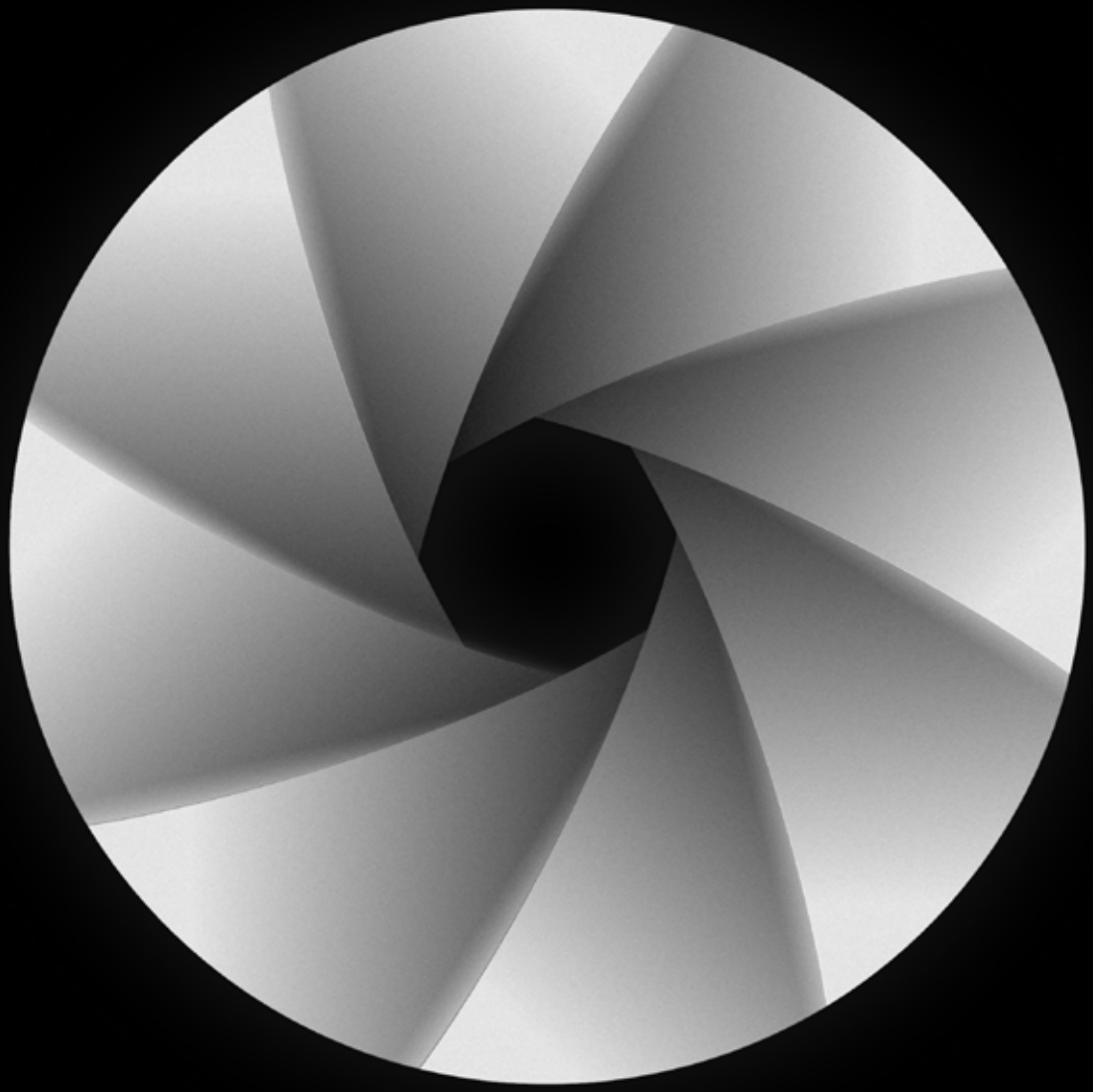

Accounting Alert

Quarterly update – For-profit entities

What's new in financial reporting for March 2020?

This quarterly update 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 2020. Information is also included for December 2019 year ends for entities who are still finalising their financial statements.

COVID-19 accounting considerations

Below is our usual analysis of new and amended standards however we are also aware that most, if not all, entities will have been impacted by the COVID-19 events. We have issued a Special Edition Accounting Alert - Accounting considerations related to COVID-19 to highlight some of the key issues to be considered by the entities in preparing their financial statements. Find the accounting alert **here**. Our Global firm has issued a more detailed accounting considerations on COVID-19, which can be found **here**.

The Financial Markets Authority (FMA) has also published their guidance for FMC reporting entities and their directors in managing impacts of COVID-19 on their financial reporting. This include the regulatory relief to extend the deadlines (additional two months) in producing audited financial statements and considerations when preparing financial statements focusing on robust documentation and comprehensive disclosures. Find the FMA's guidance **here**.

The NZX has also provided relief from the reporting deadlines for listed entities. Refer to information on the NZX class waivers in relation to COVID-19 **here**.

The Companies Office has also made a statement about reporting deadlines which can be found **here**. Charities Services similarly has some information on its website for registered charities which can be found **here**.

Financial reporting standards update

NZ IFRS 16 *Leases*, NZ IFRIC 13 *Uncertainty over Income Taxes*, and six new financial reporting amendments and improvements are effective for interim periods and financial years ending 31 March 2020. All entities will need to assess the impact of the new standard, interpretation and amendments and ensure that relevant policies and functionalities are in place to implement and comply with the changes.

NZ IFRS 17 *Insurance Contracts* is a new standard on the horizon, which entities may wish to consider for early adoption. All Tier 1 entities (applying full NZ IFRS) who are yet to adopt the new standards, interpretations and amendments, including NZ IFRS 17, for financial years ending 31 March 2020, need to consider appropriate disclosure in relation to these approved but not yet effective standards and amendments.

Importance of disclosures

Judgement will be required to determine what additional disclosure is appropriate to explain the impact of changes the new standards, interpretations and amendments introduce to the financial statements.

Full year financial statements

For those entities who have reached the first financial year end under the new standards, disclosure will be required to comply with the disclosure requirements of the relevant standards, interpretations and amendments. Model financial statements providing example disclosures for annual financial statements in the first year of adoption of IFRS 16, which include full restrospective and modified restrospective applications, can be found **here**.

Interim reports

For those entities who have reached the first interim reporting period under the new standards, interpretations and amendments, disclosure will be required of the effects of changes in accounting policy. An IFRS in Focus Newsletter with more details can be found **here.**

In May 2019, the FMA published their approach to financial reporting reviews highlighting areas of interest for 2019/2020 reviews. Key areas of interest include disclosures of the impact of the new accounting standards[1], including the new disclosure requirements of each standard. Find the FMA's guidance **here**.

The New Zealand Accounting Standards Framework

The Accounting Standards Framework is a two sector (for-profit and public benefit entities (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).

XRB A1 *Application of the Accounting Standards Framework* (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.

2019 Amendments to XRB A1 Appendix A was issued to improve the guidance for determining whether an entity is a for-profit or PBE. The amendments include clarifications to the guidance on the definition of a PBE, new indicators and merging of existing indicators to be considered in determining whether an entity is a PBE, paragraphs on conflicting indicators to explain how to use professional judgement, and revised and new illustrative examples.

You may find our framework publication, 'The New Zealand financial reporting landscape' useful. This publication provides a summary of the legislative and accounting standards requirements for New Zealand entities and is available: **here.**

The information below was updated on 30 March 2020 for developments to that date.

[1] The FMA is also interested in disclosures of significant judgements and estimates including those arising from the new accounting standards. In addition, they note the importance of maintaining documentation to support the judgements and decisions made.

For-profit entities: What are the new and revised accounting pronouncements for March 2020?

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 below and overleaf outline the new and revised pronouncements that are either to be applied for the first time for a 31 March 2020 annual or interim reporting period, or which may be early adopted at that date[2]. The footnotes distinguish between mandatory initial application, and pronouncements which were also mandatory in a previous period. We have also included links to relevant Deloitte publications which provide further detail, 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, along with the impact of those that are approved but not yet effective. We have outlined some considerations in respect of these in Appendix A.

Summary

The table below sets out the recent new pronouncements and whether they are optional or mandatory for financial years ending 31 December 2019 or 31 March 2020, and whether they are optional or mandatory for the interim period ending 31 March 2020.

Further information on each pronouncement can be found in the next section.

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
NZ IFRS 16 *Leases*	1 Jan 2019	M	M	M
NZ IFRIC 23 *Uncertainty over Income Tax Treatments*	1 Jan 2019	M	M	M
2017 **Omnibus Amendments** *to NZ IFRS (**NZ IFRS 10** and **NZ IAS 28**)*	1 Jan 2019	M	M	M
Prepayment Features with Negative Compensation (Amendments to **NZ IFRS 9)**	1 Jan 2019	M	M	M
Long term interests in Associates and Joint Ventures (Amendments to **NZ IAS 28**)	1 Jan 2019	M	M	M
Annual **Improvements** *to NZ IFRSs 2015–2017 Cycle*	1 Jan 2019	M	M	M
Plan Amendment, Curtailment or Settlement (Amendments to **NZ IAS 19**)	1 Jan 2019	M	M	M
Amendments to the scope of **FRS-42**	1 Jan 2019	M	M	M
*Definition of a Business – Amendments to **NZ IFRS 3***	1 Jan 2020	O	O	O
*Definition of Material – Amendments to **NZ IAS 1** and **NZ IAS 8***	1 Jan 2020	O	O	O
*Interest Rate Benchmark Reform – Amendments to **NZ IFRS 9**, **NZ IAS 39** and **NZ IFRS 7***	1 Jan 2020	O	O	O
2019 Omnibus Amendments to NZ IFRS	1 Jan 2020	O	O	O
NZ IFRS 17 *Insurance Contracts*	1 Jan 2021[3]	O	O	O
*Classification of Liabilities as Current and Non-current (Amendments to **IAS 1**)*	1 Jan 2022	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 2025	O	O	O

Key

O Optional

M Mandatory – first time

M[2] Mandatory in a previous period

* Annual reporting periods beginning on or after

[2] 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. Entities will also need to monitor approvals between the date of this publication and the date the financial statements are approved.

[3] The International Accounting Standards Board (IASB) has issued an Exposure Draft, *Amendments to IFRS 17*, which includes a proposal to defer the IFRS 17 effective date to 2022. Refer to pages 8 and 9 for more details.

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.

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
NZ IFRS 16 *Leases*	1 Jan 2019	M	M	M
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. Highlights of NZ IFRS 16 include the following: **Use of a control model for the identification of leases** This model distinguishes between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. **Distinction between operating and finance leases removed for lessees** 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. The main changes affect lessee accounting only – lessor accounting is mostly unchanged from NZ IAS 17 *Leases*. NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance. *Some disclosure exemptions for Tier 2 entities were approved in RDR NZ IFRS 16 and NZ IAS 7, and are now incorporated into NZ IFRS 16.*	**IFRS in Focus Newsletter** **Accounting Alert – January 2016**			
NZ IFRIC 23 *Uncertainty over Income Tax Treatments*	1 Jan 2019	M	M	M
This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method. On transition, an entity may either use full retrospective application or modified retrospective application without restatement of comparatives. Earlier application is permitted.	**IFRS in Focus Newsletter**			
2017 Omnibus Amendments to NZ IFRS (NZ IFRS 10 and NZ IAS 28)	1 Jan 2019	M	M	M
The amendments to NZ IFRS 10 and NZ IAS 28 require the ultimate New Zealand parent to present consolidated financial statements and apply the equity method when accounting for interests in associates and joint ventures. These amendments do not apply where the parent is an investment entity.				

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
Prepayment Features with Negative Compensation (Amendments to* NZ IFRS 9*)	1 Jan 2019	M	M	M
The amendments are narrow in scope and relate to financial assets with prepayment options which may result in the party exercising the option receiving compensation from the other party (as opposed to paying compensation to the other party). As a result of the amendments, these instruments do not automatically fail the SPPI test (note: 'SPPI' means 'contractual cash flows that are solely payments of principal and interest on the principal amount outstanding'). These amendments are to be applied retrospectively. Early application is permitted. Specific transition provisions apply depending on the date the amendment is applied (and considering the initial application of NZ IFRS 9).	**IFRS in Focus Newsletter**			
Long Term Interests in Associates and Joint Ventures (Amendments to* NZ IAS 28*)	1 Jan 2019	M	M	M
The amendment clarifies that an entity should apply NZ IFRS 9, including its impairment requirements, to long-term interests in associates or joint ventures that form part of the entity's net investment in these investees.	**IFRS in Focus Newsletter**			
Annual Improvements to NZ IFRSs 2015 – 2017 Cycle	1 Jan 2019	M	M	M
These annual improvements are largely clarifications, covering: • appropriate measurement of previously held interests, when an entity obtains control of a business that is a joint operation under NZ IFRS 3 *Business Combinations* and under NZ IFRS 11 *Joint Arrangements;* • income tax consequences of dividends; and • calculation of the capitalisation rate on general borrowings if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale. 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**			
Plan Amendment, Curtailment or Settlement (Amendments to* NZ IAS 19*)	1 Jan 2019	M	M	M
The amendment now makes it mandatory that when a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. The amendment also clarifies the effect that plan amendment, curtailment or settlement has on the requirements regarding the asset ceiling.	**IFRS in Focus Newsletter**			
***Amendments to the scope of* FRS-42**	1 Jan 2019	M	M	M
The changes to the scope of the standard that this amendment introduces include: • That the standard applies to entities who are required by legislation or regulation, rather than choice, to present general purpose prospective financial statements that comply with GAAP; and • That the standard applies to general purpose prospective GAAP financial statements rather than all prospective financial information. The NZASB continues to encourage entities who are not required by legislation or regulation to present general purpose prospective financial statements that comply with GAAP to apply the requirements of the standard.				

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
Definition of a Business – Amendments to NZ IFRS 3	1 Jan 2020	O	O	O
The amendments aim to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets, which include: • revised definition, which means that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a **substantive** process that **together significantly contribute to the ability to create** outputs; • additional guidance that helps to determine whether a substantive process has been acquired. New illustrative examples are provided to assist with the interpretation of what is considered a business; • removing the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; • narrowing the definitions of a business and of outputs by focusing on goods and services provided to customers. The reference to an ability to reduce costs is removed; and, • the introduction of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business – it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition is on or after beginning of the first annual period beginning on or after 1 January 2020. Earlier application is permitted.	**IFRS in Focus – definition of a business in IFRS 3**			
Definition of Material – Amendments to NZ IAS 1 and NZ IAS 8	1 Jan 2020	O	O	O
The amendments have been issued to make the definition of 'material' in NZ IAS 1 easier to understand. The amendments are not intended to alter the underlying concept of materiality in NZ IFRS Standards. These include: • the concept of 'obscuring' material information with immaterial information as part of the new definition; • a change to the threshold for materiality influencing users from 'could influence' to 'could reasonably be expected to influence'; and, • replacing the definition of material in NZ IAS 8 with a reference to the definition of material in NZ IAS 1. In addition, the NZASB made consequential amendments to other Standards and the *NZ Conceptual Framework* to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted.	**IFRS in Focus – definition of material**			

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
Interest Rate Benchmark Reform – Amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7	1 Jan 2020	O	O	O

The amendments affect entities that apply the hedge accounting requirements of NZ IFRS 9 or NZ IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.

The amendments affect the following areas:

1. The **highly probable requirement for cash flow hedges** assumes that for a hedged item that is a forecast transaction, an entity shall determine whether the forecast transaction is highly probable assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

2. **Reclassification of the amount accumulated in the cash flow hedge reserve** – to determine whether the hedged future cash flows are expected to occur, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

3. In assessing the **economic relationship between the hedged item and the hedging instruments**, an entity shall assume that the interest rate benchmark on which the hedged cash flows and/or hedged risk are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of the interest rate benchmark reform.

4. In doing the **prospective assessment and retrospective assessment under NZ IAS 39**, an entity is not required to discontinue a hedging relationship during the period of uncertainty arising from the interest rate benchmark reform solely because the actual results of the hedge are not highly effective, i.e. are outside the range of 80-125% when applying the restrospective assessment.

5. In **designating a component of an item (i.e. benchmark component of interest rate risk that is affected by the interest rate benchmark reform) as a hedged item** under both NZ IFRS 9 and NZ IAS 39, an entity shall apply the specific requirement in NZ IFRS 9 and NZ IAS 39 to determine whether the risk component is separately identifiable, only at the inception of the hedging relationship.

6. An entity shall **prospectively cease applying the requirements** set out in 1 to 4 above at the earlier of when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedged instruments, and when the hedging relationship is discontinued. For 5 above, the relief will end on termination of the hedging relationship.

7. **NZ IFRS 7** requires an entity to disclose exposure on uncertainty arising from interest benchmark reform, extent of exposure, how the entity is managing the process to transition to alternative benchmark rates, significant assumptions or judgements and nominal amount of the hedging instrument.

The amendments shall be applied for annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning or the reporting period in which an entity first applies the amendments.

IFRS in Focus — Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
2019 Omnibus Amendments to NZ IFRS	1 Jan 2020	O	O	O
These amendments include: • deferral of the effective date of the *Sale and Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) to annual periods beginning on or after 1 January 2025 (will be reassessed once the IASB decides on the matter). • amendments to FRS 44 *New Zealand Additional Disclosures*: – requiring the entity to disclose any IFRS that has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, by providing the information specified under NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS; and – deleting the paragraphs that deal with elements in the statement of service performance. • editorial corrections. The amendments are effective for annual periods beginning or after 1 January 2020. Earlier application is permitted.				
NZ IFRS 17 *Insurance Contracts*	1 Jan 2021	O	O	O
NZ IFRS 17 *Insurance Contracts* has been issued to replace NZ IFRS 4. The scope of NZ IFRS 17 differs from NZ IFRS 4 because it introduces: • a requirement that in order to apply the insurance standard to investment contracts with discretionary participation features, an entity has to also issue insurance contracts; and • an option to apply NZ IFRS 15 *Revenue from Contracts with Customers* to fixed-fee contracts, provided certain criteria are met. NZ IFRS 17 requires entities to identify portfolios of insurance contracts which are subject to similar risks and managed together. Each portfolio shall be divided into a minimum of three groups: • a group of contracts that are onerous at initial recognition, if any; • a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and • a group of the remaining contracts in the portfolio, if any. An entity is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the entity's practical ability to set a different price or level of benefits for policyholders with different characteristics, the entity may include those contracts in the same group. The standard measures insurance contracts either under the general model or a simplified version of this called the *Premium Allocation Approach*. The general model is defined such that at initial recognition an entity shall measure a group of contracts at the total of: • the amount of fulfilment cash flows ("FCF"), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money ("TVM") and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and • the contractual service margin ("CSM"). On subsequent measurement, the carrying amount shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.	**IFRS in Focus Newsletter** **IAS Plus – Transition Resource Group for IFRS 17** **IASB tentatively decides to defer the IFRS 17 effective date**			

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the *premium allocation approach* on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less. The new Standard may also result in changes to presentation in the statement of financial performance. NZ IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted if both NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 9 *Financial Instruments* have also been applied. An entity shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach. At the date of initial application of the standard, those entities already applying NZ IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard. The IASB has issued an exposure draft, *Improvements to IFRS 17*, which includes proposed amendments to defer the effective date of IFRS 17 to annual periods beginning on or after 1 January 2022. The IASB has also proposed to extend to 2022 the temporary exemption for insurance companies to apply IFRS 9. The IASB is still deliberating the feedback received from the respondents on the exposure draft.				
Classification of Liabilities as Current or Non-current (Amendments to* IAS 1*)	1 Jan 2022	O	O	O
The amendments to IAS 1: • clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. • specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. • explain that rights are in existence if covenants are complied with at the end of the reporting period. • introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments issued by the IASB affect only the presentation of liabilities as current or non-current in the statement of financial position. These are applied restrospectively from annual periods beginning on or after 1 January 2022. Earlier application is permitted.	**IFRS in Focus – Classification of Liabilities**			

New Pronouncement	Effective date*	Year ending		Interim ending
		Dec 2019	Mar 2020	Mar 2020
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 2025	O	O	O
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*. A gain or loss is recognised in full where an entity: • sells or contributes assets constituting a business to a joint venture or associate; or • loses control of a subsidiary that contains a business but retains joint control or significant influence. 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. 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 which is now deferred to 1 January 2025 (which will be reassessed in accordance with the IASB's decision on the matter). Early application of the amendments is still permitted.	IFRS in Focus Newsletter IFRS in Focus Newsletter – deferral of effective date			

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 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. *Tier 2 entities would not need to disclose details of transitional provisions.* (NZ IAS 8.28) In addition, each standard may have specific transitional provisions which the entity needs to comply. 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: *"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. (NZ IAS 34.16A(a)) 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. An IFRS in Focus Newsletter with more details can be found here.
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). The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 31 December 2019 or 31 March 2020 (updated to 30 March 2020). The FMA has issued an alert highlighting the importance of full, accurate and timely disclosure of the known or reasonably estimable information about the possible impact on financial statements. Find the FMA's guidance in their FAQs **here**. When initial application is genuinely not expected to have a material impact on the financial statements, an entity may wish to include a generic disclosure such as: *"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."* *Tier 2 entities are exempt from these disclosures.* (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. *Tier 2 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 New Zealand model financial statements (which also illustrates the RDR disclosure concessions for Tier 2 entities) **here**. Tier 2 model financial statements can be found **here**. Our Tier 2 disclosure checklist (which includes the disclosure requirements on first-time adoption of NZ IFRS RDR) 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

2019 Omnibus Amendments to NZ IFRS has amended FRS 44 to require for-profit entities to disclose the information required by paragraphs 30 and 31 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 30 March 2020, the IASB has issued *Amendments to IAS 1* on the *Classification of Liabilities as Current or Non-current* (please refer to page 9).

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:

2015-2017 cycle:

NZ IFRS	Subject of amendment
NZ IFRS 3 *Business Combinations*	Clarifies that when an entity obtains control of a business that is a joint operation, then it remeasures interests previously held in that business.
NZ IFRS 11 *Joint Arrangements*	Clarifies that when an entity obtains joint control of a business that is a joint operation, then it does not remeasure interests previously held in that business.
NZ IAS 12 *Income Taxes*	Clarifies that all income tax consequences of dividends should be recognised in profit and loss, regardless of how the tax arises.
NZ IAS 23 *Borrowing costs*	Clarifies that when calculating the capitalisation rate on general borrowings, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, then that borrowing becomes part of the funds that the entity borrows generally.

(Applicable for periods beginning on or after 1 January 2019.)

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