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# Accounting Alert

## Quarterly update - What's new in financial reporting for March 2013?

The analysis below provides a high level overview of new and revised financial reporting requirements that need to be considered for annual and interim financial reporting periods ending on 31 March 2013. Information is also included for June, September and December 2012 year ends. Entities can use this listing to identify areas that may need to be considered further as part of their close process.

While there are some new or amended accounting requirements that may impact particular entities, there are not a large number of 'big ticket' substantial changes to be considered from a pure accounting perspective for March 2013 annual and interim financial reporting periods. There are however a number of new Standards which entities may wish to consider for early adoption.

The information below was updated on 19 March 2013 for developments to that date.

### What are the big picture issues for March 2013?

***1. New Accounting Standards Framework***

The new accounting standards framework (Framework) is a two sector, multi-tiered Framework. The for-profit entity Framework is based on International Financial Reporting Standards (IFRS), whereas the framework for public benefit entities (PBEs) will be based on International Public Sector Accounting Standards (IPSAS). The PBE accounting standards will include guidance specific to PBEs in the public sector and not-for-profit entities.

The standards for for-profit entities were approved in November for periods **beginning on or after 1 December 2012,** with early adoption permitted. Entities should be considering now the sector and tier they fall into, and the accounting standards which will apply going forward. Some entities may wish to consider early adoption of the NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR). Further details are provided on page 5.

### *2. Christchurch earthquake*

Last March, in many cases only preliminary estimates of the impact of the Christchurch earthquake could be made, and those estimates are now able to be further refined, or in many cases replaced with actual amounts, and the accounting for any compensation may need to be considered.

Entities may still wish to use our publication **Special Alert: Christchurch Earthquake: Financial Reporting Considerations** as a high level summary of areas to be considered.

### *3. Global financial crisis and financial reporting*

The global economy is still on uncertain ground and Europe's financial markets and the China economic slow-down bear close watching. We are mindful that many businesses are continuing to face difficult times and the focus remains on areas such as impairment, fair values, debt classifications and disclosure.

Key financial reporting considerations continue to include:

- **Impairment** - reassessment of cash flow forecasts and key variables, and considering further impairment or whether previous impairment losses may need to be reversed (other than for goodwill and available for sale equity investments). The need for enhanced disclosure (including in interim reports if necessary) also needs to be considered

- **Financial instrument disclosures** - risk management strategies, sensitivity analysis, changes in fair values and other disclosures will need to be revisited, including for half-year reports if movements or impacts are material

- **Earnings per share (EPS)** - EPS may be affected by significant profit change, capital raisings or even options and other convertible instruments potentially coming 'into the money' as share prices increase

- **Discount and exchange rates** - continued volatility in key economic variables, combined with the Reserve Bank's actions in relation to official interest rates, will continue to present challenges in the determination of discount and exchange rates used in impairment, provisions, employee benefits and other areas

- **Deferred tax assets** - consideration of whether these can be recognised given expected taxable profits in the future

- **Restructurings** - revised or cancelled plans in relation to restructurings may impact provisions recognised, impairment calculations and the classification of items as held for sale

- **Fair value measurement** - disclosure of uncertainties and sensitivities to change in key variables continues to be important

More information can be found on our dedicated '**global financial crisis**' and '**IASB Project agenda and timetable**' pages on our **IAS Plus website.**

### *4. Other considerations*

Additional considerations for March 2013 include:

- **Ongoing IASB projects** - the IASB continues to actively pursue a number of projects proposing significant changes. Careful consideration of these impacts now, in the lead up to the 'next wave' of major accounting Standard changes in 2013-2015, can avoid challenges and maximise opportunities going forward, e.g. lease accounting (consider in lease negotiations), insurance contracts, financial instruments impairment and hedge accounting (consider in hedging activities) impact of changes on debt covenant calculations, and revenue recognition (impact on current accounting policies)

- **Emissions Trading Scheme** - there may be financial reporting impacts in areas such as impairment, disclosure of uncertainties, and provisions and contingent liabilities. Each entity should consider the potential impact on their financial report including the need to consider and adopt appropriate accounting policies.

### What are the new and revised accounting pronouncements for March 2013?

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 outline the new and revised pronouncements that are either to be applied for the first time for a 31 March 2013 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.

A number of the more recently approved new and revised pronouncements are shown as only applicable to profit-oriented entities, as public benefit entities will be subject to a separate framework in future. The for-profit entity framework and the related accounting standards has been approved for periods beginning on or after 1 December 2012, which is detailed in the first table below. This is an area entities will need to consider carefully. Early adoption is permitted.

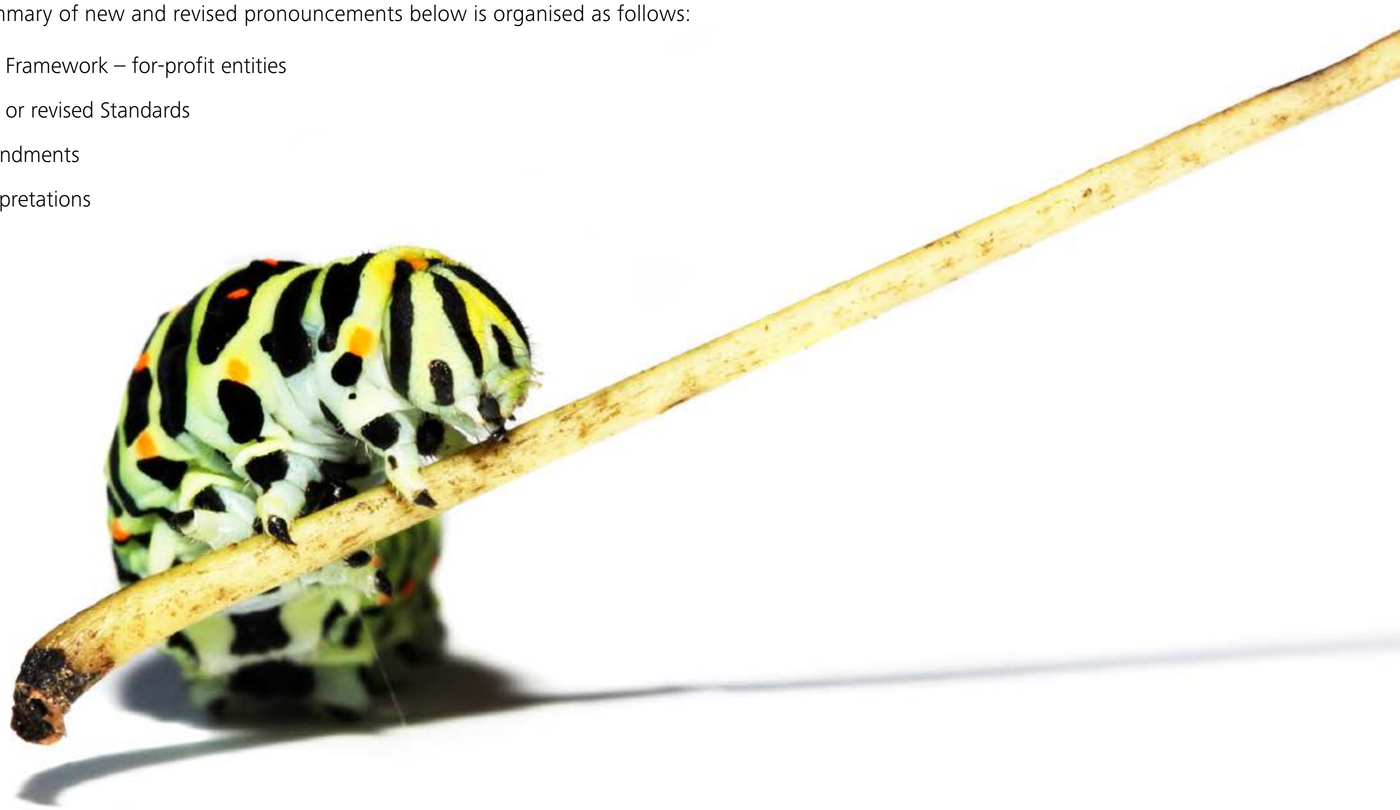
We have also included a link to our Deloitte publications, where appropriate.

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 (outlined in Appendix A).

The summary of new and revised pronouncements below is organised as follows:

- New Framework – for-profit entities
- New or revised Standards
- Amendments
- Interpretations



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

## Summary of new and revised pronouncements

The table below sets out the recent new pronouncements and whether they are optional for financial years ending 30 June 2012, 30 September 2012, 31 December 2012 and 31 March 2013, and whether they are optional or mandatory for interim periods ending 31 March 2013. Further information on each pronouncement can be found in the next section.

| New Pronouncement | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| **New Framework – For-profit Entities** | | | | | | |
| *"New" Accounting Standards Framework – For-profit Entities XRB A1 Accounting Standards Framework* | 1 Dec 2012 | O | O | O | O | O |
| **New or revised Standards** | | | | | | |
| NZ IAS 24 *Related Party Disclosures* (revised 2009) | 1 Jan 2011 | M | M | M² | M² | M² |
| *Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards (Harmonisation Amendments),* FRS-44 *New Zealand Additional Disclosures* and *Amendments to* FRS-44 | 1 Jul 2011 | M | M | M | M | M² |
| NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* (revised 2011), NZ IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) | 1 Jan 2013 | O | O | O | O | O |
| NZ IFRS 11 *Joint Arrangements* | 1 Jan 2013 | O | O | O | O | O |
| NZ IFRS 12 *Disclosure of Interests in Other Entities* | 1 Jan 2013 | O | O | O | O | O |
| NZ IFRS 13 *Fair Value Measurement* | 1 Jan 2013 | O | O | O | O | O |
| NZ IAS 19 *Employee Benefits* (revised 2011) | 1 Jan 2013 | O | O | O | O | O |
| *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 | O | O | O | O | O |
| NZ IFRS 9 *Financial Instruments* | 1 Jan 2015 | O | O | O | O | O |
| **Other new amendments** | | | | | | |
| *Annual Improvements to NZ IFRSs: 2010 Cycle* | 1 Jan 2011 | M | M | M² | M² | M² |
| *Amendment to* NZ IFRIC 14 – *Prepayments of a Minimum Funding Requirement* | 1 Jan 2011 | M | M | M² | M² | M² |
| *Amendment to NZ IAS 26 Accounting and Reporting by Retirement Benefit Plans* | 1 Apr 2011 | M | M | M | M² | M² |
| NZ IFRS 7 *Financial Instruments – Appendix E* | 1 Apr 2011 | M | M | M | M² | M² |
| *Amendment to* NZ IFRS 7 *Financial Instruments: Disclosure - Transfers of Financial Assets* | 1 Jul 2011 | M | M | M | M | M² |
| *Amendment to* NZ IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets* | 1 Jan 2012 | O | O | M | M | M |
| *Amendments to* FRS 43 *Summary Financial Statements* | 1 Jan 2012 | O | O | M | M | M |
| *Amendments to* NZ IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* | 1 Jul 2012 | O | O | O | O | M |
| *Amendments to* NZ IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* | 1 Jan 2013 | O | O | O | O | O |
| *Annual Improvements to NZ IFRSs: 2009-2011 Cycle* | 1 Jan 2013 | O | O | O | O | O |
| *Amendments to* NZ IAS 32 *Offsetting Financial Assets and Financial Liabilities* | 1 Jan 2014 | O | O | O | O | O |

**Key**
O Optional
M Mandatory – first time
M² Mandatory – second time
* Annual reporting periods beginning on or after

[2] Amendments effective 1 January 2011, 1 April 2011 and 1 July 2011 were mandatory for first time application in the previous interim and annual reporting periods.

## Summary of the 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 4). We have also included a link to our Deloitte publications, where appropriate.

| New Framework - For-profit Entities | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| ***"New" Accounting Standards Framework – For-profit Entities***<br>***XRB A1 Accounting Standards Framework*** | 1 Dec 2012 | O | O | O | O | O |
| The "New" Framework is a two sector, 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 XRB issued a General (Accounting) Standard XRB A1: Accounting Standards Framework (For-profit Entities Update) in November (which supersedes XRB A1: Application of Accounting Standards) and a suite of standards for for-profit entities, comprising NZ IFRS and NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR). XRB A1 sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers.<br><br>For periods beginning on or after 1 December 2012 tier 1 for-profit entities will apply NZ IFRS, and tier 2 for-profit entities will apply NZ IFRS RDR. Entities will need to carefully consider which tier applies, to determine whether they will be required to apply NZ IFRS or NZ IFRS RDR, or whether they can continue to apply NZ IFRS with differential reporting or old GAAP (tiers 3 and 4 respectively) on a transitional basis until the new financial reporting legislation becomes effective.<br><br>Early adoption is permitted. Some entities currently applying NZ IFRS in full because they fail the criteria for differential reporting (i.e. the entity is large and has separation between owners and management) may wish to consider early adopting NZ IFRS RDR as it provides significant relief from disclosures. However, NZ IFRS RDR does not contain any differential reporting measurement concessions and publicly accountable entities and for-profit public sector entities with total expenses above $30 million will not be able to apply NZ IFRS RDR.<br><br>*Applicable to* ***Profit Oriented Entities*** *only.*<br><br>**Public Benefit Entities**<br><br>The for-profit entity framework is based on International Financial Reporting Standards (IFRS), whereas the framework for public benefit entities (PBEs) will be based on International Public Sector Accounting Standards (IPSAS). The PBE accounting standards will include guidance specific to PBEs in the public sector and not-for-profit entities. PBE standards are not yet approved. In the meantime, PBEs will continue to use the current NZ IFRS for PBEs which are now contained in a separate set of standards on the XRB's website. | **March 2013 Accounting Alert - Staying on top of developments**<br>(this accounting alert outlines the exposure draft of the new simple format reporting standards that will apply to public benefit entities)<br><br>**November 2012 Accounting Alert - Staying on top of developments**<br>(this accounting alert outlines the new for-profit standards)<br><br>**September 2012 Accounting Alert - Staying on top of developments**<br>(this accounting alert summarises the proposed financial reporting requirements by entity type, bringing together the proposals included in the Financial Reporting Bill (who has to report, whether an audit is required, filing requirements, and penalties) with the proposals of the XRB on which financial reporting standards would apply)<br><br>**May 2012 Accounting Alert - Staying on top of developments**<br>(this accounting alert provides an update on the proposed changes to New Zealand's Accounting Standards Framework (as at May 2012)) | | | | | |

## For-profit entity applicable accounting standards

| Tier | Who captured | Applicable Accounting Standards |
|---|---|---|
| **Tier 1** | Publicly accountable entities [(1)]<br>Large for-profit public sector entities (expenses > $30 million) | NZ IFRS |
| **Tier 2** | Non-publicly accountable entities<br>Non-large for-profit public sector entities<br>Elects to be in tier 2 | NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR) |
| **Tier 3**<br>(transitional tier) | Non-publicly accountable and either all of its owners are members of the entity's governing body, or it is not large<br>Large is any two of revenue > $20 million, assets > $10 million or > 50 employees<br>Elects to be in tier 3 | NZ IFRS Differential Reporting |
| **Tier 4**<br>(transitional tier) | Non-publicly accountable, not required to file financial statements, and not large (as defined in tier 3)<br>Elects to be in tier 4 | Old GAAP |

(1) Definition of "publicly accountable":

- Entities that meet the International Accounting Standards Board's (IASB) definition of public accountability:
  - o entities that have debt or equity instruments that are traded, or to be traded, in a public market,
  - o entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- Entities deemed to be publicly accountable. For example, the following entity types would be captured unless exempted by statute or regulation: issuers as defined by the Securities Act 1978 or any other Act, registered banks, deposit takers and registered superannuation schemes.

| New or Revised Standards | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| **NZ IAS 24 *Related Party Disclosures* (revised 2009)** | 1 Jan 2011 | M | M | M[2] | M[2] | M[2] |
| This Standard, on adoption, supersedes NZ IAS 24 Related Party Disclosures (2004).<br>The revised Standard simplifies some of the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government in relation to transactions with that government or its subsidiaries, jointly controlled entities or associates.<br>NZ IAS 24 (2004) provided a similar concession, but only for ***Public Benefit Entities***, and only for transactions that would occur within a normal supplier type relationship and which are at arms-length terms and conditions. Accordingly, the NZ IAS 24 (2009) simplification will be relevant to more entities.<br>The revised Standard also clarifies the definition of a related party, for example:<br>• common investment in two associates is not sufficient to conclude that the two associates are related parties of each other<br>• references to "an associate" include subsidiaries of the associate, therefore an investor in an associate is also related to any subsidiaries of that associate<br>• references to "a joint venture" include subsidiaries of the joint venture, therefore an investor in a joint venture is also related to any subsidiaries of that joint venture<br>• an entity is related to entities which its key management personnel control or jointly control, and vice versa.<br>Commitments involving related parties are also required to be disclosed.<br>*Some disclosure exemptions for **Qualifying Entities** and **Public Benefit Entities.*** | **IAS Plus Newsletter** | | | | | |
| ***Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards (Harmonisation Amendments),* FRS-44 *New Zealand Additional Disclosures* and *Amendments to* FRS-44** | 1 Jul 2011 | M | M | M | M | M[2] |
| As part of the objective of harmonising financial reporting Standards in Australia and New Zealand, NZ IFRSs have been closer aligned to IFRS by relocating New Zealand-specific disclosures to a specific Standard (FRS-44).<br>The relocation of the New Zealand-specific disclosures has been achieved by issuing the *Harmonisation Amendments* which amend the NZ IFRSs by removing the New Zealand-specific disclosures, and issuing FRS-44 which includes those New Zealand-specific disclosures. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs.<br>***Qualifying Entities** must comply with all the provisions of FRS-44.*<br>Early application is permitted, however if an entity elects to early adopt, it must early adopt both FRS-44 and the Harmonisation Amendments for the same period. | | | | | | |

[2] Amendments effective 1 January 2011, 1 April 2011 and 1 July 2011 were mandatory for first time application in the previous interim and annual reporting periods.

| New or Revised Standards | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| **NZ IFRS 10 *Consolidated Financial Statements*, NZ IAS 27 *Separate Financial Statements* (revised 2011), NZ IAS 28 *Investments in Associates and Joint Ventures* (revised 2011)** | 1 Jan 2013 | O | O | O | O | O |
| NZ IFRS 10 replaces NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ SIC-12 *Consolidation – Special Purpose Entities* and has been issued concurrently with:<br>• NZ IFRS 11 Joint Arrangements (see below)<br>• NZ IFRS 12 Disclosure of Interests in Other Entities (see below)<br>• NZ IAS 27 Separate Financial Statements (revised 2011) – this includes amendments for the issuance of NZ IFRS 10 but retains the current guidance for separate financial statements<br>• NZ IAS 28 Investments in Associates and Joint Ventures (revised 2011), this has been amended for conforming changes based on the issuance of NZ IFRS 10 and NZ IFRS 11.<br>Each of the Standards in this 'package of five' has an effective date for annual periods beginning on or after 1 January 2013, with earlier application permitted so long as each of the other Standards in the 'package of five' are also applied early. However, entities are permitted to incorporate any of the disclosure requirements in NZ IFRS 12 into their financial statements without early adopting NZ IFRS 12 (and thereby the Standards in the 'package of five').<br>The objective of NZ IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee, and the ability to use power over the investee to affect the investor's returns. The Standard provides detailed guidance on how to apply the control principle in a number of situations, including agency relationships and holdings of potential voting rights. An investor would reassess whether it controls an investee if there is a change in facts and circumstances.<br>Transition guidance issued in July 2012 also clarifies the requirements in relation to restatement of comparatives.<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter**<br>**IFRS in Focus Newsletter - Transition Guidance** | | | | | |
| **NZ IFRS 11 *Joint Arrangements*** | 1 Jan 2013 | O | O | O | O | O |
| This Standard supersedes NZ IAS 31 *Interests in Joint Ventures* and NZ SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.<br>NZ IFRS 11 classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (which will include some of the entities currently classified as jointly controlled entities):<br>• a joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities<br>• a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.<br>Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation. However, NZ IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method.<br>The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor.<br>Note – this information should also be read in conjunction with the guidance under NZ IFRS 10 above.<br>Transition guidance issued in July 2012 also clarifies the requirements in relation to restatement of comparatives.<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter** | | | | | |

| New or Revised Standards | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| **NZ IFRS 12 *Disclosure of Interests in Other Entities*** | 1 Jan 2013 | O | O | O | O | O |
| This Standard applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. It establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information.<br>Note – this information should also be read in conjunction with the guidance under NZ IFRS 10 above.<br>Transition guidance issued in July 2012 also clarifies the requirements in relation to restatement of comparatives.<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter** | | | | | |
| **NZ IFRS 13 *Fair Value Measurement*** | 1 Jan 2013 | O | O | O | O | O |
| This Standard establishes a single framework for measuring fair value where that is required by other Standards, and applies to both financial and non-financial items measured at fair value. It also introduces a number of new disclosures.<br>Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an exit price).<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter**<br>**IFRS in Focus Newsletter - valuation methodologies**<br>**A Closer Look - fair value measurement of financial instruments** | | | | | |
| **NZ IAS 19 *Employee Benefits* (revised 2011)** | 1 Jan 2013 | O | O | O | O | O |
| The amendments to NZ IAS 19 require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities/(assets) and remeasurement of the net defined benefit liabilities/(assets). Remeasurements are recognised in other comprehensive income.<br>The recognition and measurement of termination benefits is modified, including distinguishing between benefits provided in exchange for services and benefits provided in exchange for the termination of employment.<br>In addition, several miscellaneous issues are clarified, such as the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.<br>*Some disclosure exemptions for **Qualifying Entities.***<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter** | | | | | |

| New or Revised Standards | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| **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 | O | O | O | O | O |
| 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>*New Zealand has approved these amendments for application by for-profit entities, but is considering proposed additional disclosures (which are also being considered by the Australian Accounting Standards Board) due to concerns about the loss of consolidated information. The proposed additional NZ disclosures are likely to comprise the three primary financial statements that would have been produced under full consolidation. NZ will await the outcome of Australian deliberations before considering how to maintain harmonisation with Australia.* | **IFRS in Focus Newsletter** | | | | | |
| **NZ IFRS 9 *Financial Instruments*** | 1 Jan 2015 | O | O | O | O | O |
| 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)<br>• investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss<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 measured at fair value (including unquoted equity investments).<br><br>The classification and measurement regime for financial liabilities has also been issued:<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 measured 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><br>An early adopter of NZ IFRS 9 will continue to apply NZ IAS 39 for other accounting requirements for financial instruments not covered by NZ IFRS 9.<br><br>In December 2011, *Mandatory effective date of NZ IFRS 9 and Transition Disclosures* was approved. This amendment:<br>• defers the mandatory application date to annual periods beginning on or after 1 January 2015, with early application permitted<br>• eliminates the requirement to restate comparative periods on initial application of NZ IFRS 9<br>• includes additional disclosure requirements which are either permitted or required, on the basis of the entity's adoption date and whether the entity chooses to restate comparatives. | **IFRS in Focus Newsletter - deferral**<br><br>**IFRS in Focus Newsletter - financial liabilities**<br><br>**IAS Plus Newsletter - financial assets** | | | | | |

| Other New Amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| ***Annual Improvements to NZ IFRSs: 2010 Cycle*** | 1 Jan 2011 | M | M | M[2] | M[2] | M[2] |
| Includes amendments to a number of Standards, most of which are not expected to have a significant impact in practice.<br><br>A list of the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant. | **IAS Plus Newsletter** | | | | | |
| ***Amendment to* NZ IFRIC 14 *– Prepayments of a Minimum Funding Requirement*** | 1 Jan 2011 | M | M | M[2] | M[2] | M[2] |
| The amendments remedy an unintended consequence of IFRIC 14 where entities were in some cases not permitted to recognise as an asset prepayments of minimum funding contributions. | **IAS Plus Newsletter** | | | | | |
| **Amendment to NZ IAS *26 Accounting and Reporting by Retirement Benefit Plans*** | 1 Apr 2011 | M | M | M | M[2] | M[2] |
| The amendment:<br><br>• closer aligns NZ IAS 26 to IAS 26 in order to enable entities to state compliance with IFRS, by amending the scope of NZ IAS 26 (which may mean less entities are likely to be captured) and by removing certain NZ interpretive comments<br><br>• reinstates the option under IAS 26 for the actuarial present value of promised retirement benefits of defined benefit plans to be reported in an accompanying actuarial report.<br><br>NZ specific additional disclosures have been retained, as these do not impact an entity's ability to state compliance with IFRS. | | | | | | |
| **NZ IFRS 7 *Financial Instruments – Appendix E*** | 1 Apr 2011 | M | M | M | M[2] | M[2] |
| The NZ specific disclosures of Appendix E will now only be required to be made by non-bank 'deposit takers' (as defined in the Reserve Bank of New Zealand Act 1989). | | | | | | |
| ***Amendment to* NZ IFRS 7 *Financial Instruments: Disclosure - Transfers of Financial Assets*** | 1 Jul 2011 | M | M | M | M | M[2] |
| The amendments introduce additional disclosures for transferred and derecognised financial assets. These include disclosure of the possible effects of any risks that may remain with the entity that transferred the assets and additional disclosures where a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. | **IFRS in Focus Newsletter** | | | | | |
| ***Amendment to* NZ IAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*** | 1 Jan 2012 | O | O | M | M | M |
| Introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.<br><br>This would allow reversal of significant deferred tax liabilities recognised with recent changes to NZ tax legislation.<br><br>As a result of the amendment, NZ SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. As a result, NZ SIC 21 is withdrawn and the remaining guidance in NZ SIC 21 is incorporated into NZ IAS 12 *Income Taxes.* | **IFRS in Focus Newsletter** | | | | | |
| ***Amendments to* FRS 43 *Summary Financial Statements*** | 1 Jan 2012 | O | O | M | M | M |

[2] Amendments effective 1 January 2011, 1 April 2011 and 1 July 2011 were mandatory for first time application in the previous interim and annual reporting periods.

| Other New Amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| This amended NZ specific Standard sets out the requirements when preparing summary financial statements, whether a single period summary (with one comparative period) or a multi period summary. The amendments:<br>• extend the scope of FRS 43 to summary financial statements included in the same document as full financial statements if required by regulation (e.g. in a prospectus)<br>• simplify disclosures for multi period summaries<br>• clarify that where an entity has restated or reclassified comparative information the summary must be drawn from the restated or re-classified information<br>• remove the disclosure requirement of subsequent events that occur after the approval of full financial statements. | | | | | | |
| ***Amendments to* NZ IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*** | 1 Jul 2012 | O | O | O | O | M |
| The amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments.<br>*Applicable to* ***Profit Oriented Entities*** *only.* | **IFRS in Focus Newsletter** | | | | | |
| ***Amendments to* NZ IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*** | 1 Jan 2013 | O | O | O | O | O |
| Amends the disclosure requirements in NZ IFRS 7 *Financial Instruments: Disclosure* to require information about all recognised financial instruments that are set off in accordance with NZ IAS 32 *Financial Instruments: Presentation.*<br>The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under NZ IAS 32.<br>*Applicable to* ***Profit Oriented Entities*** *only.* | **IFRS in Focus Newsletter** | | | | | |
| ***Annual Improvements to NZ IFRSs: 2009-2011 Cycle*** | 1 Jan 2013 | O | O | O | O | O |
| The annual improvements are largely clarifications, including:<br>• amendments to NZ IAS 1: *Presentation of Financial Statements* which reduce the requirements for comparative information in the event of a change in accounting policy, reclassification or restatement<br>• clarifications regarding classification of servicing equipment.<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.<br>*Applicable to* ***Profit Oriented Entities*** *only.* | **IFRS in Focus Newsletter** | | | | | |
| ***Amendments to* NZ IAS 32 *Offsetting Financial Assets and Financial Liabilities*** | 1 Jan 2014 | O | O | O | O | O |

| Other New Amendments | Effective date* | Year Ending | | | | Interim Ending |
|---|---|---|---|---|---|---|
| | | Jun 2012 | Sep 2012 | Dec 2012 | Mar 2013 | Mar 2013 |
| 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 realisation and settlement<br>• the offsetting of collateral amounts<br>• the unit of account for applying the offsetting requirements.<br>*Applicable to **Profit Oriented Entities** only.* | **IFRS in Focus Newsletter** | | | | | |

# 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.*

***Public Benefit Entities*** are generally required to make these disclosures unless they are also ***Qualifying Entities.*** Entities which qualify for differential reporting (***Qualifying 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>(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 34.16(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, 30 September and 31 December 2012, and 31 March 2013 (updated to 19 March 2013).<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>***Qualifying Entities*** *are exempt.*<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 been disclosed in the prior annual financial report.<br><br>***Qualifying 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 Green Dot Holdings Limited model financial statements, at the following link: **Model financial statements**

### 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 14 of NZ IAS 1 *Presentation of Financial Statements.*

As at 19 March 2013, there are no pronouncements approved by the IASB/IFRIC which have not also been approved in New Zealand.

**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 NZ ASB 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 for the 2010 and 2009-2011 cycle.

### Improvements to NZ IFRSs 2010

| NZ IFRS | Subject of amendment |
|---|---|
| NZ IFRS 7 *Financial Instruments: Disclosures* | Clarifications of disclosures |
| NZ IAS 1 *Presentation of Financial Statements* | Clarification of statement of changes in equity |
| NZ IAS 34 *Interim Financial Reporting* | Significant events and transactions |
| NZ IFRIC 13 *Customer Loyalty Programmes* | Fair value of award credit |

(Applicable for periods beginning on or after 1 January 2011)

### Improvements to NZ IFRSs: 2009-2011 Cycle

| NZ IFRS | Subject of amendment |
|---|---|
| NZ IAS 1 *Presentation of Financial Statements* | Additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of NZ IAS 1. |
| | An entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification which has a material effect on the information in the statement of financial position at the beginning of the preceding period would present the statement of financial position at the end of the current period and the beginning and end of the preceding period. |
| | Other than disclosure of certain specified information, related notes are not required to accompany the opening statement of financial position as at the beginning of the preceding period. |
| NZ IAS 16 *Property, Plant and Equipment* | Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in NZ IAS 16 and as inventory otherwise. |
| NZ IAS 32 *Financial Instruments: Presentation* | Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with NZ IAS 12 *Income Taxes*. |
| NZ IAS 34 *Interim Financial Reporting* | The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. |

(Applicable for periods beginning on or after 1 January 2013)

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