New Zealand Equivalent to IFRIC Interpretation 10

Interim Financial Reporting and Impairment (NZ IFRIC 10)

Issued September 2006 and incorporates amendments up to and including 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*

This Interpretation was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in September 2006 under the Financial Reporting Act 1993. This Interpretation is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

NZ IFRIC 10

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 10 *Interim Financial Reporting and Impairment*

This table lists the pronouncements establishing and substantially amending NZ IFRIC 10. The table is based on amendments approved as at 30 June 2011 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*.

Pronouncements	**Date approved (ASRB approval)**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRIC 10 *Interim Financial Reporting and Impairment*	Sept 2006 (Approval 83)	1 Nov 2006 Early application encouraged	1 Jan 2007
NZ IAS 1 *Presentation of Financial Statements* (revised 2007)	Nov 2007 (Approval 84)	Early application permitted	1 Jan 2009

Table of Amended Paragraphs in NZ IFRIC 10		
Paragraph affected	**How affected**	**By … [date]**
Various	Terminology changed	NZ IAS 1 [Nov 2007]

New Zealand Equivalent to IFRIC Interpretation 10 *Interim Financial Reporting and Impairment* (NZ IFRIC 10) is set out in paragraphs 1–10.

NZ IFRIC 10 is based on IFRIC 10 *Interim Financial Reporting and Impairment* (IFRIC 10). NZ IFRIC 10 should be read in the context of the IFRIC's Basis for Conclusions on IFRIC 10. The scope and authority of Interpretations are set out in paragraphs 2 and 7–16 of the *Preface to International Financial Reporting Standards*.

Any additional material is shown with grey shading. The paragraphs are denoted with "NZ" and identify the types of entities to which the paragraphs apply.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ IFRIC 10.

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References

- NZ IAS 34 *Interim Financial Reporting*
- NZ IAS 36 *Impairment of Assets*
- NZ IAS 39 *Financial Instruments: Recognition and Measurement*

Background

1 An entity is required to assess goodwill for impairment at the end of each reporting period, to assess investments in equity instruments and in financial assets carried at cost for impairment at the end of each reporting period and, if required, to recognise an impairment loss at that date in accordance with NZ IAS 36 and NZ IAS 39. However, at the end of a subsequent reporting period, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed.

2 The Interpretation addresses the interaction between the requirements of NZ IAS 34 and the recognition of impairment losses on goodwill in NZ IAS 36 and certain financial assets in NZ IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.

Issue

3 NZ IAS 34 paragraph 28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. It also states that ‘the frequency of an entity’s reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.’

4 NZ IAS 36 paragraph 124 states that ‘An impairment loss recognised for goodwill shall not be reversed in a subsequent period.’

5 NZ IAS 39 paragraph 69 states that 'Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.'

6 NZ IAS 39 paragraph 66 requires that impairment losses for financial assets carried at cost (such as impairment losses on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only the end of a subsequent reporting period?

Consensus

8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

9 An entity shall not extend this consensus by analogy to other areas of potential conflict between NZ IAS 34 and other standards.

Effective date and transition

10 This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. For entities which elect to comply with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005 and before 1 January 2007, this Interpretation becomes operative for annual accounting periods beginning on or after 1 November 2006. Early application is encouraged. If an entity applies this Interpretation to a period beginning before 1 November 2006, it shall disclose that fact. An entity shall apply the Interpretation to goodwill prospectively from the date at which it first applied NZ IAS 36; it shall apply the Interpretation to investments in equity instruments or in financial assets carried at cost prospectively from the date at which it first applied the measurement criteria of NZ IAS 39.

IFRIC Basis for Conclusions

BC1–BC12 [Paragraphs BC1–BC12 do not form part of NZ IFRIC 10.]

Appendix
Amendments to the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*

Entities shall apply the amendments in this appendix for annual periods beginning on or after 1 January 2007. When an entity complies with NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards *for an annual accounting period beginning on or after 1 January 2005 and before 1 November 2006, the entity shall apply the amendments for annual accounting periods beginning on or after 1 November 2006. If an entity applies this Interpretation for an earlier period, the amendments shall be applied for that earlier period.*

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The amendments in this appendix have been incorporated into the relevant pronouncements published in this volume.