



NZ ACCOUNTING
STANDARDS
BOARD

Government Loans

(Amendments to NZ IFRS 1 (Diff Rep))

Issued November 2012

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Standard is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

COPYRIGHT

© External Reporting Board (“XRB”) 2012

This XRB standard contains International Financial Reporting Standards (“IFRS”) Foundation copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

All existing rights (including copyrights) in this material outside of New Zealand are reserved by the IFRS Foundation. Reproduction of XRB standards outside of New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside New Zealand should be addressed to the IFRS Foundation.

ISBN 978-1-927237-39-7

Scope

This Standard applies only to Tier 3 for-profit entities that elect to apply the requirements. .

Effective date and transition

An entity may elect, but is not required, to apply this Standard for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Amendments to NZ IFRS 1 (Diff Rep) *First-time Adoption of NZ IFRS Diff Rep*

New paragraph IN8 is added and paragraphs IN8–IN11 are re-numbered accordingly.

IN8 Paragraphs B10 and B11 (introduced by *Government Loans* in March 2012) refer to IFRS 9. If an entity applies this IFRS but does not yet apply IFRS 9, the references in paragraphs B10 and B11 to IFRS 9 shall be read as references to IAS 39 *Financial Instruments: Recognition and Measurement*.

Paragraphs 39N and 39O are added and B1 is amended (new text is underlined and deleted text is struck through).

39N *Government Loans* (Amendments to NZ IFRS 1 (Diff Rep)), added paragraphs B1(f) and B10–B12. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

39O Paragraphs B10 and B11 refer to NZ IFRS 9 (Diff Rep). If an entity applies this NZ IFRS Diff Rep but does not yet apply NZ IFRS 9 (Diff Rep), the references in paragraphs B10 and B11 to NZ IFRS 9 (Diff Rep) shall be read as references to NZ IAS 39 (Diff Rep) *Financial Instruments: Recognition and Measurement*.

B1 An entity shall apply the following exceptions:

- (a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);
- (b) hedge accounting (paragraphs B4–B6);
- (c) non-controlling interests (paragraph B7);
- (d) classification and measurement of financial assets (paragraph B8); ~~and~~
- (e) embedded derivatives (paragraph B9); ~~and~~ and
- f) government loans (paragraphs B10–B12).

After paragraph B9 a heading and paragraphs B10–B12 are added.

Government loans

B10 A first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with NZ IAS 32 (Diff Rep) *Financial Instruments: Presentation*. Except as permitted by paragraph B11, a first-time adopter shall apply the requirements in NZ IFRS 9 (Diff Rep) *Financial Instruments* and NZ IAS 20 (Diff Rep) *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to NZ IFRS Diff Rep and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to NZ IFRS Diff Rep as the carrying amount of the loan in the opening NZ IFRS Diff Rep statement of financial position. An entity shall apply NZ IFRS 9 (Diff Rep) to the measurement of such loans after the date of transition to NZ IFRS Diff Rep.

B11 Despite paragraph B10, an entity may apply the requirements in NZ IFRS 9 (Diff Rep) and NZ IAS 20 (Diff Rep) retrospectively to any government loan originated before the date of transition to NZ IFRS Diff Rep, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.

B12 The requirements and guidance in paragraphs B10 and B11 do not preclude an entity from being able to use the exemptions described in paragraphs D19–D19D relating to the designation of previously recognised financial instruments at fair value through profit or loss.