

NZ IFRIC 10 (Diff Rep)



NZ IFRIC Interpretation 10 (Diff Rep)

**Interim Financial Reporting and Impairment
(NZ IFRIC 10 (Diff Rep))**

Issued November 2012 excluding consequential amendments resulting from early adoption of NZ IFRS 9 (2009) (Diff Rep) *Financial Instruments* and NZ IFRS 9 (2010) (Diff Rep) *Financial Instruments*

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

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ IFRIC 10 *Interim Financial Reporting and Impairment* applied by qualifying entities. Versions of NZ IFRIC 10 as applied by qualifying entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 10 (Diff Rep) *Interim Financial Reporting and Impairment*

This table lists the pronouncement establishing NZ IFRIC 10 (Diff Rep).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IFRIC 10 (Diff Rep) <i>Interim Financial Reporting and Impairment</i>	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IFRIC 10 (Diff Rep)		
Paragraph affected	How affected	By ... [date]
Paragraph 10	Deleted	NZ IFRIC 10 (Diff Rep) [Nov 2012]
Paragraph NZ 10.1	Inserted	NZ IFRIC 10 (Diff Rep) [Nov 2012]

The following tables list the pronouncements establishing and substantially amending NZ IFRIC 10 as applied by qualifying entities prior to the issue of this Interpretation as NZ IFRIC 10 (Diff Rep) excluding consequential amendments arising from early adoption of NZ IFRS 9 (2009) *Financial Instruments* and NZ IFRS 9 (2010) *Financial Instruments*.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IFRIC 10 <i>Interim Financial Reporting and Impairment</i>	Sept 2006	1 Nov 2006 Early application encouraged	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007	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]

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NZ IFRIC Interpretation 10 (Diff Rep) *Interim Financial Reporting and Impairment* (NZ IFRIC 10 (Diff Rep)) is set out in paragraphs 1–NZ 10.1.

NZ IFRIC 10 (Diff Rep) is based on IFRIC 10 *Interim Financial Reporting and Impairment* (IFRIC 10). NZ IFRIC 10 (Diff Rep) should be read in the context of the IFRIC's Basis for Conclusions on IFRIC 10.

Any additional material is shown with grey shading and the paragraphs are denoted with "NZ".

Differential Reporting

Qualifying entities must comply with all the provisions in NZ IFRIC 10 (Diff Rep).

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References

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

NZ IFRIC 10 (Diff Rep) is identical to NZ IFRIC 10 applied by qualifying entities prior to the issuance of NZ IFRIC 10 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ IFRIC 10 on adoption of this Interpretation.

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 (Diff Rep) and NZ IAS 39 (Diff Rep). 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 (Diff Rep) and the recognition of impairment losses on goodwill in NZ IAS 36 (Diff Rep) and certain financial assets in NZ IAS 39 (Diff Rep), and the effect of that interaction on subsequent interim and annual financial statements.

Issue

- 3 NZ IAS 34 (Diff Rep) 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

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(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 (Diff Rep) paragraph 124 states that 'An impairment loss recognised for goodwill shall not be reversed in a subsequent period.'

5 NZ IAS 39 (Diff Rep) 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 (Diff Rep) 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 (Diff Rep) and other standards.

Effective date and transition

10 [Deleted]

NZ 10.1 A Tier 3 for-profit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ IFRIC 10 as applied by qualifying entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ IFRIC 10 as it applied to qualifying entities.

IFRIC Basis for Conclusions

BC1–BC12 [Paragraphs BC1–BC12 do not form part of NZ IFRIC 10 (Diff Rep).]