

NZ IFRIC 6 (PBE)



NZ ACCOUNTING
STANDARDS
BOARD

NZ IFRIC Interpretation 6 (PBE)

Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (NZ IFRIC 6 (PBE))

Issued November 2012

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 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* as applied by public benefit entities. Versions of NZ IFRIC 6 applied by public benefit 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 6 (PBE) *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*

This table lists the pronouncement establishing NZ IFRIC 6 (PBE).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|---|----------------------|-----------------------------|---|
| NZ IFRIC 6 (PBE) <i>Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</i> | Nov 2012 | Early application permitted | 1 Dec 2012 |

| Table of Amended Paragraphs in NZ IFRIC 6 (PBE) | | |
|--|---------------------|-----------------------------|
| Paragraph affected | How affected | By ... [date] |
| Paragraph NZ 3.1 | Inserted | NZ IFRIC 6 (PBE) [Nov 2012] |
| Paragraph 10 | Deleted | NZ IFRIC 6 (PBE) [Nov 2012] |
| Paragraph NZ 10.1 | Inserted | NZ IFRIC 6 (PBE) [Nov 2012] |

The following tables list the pronouncements establishing and substantially amending NZ IFRIC 6 as applied by PBEs prior to the issue of this Interpretation as NZ IFRIC 6 (PBE).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|---|----------------------|-----------------------------|---|
| NZ IFRIC 6 <i>Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</i> | Oct 2005 | 1 Jan 2006 | 1 Jan 2007 |

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New Zealand IFRIC Interpretation 6 (PBE) *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* (NZ IFRIC 6 (PBE)) is set out in paragraphs 1–11.

NZ IFRIC 6 (PBE) is based on IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* (IFRIC 6). NZ IFRIC 6 (PBE) should be read in the context of the IFRIC’s Basis for Conclusions on IFRIC 6.

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 6 (PBE).

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References

- NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 37 (PBE) *Provisions, Contingent Liabilities and Contingent Assets*

NZ IFRIC 6 (PBE) is identical to NZ IFRIC 6 as applied by public benefit entities prior to the issuance of NZ IFRIC 6 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ IFRIC 6 on adoption of this Interpretation.

Background

- 1 Paragraph 17 of NZ IAS 37 (PBE) specifies that an obligating event is a past event that leads to a present obligation that an entity has no realistic alternative to settling.
- 2 Paragraph 19 of NZ IAS 37 (PBE) states that provisions are recognised only for 'obligations arising from past events existing independently of an entity's future actions'.
- 3 The European Union's Directive on Waste Electrical and Electronic Equipment (WE&EE), which regulates the collection, treatment, recovery and environmentally sound disposal of waste equipment, has given rise to questions about when the liability for the decommissioning of WE&EE should be recognised. The Directive distinguishes between 'new' and 'historical' waste and between waste from private households and waste from sources other than private households. New waste relates to products sold after 13 August 2005. All household equipment sold before that date is deemed to give rise to historical waste for the purposes of the Directive.
- 4 The Directive states that the cost of waste management for historical household equipment should be borne by producers of that type of equipment that are in the market during a period to be specified in the applicable legislation of each Member State (the measurement period). The Directive states that each Member

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State shall establish a mechanism to have producers contribute to costs proportionately 'e.g. in proportion to their respective share of the market by type of equipment'.

- 5 Several terms used in the Interpretation such a 'market share' and 'measurement period' may be defined very differently in the applicable legislation of individual Member States. For example, the length of the measurement period might be a year or only one month. Similarly, the measurement of market share and the formulae for computing the obligation may differ in the various national legislations. However, all of these examples affect only the measurement of the liability, which is not within the scope of the Interpretation.

Scope

| | |
|--------|--|
| NZ 5.1 | This Interpretation applies only to public benefit entities. |
|--------|--|

- 6 This Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the EU Directive on WE&EE in respect of sales of historical household equipment.
- 7 The Interpretation addresses neither new waste nor historical waste from sources other than private households. The liability for such waste management is adequately covered in NZ IAS 37 (PBE). However, if, in national legislation, new waste from private households is treated in a similar manner to historical waste from private households, the principles of the Interpretation apply by reference to the hierarchy in paragraphs 10–12 of NZ IAS 8 (PBE). The NZ IAS 8 (PBE) hierarchy is also relevant for other regulations that impose obligations in a way that is similar to the cost attribution model specified in the EU Directive.

Issue

- 8 The IFRIC was asked to determine in the context of the decommissioning of WE&EE what constitutes the obligating event in accordance with paragraph 14(a) of NZ IAS 37 (PBE) for the recognition of a provision for waste management costs:
- the manufacture or sale of the historical household equipment?
 - participation in the market during the measurement period?
 - the incurrence of costs in the performance of waste management activities?

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Consensus

- 9 Participation in the market during the measurement period is the obligating event in accordance with paragraph 14(a) of NZ IAS 37 (PBE). As a consequence, a liability for waste management costs for historical household equipment does not arise as the products are manufactured or sold. Because the obligation for historical household equipment is linked to participation in the market during the measurement period, rather than to production or sale of the items to be disposed of, there is no obligation unless and until a market share exists during the measurement period. The timing of the obligating event may also be independent of the particular period in which the activities to perform the waste management are undertaken and the related costs incurred.

Effective date

- 10 [Deleted]

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|---|
| NZ 10.1 A public benefit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ IFRIC 6 as applied by public benefit entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ IFRIC 6 as applied by public benefit entities. |
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Transition

- 11 [Deleted]

IFRIC Basis for Conclusions

- BC1–BC10 [Paragraphs BC1–BC10 do not form part of NZ IFRIC 6 (PBE).]