

NZ SIC-7 (PBE)



NZ SIC Interpretation 7 (PBE)

Introduction of the Euro (NZ SIC-7 (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 SIC-7 *Introduction of the Euro* as applied by public benefit entities. Versions of NZ SIC-7 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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NZ SIC Interpretation 7 (PBE) *Introduction of the Euro* (NZ SIC-7 (PBE)) is set out in paragraphs 3 and 4.

NZ SIC-7 (PBE) should be read in the context of the Basis for Conclusions on SIC-7.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-7 (PBE).

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HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-7 (PBE)*Introduction of the Euro*

This table lists the pronouncement establishing NZ SIC-7 (PBE).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-7 (PBE) <i>Introduction of the Euro</i>	Nov 2012	Early application permitted	1 Dec 2012

The following tables list the pronouncements establishing and substantially amending NZ SIC-7 as applied by PBEs prior to the issue of this Interpretation as NZ SIC-7 (PBE).

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ SIC-7 <i>Introduction of the Euro</i>	Nov 2004	1 Jan 2005	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
NZ IAS 27 <i>Consolidated and Separate Financial Statements</i> (amended 2008)	Feb 2008	Early application permitted	1 July 2009

Table of Amended Paragraphs in NZ SIC-7		
Paragraph affected	How affected	By ... [date]
Paragraph 4(b)	Amended	NZ IAS 27 [Feb 2008]
Effective date	Amended	NZ IAS 1 [Nov 2007]
Effective date	Amended	NZ IAS 27[Feb 2008]

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References

- NZ IAS 1 (PBE) *Presentation of Financial Statements*
- NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 10 (PBE) *Events after Balance Sheet Date*
- NZ IAS 21 (PBE) *The Effects of Changes in Foreign Exchange Rates*
- NZ IAS 27 (PBE) *Consolidated and Separate Financial Statements*

NZ SIC-7 (PBE) is identical to NZ SIC-7 as applied by public benefit entities prior to the issuance of NZ SIC-7 (PBE). That is, there are no changes to the recognition, measurement, presentation and disclosure requirements of NZ SIC-7 on adoption of this Interpretation.

Issue

- 1 From 1 January 1999, the effective start of Economic and Monetary Union (EMU), the euro will become a currency in its own right and the conversion rates between the euro and the participating national currencies will be irrevocably fixed, i.e. the risk of subsequent exchange differences related to these currencies is eliminated from this date on.
- 2 The issue is the application of NZ IAS 21 (PBE) to the changeover from the national currencies of participating Member States of the European Union to the euro ("the changeover").

Consensus

- 3 The requirements of NZ IAS 21 (PBE) regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover. The same rationale applies to the fixing of exchange rates when countries join EMU at later stages.
- 4 This means that, in particular:
 - (a) foreign currency monetary assets and liabilities resulting from transactions shall continue to be translated into the functional currency at the closing rate. Any resultant exchange differences shall be recognised as income or

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- expense immediately, except that an entity shall continue to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;
- (b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and
 - (c) exchange differences resulting from the translation of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets.

Basis for Conclusions on SIC-7

5–8 [Paragraphs 5–8 do not form part of NZ SIC-7 (PBE).]

Effective Date

<p>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 SIC-7 as applied by public benefit entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ SIC-7 as applied by public benefit entities.</p>
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