Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

New Zealand Equivalent to IFRIC Interpretation 17

Distributions of Non-cash Assets to Owners (NZ IFRIC 17)

Issued December 2008 and incorporates amendments to 30 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.

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New Zealand Equivalent to IFRIC Interpretation 17 *Distributions of Non-cash Assets to Owners* (NZ IFRIC 17) is set out in paragraphs 1–NZ 20.1 and the Appendix.

NZ IFRIC 17 should be read in the context of the IFRIC's Basis for Conclusions on IFRIC 17 and the Illustrative Examples for IFRIC 17.

Any New Zealand additional material is shown with either "NZ" or "RDR" preceding the paragraph number.

Reduced Disclosure Regime

NZ IFRIC 17 includes RDR disclosure concessions and associated RDR paragraphs for entities that qualify for and elect to apply Tier 2 for-profit accounting requirements in accordance with XRB A1 *Application of the Accounting Standards Framework*. Entities that elect to report in accordance with Tier 2 accounting requirements are not required to comply with paragraphs in this Interpretation denoted with an asterisk (*). However, an entity is required to comply with any RDR paragraph associated with that disclosure concession.

New Zealand Equivalent to IFRIC Interpretation 17

Distributions of Non-cash Assets to Owners (NZ IFRIC 17)

References

- NZ IFRS 3 *Business Combinations* (as revised in 2008)
- NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- NZ IFRS 7 *Financial Instruments: Disclosures*
- NZ IFRS 10 *Consolidated Financial Statements*
- NZ IFRS 13 *Fair Value Measurement*
- NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- NZ IAS 10 *Events after the Reporting Period*

Background

1 Sometimes an entity distributes assets other than cash (non-cash assets) as dividends to its owners[1] acting in their capacity as owners. In those situations, an entity may also give its owners a choice of receiving either non-cash assets or a cash alternative. The IFRIC received requests for guidance on how an entity should account for such distributions.

2 NZ IFRS does not provide guidance on how an entity should measure distributions to its owners (commonly referred to as dividends). NZ IAS 1 requires an entity to present details of dividends recognised as distributions to owners either in the statement of changes in equity or in the notes to the financial statements.

Scope

NZ 2.1 This Interpretation applies to Tier 1 and Tier 2 for-profit entities.

NZ 2.2 A Tier 2 entity is not required to comply with the disclosure requirements in this Interpretation denoted with an asterisk (*). Where an entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.

3 This Interpretation applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:

(a) distributions of non-cash assets (eg items of property, plant and equipment, businesses as defined in NZ IFRS 3, ownership interests in another entity or disposal groups as defined in NZ IFRS 5); and

(b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

4 This Interpretation applies only to distributions in which all owners of the same class of equity instruments are treated equally.

5 This Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

6 In accordance with paragraph 5, this Interpretation does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. Paragraph B2 of NZ IFRS 3 states that 'A group of individuals shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.' Therefore, for a distribution to be outside the scope of this Interpretation on the basis that the same parties control the asset both before and after the distribution, a group of individual shareholders receiving the distribution must have, as a result of contractual arrangements, such ultimate collective power over the entity making the distribution.

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[1] Paragraph 7 of NZ IAS 1 defines owners as holders of instruments classified as equity.

7 In accordance with paragraph 5, this Interpretation does not apply when an entity distributes some of its ownership interests in a subsidiary but retains control of the subsidiary. The entity making a distribution that results in the entity recognising a non-controlling interest in its subsidiary accounts for the distribution in accordance with NZ IFRS 10.

8 This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

Issues

9 When an entity declares a distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend payable. Consequently, this Interpretation addresses the following issues:

(a) When should the entity recognise the dividend payable?

(b) How should an entity measure the dividend payable?

(c) When an entity settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable?

Consensus

When to recognise a dividend payable

10 The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, which is the date:

(a) when declaration of the dividend, eg by management or the board of directors, is approved by the relevant authority, eg the shareholders, if the jurisdiction requires such approval, or

(b) when the dividend is declared, eg by management or the board of directors, if the jurisdiction does not require further approval.

Measurement of a dividend payable

11 An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

12 If an entity gives its owners a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative.

13 At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

Accounting for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when an entity settles the dividend payable

14 When an entity settles the dividend payable, it shall recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

Presentation and disclosures

15 An entity shall present the difference described in paragraph 14 as a separate line item in profit or loss.

*16 An entity shall disclose the following information, if applicable:

(a) the carrying amount of the dividend payable at the beginning and end of the period; and

(b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed.

*17 If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:

(a) the nature of the asset to be distributed;

(b) the carrying amount of the asset to be distributed as of the end of the reporting period; and

(c) the fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method(s) used to measure that fair value required by paragraphs 93(b), (d), (g) and (i) and 99 of NZ IFRS 13.

Effective date

18 An entity shall apply this Interpretation prospectively for annual periods beginning on or after 1 July 2009. Retrospective application is not permitted. Earlier application is permitted. If an entity applies this Interpretation for a period beginning before 1 July 2009, it shall disclose that fact and also apply NZ IFRS 3 (as revised in 2008), NZ IAS 27 (as amended in May 2008) and NZ IFRS 5 (as amended by this Interpretation).

19 NZ IFRS 10, issued in June 2011, amended paragraph 7. An entity shall apply that amendment when it applies NZ IFRS 10.

20 NZ IFRS 13, issued in June 2011, amended paragraph 17. An entity shall apply that amendment when it applies NZ IFRS 13.

NZ 20.1 *Framework: Tier 1 and Tier 2 For-profit Entities*, issued in November 2012, amended extant NZ IFRSs by deleting any public benefit entity paragraphs, deleting any differential reporting concessions, adding scope paragraphs for Tier 1 and Tier 2 for-profit entities and adding disclosure concessions for Tier 2 entities. It made no changes to the requirements for Tier 1 entities. A Tier 2 entity may elect to apply the disclosure concessions for annual periods beginning on or after 1 December 2012. Early application is permitted.

IFRIC Illustrative Examples

[These examples accompany, but are not part of, NZ IFRIC 17.]

IFRIC Basis for Conclusions

BC1–BC66 [Paragraphs BC1–BC66 do not form part of NZ IFRIC 17.]

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 17 *Distributions of Non-cash Assets to Owners*

This table lists the pronouncements establishing and substantially amending NZ IFRIC 17. The table is based on amendments approved as at 30 November 2012.

Pronouncements	**Date approved**	**Early operative date**	**Effective date (annual reporting periods… on or after …)**
NZ IFRIC 17 *Distributions of Non-cash Assets to Owners*	Dec 2008	Early application permitted	1 Jul 2009
NZ IFRS 10 *Consolidated Financial Statements*	June 2011	Early application permitted	1 Jan 2013
NZ IFRS 13 *Fair Value Measurement*	June 2011	Early application permitted	1 Jan 2013
Framework: Tier 1 and Tier 2 For-profit Entities[2]	Nov 2012	Early application permitted	1 Dec 2012
2017 Omnibus Amendments to NZ IFRS (editorial corrections only)	Nov 2017	Early application permitted	1 Jan 2018

Table of Amended Paragraphs in NZ IFRIC 17		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 7	Amended	NZ IFRS 10 [June 2011]
Paragraph 17	Amended	NZ IFRS 13 [June 2011]
Paragraph 19	Added	NZ IFRS 10 [June 2011]
Paragraph 20	Added	NZ IFRS 13 [June 2011]
Paragraph NZ 20.1	Added	*Framework: Tier 1 and Tier 2 For-profit Entities* [Nov 2012]

[2] This pronouncement amended extant NZ IFRSs by (i) deleting any public benefit entity paragraphs, (ii) deleting any differential reporting paragraphs, (iii) adding scope paragraphs for Tier 1 and Tier 2 for-profit entities, and (iv) adding RDR disclosure concessions.