Long-term Interests in Associates and Joint Ventures (Amendments to NZ IAS 28)

This Standard was issued on 21 December 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 18 January 2018.

For-profit reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in Part C.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard is based on amendments issued by the International Accounting Standards Board (IASB) to clarify that an entity is required to apply IFRS 9 *Financial Instruments*, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

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Part A

Introduction

This Standard sets out amendments to NZ IAS 28 *Investments in Associates and Joint Ventures* to clarify that an entity is required to apply NZ IFRS 9 *Financial Instruments*, including its impairment requirements, to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Examples of long-term interests may include preference shares and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans.

Tier 2 entities are required to comply with all the requirements in this Standard.

Part B – *Long-term Interests in Associates and Joint Ventures*

Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Amendments to NZ IAS 28 *Investments in Associates and Joint Ventures*

Paragraphs 14A and 45G–45K are added and paragraph 41 is deleted. Deleted text is struck through.

Equity method

14A An entity also applies NZ IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture (see paragraph 38). An entity applies NZ IFRS 9 to such long-term interests before it applies paragraph 38 and paragraphs 40–43 of this Standard. In applying NZ IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.

Application of the equity method

…

41 [Deleted by IASB] ~~The entity applies the impairment requirements in IFRS 9 to its other interests in the associate or joint venture that are in the scope of IFRS 9 and that do not constitute part of the net investment.~~

…

Effective date and transition

…

45G *Long-term Interests in Associates and Joint Ventures*, issued in January 2018, added paragraph 14A and deleted paragraph 41. An entity shall apply those amendments retrospectively in accordance with NZ IAS 8 for annual reporting periods beginning on or after 1 January 2019, except as specified in paragraphs 45H-45K. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

45H An entity that first applies the amendments in paragraph 45G at the same time it first applies NZ IFRS 9 shall apply the transition requirements in NZ IFRS 9 to the long-term interests described in paragraph 14A.

45I An entity that first applies the amendments in paragraph 45G after it first applies NZ IFRS 9 shall apply the transition requirements in NZ IFRS 9 necessary for applying the requirements set out in paragraph 14A to long-term interests. For that purpose, references to the date of initial application in NZ IFRS 9 shall be read as referring to the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application of the amendments). The entity is not required to restate prior periods to reflect the application of the amendments. The entity may restate prior periods only if it is possible without the use of hindsight.

45J When first applying the amendments in paragraph 45G, an entity that applies the temporary exemption from NZ IFRS 9 in accordance with NZ IFRS 4 *Insurance Contracts* is not required to restate prior periods to reflect the application of the amendments. The entity may restate prior periods only if it is possible without the use of hindsight.

45K If an entity does not restate prior periods applying paragraph 45I or paragraph 45J, at the date of initial application of the amendments it shall recognise in the opening retained earnings (or other component of equity, as appropriate) any difference between:

(a) the previous carrying amount of long-term interests described in paragraph 14A at that date; and

(b) the carrying amount of those long-term interests at that date.

Part C – Effective Date

This Standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.