

NZASB EXPOSURE DRAFT 2019-2

2019 Omnibus Amendments to NZ IFRS

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This [draft] 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 [Date].

Reporting entities that are subject to this [draft] Standard are required to apply it in accordance with the effective date, which is set out in Part D.

In finalising this [draft] 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 [draft] Standard has been issued to make minor amendments to NZ IFRS.

¹ References to “this Standard” throughout this Exposure Draft should be read as referring to “this draft Standard”.

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2019 OMNIBUS AMENDMENTS TO NZ IFRS
[DATE]

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Part A

Introduction

This [draft] Standard amends NZ IFRS applied by Tier 1 and Tier 2 for-profit entities as follows.

- (a) Amendments to NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures* to defer the effective date of the amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) to annual periods beginning on or after 1 January 2025.
- (b) Amendments to FRS-44 *New Zealand Additional Disclosures* to:
 - (i) require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity must disclose the information specified in paragraphs 30 and 31 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS; and
 - (ii) delete paragraphs 12.1–12.10, which deal with elements in the statement of service performance.
- (c) Editorial corrections to:
 - (i) NZ IFRS 7 *Financial Instruments: Disclosures* to delete two RDR paragraphs that are no longer needed;
 - (ii) NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* to update references to legislation;
 - (iii) NZ IAS 39 *Financial Instruments: Recognition and Measurement* to amend effective date paragraphs amended by the IASB as part of the editorial corrections issued in December 2018; and
 - (iv) NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* to incorporate an editorial correction issued by the IASB in February 2019.

Part B: Amendments to NZ IFRS

Scope

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

NZ IFRS 10 *Consolidated Financial Statements*

The footnote to paragraph C1C is amended. New text is underlined and deleted text is struck through.

Effective date

...

C1C *[This paragraph relates to amendments that are not yet effective, and is therefore not included in this Standard.]*²

² The IASB has deferred the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) indefinitely. The NZASB has initially deferred the effective date of these amendments to 1 January 2020, and subsequently deferred the effective date of these amendments to 1 January 2025.

In Appendix C, paragraph C1C which was originally added by *Sale and Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) and subsequently amended by *Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28* is further amended and paragraph NZ C1D.2 is added. New text is underlined and deleted text is struck through.

Paragraph C1C has not yet been compiled into NZ IFRS 10 on the XRB website. The paragraph will be compiled into NZ IFRS 10 once the IASB decides the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Effective date

...

C1C *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28), issued in October 2014, amended paragraphs 25–26 and added paragraph B99A. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after ~~1 January 2020~~ 1 January 2025. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

...

NZ C1D.2 *2019 Omnibus Amendments to NZ IFRS*, issued in [date], amended paragraph C1C. An entity shall apply that amendment for annual periods beginning on or after [date]. Earlier application is permitted.

Paragraphs BC1 and BC2 are amended and paragraph BC4 is added to the NZASB's Basis for Conclusions on NZ IFRS 10. New text is underlined and deleted text is struck through.

NZASB Basis for Conclusions on NZ IFRS 10

This Basis for Conclusions accompanies, but is not part of, NZ IFRS 10.

- BC1 The New Zealand Accounting Standards Board (NZASB) issued ~~this amending standard~~ Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28 based on *Effective Date of Amendments to IFRS 10 and IAS 28* as issued by the IASB in December 2015. The IASB's amending standard deferred indefinitely the effective date of *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) issued in October 2014. The IASB deferred the effective date of these amendments pending the completion of its equity accounting project.
- BC2 The Financial Reporting Act 2013 requires all accounting standards issued in New Zealand to have an effective date. The NZASB ~~has~~ therefore determined that the *Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28* should be effective for annual periods beginning on or after 1 January 2020. The NZASB considered that this date would satisfy New Zealand's legislative requirements and provide an appropriate period for the IASB to complete its equity accounting project. If the IASB continues to defer the effective date of *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) beyond annual periods beginning on or after 1 January 2020, the NZASB will reassess the effective date of these amendments in New Zealand.
- BC3 In all other respects *Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28* is consistent with *Effective Date of Amendments to IFRS 10 and IAS 28*.
- BC4 2019 Omnibus Amendments to NZ IFRS subsequently deferred the effective date of *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) to annual periods beginning on or after 1 January 2025.

NZ IAS 28 *Investments in Associates and Joint Ventures*

The footnote to paragraph 45C is amended. New text is underlined and deleted text is struck through.

Effective date and transition

...

45C *[This paragraph relates to amendments that are not yet effective, and is therefore not included in this Standard.]*¹

¹ The IASB has deferred the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) indefinitely. The NZASB has initially deferred the effective date of these amendments to 1 January 2020, and subsequently deferred the effective date of these amendments to 1 January 2025.

Paragraph 45C which was originally added by *Sale and Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) and subsequently amended by *Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28* is further amended and paragraph NZ 45K.1 is added. New text is underlined and deleted text is struck through.

Paragraph 45C has not yet been compiled into NZ IAS 28 on the XRB website. The paragraph will be compiled into NZ IAS 28 once the IASB decides the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Effective date

...

45C *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28), issued in October 2014, amended paragraphs 28 and 30 and added paragraphs 31A–31B. An entity shall apply those amendments prospectively to the sale or contribution of assets occurring in annual periods beginning on or after ~~1 January 2020~~ 1 January 2025. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

...

NZ 45K.1 2019 Omnibus Amendments to NZ IFRS, issued in [date], amended paragraph 45C. An entity shall apply that amendment for annual periods beginning on or after [date]. Earlier application is permitted.

FRS-44 *New Zealand Additional Disclosures*

Paragraph 6.1 and the related heading and paragraph 19 are added and paragraphs 12.1–12.10 and their related heading are deleted. New text is underlined and deleted text is struck through.

Disclosures

...

IFRS issued but not yet effective

...

***6.1** When an IFRS has been issued by the International Accounting Standards Board but the equivalent NZ IFRS has yet to be issued by the XRB, an entity must disclose the information specified in

paragraphs 30 and 31 of NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to that IFRS.

...

Elements in the statement of service performance

- ~~12.1–12.10~~ ~~[Deleted] Where a statement of service performance is presented it shall describe and disclose the *outputs* of an entity. Similar individual outputs may be aggregated.~~
- ~~12.2~~ This Standard refers to the statement in paragraph 12.1 as a “statement of service performance”. The statement might, however, be differently named in legislation. The aim of such statements, by whatever name called, remains the providing of:
- ~~(a)~~ narrative and statistics on the entity’s performance in supplying goods and services; and
 - ~~(b)~~ information on the effects on the community of the entity’s existence and operations.
- ~~12.3~~ An entity not required by legislation to prepare a statement of service performance is encouraged to include a statement of service performance in its financial statements where:
- ~~(a)~~ the entity receives significant revenue intended to benefit third parties without giving reciprocal benefit or consideration to the party providing the revenue; or
 - ~~(b)~~ the entity has non-financial objectives of such importance that non-financial performance reporting is significant to users of the financial statements.
- ~~12.4~~ The elements of service performance are *inputs*, outputs and *outcomes*. Where relevant and appropriate for users of the entity’s financial report, each output disclosed in the statement of service performance is to be described in terms of the output’s:
- ~~(a)~~ quantity;
 - ~~(b)~~ quality;
 - ~~(c)~~ time; and
 - ~~(d)~~ location.
- ~~The cost of each output is to be described and disclosed.~~
- ~~12.5~~ The information used to describe service performance is to be selected so as to provide a complete description of delivery of each output (or aggregation of outputs) reported, but without undue emphasis on easily measured dimensions, and without resulting in an overload of only partially relevant statistics.
- ~~12.6~~ For each output disclosed in a statement of service performance, where practical and appropriate, the outcome(s) to which the output is intended to contribute is to be disclosed.
- ~~12.7~~ The statement of service performance shall present both projected service performance and actual service performance.
- ~~12.8~~ Projected service performance is described by presenting projected outputs at the beginning of the period which an entity aimed to produce by the end of the period. These projected outputs will often be derived from the annual or corporate plan.
- ~~12.9~~ To report the degree of success in achieving objectives, it is necessary to present both projected and actual results together with full disclosures of any changes in objectives during the period.
- ~~12.10~~ Actual and projected service performance are to be reported consistently with one another. The information is to be sufficiently specific for performance to be assessed.

Effective date

...

- ~~19~~ 2019 Omnibus Amendments to NZ IFRS, issued in [date], added paragraph 6.1 and the related heading and deleted paragraphs 12.1–12.10. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted.

An NZASB Basis for Conclusions is added to FRS-44.

NZASB Basis for Conclusions on FRS-44 *New Zealand Additional Disclosures*

This Basis for Conclusions accompanies, but is not part of, FRS-44.

Introduction

BC1 This Basis for Conclusions summarises the New Zealand Accounting Standards Board's (NZASB's) considerations in amending FRS-44. The FRSB Basis for Conclusions on FRS-44 sets out the matters considered when FRS-44 was first issued in 2011.

2019 Omnibus amendments to NZ IFRS

IFRS issued but not yet effective

- BC2 Although the NZASB considers and issues the New Zealand equivalent to a new IFRS as soon as possible after the IASB issues the standard, the NZASB acknowledged that there may be times when an entity's reporting date falls between the date of the IASB issuing the IFRS and the NZASB issuing the equivalent NZ IFRS. Under these circumstances, a Tier 1 for-profit entity applying NZ IFRS would not be able to assert compliance with IFRSs unless it made the disclosures required by paragraphs 30 and 31 of IAS 8 in addition to the disclosures required by NZ IAS 8.
- BC3 To ensure that Tier 1 for-profit entities applying NZ IFRS are able to simultaneously assert compliance with IFRSs, *2019 Omnibus Amendments to NZ IFRS* added paragraph 6.1 to require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS.

Elements of service performance

- BC4 When FRS-44 was first issued in 2011 it specified the elements of a statement of service performance and required that a for-profit entity presenting a statement of service performance describe and disclose its outputs. In 2019 the NZASB deleted this section of FRS-44 (paragraphs 12.1–12.10) for the following reasons.
- (a) The requirements in FRS-44 are no longer consistent with the legislative requirements for some public sector entities to establish and report against targets and performance measures. The relevant legislation is now less prescriptive regarding the terminology to be used by an entity in reporting targets and performance measures.
 - (b) In addition, the requirements in FRS-44 are no longer consistent with the requirements in the PBE Standard dealing with service performance reporting. PBE FRS 48 *Service Performance Reporting* (issued in 2017) establishes principles and requirements for Tier 1 and 2 public benefit entities to present service performance information, but does not require that the terms inputs, outputs and outcomes be used.

A footnote to paragraph BC22 of the FRSB's Basis for Conclusions is added.

Elements of statements of service performance (paragraphs 12.1–12.10)

BC22 The FRSB has retained the guidance relating to the elements of statements of service performance because statements of service reporting are a unique feature of New Zealand's financial reporting environment.[‡]

* *2019 Omnibus Amendments to NZ IFRS*, issued in [date], deleted paragraphs 12.1–12.10 (see NZASB Basis for Conclusions paragraph BC8).

Part C: Editorial corrections

NZ IFRS 7 *Financial Instruments: Disclosures*

Paragraphs RDR 8.2 and RDR 23.1 are deleted. New text is underlined and deleted text is struck through. Paragraphs 8, RDR 8.1 and 23 are not amended but are shown for context.

Statement of financial position

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as specified in NZ IFRS 9, shall be disclosed either in the statement of financial position or in the notes:

*^(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of NZ IFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with NZ IFRS 9.

(b)–(d) [deleted by IASB]

*^(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of NZ IFRS 9 and (ii) those that meet the definition of held for trading in NZ IFRS 9.

(f) financial assets measured at amortised cost.

(g) financial liabilities measured at amortised cost.

(h) financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of NZ IFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of NZ IFRS 9.

RDR 8.1 A Tier 2 entity shall disclose, either in the statement of financial position or in the notes, the carrying amounts of (i) financial assets measured at fair value through profit or loss and (ii) financial liabilities measured at fair value through profit or loss.

~~RDR 8.2 A Tier 2 entity is not required to make the separate disclosure required by paragraph 8(e).~~

...

The amount, timing and uncertainty of future cash flows

23 [Deleted by IASB]

~~RDR 23.1A Tier 2 entity is required to show only the total amount of cash flow hedges reclassified from equity and included in profit or loss for the period in accordance with paragraph 23(d).~~

NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

Paragraph NZ 36.1 and the footnote to paragraph 27 are amended. New text is underlined and deleted text is struck through.

Frequency of actuarial valuations

27 In many countries, actuarial valuations are not obtained more frequently than every three years. If an actuarial valuation has not been prepared at the date of the financial statements, the most recent valuation is used as a base and the date of the valuation disclosed.¹

¹ ~~The Superannuation Schemes Act 1989~~ Financial Markets Conduct Act 2013 contains requirements regarding the frequency of actuarial examinations of registered superannuation schemes.

...

Defined Benefit Plans – Summary of Actuarial Report

- NZ 36.1 In addition to the information required by paragraph 36, the financial statements of a defined benefit plan shall also have appended to them or shall include by a way of note, a summary of the most recent actuarial report prepared for the plan in accordance with the requirements of the ~~Superannuation Schemes Act 1989~~ Financial Markets Conduct Act 2013, or an equivalent report for unregistered plans. That summary shall include:
- (a) ...

NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*

In Appendix D, paragraph D1(o) is deleted. New text is underlined and deleted text is struck through.

Appendix D

Exemptions from other NZ IFRSs

This appendix is an integral part of the Standard.

- D1 An entity may elect to use one or more of the following exemptions:
- ...
- (o) ~~[deleted by IASB] transfers of assets from customers (paragraph D24);~~
- ...

NZ IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 103U is amended and paragraph 103A is deleted. New text is underlined and deleted text is struck through.

Effective date and transition

- 103 ...
- 103A ~~[Deleted by IASB]An entity shall apply the amendment in paragraph 2(j) for annual periods beginning on or after 1 January 2006. If an entity applies NZ IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* for an earlier period, this amendment shall be applied for that earlier period.~~
- ...
- 103U NZ IFRS 9, as issued in September 2014, amended ...and deleted paragraphs 1, 4–7, 10–70, 79, 103A, 103B, 103D, ...
- ...

Part D: Effective date

The amendments in this [draft] Standard are effective for annual periods beginning on or after [date]. Earlier application is permitted.