



NZ ACCOUNTING
STANDARDS
BOARD

New Zealand Equivalent to IFRIC Interpretation 10

Interim Financial Reporting and Impairment (NZ IFRIC 10)

Issued September 2006 and incorporates amendments to 30 November 2012 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*

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INTERIM FINANCIAL REPORTING AND IMPAIRMENT
(NZ IFRIC 10)**

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The following is available within New Zealand on the XRB website as additional material

BASIS FOR CONCLUSIONS

NZ IFRIC 10

New Zealand Equivalent to IFRIC Interpretation 10 *Interim Financial Reporting and Impairment* (NZ IFRIC 10) is set out in paragraphs 1–NZ 10.1.

NZ IFRIC 10 is based on IFRIC 10 *Interim Financial Reporting and Impairment* (IFRIC 10). NZ IFRIC 10 should be read in the context of the IFRIC’s Basis for Conclusions on IFRIC 10.

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

Reduced Disclosure Regime

Tier 2 for-profit entities must comply with all the provisions in NZ IFRIC 10.

New Zealand Equivalent to IFRIC Interpretation 10

Interim Financial Reporting and Impairment

(NZ IFRIC 10)

References

- NZ IAS 34 *Interim Financial Reporting*
- NZ IAS 36 *Impairment of Assets*
- NZ IAS 39 *Financial Instruments: Recognition and Measurement*

Background

- 1 An entity is required to assess goodwill for impairment at the end of each reporting period, to assess investments in equity instruments and in financial assets carried at cost for impairment at the end of each reporting period and, if required, to recognise an impairment loss at that date in accordance with NZ IAS 36 and NZ IAS 39. However, at the end of a subsequent reporting period, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed.
- 2 The Interpretation addresses the interaction between the requirements of NZ IAS 34 and the recognition of impairment losses on goodwill in NZ IAS 36 and certain financial assets in NZ IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.

Scope

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

Issue

- 3 NZ IAS 34 paragraph 28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. It also states that ‘the frequency of an entity’s reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.’
- 4 NZ IAS 36 paragraph 124 states that ‘An impairment loss recognised for goodwill shall not be reversed in a subsequent period.’
- 5 NZ IAS 39 paragraph 69 states that ‘Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.’
- 6 NZ IAS 39 paragraph 66 requires that impairment losses for financial assets carried at cost (such as impairment losses on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.
- 7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only the end of a subsequent reporting period?

Consensus

- 8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

- 9 An entity shall not extend this consensus by analogy to other areas of potential conflict between NZ IAS 34 and other standards.

Effective date and transition

- 10 This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. For entities which elect to comply with NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* for an annual accounting period beginning on or after 1 January 2005 and before 1 January 2007, this Interpretation becomes operative for annual accounting periods beginning on or after 1 November 2006. Early application is encouraged. If an entity applies this Interpretation to a period beginning before 1 November 2006, it shall disclose that fact. An entity shall apply the Interpretation to goodwill prospectively from the date at which it first applied NZ IAS 36; it shall apply the Interpretation to investments in equity instruments or in financial assets carried at cost prospectively from the date at which it first applied the measurement criteria of NZ IAS 39.
- NZ 10.1 *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 Basis for Conclusions

BC1–BC12 [Paragraphs BC1–BC12 do not form part of NZ IFRIC 10.]

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ IFRIC 10 *Interim Financial Reporting and Impairment*

This table lists the pronouncements establishing and substantially amending NZ IFRIC 10. The table is based on amendments approved as at 30 November 2012 other than consequential amendments resulting from early adoption of NZ IFRS 9 *Financial Instruments*.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
NZ IFRIC 10 <i>Interim Financial Reporting and Impairment</i>	Sept 2006	1 Nov 2006 Early application encouraged	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> ¹	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ IFRIC 10		
Paragraph affected	How affected	By ... [date]
Various	Terminology changed	NZ IAS 1 [Nov 2007]
Paragraph NZ 10.1	Added	<i>Framework: Tier 1 and Tier 2 For-profit Entities</i> [Nov 2012]

¹ 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.