

NZASB Exposure Draft 2020-2

Going Concern Disclosures (Proposed amendments to FRS-44)

(NZASB ED 2020-2)

Invitation to Comment

June 2020

© External Reporting Board 2020
PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

Permission to reproduce: The copyright owner authorises reproduction of this work, in whole or in part, so long as no charge is made for the supply of copies, and the integrity and attribution of the work as a publication of the External Reporting Board is not interfered with in any way.

Disclaimer: Readers are advised to seek specific advice from an appropriately qualified professional before undertaking any action relying on the contents of this document. The External Reporting Board does not accept any responsibility whether in contract, tort, equity or otherwise for any action taken, or reliance placed on, any part, or all, of the information in this document, or for any error or omission from this document.

Table of Contents

	Page
Information for respondents	4
List of abbreviations.....	5
Questions for respondents	6
1. Introduction	7
1.1 Purpose.....	7
1.2 Background.....	7
1.3 Current disclosure requirements in accounting and auditing standards	8
1.3.1 Accounting standards	8
1.3.2 Auditing standards.....	10
2. Overview of Invitation to Comment and ED.....	12
2.1 Scope of proposals.....	12
2.2 Summary of the proposals.....	12
2.3 Why is this a New Zealand domestic project?	13
2.4 Effective date	13
2.5 Reduced disclosure regime.....	14
2.6 Timeline and next steps.....	14
NZASB ED 2020-2

Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: <https://www.xrb.govt.nz/accounting-standards/standards-in-development/open-for-comment/>.

Please include **Going Concern Disclosures (Proposed amendments to FRS-44)** in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **24 July 2020**.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz) unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board) and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
Proposed amendments to FRS-44	NZASB ED 2020-2 <i>Going Concern Disclosures</i> (Proposed amendments to FRS-44)
FRS	Financial Reporting Standard, a domestic for-profit Standard
ISA (NZ)	International Standard on Auditing (New Zealand)
ITC	Invitation to Comment
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
NZAuASB	New Zealand Auditing and Assurance Standards Board, a sub-Board of the External Reporting Board
PBE	Public Benefit Entity

Questions for respondents

	Paragraphs
1 Do you agree with the proposal to introduce more specific disclosure requirements when the going concern assessment has involved the consideration of material uncertainties? If you disagree, please explain why.	26
2 Do you agree with the proposal to introduce more specific disclosure requirements when the going concern assessment has led to the conclusion that there are no material uncertainties, but significant judgement has been applied in reaching that conclusion? If you disagree, please explain why.	27
3 Do you agree with the proposed effective date of the amendments? If you disagree, please explain why.	32
4 Do you agree that there should be no disclosure concessions for Tier 2 entities due to the pervasive nature of the going concern assessment?	33
5 Are there any other issues in relation to going concern disclosures that you would like to be considered in the future?	25–34
6 Do you have any other comments on the proposals in this ED?	25–34

1. Introduction

1.1 Purpose

1. The purpose of this ITC and associated ED is to seek comments on proposals to establish more specific going concern disclosure requirements when management is aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
2. The ED proposes to introduce more specific going concern disclosure requirements with respect to these situations where management has determined that the going concern basis of preparation is appropriate and either:
 - (a) material uncertainties were considered in forming this view; or
 - (b) significant judgement was applied in forming this view.
3. These more specific disclosure requirements will help preparers of financial statements, when applying the existing disclosure requirements in NZ IFRS, to provide useful information to users of those financial statements in the circumstances described above.
4. The proposed disclosure requirements will also help align the requirements in accounting standards with the requirements in auditing standards for auditors to assess the adequacy of going concern disclosures.
5. The ED proposes amendments to FRS-44 *New Zealand Additional Disclosures*. The proposals are relevant for Tier 1 and 2 for-profit entities.

1.2 Background

6. Given the increased focus on going concern disclosures as a result of the effects of the COVID-19 pandemic on many entities in New Zealand, the NZASB is proposing more specific going concern disclosure requirements for both for-profit entities and PBEs. This is the ITC and ED for for-profit entities. A similar ITC and ED for PBEs is being issued at the same time.
7. The economic effects of COVID-19 are expected to have a significant impact on the going concern assessments of a large number of entities in New Zealand, both now, and for some time in the future. Many entities will need to apply significant judgement and/or consider the impact of material uncertainties in assessing the entity's ability to continue as a going concern.
8. Consequently, the proposals seek to address the increased need of investors and other users of financial statements for relevant and transparent information about:
 - (a) significant judgements and estimates made in management's assessment of the entity's ability to continue as a going concern, along with any material uncertainties; and
 - (b) management's plans to mitigate the effect of any material uncertainties around the entity's ability to continue as a going concern.

9. Establishing more specific disclosure requirements will also help preparers of financial statements when considering how to provide relevant and transparent information to investors and other users of their financial statements in these circumstances.
10. In addition, the proposals will help align the requirements in accounting standards with the requirements in auditing standards. At present the going concern disclosure requirements in accounting standards are not as specific as the requirements, in auditing standards, for the auditor to consider the adequacy of an entity's going concern disclosures when significant judgement and/or material uncertainties were involved in the going concern assessment.
11. While the key driver for these proposals was to respond to the increased uncertainty arising from the economic effects of COVID-19, the benefits of providing greater specificity in going concern disclosure requirements, as outlined above, are expected to endure over the long term.

1.3 Current disclosure requirements in accounting and auditing standards

12. This section notes the current requirements in accounting and auditing standards. The next section outlines the proposal to establish more specific disclosure requirements in the accounting standards.

1.3.1 Accounting standards

13. Paragraph 25 of NZ IAS 1 *Presentation of Financial Statements* requires any material uncertainties about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern to be disclosed in the financial statements.

Going concern	
25	When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.
26	In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

14. In addition to the above requirements dealing with going concern, the general disclosure requirements in paragraph 122 of NZ IAS 1 would also be relevant when an entity has been required to apply significant judgements to reach the view that:
- (a) there are no material uncertainties related to events or conditions that may cast significant doubt upon an entity's ability to continue as a going concern; or
 - (b) there are material uncertainties related to events or conditions that may cast significant doubt upon an entity's ability to continue as a going concern (but ultimately the entity has determined that it should prepare its financial statements on a going concern basis) that require disclosure in accordance with paragraph 25 of NZ IAS 1.

122 An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

15. Paragraph 125 of NZ IAS 1 may also be relevant if the assumptions and uncertainties considered as part of the going concern assessment also represented estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Therefore, the application of paragraph 125 may result in entities providing useful information where an entity has applied significant judgement or there are material uncertainties related to the going concern assessment.

Sources of estimation uncertainty

125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature, and
- (b) their carrying amount as at the end of the reporting period.

16. In addition, agenda decisions issued by the IFRS Interpretations Committee in response to queries about the disclosure requirements in IAS 1 may be helpful in considering the application of IAS 1.² These agenda decisions are shown below.

² IFRS Interpretations Committee Agenda Decisions on Going concern disclosure (IAS 1):
July 2010 <https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-1-going-concern-disclosure-july-2010.pdf>
July 2014 <https://cdn.ifrs.org/-/media/feature/supporting-implementation/agenda-decisions/ias-1-disclosure-requirements-relating-to-assessment-of-going-concern-jul-14.pdf>

IAS 1 Presentation of Financial Statements (July 2010)

IAS 1 Financial Statement Presentation – Going concern disclosure

The Committee received a request for guidance on the disclosure requirements in IAS 1 on uncertainties related to an entity's ability to continue as a going concern. How an entity applies the disclosure requirements in paragraph 25 of IAS 1 requires the exercise of professional judgement. The Committee noted that paragraph 25 requires that an entity shall disclose 'material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern'. The Committee also noted that for this disclosure to be useful it must identify that the disclosed uncertainties may cast significant doubt upon the entity's ability to continue as a going concern.

The Committee noted that IAS 1 provides sufficient guidance on the disclosure requirements on uncertainties related to an entity's ability to continue as a going concern and that it does not expect diversity in practice. Therefore, the Committee decided not to add the issue to its agenda.

Disclosure requirements relating to assessment of going concern (IAS 1 Presentation of Financial Statements)—July 2014

The Interpretations Committee received a submission requesting clarification about the disclosures required in relation to material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The Interpretations Committee proposed to the IASB that it should make a narrow-scope amendment to change the disclosure requirements in IAS 1 in response to this issue. At its meeting in November 2013 the IASB discussed the issue and considered amendments proposed by the staff, but decided not to proceed with these amendments and removed this topic from its agenda. Consequently, the Interpretations Committee removed the topic from its agenda.

The staff reported the results of the IASB's discussion to the Interpretations Committee. When considering this feedback about the IASB's decision, the Interpretations Committee discussed a situation in which management of an entity has considered events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any planned mitigation, management concluded that there are no material uncertainties that require disclosure in accordance with paragraph 25 of IAS 1. However, reaching the conclusion that there was no material uncertainty involved significant judgement.

The Interpretations Committee observed that paragraph 122 of IAS 1 requires disclosure of the judgements made in applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The Interpretations Committee also observed that in the circumstance discussed, the disclosure requirements of paragraph 122 of IAS 1 would apply to the judgements made in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

1.3.2 Auditing standards

17. When applying New Zealand Auditing Standards, an auditor is required to consider the adequacy of disclosures in relation to management's assessment of going concern — see paragraphs 19 and 20 of ISA (NZ) 570 (Revised) *Going Concern*, shown below.

18. There are broadly four categories of going concern circumstances which the auditor considers when determining the adequacy of an entity's going concern disclosures:

(a)	No events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.
(b)	Events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern – but these are not considered material uncertainties. (ISA (NZ) 570 (Revised), paragraph 20)
(c)	Events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. These are considered material uncertainties, but the going concern basis of accounting is considered to remain appropriate. (ISA (NZ) 570 (Revised), paragraph 19)
(d)	Management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so, resulting in the going concern basis of accounting no longer being considered appropriate.

19. The current proposals focus on the shaded categories (b) and (c) which cover scenarios when an entity determines that the going concern basis of preparation should be applied, but making this assessment has involved significant judgement and/or consideration of material uncertainties. The auditing standards require auditors to form an opinion about the adequacy of disclosures regarding the going concern assessment.
20. Paragraph 19 of ISA (NZ) 570 (Revised) relates to circumstances in which management has assessed that the going concern basis of preparation should be applied, but material uncertainties have been identified and considered in forming this view.

<i>Adequacy of Disclosures When Events or Conditions Have Been Identified and a Material Uncertainty Exists</i>	
19	If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (Ref: Para. A22–A23)
(a)	Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
(b)	Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

21. Paragraph 20 of ISA (NZ) 570 (Revised) relates to circumstances in which management has assessed that the going concern basis of preparation should be applied and there are no material uncertainties related to this assessment, but events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty Exists

20 If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions.

22. In practice, auditors are required by paragraph 20 of ISA (NZ) 570 (Revised) to consider the adequacy of disclosures when management has applied significant judgement in reaching the decision that there are no "material uncertainties" in relation to the entity's ability to continue as a going concern. These are described by auditors as the "close-call situations" as to whether there is a material uncertainty or not, in circumstances when events or conditions exist that may cast significant doubt on the entity's ability to continue operating as a going concern.

2. Overview of Invitation to Comment and ED

2.1 Scope of proposals

23. The proposed amendments discussed in this ITC and ED are for Tier 1 and Tier 2 for-profit entities. A similar ITC and ED for PBEs which proposes equivalent amendments to PBE Standards is being issued at the same time.
24. The current proposals are focused on establishing:
- (a) more specific going concern disclosure requirements in circumstances when management determines that the going concern basis of preparation should be applied, but this assessment has involved significant judgement and/or the consideration of material uncertainty; and
 - (b) going concern disclosure requirements that are consistent with the requirements in ISA (NZ) 570 (Revised) to the extent this is appropriate and useful.

2.2 Summary of the proposals

25. As discussed above, NZASB ED 2020-2 *Going Concern Disclosures* (Proposed amendments to FRS-44) proposes to establish more specific going concern disclosure requirements.
26. New paragraph 12A.1 proposes disclosures in respect of situations where management has assessed that the going concern basis of preparation should be applied, but material uncertainties were considered in forming this view. These proposed requirements are based on paragraph 19 of ISA (NZ) 570 (Revised).

Question for Respondents

Q1 Do you agree with the proposal to introduce more specific disclosure requirements when the going concern assessment has involved the consideration of material uncertainties? If you disagree, please explain why.

27. New paragraph 12A.2 proposes disclosures in respect of situations where management has assessed that the going concern basis of preparation should be applied and there are no material uncertainties related to this assessment, but events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. These proposed requirements are based on paragraph 20 of ISA (NZ) 570 (Revised).

Question for Respondents

Q2 Do you agree with the proposal to introduce more specific disclosure requirements when the going concern assessment has led to the conclusion that there are no material uncertainties, but significant judgement has been applied in reaching that conclusion? If you disagree, please explain why.

2.3 Why is this a New Zealand domestic project?

28. The economic effects of COVID-19 are expected to have a significant impact on the going concern assessments of a large number of entities in New Zealand. Consequently, the NZASB felt it was timely to propose narrow-scope amendments to provide more specific going concern disclosure requirements for the reasons outlined earlier.
29. In developing NZ IFRS, the NZASB adopts the requirements in IFRS Standards, and in limited circumstances, requires additional New Zealand specific disclosures.³ Although the current economic challenges and increased focus on going concern disclosures is not a New Zealand specific issue, the NZASB considers that the matter is of sufficient importance, and users' need for information is sufficiently urgent, to propose New Zealand specific disclosures.
30. The proposals to establish more specific going concern disclosure requirements and better align accounting and auditing standards represent a timely response to current circumstances. They are also expected to provide enduring benefits over the long term.
31. The NZASB will continue to encourage international boards to consider the need for more guidance on going concern matters.

2.4 Effective date

32. Usually the effective date for new standards, both in New Zealand and internationally, is 1 January in a subsequent year. Because these proposals would respond to an immediate need for more specific disclosure requirements, the proposed effective date of the amendments is **accounting periods ending on or after 30 September 2020, with early adoption permitted.**

Question for Respondents

Q3 Do you agree with the proposed effective date of the amendments? If you disagree, please explain why.

³ FRS-44 *New Zealand Additional Disclosures* requires a number of New Zealand specific disclosures such as audit fee disclosures.

2.5 Reduced disclosure regime

33. Disclosures on information in relation to management’s going concern assessment will provide useful and important information for the users of the financial statements of both Tier 1 and Tier 2 entities. Consequently, the ED does not propose any disclosure concessions for Tier 2 entities.

Question for Respondents

- Q4 Do you agree that there should be no disclosure concessions for Tier 2 entities due to the pervasive nature of the going concern assessment?

2.6 Timeline and next steps

34. Submissions on NZASB ED 2020-2 are due by **24 July 2020**. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

Questions for Respondents

- Q5 Are there any other issues in relation to going concern disclosures that you would like to be considered in the future?
- Q6 Do you have any other comments on the ED?



NZ ACCOUNTING
STANDARDS
BOARD

NZASB EXPOSURE DRAFT 2020-2

GOING CONCERN DISCLOSURES (PROPOSED AMENDMENTS TO FRS-44)

Issued [Date]

This [draft]¹ Standard was issued on [Date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

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 the [draft] Standard in accordance with the effective date 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] Tier 1 and Tier 2 For-profit Accounting Standard has been issued to establish more specific going concern disclosure requirements when material uncertainties exist or significant judgements were made when assessing the appropriateness of applying the going concern basis of preparation. The more specific disclosure requirements will assist preparers of financial statements to provide relevant and transparent information to users of financial statements in these circumstances, which is particularly relevant as a result of the COVID-19 pandemic in 2020.

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

COPYRIGHT

© External Reporting Board (XRB) 2020

This XRB standard contains copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

ISBN:

GOING CONCERN DISCLOSURES

CONTENTS

	<i>from page</i>
PART A: INTRODUCTION	4
PART B: SCOPE	4
PART C: AMENDMENTS TO FRS-44	4
PART D: EFFECTIVE DATE	5

Part A – Introduction

This Standard sets out amendments to FRS-44 *New Zealand Additional Disclosures*.

The amendments introduce more specific disclosure requirements about going concern assessments to help preparers of financial statements to provide relevant and transparent information to users of those financial statements about the matters considered when making such assessments.

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

Part B – Scope

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

Part C – Amendments to FRS-44 *New Zealand Additional Disclosures*

Paragraphs 12A.1 and 12A.2, and a section heading, are added. Paragraph 20 is added. New text is underlined.

Going concern disclosures

12A.1 When preparing financial statements, paragraph 25 of NZ IAS 1 *Presentation of Financial Statements* requires management to make an assessment of an entity's ability to continue as a going concern. It requires an entity to prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Furthermore, when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, paragraph 25 of NZ IAS 1 requires disclosure of those uncertainties. When such material uncertainties exist, to the extent not already disclosed in accordance with paragraph 25 of NZ IAS 1, an entity that prepares its financial statements on a going concern basis shall disclose:

- (a) that there are one or more material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
- (b) information about the principal events or conditions giving rise to those material uncertainties;
- (c) information about management's plans to mitigate the effect of those events or conditions; and
- (d) that, as a result of those material uncertainties, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

12A.2 Paragraph 122 of NZ IAS 1 requires an entity to disclose the judgements, apart from those involving estimations (see paragraph 125 of NZ IAS 1), that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Paragraph 125 of NZ IAS 1 requires an entity to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. To the extent not already disclosed in accordance with paragraphs 122 and 125 of NZ IAS 1, where an entity prepares its financial statements on a going concern basis, and management is aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, it shall disclose information about the significant judgements and assumptions made as part of its assessment of whether the going concern assumption is appropriate.

...

Effective date

...

- 20 *Going Concern Disclosures* ([Proposed] Amendments to FRS-44), issued in [date] 2020, added paragraphs 12.A1–12.A2 and the related heading. An entity shall apply those amendments for annual periods ending on or after [proposed date is 30 September 2020]. Earlier application is permitted.

In the NZASB Basis for Conclusions, paragraph BC5 is added.

Going concern disclosures

- BC5 In June 2020 the NZASB issued ED 2020-2 *Going Concern Disclosures* (Proposed amendments to FRS-44). The NZASB noted that the COVID-19 pandemic in 2020 resulted in significant business disruption and uncertainties for many entities and led to an increased interest in going concern disclosures. The NZASB was of the view that more specific going concern disclosure requirements would help preparers of financial statements when applying existing disclosure requirements to provide relevant and transparent information to investors, lenders and other users of those financial statements in these circumstances, both in the current environment and in the future.

Part D – Effective Date

This Standard shall be applied for annual periods ending on or after [proposed date is 30 September 2020]. Earlier application is permitted.