New Zealand Equivalent to SIC Interpretation 7

Introduction of the Euro (NZ SIC-7)

Issued November 2004 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 SIC Interpretation 7 *Introduction of the Euro* (NZ SIC-7) is set out in paragraphs 3 and 4.

NZ SIC-7 should be read in the context of the Basis for Conclusions on SIC-7.

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 SIC-7.

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

BASIS FOR CONCLUSIONS ON SIC-7

New Zealand Equivalent to SIC Interpretation 7

Introduction of the Euro (NZ SIC-7)

References

- NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 10 *Events after the Reporting Period*
- NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- NZ IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008)

Issue

1 From 1 January 1999, the effective start of Economic and Monetary Union (EMU), the euro will become a currency in its own right and the conversion rates between the euro and the participating national currencies will be irrevocably fixed, i.e. the risk of subsequent exchange differences related to these currencies is eliminated from this date on.

2 The issue is the application of NZ IAS 21 to the changeover from the national currencies of participating Member States of the European Union to the euro ("the changeover").

Consensus

3 The requirements of NZ IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover. The same rationale applies to the fixing of exchange rates when countries join EMU at later stages.

4 This means that, in particular:

(a) foreign currency monetary assets and liabilities resulting from transactions shall continue to be translated into the functional currency at the closing rate. Any resultant exchange differences shall be recognised as income or expense immediately, except that an entity shall continue to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;

(b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and

(c) exchange differences resulting from the translation of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets.

Basis for Conclusions on SIC-7

5–8 [Paragraphs 5–8 do not form part of NZ SIC-7.]

Effective Date

This Interpretation becomes operative for an entity's financial statements that cover annual accounting periods beginning on or after 1 January 2007. Early adoption of this Interpretation is permitted only when an entity complies 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.

NZ IAS 1 (as revised in 2007) amended the terminology used throughout New Zealand equivalents to IFRSs. In addition it amended paragraph 4. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies NZ IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

NZ IAS 27 (as amended in 2008) amended paragraph 4(b). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies NZ IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

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.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-7 *Introduction of the Euro*

This table lists the pronouncements establishing and substantially amending NZ SIC-7. 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 SIC-7 *Introduction of the Euro*	Nov 2004	1 Jan 2005	1 Jan 2007
NZ IAS 1 *Presentation of Financial Statements* (revised 2007)	Nov 2007	Early application permitted	1 Jan 2009
NZ IAS 27 *Consolidated and Separate Financial Statements* (amended 2008)	Feb 2008	Early application permitted	1 July 2009
Framework: Tier 1 and Tier 2 For-profit Entities[1]	Nov 2012	Early application permitted	1 Dec 2012

Table of Amended Paragraphs in NZ SIC-7		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 4(b)	Amended	NZ IAS 27 [Feb 2008]
Effective date	Amended	NZ IAS 1 [Nov 2007]
Effective date	Amended	NZ IAS 27 [Feb 2008]
Effective date	Amended	*Framework: Tier 1 and Tier 2 For-profit Entities* [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.