



Initial Application of PBE IFRS 17 and PBE IPSAS 41—Comparative Information

Issued June 2022

This Standard was issued on 23 June 2022 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 secondary legislation for the purposes of the Legislation Act 2019, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 21 July 2022.

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 D.

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 Tier 1 and Tier 2 PBE Standard is based on amendments issued by the International Accounting Standards Board to address a concern raised by some insurers about the usefulness of the information that would be presented for financial assets in the comparative period on initial application of IFRS 17 *Insurance Contracts*. The amendments to PBE IFRS 17 permit (but do not require) an entity to apply a classification overlay in the comparative period(s) presented on initial application of PBE IFRS 17.

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International Accounting Standards Board
Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD, United Kingdom.
Tel: +44 (0) 20 7246 6410
Email: info@ifrs.org Web: www.ifrs.org

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

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IFRS 17 *INSURANCE CONTRACTS*

Part A – Introduction

This Standard sets out amendments to PBE IFRS 17 *Insurance Contracts*. The amendments will help insurers to avoid temporary accounting mismatches due to different transition requirements in PBE IFRS 17 and PBE IPSAS 41 *Financial Instruments*.

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

Part B – Scope

This Standard applies to Tier 1 and Tier 2 not-for-profit public benefit entities.

Part C – Amendments to PBE IFRS 17 *Insurance Contracts*

Paragraphs 132.2A, 132.28A–132.28E, 132.33A and the heading before paragraph 132.28A are added. For ease of reading these paragraphs have not been underlined.

Paragraph 132.29 is not amended, but is shown for context.

Effective date and transition

Effective date

...

132.2A *Initial Application of PBE IFRS 17 and PBE IPSAS 41—Comparative Information*, issued in June 2022, added paragraphs 132.28A–132.28E and 132.33A. An entity that chooses to apply paragraphs 132.28A–132.28E and 132.33A shall apply them on initial application of PBE IFRS 17.

Transition

...

Comparative Information

...

Entities that First Apply PBE IFRS 17 and PBE IPSAS 41 at the same time

132.28A An entity that first applies PBE IFRS 17 and PBE IPSAS 41 at the same time is permitted to apply paragraphs 132.28B–132.28E (classification overlay) for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for PBE IPSAS 41. Comparative information for a financial asset will not be restated for PBE IPSAS 41 if either the entity chooses not to restate prior periods (see paragraph 173 of PBE IPSAS 41), or the entity restates prior periods but the financial asset has been derecognised during those prior periods (see paragraph 158 of PBE IPSAS 41).

132.28B An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of PBE IPSAS 41 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date (see paragraph 132.2(b)) to determine how the entity expects the financial asset would be classified and measured on initial application of PBE IPSAS 41 (for example, an entity might use preliminary assessments performed to prepare for the initial application of PBE IPSAS 41).

132.28C In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in paragraphs 73–93 of PBE IPSAS 41. If, based on the classification determined applying paragraph 132.28B, the financial asset would be subject to the impairment

requirements in paragraphs 73–93 of PBE IPSAS 41 but the entity does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognised in respect of impairment in the prior period in accordance with PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. Otherwise, any such amounts shall be reversed.

- 132.28D Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs 132.28B–132.28C shall be recognised in opening accumulated comprehensive revenue and expense (or other component of net assets/equity, as appropriate) at the transition date.
- 132.28E An entity that applies paragraphs 132.28B–132.28D shall:
- (a) Disclose qualitative information that enables users of financial statements to understand:
 - (i) The extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period);
 - (ii) Whether and to what extent the impairment requirements in paragraphs 73–93 of PBE IPSAS 41 have been applied (see paragraph 132.28C);
 - (b) Only apply those paragraphs to comparative information for reporting periods between the transition date to PBE IFRS 17 and the date of initial application of PBE IFRS 17 (see paragraphs 132.2 and 132.25); and
 - (c) At the date of initial application of PBE IPSAS 41, apply the transition requirements in PBE IPSAS 41 (see paragraphs 157.1–184A of PBE IPSAS 41).

Redesignation of Financial Assets

- 132.29 At the date of initial application of PBE IFRS 17, an entity that had applied PBE IPSAS 41 to annual reporting periods before the initial application of PBE IFRS 17:
- (a) May reassess whether an eligible financial asset meets the condition in paragraph 40 or paragraph 41 of PBE IPSAS 41. A financial asset is eligible only if the financial asset is not held in respect of an activity that is unconnected with contracts within the scope of PBE IFRS 17. Examples of financial assets that would not be eligible for reassessment are financial assets held in respect of banking activities or financial assets held in funds relating to investment contracts that are outside the scope of PBE IFRS 17.
 - (b) Shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if the condition in paragraph 44 of PBE IPSAS 41 is no longer met because of the application of PBE IFRS 17.
 - (c) May designate a financial asset as measured at fair value through profit or loss if the condition in paragraph 44 of PBE IPSAS 41 is met.
 - (d) May designate an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 106 of PBE IPSAS 41.
 - (e) May revoke its previous designation of an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 106 of PBE IPSAS 41.

...

- 132.33A For a financial asset derecognised between the transition date and date of initial application of PBE IFRS 17, an entity may apply paragraphs 132.28B–132.28E (classification overlay) for the purpose of presenting comparative information as if paragraph 132.29 had been applied to that asset. Such an entity shall adapt the requirements of paragraphs 132.28B–132.28E so that the classification overlay is based on how the entity expects the financial asset would be designated applying paragraph 132.29 at the date of initial application of PBE IFRS 17.

Part D – Effective Date

This Standard shall be applied for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.