Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Lack of Exchangeability RDR

Issued January 2024

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This Tier 2 for-profit amending Standard introduces disclosure concessions in response to new disclosures established by *Lack of Exchangeability*, issued 2 November 2023. This amending Standard modifies the disclosure requirements in NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

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.

Legal status of amending Standard

This amending Standard was issued on 18 January 2024 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on 18 January 2024 and takes effect on 15 February 2024.

Commencement and application

The amending Standard has a mandatory date of 1 January 2025, meaning it must be applied by Tier 2 for-profit entities for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this amending Standard takes effect – refer to paragraph NZ 60N.4 – NZ 60N.7 of this amending Standard.

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Part A – Introduction

This amending Standard amends the disclosure requirements in NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates* introduced by *Lack of Exchangeability* issued 2 November 2023 for Tier 2 for-profit entities.

Part B – Scope

This Standard applies to Tier 2 for-profit entities. A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*).

Part C – Amendments to NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraphs 57A, A19 and A20 are amended (by denoting disclosure concessions for Tier 2 entities with asterisks). Paragraphs NZ60N.4–NZ60N.7 are added. Paragraph A18 is not amended but is included for context. New text is underlined.

Disclosure

...

57A When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency (see paragraph 19A), the entity shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. To achieve this objective, an entity shall disclose information about:

(a) the nature and financial effects of the currency not being exchangeable into the other currency;

(b) the spot exchange rate(s) used;

*(c) the estimation process; and

*(d) the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

57B Paragraphs A18–A20 specify how an entity applies paragraph 57A.

Commencement and application

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Lack of Exchangeability RDR

NZ60N.4 *Lack of Exchangeability RDR*, issued in January 2024, amended disclosure requirements in paragraph 57A and in Appendix A paragraphs A19 and A20. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs NZ 60N.5 - NZ 60N.7. An entity that applies the amendments to an 'early adoption accounting period' shall disclose that fact.

When amending Standard takes effect (section 27 Financial Reporting Act 2013)

NZ60N.5 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on 18 January 2024 and takes effect on 15 February 2024.

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act)

NZ60N.6 The accounting periods in relation to which this amending Standard commences to apply are:

(a) for an **early adopter**, those accounting periods following and including, the **early adoption accounting period**.

(b) for any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date.**

NZ60N.7 In paragraph NZ 60N.6:

early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period

early adoption accounting period means an accounting period of the early adopter:

(a) that begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) for which the early adopter:

(i) first applies this amending Standard in preparing its financial statements; and

(ii) discloses in its financial statements for that accounting period that this amending Standard has been applied for that period.

mandatory date means 1 January 2025.

...

Appendix A
Application guidance

This appendix is an integral part of the Standard.

Exchangeability

[…]

Disclosure when a currency is not exchangeable

A18 An entity shall consider how much detail is necessary to satisfy the disclosure objective in paragraph 57A. An entity shall disclose the information specified in paragraphs A19–A20 and any additional information necessary to meet the disclosure objective in paragraph 57A.

A19 In applying paragraph 57A, an entity shall disclose:

(a) the currency and a description of the restrictions that result in that currency not being exchangeable into the other currency;

(b) a description of affected transactions;

(c) the carrying amount of affected assets and liabilities;

(d) the spot exchange rates used and whether those rates are:

(i) observable exchange rates without adjustment (see paragraphs A12–A16); or

(ii) spot exchange rates estimated using another estimation technique (see paragraph A17);

*(e) a description of any estimation technique the entity has used, and qualitative and quantitative information about the inputs and assumptions used in that estimation technique; and

*(f) qualitative information about each type of risk to which the entity is exposed because the currency is not exchangeable into the other currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.

A20 When a foreign operation’s functional currency is not exchangeable into the presentation currency or, if applicable, the presentation currency is not exchangeable into a foreign operation’s functional currency, an entity shall also disclose:

(a) the name of the foreign operation; whether the foreign operation is a subsidiary, joint operation, joint venture, associate or branch; and its principal place of business;

(b) summarised financial information about the foreign operation; and

*(c) the nature and terms of any contractual arrangements that could require the entity to provide financial support to the foreign operation, including events or circumstances that could expose the entity to a loss.