



NZ ACCOUNTING  
STANDARDS  
BOARD

## **Annual Improvements to NZ IFRSs 2012–2014 Cycle**

This Standard was issued on 20 November 2014 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 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 18 December 2014.

Reporting entities that are subject to this Standard are required to apply the Standard in accordance with the effective date set out in Part C.

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 Standard has been issued to amend the relevant New Zealand Tier 1 and Tier 2 For-profit Accounting Standards as a result of changes to International Financial Reporting Standards.

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## Part A

### Introduction

This document sets out amendments to New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) and the related Bases for Conclusions (available within New Zealand on the XRB website as additional material) made during the International Accounting Standards Board's (IASB) Annual Improvements process.

These amendments result from proposals that were contained in the IASB Exposure Draft for proposed amendments to IFRS, *Annual Improvements to IFRSs 2012–2014 Cycle*, published in December 2013.

The Annual Improvements process provides a vehicle for making non-urgent but necessary amendments to Standards.

Some amendments result in consequential amendments to other Standards. Those consequential amendments are set out in the same section as the amended Standard.

The effective date of each amendment is included in the Standards affected.

## Standards addressed

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The following table shows the topics addressed by these amendments.

<b>Standard</b>	<b>Subject of amendment</b>
NZ IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Changes in methods of disposal.
NZ IFRS 7 <i>Financial Instruments: Disclosures</i>	Servicing contracts.
	Applicability of the amendments to NZ IFRS 7 to condensed interim financial statements.
NZ IAS 19 <i>Employee Benefits</i>	Discount rate: regional market issue.
NZ IAS 34 <i>Interim Financial Reporting</i>	Disclosure of information 'elsewhere in the interim financial report'.

## Part B

### Scope

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

### **Amendments to NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***

Paragraphs 26–29 and their related heading are amended and paragraphs 26A and 44L are added. New text is underlined.

#### **Changes to a plan of sale or to a plan of distribution to owners**

- 26 If an entity has classified an asset (or disposal group) as held for sale or as held for distribution to owners, but the criteria in paragraphs 7–9 (for held for sale) or in paragraph 12A (for held for distribution to owners) are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale or held for distribution to owners (respectively). In such cases an entity shall follow the guidance in paragraphs 27–29 to account for this change except when paragraph 26A applies.
- 26A If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal. The entity:
- (a) shall not follow the guidance in paragraphs 27–29 to account for this change. The entity shall apply the classification, presentation and measurement requirements in this NZ IFRS that are applicable to the new method of disposal.
  - (b) shall measure the non-current asset (or disposal group) by following the requirements in paragraph 15 (if reclassified as held for sale) or 15A (if reclassified as held for distribution to owners) and recognise any reduction or increase in the fair value less costs to sell/costs to distribute of the non-current asset (or disposal group) by following the requirements in paragraphs 20–25.
  - (c) shall not change the date of classification in accordance with paragraphs 8 and 12A. This does not preclude an extension of the period required to complete a sale or a distribution to owners if the conditions in paragraph 9 are met.
- 27 The entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners (or ceases to be included in a disposal group classified as held for sale or as held for distribution to owners) at the lower of:
- (a) its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
  - (b) its *recoverable amount* at the date of the subsequent decision not to sell or distribute. [footnote omitted]
- 28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale or as held for distribution to owners in profit or loss [footnote omitted] from continuing operations in the period in which the criteria in paragraphs 7–9 or 12A, respectively, are no longer met. Financial statements for the periods since classification as held for sale or as held for distribution to owners shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement of comprehensive income used to present a gain or loss, if any, recognised in accordance with paragraph 37.

- 29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 7–9. If an entity removes an individual asset or liability from a disposal group classified as held for distribution to owners, the remaining assets and liabilities of the disposal group to be distributed shall continue to be measured as a group only if the group meets the criteria in paragraph 12A. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale (or as held for distribution to owners) shall be measured individually at the lower of their carrying amounts and fair values less costs to sell (or costs to distribute) at that date. Any non-current assets that do not meet the criteria for held for sale shall cease to be classified as held for sale in accordance with paragraph 26. Any non-current assets that do not meet the criteria for held for distribution to owners shall cease to be classified as held for distribution to owners in accordance with paragraph 26.

...

## Effective date

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...

- 44L Annual Improvements to NZ IFRSs 2012–2014 Cycle, issued in November 2014, amended paragraphs 26-29 and added paragraph 26A. An entity shall apply those amendments prospectively in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to changes in a method of disposal that occur in annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

## Amendments to NZ IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44R is amended and paragraph 44AA is added. Deleted text is struck through and new text is underlined.

### Effective date and transition

- ...
- 44R *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to NZ IFRS 7), issued in December 2011, added paragraphs 13A–13F and B40–B53. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 ~~and interim periods within those annual periods~~. An entity shall provide the disclosures required by those amendments retrospectively.
- ...
- 44AA *Annual Improvements to NZ IFRSs 2012–2014 Cycle*, issued in November 2014, amended paragraphs 44R and B30 and added paragraph B30A. An entity shall apply those amendments retrospectively in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2016, except that an entity need not apply the amendments to paragraphs B30 and B30A for any period presented that begins before the annual period for which the entity first applies those amendments. Earlier application of the amendments to paragraphs 44R, B30 and B30A is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

In Appendix B, paragraph B30 is amended and paragraph B30A is added. New text is underlined.

### Continuing involvement (paragraph 42C)

- ...
- B30 An entity does not have a continuing involvement in a transferred financial asset if, as part of the transfer, it neither retains any of the contractual rights or obligations inherent in the transferred financial asset nor acquires any new contractual rights or obligations relating to the transferred financial asset. An entity does not have continuing involvement in a transferred financial asset if it has neither an interest in the future performance of the transferred financial asset nor a responsibility under any circumstances to make payments in respect of the transferred financial asset in the future. The term ‘payment’ in this context does not include cash flows of the transferred financial asset that an entity collects and is required to remit to the transferee.
- B30A When an entity transfers a financial asset, the entity may retain the right to service that financial asset for a fee that is included in, for example, a servicing contract. The entity assesses the servicing contract in accordance with the guidance in paragraphs 42C and B30 to decide whether the entity has continuing involvement as a result of the servicing contract for the purposes of the disclosure requirements. For example, a servicer will have continuing involvement in the transferred financial asset for the purposes of the disclosure requirements if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset. Similarly, a servicer has continuing involvement for the purposes of the disclosure requirements if a fixed fee would not be paid in full because of non-performance of the transferred financial asset. In these examples, the servicer has an interest in the future performance of the transferred financial asset. This assessment is independent of whether the fee to be received is expected to compensate the entity adequately for performing the servicing.



## **Consequential amendment to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards***

Paragraph 39AA is added. New text is underlined.

### **Effective date**

...

39AA *Annual Improvements to NZ IFRSs 2012–2014 Cycle*, issued in November 2014, added paragraph E4A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix E, paragraph E4A is added. New text is underlined.

### **Disclosures about financial instruments**

...

E4A A first-time adopter may apply the transition provisions in paragraph 44AA of NZ IFRS 7.

## Amendment to NZ IAS 19 *Employee Benefits*

In the rubric, 'paragraphs 1–175' is amended to 'paragraphs 1–177'.

Paragraph 83 is amended and paragraphs 176–177 are added. Deleted text is struck through and new text is underlined.

### Actuarial assumptions: discount rate

- 83 The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. ~~In For countries currencies where for which~~ there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

...

### Transition and effective date

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...

- 176 Annual Improvements to NZ IFRSs 2012–2014 Cycle, issued in November 2014, amended paragraph 83 and added paragraph 177. An entity shall apply that amendment for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

- 177 An entity shall apply the amendment in paragraph 176 from the beginning of the earliest comparative period presented in the first financial statements in which the entity applies the amendment. Any initial adjustment arising from the application of the amendment shall be recognised in retained earnings at the beginning of that period.

**Amendment to NZ IAS 34 *Interim Financial Reporting***

In the rubric, 'paragraphs 1–55' is amended to 'paragraphs 1–56'.
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Paragraph 16A is amended and paragraph 56 is added. Deleted text is struck through and new text is underlined.
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**Other disclosures**

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, ~~if not disclosed or~~ elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

(a) ...

**Effective date**

...  
 56 *Annual Improvements to NZ IFRSs 2012–2014 Cycle*, issued in November 2014, amended paragraph 16A. An entity shall apply that amendment retrospectively in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

## **Part C**

### **Effective date**

This Standard is effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.