

Institute of Chartered Accountants of New Zealand

FINANCIAL REPORTING STANDARD 41

Issued April 2005

## Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards

*This Standard was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants and approved by the Accounting Standards Review Board in April 2005 under the Financial Reporting Act 1993.*

### CONTENTS

	<i>paragraph</i>
Introduction to FRS 41: <i>Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards (FRS-41)</i>	
Objective.....	1
Scope .....	2
Disclosures.....	4
Effective date .....	8
Appendices	
A Defined Terms	
B Consequential amendments to FRS-24 <i>Interim Financial Reports</i>	

*New Zealand Financial Reporting Standard 41: Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards (FRS 41) is set out in paragraphs 1 to 8 and Appendices A and B. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles.*

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FRS-41

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**INTRODUCTION TO FRS-41**

The aim of this Standard is to provide users of financial reports with relevant and reliable information about the impacts of changes in accounting policies resulting from implementing New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) in the period leading up to implementation.

## FRS-41

Adoption of NZ IFRSs between 2005 and 2007 may have significant impacts on the accounting policies of New Zealand entities and their reported financial position and financial performance. The Standard requires issuers and encourages other entities to disclose in annual, half-yearly and quarterly reporting periods preceding the adoption of NZ IFRSs:

- (a) information in respect of planning for the transition to NZ IFRSs and any key differences in accounting policies that are expected to arise on the adoption of NZ IFRSs;
- (b) known or reliably estimable information about the impacts on the financial reports had the financial report been prepared using NZ IFRSs; and
- (c) a cautionary note to the effect that the actual impact of adopting NZ IFRSs may vary from the information presented, and that the variation may be material.

### **FINANCIAL REPORTING STANDARD 41**

*Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards (FRS-41)*

#### **OBJECTIVE**

**1 The objective of this Standard is to require issuers, and to encourage other entities, to disclose the impacts of adopting New Zealand equivalents to IFRSs (NZ IFRSs) including:**

- (a) information in respect of planning for the transition to NZ IFRSs;
- (b) key differences in accounting policies expected to arise on adoption of NZ IFRSs; and
- (c) known or reliably estimable information about the impacts on the financial reports had the financial report been prepared using NZ IFRSs.

#### **SCOPE**

**2 This Standard shall be applied to the general purpose financial reports of all issuers.**

3 All other entities are encouraged to apply this Standard in the preparation of general purpose financial reports.

#### **DISCLOSURES**

**4 In respect of financial reports for annual, half-yearly or quarterly reporting periods an entity shall disclose in its financial report:**

- (a) an explanation of how the transition to NZ IFRSs is being managed;
- (b) (i) a narrative explanation of the key differences in accounting policies that are expected to arise from adopting NZ IFRSs; or

- (ii) **if the key differences in (b)(i) above are not known, a statement to that effect;**
- (c) (i) **any known or reliably estimable information about the impacts on the financial report had it been prepared using NZ IFRSs; or**
- (ii) **if the impacts in (c)(i) above are not known or reliably estimable, a statement to that effect; and**
- (d) **a cautionary note to the effect that the actual impact of adopting NZ IFRSs may vary from the information presented, and that the variation may be material.**

5 Adoption of NZ IFRSs may result in changes to accounting policies that have significant impacts on the reported financial position and financial performance of an entity. An explanation of how the transition is being managed, for example, the entity's plans and degree of achievement of the transition and the nature of the changes in accounting policies, will provide relevant information to users of financial reports to enable them to make judgements about the impacts on the reported financial position and financial performance of the entity. The closer the reporting period to the date of adoption of NZ IFRSs, the more likely it is that the entity will be able to identify key differences in accounting policies and quantify the potential impact.

6 In complying with paragraph 4(c) an entity needs to consider disclosing an estimate of the effect of the changes on its reported financial position and financial performance. It is anticipated that most entities will be able to quantify the impacts of the changes with sufficient reliability to make disclosures covering positive and negative impacts in a manner that is not misleading. Where quantitative information is not known, or is not reliably estimable, the entity should make a statement to that effect. Reliable estimation is impracticable when it cannot be performed after making every reasonable effort to do so.

7 The manner of presentation of quantified financial information about the impacts of adopting NZ IFRSs is not specified in this Standard and is a matter for the entity to determine in the context of its programme for implementing these requirements. The entity should provide information sufficient to allow users to understand the significant impacts on the statement of financial position, the statement of financial performance and the statement of cash flows. For example, an entity may present the quantified financial effects as a line-by-line reconciliation of financial statement items prepared on the basis of existing accounting policies and accounting policies reflecting the adoption of NZ IFRSs. This could include explanations of the effect on each line item presented or as a reconciliation of key aggregates such as operating profit before tax, profit after tax, net profit, total assets, total liabilities and net assets, including appropriate descriptions of the differences.

#### **EFFECTIVE DATE**

8 This Standard applies to annual, half-yearly and quarterly reporting periods ending on or after 30 June 2005 and ceases to operate on first-time adoption of NZ IFRSs. Early application is encouraged.

FRS-41

## **APPENDIX A**

### **Defined terms**

This Appendix is an integral part of the Standard.

**issuer** An issuer has the same meaning as that set out in the Financial Reporting Act 1993, section 4.

**New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs)** NZ IFRSs are Standards and Interpretations approved by the Accounting Standards Review Board (ASRB) comprising New Zealand equivalents to:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and
- (c) International Interpretations.

**APPENDIX B**

**Consequential Amendment to FRS-24 *Interim Financial Statements***

**Disclosing the Impact of Adopting New Zealand Equivalents to IFRSs**

5.24 All issuers shall disclose in their half-yearly and quarterly financial reports the impact of adopting New Zealand equivalents to IFRSs as required by FRS-41: *Disclosing the Impact of Adopting New Zealand Equivalents to IFRSs*.

5.25 Issuers has the same meaning as that defined in the Financial Reporting Act 1993, section 4. All other entities are encouraged to apply FRS-41 in the preparation of general purpose half-yearly and quarterly financial reports.

FRS-41