



NZ ACCOUNTING
STANDARDS
BOARD

Annual Improvements to NZ IFRSs 2010–2012 Cycle

Issued February 2014

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Introduction

This document sets out amendments to New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as a result of changes 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 ED/2012/1 *Annual Improvements to IFRSs 2010–2012 Cycle*, published in May 2012.

The IASB's Annual Improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs.

Some amendments result in consequential amendments to other NZ IFRSs. Those consequential amendments are set out in the same section as the amended NZ IFRS.

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

NZ IFRSs addressed

The following table shows the topics addressed by these amendments.

| NZ IFRS | Subject of amendment |
|--|---|
| NZ IFRS 2 <i>Share-based Payment</i> | Definition of vesting condition |
| NZ IFRS 3 <i>Business Combinations</i> | Accounting for contingent consideration in a business combination |
| NZ IFRS 8 <i>Operating Segments</i> | Aggregation of operating segments |
| | Reconciliation of the total of the reportable segments' assets to the entity's assets |
| NZ IAS 16 <i>Property, Plant and Equipment</i> | Revaluation method—proportionate restatement of accumulated depreciation |
| NZ IAS 24 <i>Related Party Disclosures</i> | Key management personnel |
| NZ IAS 38 <i>Intangible Assets</i> | Revaluation method—proportionate restatement of accumulated amortisation |

Annual Improvements to NZ IFRSs 2010-2012 Cycle

Scope

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

Amendment to NZ IFRS 2 *Share-based Payment*

Paragraphs 15 and 19 are amended and paragraph 63B is added. New text is underlined and deleted text is struck through.

Transactions in which services are received

...

- 15 If the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the *vesting period*. The entity shall account for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. For example:
- (a) ...
 - (b) if an employee is granted share options conditional upon the achievement of a ~~performance condition~~ performance condition and remaining in the entity's employ until that performance condition is satisfied, and the length of the vesting period varies depending on when that performance condition is satisfied, the entity shall presume that the services to be rendered by the employee as consideration for the share options will be received in the future, over the expected vesting period. ...

Treatment of vesting conditions

- 19 A grant of equity instruments might be conditional upon satisfying specified ~~vesting conditions~~ vesting conditions. For example, a grant of shares or share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. There might be performance conditions that must be satisfied, such as the entity achieving a specified growth in profit or a specified increase in the entity's share price. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a ~~vesting condition~~ vesting condition, eg the counterparty fails to complete a specified service period, or a performance condition is not satisfied, subject to the requirements of paragraph 21.

...

Effective date

...

63B Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraphs 15 and 19. In Appendix A, the definitions of ‘vesting conditions’ and ‘market condition’ were amended and the definitions of ‘performance condition’ and ‘service condition’ were added. An entity shall prospectively apply that amendment to share-based payment transactions for which the grant date is on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

In Appendix A, the definitions of ‘market condition’ and ‘vesting conditions’ are amended and the definitions of ‘performance condition’ and ‘service condition’ are added. New text is underlined and deleted text is struck through.

Appendix A Defined terms

This Appendix is an integral part of the Standard.

...

market condition A ~~performance condition~~ condition upon which the exercise price, vesting or exercisability of an **equity instrument** depends that is related to the market price (or value) of the entity’s **equity instruments** (or the equity instruments of another entity in the same group), such as:

- (a) attaining a specified share price or a specified amount of **intrinsic value** of a **share option**; or
- (b) achieving a specified target that is based on the market price (or value) of the entity’s **equity instruments** (or the equity instruments of another entity in the same group) relative to an index of market prices of **equity instruments** of other entities.

A market condition requires the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit.

...

performance condition A vesting condition that requires:

- (a) the counterparty to complete a specified period of service (ie a **service condition**); the service requirement can be explicit or implicit; and
- (b) specified performance target(s) to be met while the counterparty is rendering the service required in (a).

The period of achieving the performance target(s):

- (a) shall not extend beyond the end of the service period; and
- (b) may start before the service period on the condition that the commencement date of the performance target is not substantially before the commencement of the service period.

A performance target is defined by reference to:

- (a) the entity’s own operations (or activities) or the operations or activities of another entity in the same group (ie a non-market condition); or
- (b) the price (or value) of the entity’s **equity instruments** or the equity instruments of another entity in the same group (including shares and **share options**) (ie a **market condition**).

A performance target might relate either to the performance of the entity as a whole or to some part of the entity (or part of the group), such as a division or an individual employee.

...

service condition A **vesting condition** that requires the counterparty to complete a specified period of service during which services are provided to the entity. If the counterparty, regardless of the reason, ceases to provide service during the **vesting period**, it has failed to satisfy the condition. A service condition does not require a performance target to be met.

...

vesting conditions The **A** conditions that determines whether the entity receives the services that entitle the counterparty to receive cash, other assets or **equity instruments** of the entity, under a **share-based payment arrangement**. ~~A vesting conditions are is either service conditions a **service condition** or performance conditions a **performance condition**. Service-conditions require the counterparty to complete a specified period of service. Performance-conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a **market condition**.~~

Amendment to NZ IFRS 3 *Business Combinations*

Paragraphs 40 and 58 are amended and paragraph 64I and paragraph 67A and its related heading are added. New text is underlined and deleted text is struck through.

Contingent consideration

...

40 The acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of NZ IAS 32 *Financial Instruments: Presentation*, ~~or other applicable NZ IFRSs~~. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 provides guidance on the subsequent accounting for contingent consideration.

...

Contingent consideration

58 Some changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date may be the result of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. Such changes are measurement period adjustments in accordance with paragraphs 45–49. However, changes resulting from events after the acquisition date, such as meeting an earnings target, reaching a specified share price or reaching a milestone on a research and development project, are not measurement period adjustments. The acquirer shall account for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

(a) ...

(b) Other cContingent consideration ~~classified as an asset or a liability~~ that:

(i) ~~is a financial instrument and~~ is within the scope of NZ IFRS 9 shall be measured at fair value at each reporting date, ~~with any resulting gain or loss recognised either in profit or loss or in other comprehensive income~~ and changes in fair value shall be recognised in profit or loss in accordance with NZ IFRS 9.

- (ii) is not within the scope of NZ IFRS 9 shall be ~~accounted for in accordance with NZ IAS 37 or other NZ IFRSs as appropriate.~~ measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

...

Effective date

...

64I Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraphs 40 and 58 and added paragraph 67A and its related heading. An entity shall apply that amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014. Earlier application is permitted. An entity may apply the amendment earlier provided that NZ IFRS 9 and NZ IAS 37 (both as amended by Annual Improvements to NZ IFRSs 2010–2012 Cycle) have also been applied. If an entity applies that amendment earlier it shall disclose that fact.

...

Reference to NZ IFRS 9

67A If an entity applies this Standard but does not yet apply NZ IFRS 9, any reference to NZ IFRS 9 should be read as a reference to NZ IAS 39.

Consequential amendments to other NZ IFRSs resulting from the amendment to NZ IFRS 3

Amendment to NZ IFRS 9 *Financial Instruments* (issued in November 2009)

| |
|--|
| Paragraph 5.4.4 is amended and paragraph 8.1.4 is added. New text is underlined. |
|--|

Investments in equity instruments

5.4.4 At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this NZ IFRS that is *not held for trading* and is also not contingent consideration of an acquirer in a business combination to which NZ IFRS 3 *Business Combinations* applies.

...

8.1 Effective date

...

8.1.4 Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraph 5.4.4 as a consequential amendment derived from the amendment to NZ IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to NZ IFRS 3 applies.

Amendment to NZ IFRS 9 *Financial Instruments* (issued in November 2010)

Paragraphs 4.2.1 and 5.7.5 are amended and paragraph 7.1.4 is added. New text is underlined.

4.2 Classification of financial liabilities

4.2.1 An entity shall classify all financial liabilities as subsequently measured at amortised cost using the *effective interest method*, except for:

(a) ...

(e) contingent consideration of an acquirer in a business combination to which NZ IFRS 3 *Business Combinations* applies. Such contingent consideration shall subsequently be measured at fair value.

...

Investments in equity instruments

5.7.5 At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this NZ IFRS that is *not held for trading* and is also not contingent consideration of an acquirer in a business combination to which NZ IFRS 3 applies.

...

7.1 Effective date

...

7.1.4 *Annual Improvements to NZ IFRSs 2010–2012 Cycle*, issued in February 2014, amended paragraphs 4.2.1 and 5.7.5 as a consequential amendment derived from the amendment to NZ IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to NZ IFRS 3 applies.

Amendment to NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

In the rubric ‘paragraphs 1–98’ is amended to ‘paragraphs 1–99’. Paragraph 5 is amended and paragraph 99 is added. New text is underlined and deleted text is struck through.

Scope

...

5 When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

(a) ...

- (d) employee benefits (see NZ IAS 19 *Employee Benefits*); ~~and~~
 - (e) insurance contracts (see NZ IFRS 4 *Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of NZ IFRS 4; and
 - (f) contingent consideration of an acquirer in a business combination (see NZ IFRS 3 *Business Combinations*).
- ...

Effective date

99 Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraph 5 as a consequential amendment derived from the amendment to NZ IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to NZ IFRS 3 applies.

Amendment to NZ IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 9 is amended and paragraph 108F is added. New text is underlined.

Definitions

9 The following terms are used in this Standard with the meanings specified:

Definitions of four categories of financial instruments¹

A *financial asset or financial liability at fair value through profit or loss* is a financial asset or financial liability that meets ~~either~~ any of the following conditions.

- (a) ...
- (aa) It is contingent consideration of an acquirer in a business combination to which NZ IFRS 3 *Business Combinations* applies.
- (b) ...

Effective date and transition

108F Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraph 9 as a consequential amendment derived from the amendment to NZ IFRS 3. An entity shall apply that amendment prospectively to business combinations to which the amendment to NZ IFRS 3 applies.

¹ NZ IFRS 9 *Financial Instruments* (issued in November 2010) and NZ IFRS 9 *Financial Instruments (Hedge Accounting and amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39)* (issued in December 2013) deleted the ‘Definitions of four categories of financial instruments’ in paragraph 9 of NZ IAS 39.

Amendments to NZ IFRS 8 *Operating Segments*

Paragraphs 22 and 28 are amended and paragraph 36C is added. New text is underlined and deleted text is struck through.

General information

- 22 An entity shall disclose the following general information:
- (a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated); ~~and~~
 - (aa) the judgements made by management in applying the aggregation criteria in paragraph 12. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics; and
 - (b) types of products and services from which each reportable segment derives its revenues.
- ...

Reconciliations

- 28 An entity shall provide reconciliations of all of the following:
- (a) ...
 - (c) the total of the reportable segments' assets to the entity's assets if the segment assets are reported in accordance with paragraph 23.
 - (d) ...

Transition and effective date

- ...
- 36C *Annual Improvements to NZ IFRSs 2010–2012 Cycle*, issued in February 2014, amended paragraphs 22 and 28. An entity shall apply those amendments for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

Amendment to NZ IAS 16 *Property, Plant and Equipment*

Paragraph 35 is amended and paragraphs 80A and 81H are added. New text is underlined and deleted text is struck through.

Revaluation model

...

35 When an item of property, plant and equipment is revalued, ~~any accumulated depreciation~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At~~ at the date of the revaluation, the asset is treated in one of the following ways:

- (a) ~~restated proportionately the gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of applying an index to determine its replacement cost (see NZ IFRS 13).
- (b) ~~the accumulated depreciation is eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset. This method is often used for buildings.~~

The amount of the adjustment ~~arising on the restatement or elimination~~ of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40.

...

Transitional provisions

...

80A Paragraph 35 was amended by *Annual Improvements to NZ IFRSs 2010–2012 Cycle*. An entity shall apply that amendment to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.

Effective date

...

81H *Annual Improvements to NZ IFRSs 2010–2012 Cycle*, issued in February 2014, amended paragraph 35 and added paragraph 80A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 24 *Related Party Disclosures*

Paragraph 9 is amended and paragraphs 17A, 18A and 28C are added. New text is underlined.

Definitions

9 The following terms are used in this Standard with the meanings specified:

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) ...

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) ...

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

...

All entities

...

17A If an entity obtains key management personnel services from another entity (the ‘management entity’), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity’s employees or directors.

18 ...

18A Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

...

Effective date and transition

...

28C Annual Improvements to NZ IFRSs 2010–2012 Cycle, issued in February 2014, amended paragraph 9 and added paragraphs 17A and 18A. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 38 *Intangible Assets*

Paragraph 80 is amended and paragraphs 132G–132H are added. New text is underlined and deleted text is struck through.

Revaluation model

...

80 ~~If~~ When an intangible asset is revalued, ~~any accumulated amortisation~~ the carrying amount of that asset is adjusted to the revalued amount. ~~At the date of the revaluation, the asset is either~~ treated in one of the following ways:

- (a) ~~restated proportionately the gross carrying amount is adjusted in a manner that is consistent with the change in the gross carrying amount of the asset so that~~ revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses after revaluation equals its revalued amount; or
- (b) the accumulated amortisation is eliminated against the gross carrying amount of the asset, and the net amount restated to the revalued amount of the asset.

The amount of the adjustment of accumulated amortisation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 85 and 86.

...

Transitional provisions and effective date

...

132G *Annual Improvements to NZ IFRSs 2010–2012 Cycle*, issued in February 2014, amended paragraph 80. An entity shall apply that amendment for annual periods beginning on or after 1 July 2014. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

132H An entity shall apply the amendment made by *Annual Improvements to NZ IFRSs 2010–2012 Cycle* to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period. An entity may also present adjusted comparative information for any earlier periods presented, but it is not required to do so. If an entity presents unadjusted comparative information for any earlier periods, it shall clearly identify the information that has not been adjusted, state that it has been presented on a different basis and explain that basis.