

**Annual Improvements
2009–2011 Cycle**

ANNUAL IMPROVEMENTS 2009–2011 CYCLE

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Introduction

This document sets out amendments to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's (IASB) Annual Improvements process.

These amendments result from proposals that were contained in the exposure draft of proposed amendments to IFRSs, *Improvements to IFRSs*, published in June 2011.

The 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 IFRSs affected.

NZ IFRSs addressed

The following table shows the topics addressed by these amendments.

NZ IFRS	Subject of amendment
NZ IFRS 1 <i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i>	Repeated application of NZ IFRS 1
	Borrowing costs
NZ IAS 1 <i>Presentation of Financial Statements</i>	Clarification of the requirements for comparative information
NZ IAS 16 <i>Property, Plant and Equipment</i>	Classification of servicing equipment
NZ IAS 32 <i>Financial Instruments: Presentation</i>	Tax effect of distribution to holders of equity instruments
NZ IAS 34 <i>Interim Financial Reporting</i>	Interim financial reporting and segment information for total assets and liabilities

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

Paragraphs 4A–4B, 23A–23B and 39P are added.

Scope

- 4A Notwithstanding the requirements in paragraphs 2 and 3, an entity that has applied NZ IFRSs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, must either apply this NZ IFRS or else apply NZ IFRSs retrospectively in accordance with NZ IAS 8 *Accounting Policies, Changes in Estimates and Errors* as if the entity had never stopped applying NZ IFRSs.
- 4B When an entity does not elect to apply this NZ IFRS in accordance with paragraph 4A, the entity shall nevertheless apply the disclosure requirements in paragraphs 23A–23B of NZ IFRS 1, in addition to the disclosure requirements in NZ IAS 8.

Presentation and disclosure

Explanation of transition to NZ IFRSs

- 23A An entity that has applied NZ IFRSs in a previous period, as described in paragraph 4A, shall disclose:
- (a) the reason it stopped applying NZ IFRSs; and
 - (b) the reason it is resuming the application of NZ IFRSs.
- 23B When an entity, in accordance with paragraph 4A, does not elect to apply NZ IFRS 1, the entity shall explain the reasons for electing to apply NZ IFRSs as if it had never stopped applying NZ IFRSs.

Effective date

- 39P *Annual Improvements 2009–2011 Cycle*, issued in June 2012, added paragraphs 4A–4B and 23A–23B. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to Appendix D of NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*

Paragraph D23 is amended (new text is underlined and deleted text is struck through) and paragraph 39Q is added.

Borrowing costs

D23 ~~A first time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of IAS 23, as revised in 2007. In those paragraphs references to the effective date shall be interpreted as 1 January 2009 or the date of transition to IFRSs, whichever is later. A first-time adopter can elect to apply the requirements of NZ IAS 23 from the date of transition or from an earlier date as permitted by paragraph 28 of NZ IAS 23. From the date on which an entity that applies this exemption begins to apply NZ IAS 23, the entity:~~

- (a) shall not restate the borrowing cost component that was capitalised under previous GAAP and that was included in the carrying amount of assets at that date; and
- (b) shall account for borrowing costs incurred on or after that date in accordance with NZ IAS 23, including those borrowing costs incurred on or after that date on qualifying assets already under construction.

Effective date

39Q *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraph D23. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 1 *Presentation of Financial Statements*

Paragraphs 10, 38 and 41 are amended. Paragraphs 39 and 40 are deleted. Paragraphs 38A–38D, 40A–40D and 139L are added (even though the content of paragraphs 38A and 38B is based on previous paragraphs 39 and 40 that have now been deleted) as well as the headings before paragraphs 38, 38C and 40A. New text is underlined and deleted text is struck through.

Complete set of financial statements

10 A complete set of financial statements comprises:

- (a) a statement of financial position as at the end of the period;
- (b) a statement of profit or loss and other comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- *~~(d)~~ a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~
- (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- *~~(f)~~ a statement of financial position as at the beginning of the ~~earliest comparative~~ preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.

Comparative information

Minimum comparative information

38 Except when NZ IFRSs permit or require otherwise, an entity shall ~~disclose~~ present comparative information in respect of the ~~previous~~ preceding period for all amounts reported in the current period’s financial statements. An entity shall include comparative information for narrative and descriptive information ~~when~~ if it is relevant to an understanding of the current period’s financial statements.

38A An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.

38B In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

38C An entity may present comparative information in addition to the minimum comparative financial statements required by NZ IFRSs, as long as that information is prepared in accordance with NZ IFRSs. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.

38D For example, an entity may present a third statement of profit or loss and other comprehensive income (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third statement of cash flows or a third statement of changes in equity (ie an additional financial statement comparative). The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of profit or loss and other comprehensive income.

39 ~~[Deleted by IASB] An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:~~

- (a) ~~the end of the current period,~~
- (b) ~~the end of the previous period (which is the same as the beginning of the current period), and~~
- (c) ~~the beginning of the earliest comparative period.~~

40 ~~[Deleted by IASB] In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.~~

Change in accounting policy, retrospective restatement or reclassification

***40A An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:**

- (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and**
- (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.**

*40B In the circumstances described in paragraph 40A, an entity shall present three statements of financial position as at:

- (a) the end of the current period;
- (b) the end of the preceding period; and
- (c) the beginning of the preceding period.

*40C When an entity is required to present an additional statement of financial position in accordance with paragraph 40A, it must disclose the information required by paragraphs 41–44 and NZ IAS 8. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

*40D The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).

41 ~~When the If an entity changes the presentation or classification of items in its financial statements, ~~the entity~~ it shall reclassify comparative amounts unless reclassification is impracticable. When ~~the~~ an entity reclassifies comparative amounts, ~~the entity~~ it shall disclose (including as at the beginning of the preceding period):~~

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

Transition and effective date

139L Annual Improvements 2009–2011 Cycle, issued in June 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39–40 and added paragraphs 38A–38D and 40A–40D. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Consequential amendments to other standards resulting from the amendment to NZ IAS 1

The following amendments to other NZ IFRSs are necessary to ensure consistency with the revised NZ IAS 1.

Amendment to NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards

Paragraph 21 is amended (new text is underlined and deleted text is struck through) and paragraph 39R is added.

Presentation and disclosure

Comparative information

- 21 ~~To comply with IAS 1, an~~ An entity's first NZ IFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

Effective date

- 39R Annual Improvements 2009–2011 Cycle, issued in June 2012, amended paragraph 21. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 34 Interim Financial Reporting

Paragraph 5 is amended (new text is underlined and deleted text is struck through) and paragraph 52 is added.

Content of an interim financial report

- 5 NZ IAS 1 ~~(as revised in 2007)~~ defines a complete set of financial statements as including the following components:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of profit or loss and other comprehensive income for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~
 - (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of NZ IAS 1; and
 - (f) a statement of financial position as at the beginning of the ~~earliest comparative~~ preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D of NZ IAS 1.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Effective date

- 52 Annual Improvements 2009–2011 Cycle, issued in June 2012, amended paragraph 5 as a consequential amendment derived from the amendment to NZ IAS 1 Presentation of Financial Statements. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 16 Property, Plant and Equipment

Add a paragraph within the Scope Section of the Standard.

NZ 2.1 This Standard applies to for-profit entities only.

Paragraph 8 is amended (new text is underlined and deleted text is struck through) and paragraph 81G is added.

Recognition

8 ~~Spare~~ Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this NZ IFRS ~~are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, and stand-by equipment qualify as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory, an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.~~

Effective date

81G Annual Improvements 2009–2011 Cycle, issued in June 2012, amended paragraph 8. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Amendment to NZ IAS 32 *Financial Instruments: Presentation*

Paragraphs 35, 37 and 39 are amended (new text is underlined and deleted text is struck through) and paragraphs 35A and 97M are added.

Presentation**Interest, dividends, losses and gains
(see also paragraph AG37)**

- 35 **Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognised ~~debited~~ by the entity directly to in equity, ~~net of any related income tax benefit~~. Transaction costs of an equity transaction shall be accounted for as a deduction from equity, ~~net of any related income tax benefit~~.**
- 35A Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with NZ IAS 12 *Income Taxes*.
- 37 An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (~~net of any related income tax benefit~~) to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.
- 39 The amount of transaction costs accounted for as a deduction from equity in the period is disclosed separately ~~under in~~ accordance with NZ IAS 1. ~~The related amount of income taxes recognised directly in equity is included in the aggregate amount of current and deferred income tax credited or charged to equity that is disclosed under IAS 12 *Income Taxes*.~~

Effective date and transition

- 97M *Annual Improvements 2009–2011 Cycle*, issued in June 2012, amended paragraphs 35, 37 and 39 and added paragraph 35A. 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.

Consequential amendments to other standards resulting from the amendment to NZ IAS 32

The following amendments to other NZ IFRSs are necessary to ensure consistency with the revised NZ IAS 32.

Amendment to NZ IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments

Paragraph 11 is amended (deleted text is struck through) and paragraph 17 is added.

Consensus

- 11 As required by paragraph 35 of NZ IAS 32, distributions to holders of equity instruments are recognised directly in equity, ~~net of any income tax benefits~~. Interest, dividends and other returns relating to financial instruments classified as financial liabilities are expenses, regardless of whether those amounts paid are legally characterised as dividends, interest or otherwise.

Effective date

- 17 Annual Improvements 2009–2011 Cycle, issued in June 2012, amended paragraph 11. 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 2013. If an entity applies that amendment to NZ IAS 32 as a part of the *Annual Improvements 2009–2011 Cycle* (issued in June 2012) for an earlier period, the amendment in paragraph 11 shall be applied for that earlier period.

Amendment to NZ IAS 34 *Interim Financial Reporting*

Paragraph 16A is amended (new text is underlined and deleted text is struck through) and paragraph 53 is added.

Content of an interim financial report

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 elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.
- (a) ...
 - (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if NZ IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
 - (i) ...
 - (iv) a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if ~~for which~~ there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
 - (v) ...
 - (h) ...

Effective date

- 53 *Annual Improvements 2009–2011 Cycle*, issued in June 2012, 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 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.