

**Government Loans**  
(Amendments to NZ IFRS 1)

**INTRODUCTION**

**AMENDMENTS TO NZ IFRS 1 *FIRST-TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS***

**APPROVAL BY THE IASB OF *GOVERNMENT LOANS*  
(AMENDMENTS TO IFRS 1)**

**AMENDMENTS TO BASIS FOR CONCLUSIONS ON IFRS 1**

**AMENDMENTS TO GUIDANCE ON IMPLEMENTING IFRS 1**

## Introduction

This document sets out amendments to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

These amendments result from proposals in the exposure draft *Government Loans* (proposed amendments to IFRS 1) that was published in by the International Accounting Standards Board in October 2011.

The amendments add an exception to the retrospective application of NZ IFRSs to require that first-time adopters apply the requirements in NZ IFRS 9 *Financial Instruments* and NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to NZ IFRSs. This means that first-time adopters shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. However, entities may choose to apply the requirements of NZ IFRS 9 and NZ IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. These amendments give first-time adopters the same relief as existing preparers of NZ IFRS financial statements.

Entities are required to apply these amendments for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

In order to explain the application of this amendment, the following paragraph has been added to the introduction:

IN8 Paragraphs B10 and B11 (introduced by *Government Loans* in March 2012) refer to IFRS 9. If an entity applies this IFRS but does not yet apply IFRS 9, the references in paragraphs B10 and B11 to IFRS 9 shall be read as references to IAS 39 *Financial Instruments: Recognition and Measurement*.

Paragraphs IN8–IN11 are re-numbered accordingly.

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

Paragraphs 39N and 39O are added and B1 is amended (new text is underlined and deleted text is struck through).

- 39N *Government Loans* (Amendments to NZ IFRS 1), issued in April 2012, added paragraphs B1(f) and B10–B12. An entity shall apply those paragraphs for annual periods beginning on or after 1 January 2013. Earlier application is permitted.
- 39O Paragraphs B10 and B11 refer to NZ IFRS 9. If an entity applies this NZ IFRS but does not yet apply NZ IFRS 9, the references in paragraphs B10 and B11 to NZ IFRS 9 shall be read as references to NZ IAS 39 *Financial Instruments: Recognition and Measurement*.
- B1 An entity shall apply the following exceptions:
- (a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);
  - (b) hedge accounting (paragraphs B4–B6);
  - (c) non-controlling interests (paragraph B7);
  - (d) classification and measurement of financial assets (paragraph B8); ~~and~~
  - (e) embedded derivatives (paragraph B9); and
  - (f) government loans (paragraphs B10–B12).

After paragraph B9 a heading and paragraphs B10–B12 are added.

### Government loans

- B10 A first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with NZ IAS 32 *Financial Instruments: Presentation*. Except as permitted by paragraph B11, a first-time adopter shall apply the requirements in NZ IFRS 9 *Financial Instruments* and NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to NZ IFRSs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with IFRS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to NZ IFRSs as the carrying amount of the loan in the opening NZ IFRS statement of financial position. An entity shall apply NZ IFRS 9 to the measurement of such loans after the date of transition to NZ IFRSs.
- B11 Despite paragraph B10, an entity may apply the requirements in NZ IFRS 9 and NZ IAS 20 retrospectively to any government loan originated before the date of transition to NZ IFRSs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.
- B12 The requirements and guidance in paragraphs B10 and B11 do not preclude an entity from being able to use the exemptions described in paragraphs D19–D19D relating to the designation of previously recognised financial instruments at fair value through profit or loss.