

## Accounting Alert

### Quarterly update – What's new in financial reporting for September 2010?



The analysis below provides a high level overview of new and revised financial reporting requirements that need to be considered for annual and interim financial reporting periods ending on 30 September 2010. Entities can use this listing to perform a check that the new requirements have been considered as part of their close process.

The information below was updated on 12 September 2010 for developments to that date.

#### What are the big picture issues for September 2010?

##### 1. The 'next wave of IFRS'

There are a number of new or revised pronouncements which are mandatory for the first time for September 2010 annual reports, significantly more so than at this time last year. The table below highlights the impact of a number of the more significant new requirements comprising 'the next wave of IFRS', and their applicability to both annual and interim reports:

#### Area of change – First time application to September 2010 annual reports

New format and layout of financial statements (NZ IAS 1)

New 'through the eyes of management' approach to disclosure of segment information for entities with instruments traded on the stock exchange or another public market (NZ IFRS 8)

*Note: Reporting entities without publicly traded securities are no longer required to disclose segment information*

New three-level 'hierarchy' disclosure of fair values and new requirements around liquidity risk (NZ IFRS 7)

New requirements in accounting for business combinations and changes in ownership interests (NZ IFRS 3, NZ IAS 27)

Mandatory capitalisation of borrowing costs for qualifying assets (NZ IAS 23)

Changes in the nature of vesting conditions and accounting for cancellations of share-based payments (NZ IFRS 2)

Classification of certain puttable instruments and obligations arising on liquidation as equity (NZ IAS 32)

Various recognition and measurement changes under annual improvements, other amending standards and Interpretations, impacting accounting in areas such as investment property under construction, dividend recognition, intragroup restructures, real estate sales revenue, and government grant accounting

## Area of change - First time application to September 2010 interim reports

New requirements in accounting for business combinations and changes in ownership interests (NZ IFRS 3, NZ IAS 27)\*

Various recognition and measurement changes under annual improvements, other amending standards and Interpretations, impacting accounting in areas such as dividend recognition, and intragroup restructures

\* Specific disclosures in this area are required in half-year reports by NZ IAS 34 Interim Financial Reporting

## 2. Global financial crisis and financial reporting

Whereas the focus in recent times has been on such areas as impairment, fair values, debt classifications and disclosure, as the global economy begins to emerge from the global financial crisis, a new set of financial reporting considerations begin to come into play. Whilst difficult times are not behind us, the New Zealand economy has recently started to show signs of recovery.

Key financial reporting considerations arising from the global financial crisis for the current period include:

- **Impairment** - reassessment of cash flow forecasts and key variables, and considering whether previous impairment losses may need to be reversed (other than for goodwill and available for sale equity investments). The need for enhanced disclosure (including in interim reports if necessary) also needs to be considered
- **Financial instrument disclosures** - risk management strategies, sensitivity analysis, changes in fair values and other disclosures will need to be revisited, including for half-year reports if movements or impacts are material
- **Earnings per share (EPS)** - EPS may be affected by lower profits, discounted capital raisings and options and other convertible instruments potentially coming 'into the money' as share prices increase
- **Discount and exchange rates** - continued volatility in key economic variables, combined with indications of tightening from the Reserve Bank in relation to official interest rates, will continue to present challenges in the determination of discount and exchange rates used in impairment, provisions, employee benefits and other areas
- **Deferred tax assets** - consideration of whether these might be recognised where unanticipated improvement in business conditions leads to higher expected taxable profits in the future
- **Restructurings** - revised or cancelled plans in relation to restructurings may impact provisions recognised, impairment calculations and the classification of items as held for sale
- **Fair value measurement** - disclosure of uncertainties and sensitivities to change in key variables continues to be important
- **IASB response** - the IASB continues to make rapid changes in many areas and finalised part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement to allow for early adoption, which may be beneficial in some limited circumstances. Urgent changes to the classification of rights issues have also been made. Other global financial crisis projects may also come to fruition in time for early adoption - including fair value measurement, derecognition, consolidation and other projects.

More information can be found on our dedicated '[credit crunch](#)' and '[IASB Project agenda and timetable](#)' pages on our [IAS Plus website](#).

## 3. Other considerations

Additional considerations for September 2010 include:

- **Christchurch earthquake** – we couldn't let this update go out without a word on this. Our thoughts are with those friends, family, staff and clients impacted by the recent Christchurch earthquake. Many clients as well as staff have been impacted with damage to homes, premises, loss of stock and so on. No doubt more pressing things are on people's minds in the immediate aftermath; however there may be some accounting issues for businesses to consider in the process of preparing their September 2010 financial reports in the coming months.

These may include the potential impairment of damaged property, plant and equipment or other assets, and appropriately accounting for compensation (e.g. insurance proceeds, grants or donations) as a separate transaction. Such compensation may be a contingent asset, rather than a receivable, until claim cover is confirmed by the insurer. Entities worst affected may also need to consider the appropriateness of preparing financial statements on the basis of the going concern assumption, although we certainly hope this is not the case.

- **Other IASB projects** - the IASB continues to actively pursue a number of projects proposing significant changes. Careful consideration of these impacts now can avoid challenges and maximise opportunities going forward, e.g. lease accounting (consider in lease negotiations), tax accounting (uncertainty in current year's tax returns), revenue recognition (impact on current accounting policies)
- **Emissions Trading Scheme** - there may be financial reporting impacts in areas such as impairment, disclosure of uncertainties, and provisions and contingent liabilities. Each entity should consider the potential impact on their financial report including the need to consider and adopt appropriate accounting policies.

#### What are the new and revised accounting pronouncements for September 2010?

The tables below outline the new and revised pronouncements that are either to be applied for the first time for a 30 September 2010 annual reporting period, or which may be early adopted at that date<sup>1</sup>. The tables also demonstrate whether the pronouncement is mandatory or optional for a 30 September 2010 interim reporting period. Where a pronouncement is shown as mandatory for both the interim and annual reporting period, this indicates that it is mandatory for the first time for a 30 September 2010 annual reporting period and also mandatory for a 30 September 2010 interim reporting period, however it may have been implemented for the first time in the previous interim reporting period and we have footnoted this in the tables below.

As occurs so often with changes in accounting standards and financial reporting requirements, some of the new or revised pronouncements may have a substantial impact on particular entities. Therefore, it is important that the pronouncements listed below are carefully reviewed for any potential impacts or opportunities.

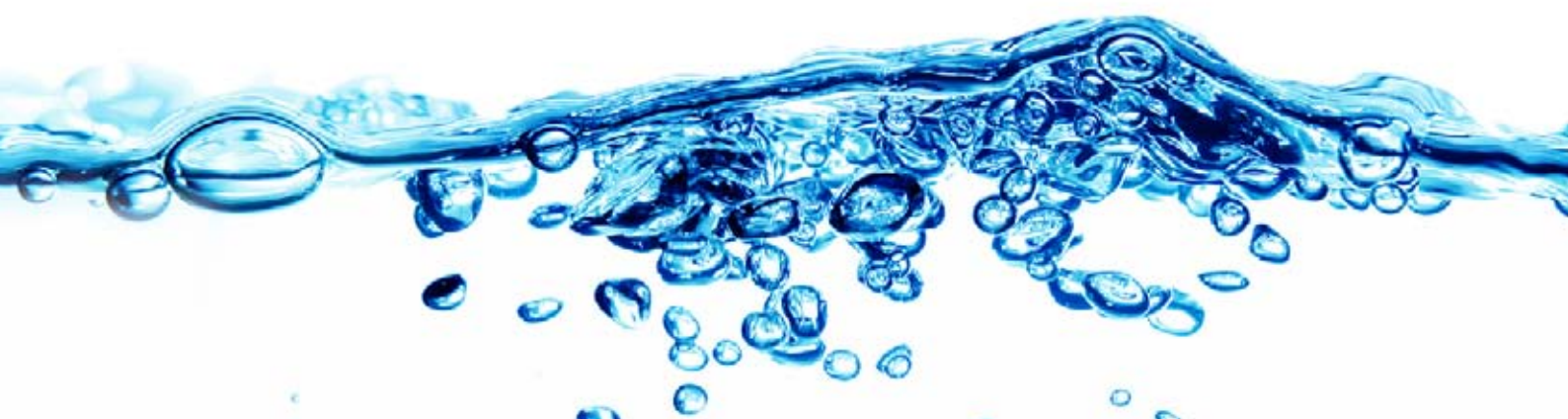
There are a number of significant new mandatory recognition and measurement, and disclosure requirements for annual financial reports at 30 September 2010. In the majority of cases, the disclosure requirements of the individual pronouncements listed in the tables below would not be applicable to half-year financial reports however, the recognition and measurement requirements would be applied where those pronouncements have been adopted by the entity.

In addition, disclosure of the application of new and revised accounting pronouncements needs to be carefully considered (outlined in Appendix A).

The information below is organised as follows:

- New or revised standards
- Amendments
- Interpretations

<sup>1</sup>Amendments to NZ IFRS 1 First-time Adoption of NZ IFRS have not been considered in this publication. First time adopters should consult the latest version of NZ IFRS 1 when preparing their first financial statements in compliance with NZ IFRS.



New or Revised Standards	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
NZ IFRS 8 <i>Operating Segments</i>			
NZ IFRS 8 replaces NZ IAS 14 <i>Segment Reporting</i> and introduces a new ‘management approach’ to segment reporting to align IFRS with US-GAAP.	1 January 2009	Mandatory	Mandatory <sup>2</sup>
<i>The amendment to NZ IFRS 8 (approved September 2009) aligns the scope of NZ IFRS 8 with the scope of IFRS 8 – essentially only entities with publicly traded debt or equity securities or those in the process of issuing securities in a public market would be within scope of NZ IFRS 8 (and IFRS 8). This amendment is effective for annual reporting periods beginning on or after 1 January 2009.</i>			
<i>Public Benefit Entities are not required to comply with this Standard.</i>			
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised September 2007)			
The main changes from the previous version of NZ IAS 1 are to require that an entity must:	1 January 2009	Mandatory	Mandatory <sup>2</sup>
<ul style="list-style-type: none"><li>present all non-owner changes in equity (‘comprehensive income’) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income)</li><li>present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements (this would generally mean that three balance sheets are presented in these circumstances). <i>Qualifying Entities and Public Benefit Entities are exempt</i></li><li>disclose income tax relating to each component of other comprehensive income. <i>Qualifying Entities which use the taxes payable method may disclose in aggregate</i></li><li>disclose reclassification adjustments relating to components of other comprehensive income.</li></ul>			
In what many New Zealand constituents may consider a ‘back to the future’ change, NZ IAS 1 amends the titles of financial statements as follows:			
<ul style="list-style-type: none"><li>‘balance sheet’ will become ‘statement of financial position’</li><li>‘income statement’ will become part of the ‘statement of comprehensive income’, unless a separate income statement is presented</li><li>‘cash flow statement’ will become ‘statement of cash flows’.</li></ul>			
NZ IAS 23 <i>Borrowing Costs</i> (revised 2007)			
The revised NZ IAS 23 eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date. However, an entity may designate any date before the application date and apply the Standard to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.	1 January 2009	Mandatory	Mandatory <sup>2</sup>
<i>Qualifying Entities may continue to expense borrowing costs in the period in which they are incurred. Public Benefit Entities may defer adoption of this Standard.</i>			
NZ IFRS 3 <i>Business Combinations</i> (2008) and NZ IAS 27 <i>Consolidated and Separate Financial Statements</i>			
The revised NZ IFRS 3 <i>Business Combinations</i> and NZ IAS 27 <i>Consolidated and Separate Financial Statements</i> , issued as a result of the joint IASB-FASB Business Combinations Phase II project, alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. There are also consequential amendments to other Standards affected, most notably NZ IAS 28 <i>Investments in Associates</i> and NZ IAS 31 <i>Interests in Joint Ventures</i> .	NZ IFRS 3 (business combinations occurring after the beginning of annual reporting periods beginning) 1 July 2009	Mandatory	Mandatory
<i>Some disclosure exemptions for Qualifying Entities and additional definitions specific to Public Benefit Entities have been included.</i>	NZ IAS 27 1 July 2009		

<sup>2</sup>Mandatory for first time application in the previous interim period (and the corresponding March annual reporting period).

New or Revised Standards	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
NZ IAS 24 <i>Related Party Disclosures</i> (2009)			
This Standard, on adoption, supersedes NZ IAS 24 <i>Related Party Disclosures</i> (2004).	1 January 2011	Optional	Optional
The revised Standard simplifies some of the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government in relation to transactions with that government or its subsidiaries, jointly controlled entities or associates.			
NZ IAS 24 (2004) provided a similar concession, but only for <b>Public Benefit Entities</b> , and only for transactions that would occur within a normal supplier type relationship and which are at arms-length terms and conditions. Accordingly, the NZ IAS 24 (2009) simplification will be relevant to more entities.			
The revised Standard also clarifies the definition of a related party, for example:			
<ul style="list-style-type: none"><li>• common investment in two associates is not sufficient to conclude that the two associates are related parties of each other</li><li>• references to “an associate” include subsidiaries of the associate, therefore an investor in an associate is also related to any subsidiaries of that associate</li><li>• references to “a joint venture” include subsidiaries of the joint venture, therefore an investor in a joint venture is also related to any subsidiaries of that joint venture</li><li>• an entity is related to entities which it’s key management personnel control or jointly control, and vice versa.</li></ul>			
Commitments involving related parties are also required to be disclosed.			
<i>Some disclosure exemptions for <b>Qualifying Entities</b> and <b>Public Benefit Entities</b>.</i>			
NZ IFRS 9 <i>Financial Instruments</i>			
NZ IFRS 9 introduces a new classification and measurement regime for financial assets and will need to be carefully considered by each entity. Some key changes include:	1 January 2013	Optional	Optional
<ul style="list-style-type: none"><li>• debt instruments meeting both a ‘business model’ test and a ‘cash flow characteristics’ test are measured at amortised cost (the use of fair value is optional in some limited circumstances)</li><li>• investments in equity instruments can be designated as ‘fair value through other comprehensive income’ with only dividends being recognised in profit or loss</li><li>• all other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss</li><li>• the concept of ‘embedded derivatives’ does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines</li><li>• all equity investments measured at fair value (including unquoted equity investments).</li></ul>			
An early adopter of NZ IFRS 9 will continue to apply NZ IAS 39 for other accounting requirements for financial instruments not covered by NZ IFRS 9.			
<i><b>Qualifying Entities</b> and <b>Public Benefit Entities</b> must comply with all the provisions of NZ IFRS 9.</i>			

Other New Amendments	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
NZ IFRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i>			
Amends NZ IFRS 2 <i>Share-based Payment</i> to:	1 January 2009	Mandatory	Mandatory <sup>2</sup>
<ul style="list-style-type: none"><li>clarify that vesting conditions are those conditions that determine whether the entity receives the services that result in the counterparty’s entitlement</li><li>restrict the definition of vesting conditions to include only service conditions and performance conditions</li><li>amend the definition of performance conditions to require the completion of a service period in addition to specified performance targets</li><li>specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</li></ul>			
NZ IFRS 4 <i>Insurance Contracts: The Scope of Insurance Activities and Differential Reporting Concessions</i>			
<i>All Qualifying Entity concessions have been removed.</i>	1 January 2009	Mandatory	Mandatory <sup>2</sup>
In addition, the scope has been revised to include entities which “issue insurance contracts”, rather than those which “undertake insurance or reinsurance activities”.			
Amendment to NZ IFRS 7 <i>Improving Disclosures about Financial Instruments</i>			
Requires enhanced disclosures about fair value measurements and liquidity risk. Among other things, the new disclosures:	1 January 2009	Mandatory	Disclosure only, and not applicable to Interim Financial Statements <sup>2</sup>
<ul style="list-style-type: none"><li>clarify that the existing NZ IFRS 7 fair value disclosures must be made separately for each class of financial instrument</li><li>add disclosure of any change in the method for determining fair value and the reasons for the change</li><li>establish a three-level hierarchy for making fair value measurements:<ol style="list-style-type: none"><li>quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)</li><li>inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)</li><li>inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)</li></ol></li><li>add disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever Level 3 is used including a measure of sensitivity to a change in input data</li><li>clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts</li><li>add disclosure of a maturity analysis for derivative financial liabilities.</li></ul>			
An entity will not be required to provide comparative disclosures in the first year of application.			
<i>Qualifying Entities are exempt from fair value and liquidity related disclosures.</i>			
NZ IAS 32 and NZ IAS 1 <i>Puttable Financial Instruments and Obligations arising on Liquidation</i>			
Permits certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.	1 January 2009	Mandatory	Mandatory <sup>2</sup>

Other New Amendments	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
NZ Specific Omnibus Amendments (2008-01)			
A small number of minor NZ specific amendments including clarifying the description and disclosures relating to the taxes payable method in NZ IAS 12 (which may only be used by <a href="#">Qualifying Entities</a> ).	NZ IAS 12 1 January 2009	Mandatory	Mandatory <sup>2</sup>
Annual Improvements Process – 2008			
Amendments to <u>over</u> 20 Standards clarify the required accounting treatment where previous practice had varied, although some new or changed requirements are introduced. Topics include below market interest-rate government loans, accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.  A list of the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant. (The improvement related to loss of control of a subsidiary, effective 1 July 2009 is set out separately below.)  <a href="#">Some disclosure exemptions for Qualifying Entities</a> .	1 January 2009	Mandatory	Mandatory <sup>2</sup>
Annual Improvements Process – 2009			
Amendments to <u>over</u> 10 Standards. They clarify the required accounting treatment where previous practice had varied, although some new or changed requirements are introduced.  A list of the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.  <i>Note: Some of the individual amendments can be applied separately from the amendments to other Standards, provided the early adoption conditions in the particular Standard are satisfied.</i>  <a href="#">Some disclosure exemptions for Qualifying Entities</a> .	Various – consult the amendments  Generally: 1 July 2009 or 1 January 2010	Various – consult the amendments  Some optional Some mandatory	Mandatory
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			
This: <ul style="list-style-type: none"><li>amends NZ IAS 27 <i>Consolidated and Separate Financial Statements</i> to remove the definition of the ‘cost method’ and to require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation</li><li>removes from NZ IAS 18 <i>Revenue</i> the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income</li><li>implements consequential amendments to NZ IAS 36 <i>Impairment of Assets</i>, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised</li><li>allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous GAAP to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.</li></ul>	1 January 2009	Mandatory	Mandatory <sup>2</sup>
NZ Specific Omnibus Amendments (2009-01)			
A number of minor NZ specific amendments correct and clarify requirements across a number of Standards and Interpretations, including, for example: <ul style="list-style-type: none"><li>granting a number of additional disclosure exemptions to <a href="#">Qualifying Entities</a></li><li>requiring additional solvency reserve disclosure under NZ IFRS 4 <i>Insurance Contracts</i></li><li>providing additional guidance on the IFRS compliance statement in prospective financial statements under FRS 42 <i>Prospective Financial Statements</i>.</li></ul>	1 July 2009	Mandatory	Mandatory

Other New Amendments	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
<b>Annual Improvements Process – 2008 – Loss of Control of a Subsidiary</b>			
Makes amendments to NZ IFRS 1 <i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i> and NZ IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	1 July 2009	Mandatory	Mandatory
<i>Note: The amendments cannot be early adopted unless NZ IAS 27 Consolidated and Separate Financial Statements (as amended in June 2008) is also adopted.</i>			
<b>Eligible Hedged Items</b>			
Clarifies the hedge accounting provisions of NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i> to address:	1 July 2009	Mandatory	Mandatory
<ul style="list-style-type: none"><li>inflation in a financial hedged item – inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument</li><li>a one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective.</li></ul>			
<b>Amendment to NZ IAS 34 Interim Financial Reporting – Scope</b>			
The scope of NZ IAS 34 is amended, to apply if an entity is required or elects to publish an interim financial report in accordance with NZ IFRS.	1 July 2009	N/a	Mandatory
<b>NZ IFRS 2 Share-based Payment: Group Cash-Settled Share-based Payment Transactions</b>			
Clarifies the accounting in the individual financial statements of an entity that enters into a share-based payment arrangement that will be settled by another entity within the consolidated group:	1 January 2010	Optional	Mandatory
<ul style="list-style-type: none"><li>an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash</li><li>the entity receiving the goods or services will account for the transaction as an equity-settled share-based payment if it has no obligation to settle the transaction or if the arrangement will be settled by issuing its own equity instruments</li><li>the entity required to settle the transaction will recognise it as a cash-settled share-based payment unless the transaction will be settled by issuing its own equity instruments.</li></ul>			
The amendments also incorporate guidance previously included in NZ IFRIC 8 <i>Scope of NZ IFRS 2</i> and NZ IFRIC 11 <i>NZ IFRS 2-Group and Treasury Share Transactions</i> . As a result, these Interpretations have been withdrawn by the IASB.			
<b>Amendment to NZ IAS 32 Financial Instruments – Presentation – Classification of Rights Issues</b>			
Rights, options and warrants otherwise meeting the definition of equity instruments, which are issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.	1 February 2010	Optional	Optional
<b>Annual Improvements Process – 2010</b>			
Includes amendments to a number of Standards, most of which are not expected to have a significant impact in practice. However, the amendment to the measurement of non-controlling interests (NZ IFRS 3) could result in significant changes in specific circumstances.	Various – consult the amendments		
A list of the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.	Generally: 1 July 2010 or 1 January 2011	Optional Optional	Optional Optional



New and Revised Interpretations	Effective for annual reporting periods beginning on or after	Applicability at 30 September 2010 to	
		Annual reporting periods	Interim reporting periods
NZ IFRIC 15 <i>Agreements for the Construction of Real Estate</i>			
Addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, specifically two (related) issues:	1 January 2009	Mandatory	Mandatory <sup>2</sup>
<ul style="list-style-type: none"><li>determining whether an agreement for the construction of real estate is within the scope of NZ IAS 11 <i>Construction Contracts</i> or NZ IAS 18 <i>Revenue</i></li><li>when revenue from the construction of real estate should be recognised.</li></ul>			
<i>Some disclosure exemptions for Qualifying Entities.</i>			
NZ IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>			
Clarifies that:	1 July 2009	Mandatory	Mandatory
<ul style="list-style-type: none"><li>a dividend payable should be recognised when it is appropriately authorised and is no longer at the discretion of the entity</li><li>an entity should measure the dividend payable at the fair value of the net assets to be distributed</li><li>an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss when the distribution is made</li><li>an entity should provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.</li></ul>			
NZ IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.			
<i>Some disclosure exemptions for Qualifying Entities.</i>			
NZ IFRIC 18 <i>Transfers of Assets from Customers</i>			
This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of PP&E (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services.	1 July 2009	Mandatory	Mandatory
The key requirements of the Interpretation include:			
<ul style="list-style-type: none"><li>an asset is only recognised where it meets the definition of an asset in the Framework</li><li>transferred assets that meet the definition of an asset are initially recognised at fair value</li><li>revenue arising from the recognition of the transferred assets is recognised in accordance with the requirements of NZ IAS 18 <i>Revenue</i>. Revenue may involve one or more services in exchange for the transferred item, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both.</li></ul>			
NZ IFRIC 19 <i>Extinguishing Liabilities with Equity Instruments</i>			
Addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as “debt for equity swaps”). The IFRIC concluded that this scenario consists of two transactions:	1 July 2010	Optional	Optional
<ul style="list-style-type: none"><li>the issue of equity instruments for cash (the amount being the fair value of the liability)</li><li>acceptance by the creditor of that amount of cash to extinguish the financial liability.</li></ul>			
Any difference between the carrying amount of the liability extinguished and the fair value of the equity instruments granted is recognised in profit or loss.			
The Interpretation also includes additional guidance for when the financial liability is only partly extinguished.			
Amendment to NZ IFRIC 14 – <i>Prepayments of a Minimum Funding Requirement</i>			
The amendments remedy an unintended consequence of IFRIC 14 where entities were in some cases not permitted to recognise as an asset prepayments of minimum funding contributions.	1 January 2011	Optional	Optional

# Appendix A – Shedding light on the disclosures required

NZ IFRS requires disclosures in relation to all the new or revised Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, **whether they have been adopted or not**. The requirements for interim financial reports are less onerous but must still be considered.

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- for annual reporting periods – NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- for interim reporting periods – NZ IAS 34 *Interim Financial Reporting*.

**Public Benefit Entities** are generally required to make these disclosures unless they are also **Qualifying Entities**. Entities which qualify for differential reporting (**Qualifying Entities**) are permitted exemptions from certain disclosures as noted below.

## What disclosures are required?

Applicability of new or revised pronouncement	Summary of disclosures required	
	Annual financial report	Interim financial report
Initial mandatory or voluntary application of a new or revised pronouncement	<p>The relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.</p> <p>(NZ IAS 8.28)</p>	<p>The nature and effect of any change in accounting policy compared with the most recent annual financial report.</p> <p>(NZ IAS 34.16(a))</p> <p>NZ IAS 34 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with NZ IAS 8. However, best practice might suggest that the requirements of NZ IAS 8 be used as a guide.</p>
Pronouncement on issue but not adopted	<p>The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).</p> <p>The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 30 September 2010 (updated to [12] September 2010).</p> <p><b>Qualifying Entities are exempt.</b></p> <p>(NZ IAS 8.30-31)</p>	<p>The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously been disclosed in the prior annual financial report.</p> <p><b>Qualifying Entities are exempt from these disclosures in an annual financial report, and accordingly would also be exempt at the interim period.</b></p>

Example disclosures can be found in our model financial statements, at the following link: **Model financial statements**

## Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date or at the mandatory adoption date.

Other Interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of each Interpretation and its potential impacts when making a decision whether early adoption is appropriate.

# Appendix A – Shedding light on the disclosures required

## Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent New Zealand pronouncement has not been approved at the date of signing the financial report?

Yes

Although not technically required by paragraph 30 of NZ IAS 8, “for-profit” entities should disclose the information required by that paragraph (where material) in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 14 of NZ IAS 1 *Presentation of Financial Statements*.

As at 12 September 2010, there are no pronouncements approved by IASB/IFRIC which had not been also approved in New Zealand.

### Example disclosure:

The following wording, amended from the wording in our model financial statements, may be used in these circumstances:

*‘At the date of authorisation of the financial report, the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved, were on issue but not yet effective’.*

Where this wording is utilised, the relevant IASB/IFRIC Standards and Interpretations should be cited by their IASB or IFRIC references and names, e.g. IFRIC X, IFRS Y, etc. Any Standards and Interpretations already approved by the ASRB should be cited by their New Zealand references and names.

# Appendix B – Annual Improvements

The IASB undertakes an annual project to pass necessary but non-urgent amendments to Standards and Interpretations. This appendix includes a list of the Standards affected and subject matters of the amendments passed in the IASB's annual improvement projects for 2008, 2009 and 2010.

## Improvements to NZ IFRSs June 2008

### Part I

NZ IFRS	Subject of amendment
NZ IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Plan to sell the controlling interest in a subsidiary
NZ IAS 1 <i>Presentation of Financial Statements</i>	Current/non-current classification of derivatives
NZ IAS 16 <i>Property, Plant and Equipment</i>	Recoverable amount Sale of assets held for rental
NZ IAS 19 <i>Employee Benefits</i>	Curtailments and negative past service cost Plan administration costs Replacement of term 'fall due' Guidance on contingent liabilities
NZ IAS 20 <i>Accounting for Government Grants and disclosure of Government Assistance</i>	Government loans with a below-market rate of interest
NZ IAS 23 <i>Borrowing Costs</i>	Components of borrowing costs
NZ IAS 27 <i>Consolidated and Separate Financial Statements</i>	Measurement of subsidiary held for sale in separate financial statements
NZ IAS 28 <i>Investments in Associates</i>	Required disclosures when investments in associates are accounted for at fair value through profit or loss Impairment of investment in associate
NZ IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	Description of measurement basis in financial statements
NZ IAS 31 <i>Interests in Joint Ventures</i>	Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss
NZ IAS 36 <i>Impairment of Assets</i>	Disclosure of estimates used to determine recoverable amount
NZ IAS 38 <i>Intangible Assets</i>	Advertising and promotional activities Unit of production method of amortisation
NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Reclassification of derivatives into or out of the classification of at fair value through profit or loss Designating and documenting hedges at the segment level Applicable effective interest rate on cessation of fair value hedge accounting
NZ IAS 40 <i>Investment Property</i>	Property under construction or development for future use as investment property
NZ IAS 41 <i>Agriculture</i>	Discount rate for fair value calculations Additional biological transformation

# Appendix B – Annual Improvements

## Improvements to NZ IFRSs June 2008 (continued)

### Part II

NZ IFRS	Subject of amendment
NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Status of implementation guidance
NZ IAS 10 <i>Events after the Reporting Period</i>	Dividends declared after the end of the reporting period
NZ IAS 18 <i>Revenue</i>	Costs of originating a loan
NZ IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Consistency of terminology with other NZ IFRSs
NZ IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	Consistency of terminology with other NZ IFRSs
NZ IAS 34 <i>Interim Financial Reporting</i>	Earnings per share disclosures in interim financial reports
NZ IAS 40 <i>Investment Property</i>	Consistency of terminology with NZ IAS 8 Investment property held under lease
NZ IAS 41 <i>Agriculture</i>	Examples of agricultural produce and products Point-of-sale costs

## Improvements to NZ IFRSs May 2009

NZ IFRS	Subject of amendment
NZ IFRS 2 <i>Share-based Payment</i>	Scope of NZ IFRS 2 and revised NZ IFRS 3
NZ IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations
NZ IFRS 8 <i>Operating Segments</i>	Disclosure of information about segment assets
NZ IAS 1 <i>Presentation of Financial Statements</i>	Current/non-current classification of convertible instruments
NZ IAS 7 <i>Statement of Cash Flows</i>	Classification of expenditures on unrecognised assets
NZ IAS 17 <i>Leases</i>	Classification of leases of land and buildings
NZ IAS 36 <i>Impairment of Assets</i>	Unit of accounting for goodwill impairment test
NZ IAS 38 <i>Intangible Assets</i>	Additional consequential amendments arising from revised NZ IFRS 3 Measuring the fair value of an intangible asset acquired in a business combination
NZ IAS 39 <i>Financial Instruments: Recognition and Measurement</i>	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting
NZ IFRIC 9 <i>Reassessment of Embedded Derivatives</i>	Scope of NZ IFRIC 9 and revised NZ IFRS 3
NZ IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	Amendment to the restriction on the entity that can hold hedging instruments

# Appendix B – Annual Improvements

## Improvements to NZ IFRSs 2010

NZ IFRS	Subject of amendment
NZ IFRS 3 <i>Business Combinations</i>	<p>Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS</p> <p>Measurement of non-controlling interests</p> <p>Un-replaced and voluntarily replaced share-based payment awards</p>
NZ IFRS 7 <i>Financial Instruments: Disclosures</i>	Clarifications of disclosures
NZ IAS 1 <i>Presentation of Financial Statements</i>	Clarification of statement of changes in equity
NZ IAS 27 <i>Consolidated and Separate Financial Statements</i>	Transition requirements for amendments made as a result of NZ IAS 27 (as amended in 2008) to NZ IAS 21, NZ IAS 28 and NZ IAS 31
NZ IAS 34 <i>Interim Financial Reporting</i>	Significant events and transactions
NZ IFRIC 13 <i>Customer Loyalty Programmes</i>	Fair value of award credit

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