New Accounting Standards and Interpretations for Tier 1 For-profit Entities

31 December 2019

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Introduction

This document is applicable for **Tier 1 for-profit entities** applying New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). It contains disclosure information on changes in accounting policy on adoption of new and amended NZ IFRS and NZ IFRSs issued but not yet effective. This publication lists NZ IFRSs issued as of 30 November 2019 for for-profit entities with 31 December 2019 year-ends.

This document has two parts:

Part A – Changes in accounting policy

This table lists all the applicable accounting standards which would have been adopted for the first time by **for-profit entities with a 31 December 2019** year-end.

Paragraph 28 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ('NZ IAS 8') states that when an initial application of a standard has an effect on the current period, or any prior period, an entity shall disclose:

a) The title of the Standard

b) When applicable, that the change in accounting policy is made in accordance with the transitional provisions

c) The nature of the change in accounting policy

d) When applicable, a description of the transitional provisions

e) When applicable, the transitional provisions that might have an effect on future periods

f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

   i. For each financial statement line item affected

   ii. If NZ IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share

g) The amount of the adjustment relating to periods before those present, to the extent practicable

h) If retrospective application is impracticable for a particular prior period, or for the periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Part B – Accounting standards issued but not yet effective

This table lists all applicable NZ IFRSs issued but not yet effective for **for-profit entities** with **31 December 2019** year-ends and assumes that the entity has elected not to "early adopt" any of these Standards/Interpretations.

Paragraph 30 of NZ IAS 8 requires disclosure of the possible impact of new and revised NZ IFRSs that have been issued but are not yet effective. This includes pronouncements issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRS Interpretations Committee, previously known as IFRIC) for entities that are required to make a statement of compliance with IFRS.

The disclosure requirement in NZ IAS 8 applies only to entities reporting under "full" NZ IFRS. Therefore, this table does NOT address standards issued but not effective for Tier 2 for-profit entities reporting under Tier 2 for-profit accounting standards and applying reduced disclosure requirements (RDR), as disclosure concessions are provided for these entities providing relief from disclosing information about standards issued but not yet effective.

The table is complete as at 30 November 2019 and any further Standards/Interpretations issued after this date will also need to be disclosed up until the date of authorisation of the financial report.

An entity does not need to refer to Standards/ Interpretations that are not applicable to them provided the entity confirms that the Standard/Interpretation is, in fact, not relevant.

If the effect of a particular Standard/ Interpretation has not yet been determined, those details should be disclosed.

The impact on the entity's financial statements should be added based on the entity's specific circumstances.

The tables in Part A and B will be updated and released for reporting periods ending 31 March, 30 June, 30 September and 31 December.

Part A – Changes in accounting policy

The following Standards and Interpretations will be applied for the first time for Tier 1 for-profit entities with years ending 31 December 2019 (unless early adopted):

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
Amendments to NZ IFRS 9	*Prepayment Features with Negative Compensation*	This amendment to NZ IFRS 9 was issued in November 2017. The amendments clarify, how to classify a debt instrument if its contractual terms permit the borrower to prepay the instrument at a variable amount that could be more or less than unpaid amounts of principal and interest. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. Prior period restatements are not required.	1 January 2019	1 January 2019
NZ IFRS 10 NZ IAS 28	*2017 Omnibus Amendments to NZ IFRS*	This Standard amends NZ IFRS as follows: **NZ IFRS 10:** ► Requires the ultimate New Zealand parent entity to present consolidated financial statements in accordance with NZ IFRS 10 (except where the parent is an investment entity) **NZ IAS 28:** ► Requires the ultimate New Zealand parent entity to apply the equity method when accounting for investments in associates and joint ventures (except where the parent is an investment entity) Earlier application is permitted.	1 January 2019	1 January 2019
NZ IFRS 16	*Leases*	NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases. This standard will replace: a) NZ IAS 17 Leases; b) NZ IFRIC 4 Determining whether an Arrangement contains a Lease; c) NZ SIC-15 Operating Leases—Incentives; and d) NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17.	1 January 2019	1 January 2019

[1] Effective for annual periods beginning on or after this date.

[2] Assuming that the entity has not early adopted the pronouncement according to specific provisions in the Standard.

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
NZ IFRS 16 *(continued)*	*Leases (continued)*	Lessees recognise a liability to pay rentals with a corresponding asset and recognise interest expense and depreciation separately. Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using NZ IAS 17's dual classification approach. Application of NZ IFRS 16 is required for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies NZ IFRS 15.	1 January 2019	1 January 2019
NZ IFRIC 23	*Uncertainty over Income Tax Treatments*	This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of NZ IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following: ► Whether an entity considers uncertain tax treatments separately. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. ► The assumptions an entity makes about the examination of tax treatments by taxation authorities. ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. ► How an entity considers changes in facts and circumstances Early adoption is permitted and certain transition reliefs are available. On first time adoption, entities can choose to apply this interpretation either retrospectively (restating comparatives) by applying NZ IAS 8, or retrospectively by adjusting the impact via retained earnings at date of initial application with comparatives not being restated.	1 January 2019	1 January 2019
Amendments to NZ IAS 28	*Long-term Interests in Associates and Joint Ventures*	The amendments clarify that an entity is required to apply NZ IFRS 9 *Financial Instruments*, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Earlier application is permitted.	1 January 2019	1 January 2019

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
Amendments to NZ IFRS 3, NZ IFRS 11, NZ IAS 12, NZ IAS 23	*Annual Improvements to NZ IFRSs 2015–2017 Cycle*	The following standards are amended by this standard: NZ IFRS 3 *Previously held Interests in a joint operation* ► The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. ► In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. The following standards are amended by this standard: NZ IFRS 11 *Previously held Interests in a joint operation* ► A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. NZ IAS 12 *Income tax consequences of payments on financial instruments classified as equity* ► The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.	1 January 2019	1 January 2019

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
Amendments to NZ IFRS 3, NZ IFRS 11, NZ IAS 12, NZ IAS 23 *(continued)*	*Annual Improvements to NZ IFRSs 2015–2017 Cycle* (continued)	NZ IAS 23 *Borrowing costs eligible for capitalisation* ► The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.	1 January 2019	1 January 2019
Amendments to NZ IAS 19	*Plan amendment, curtailment or settlement*	The amendments clarify that, in the event of a plan amendment, curtailment or settlement during a reporting period, an entity is required to use updated actuarial assumptions to determine current service cost and net interest for the period following such an event when the entity remeasures its net defined benefit liability (asset) in accordance with NZ IAS 19. Early application is permitted.	1 January 2019	1 January 2019
Amendments to the Scope of FRS 42	*Prospective Financial Statements*	This Standard amends the scope of FRS-42 so that it applies only to an entity that is required by legislation or regulation to present general purpose prospective financial statements in accordance with generally accepted accounting practice (GAAP). Minor editorial corrections have also been made to align the terminology with that used in NZ IFRS. Earlier application is permitted.	1 January 2019	1 January 2019

Part B – Accounting standards issued but not yet effective

The following standards and interpretations have been issued but are not yet effective for Tier 1 for-profit entities for the period ending 31 December 2019.

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
NZ IFRS 9, NZ IAS 39, NZ IFRS 7	*Interest Rate Benchmark Reform*	This amending standard is based on amendments issued by the IASB. The objective of the amendments is to avoid situations where hedge accounting would need to be discontinued as a result of uncertainties related to the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs). The amendments affect NZ IFRS 9, NZ IFRS 7 and NZ IAS 39 and modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of interest rate benchmarks. Early adoption is permitted.	1 January 2020	1 January 2020
NZ IFRS 1, NZ IFRS 7, NZ IFRS 10, NZ IAS 26, NZ IAS 28, NZ IAS 39, FRS-44	*2019 Omnibus Amendments to NZ IFRS*	This Standard amends NZ IFRS as follows. **NZ IFRS 10/NZ IAS 28:** ► The amendments defer the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28) to annual periods beginning on or after 1 January 2025. **FRS 44:** ► The amendments require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity must disclose the information specified in paragraphs 30 and 31 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS; and ► Delete several paragraphs and Appendix A, which deal with elements in the statement of service performance. Other minor editorial corrections are made to other standards. Earlier application is permitted.	1 January 2020	1 January 2020
Amendments to NZ IFRS 3	*Definition of a Business*	The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; (d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and (e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity shall apply these amendments to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Earlier application of these amendments is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework) was also updated for the change in the definition of a business. The changes apply at the same time the amendments to NZ IFRS 3 are applied.	1 January 2020	1 January 2020

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
Amendments to NZ IAS 1 and NZ IAS 8	*Definition of Material*	The amendments align the definition of 'material' across the standards and to clarify certain aspects of the definition of material in NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. An entity shall apply those amendments prospectively. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. The New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework) was also updated for the change in the definition of material. The changes apply at the same time the amendments to NZ IAS 1 and NZ IAS 8 are applied.	1 January 2020	1 January 2020
XRB A1	*2019 Amendments to XRB A1 Application of the Accounting Standards Framework*	This amendment updates XRB A1 Appendix A, which provides guidance on determining whether an entity is classified as a Public Benefit Entity (PBE). The guidance on the definition of a PBE is amended to clarify that: ► Both parts of the definition of a PBE need to be assessed when determining an entity's classification. ► The classification as a PBE or for-profit entity is made at the entity level. As a result, the classification at the entity level may differ from the classification at the group level. ► It is possible for an entity to be classified as a for-profit entity for financial reporting purposes and to be a registered charity. Other minor amendments have been made, and a new illustrative example has been added. The amendment is effective for reporting periods beginning on or after 1 January 2020. Earlier application of the revised Appendix A is permitted.	1 January 2020	1 January 2020
NZ IFRS 10, NZ IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The amendments require a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2025	1 January 2025
2018 NZ Conceptual Framework	*New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting*	The *Conceptual Framework* sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised version includes comprehensive changes to the previous *Conceptual Framework* and includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some other important concepts. An accompanying document, *Updating References to the Conceptual Framework in NZ IFRS*, sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Earlier application of this Authoritative Notice is permitted.	1 January 2020	1 January 2020

Reference	Title	Summary	Effective date of Standard[1]	Application date for the entity[2]
NZ IFRS 17	*Insurance Contracts*	NZ IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of NZ IFRS 17 is the General (building block) Model, supplemented by: ► A specific adaptation for contracts with direct participation features (the Variable Fee Approach) ► A simplified approach (Premium Allocation Approach) mainly for short-duration contracts. The main features of the new accounting model for insurance contracts are: ► A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows); ► A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., coverage period); ► Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period; ► The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income (OCI), determined by an accounting policy choice; ► A presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period; ► Amounts that the policyholder will always receive regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly in the balance sheet; ► Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; ► Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. Early application is permitted, provided the entity also applies NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers* on or before the date it first applies NZ IFRS 17.	1 January 2021	1 January 2021

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