



Welcome to the August edition of Eye on Reporting.

August 2019

As entities work through the implementation of the new leasing standard, uncertainty is likely to arise around various related accounting issues, one of which is being considered by the IASB. The question being asked, is whether an entity is required to recognise deferred tax for items such as leases and decommissioning obligations.

An Exposure Draft has been issued by the IASB proposing a narrow scope amendment to the income taxes standard to deal with deferred tax when a transaction gives rise to both an asset and a liability. The Exposure Draft is currently open for comments, and summarised below.

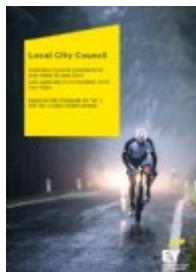
In the PBE space, we are pleased to announce the release of our **illustrative PBE financial statements** for not-for-profit and public sector public benefit entities (PBE) reporting under PBE Standards and PBE Standards RDR for 30 June 2019 year-ends. This publication incorporates the disclosures required if an entity is adopting PBE IFRS 9 *Financial Instruments* for the first time.

Additionally, in the PBE space we have seen two new standards being issued, PBE IPSAS 40 *PBE Combinations*, as well as PBE IFRS 17 *Insurance Contracts*.

This month's other highlights:

- ▶ The update of our *Core Tools Library* for the *IFRS Update of standards and interpretations in issue at 30 June 2019*, our quarterly publications on standards and interpretations that are effective in New Zealand for 30 June 2019 year-ends (for for-profit and public benefit entities) as well as *Good Group (International) Limited 31 December 2018* which includes disclosures required by IFRS 16
- ▶ The issue of the new *IFRS developments* publication on *Holdings of cryptocurrencies*

## What's new from EY?



### Local City Council (30 June 2019)

Local City Council is an illustrative set of consolidated financial statements designed to assist public benefit entities ("PBEs") preparing financial statements in accordance with Tier 1 ("full" PBE Standards) and Tier 2 (PBE Standards RDR) accounting requirements.

This publication is applicable to 30 June 2019 and 31 December 2019 year-ends. Although Local City Council is a public sector PBE, this publication is applicable to both public sector PBEs and not-for-profit PBEs.

The new financial instruments disclosures applicable when a PBE adopts PBE IFRS 9 are illustrated in Appendix 12 of the publication.

This publication also includes appendices relating to:

- ▶ First-time adoption of PBE Standards
- ▶ Additional disclosures required by not-for-profit PBEs
- ▶ Statutory disclosures required by local authorities and other public sector PBEs.

### Good Group (International) Limited 31 December 2019

This edition contains the illustrative consolidated financial statements of Good Group (International) Limited and subsidiaries for the year ended 31 December 2019. The consolidated illustrative financial statements are prepared in accordance with IFRS in issue at 30 June 2019 and effective for annual periods beginning 1 January 2019.





### [Good Group New Zealand Limited: New Zealand Illustrative financial statements for for-profit entities \(31 December 2018 and 30 June 2019\)](#)

This publication is an illustrative set of consolidated financial statements for a fictitious manufacturing company that is incorporated in New Zealand. This publication has been designed to illustrate disclosure requirements for both Tier 1 for-profit entities reporting in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and Tier 2 for-profit entities reporting in accordance with NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR), for 31 December 2018 and 30 June 2019 year-ends.

The publication includes disclosures in relation to NZ IFRS 15 and NZ IFRS 9 as well as appendices relating to:

- ▶ Alternative method of adopting the new standards
- ▶ Alternative presentation of the statement of profit or loss and other comprehensive income
- ▶ Alternative presentation of the statement of profit or loss providing an example of expenses disclosed by nature
- ▶ Statement of cash flows illustrating the direct method
- ▶ Specific example disclosures for biological assets
- ▶ Specific example disclosure for correction of prior year error
- ▶ Companies Act 1993 disclosures



### [Standards and interpretations in issue at 30 June 2019](#)

The attached publications below list standards and interpretations that are effective in New Zealand for the annual period ended 30 June 2019. The publications also provide an overview of standards and interpretations that have been on issue but are not yet effective for 30 June 2019 year-ends.

It is important to note that there are two separate publications, one for for-profit entities and one for public benefit entities (PBEs). Differences in the accounting standards framework applying to for-profit entities and PBEs make it important to select the applicable publication.

[New Accounting Standards and Interpretations for For-profit Entities](#)

[New Accounting Standards and Interpretations for Public Benefit Entities](#)



### [June 2019 Insurance Accounting Alert](#)

On 26 June 2019, the IASB issued an Exposure Draft (ED) proposing amendments to eight areas of IFRS 17 Insurance Contracts in response to concerns and implementation challenges raised by stakeholders. The ED also contains several minor amendments to clarify wording or correct unintended consequences or oversights.



### [IFRS Update of standards and interpretations in issue at 30 June 2019](#)

IFRS Update is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRS IC, as at 30 June 2019, that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarises key features of selected IASB projects and recent IFRS IC agenda decisions



### **IFRS Developments Issue 150: Holdings of cryptocurrencies**

In June 2019, the IFRS Interpretations Committee published an agenda decision in which it concluded that cryptocurrencies are not financial assets and they meet the definition of an intangible asset. Guidance on disclosure requirements was also provided. Learn more in our latest issue of IFRS Developments.



### **IFRS adopted by the European Union - IFRS standards and amendments issued by the IASB and endorsed by the EU as at 30 June 2019**

This edition provides an overview of the status of the European Union (EU) endorsement process for IFRS standards and amendments issued by the IASB as at 30 June 2019 with an EU effective date on or after 1 January 2019.

***Please note that some of the above publications are based on 'pure' IFRS, and do not cover New Zealand additional disclosure requirements.***

## **IFRS news and other NZ specific updates: for-profit entities**

### **IASB proposals for accounting for deferred tax on leases**

The IASB has recently issued an exposure draft, ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12).

The proposed narrow-scope amendments intend to clarify how entities account for deferred tax on leases and decommissioning obligations.

In specific circumstances, there is an exemption from recognising deferred tax when assets or liabilities are recognised for the first time (sometimes referred to as the initial recognition exception). It is uncertain whether this exemption applies to leases and decommissioning obligations.

Following the amendments, the initial recognition exception in IAS 12 would not apply to certain transactions for which both an asset and a liability are recognised. As a result, deferred tax may need to be recognised on such transactions.

Comments are due to the NZASB by 11 October 2019 and to the IASB by 14 November 2019.

### **IFRS Foundation launches new quarterly podcast**

The IFRS Foundation has published the first of a new quarterly podcast focusing on the work undertaken by the IASB and the IFRS Interpretations Committee. The podcasts will report on discussions at meetings of the Interpretations Committee and provide an overview of other relevant activities.

The [first podcast](#) discusses the Interpretations Committee's June 2019 meeting. Topics covered include:

- ▶ Questions about applying the new financial instruments, revenue recognition and leases Standards—IFRS 9, IFRS 15 and IFRS 16;
- ▶ Accounting for holdings of cryptocurrencies.

## IPSAS news and other NZ specific updates: public benefit entities

### PBE IFRS 17 Insurance Contracts (not-for-profit PBEs only) approved for issue

PBE IFRS 17 *Insurance Contracts* was approved for issue in July 2019, and includes a scope modification to limit its application to Tier 1 and Tier 2 not-for-profit PBEs only. It will not be applicable for public-sector PBEs.

The standard will be mandatorily applicable from 1 January 2022 for not-for-profit PBEs, with early adoption permitted. If it is early adopted entities must also early adopt PBE IPSAS 41 *Financial Instruments*.

A public sector-specific PBE insurance project will be added to the NZASB's workplan in the future, to consider the public sector-specific issues with regard to insurance contracts.

### PBE IPSAS 40 PBE Combinations approved for issue

In July 2019 PBE IPSAS 40 *PBE Combinations* was approved for issue. This standard has a broader scope than previous requirements, and establishes requirements for the classification of PBE combinations and the accounting for amalgamations and acquisitions. It also includes the accounting requirements for business combinations based on IFRS 3 *Business Combinations*.

It will replace PBE IFRS 3 *Business Combinations*, which excludes combinations under common control and combinations arising from local authority reorganisations from its scope.

PBE IPSAS 40 will be mandatory for Tier 1 and Tier 2 PBEs and effective for annual financial statements covering periods beginning on or after 1 January 2021, with early application permitted.

In general, it is to be applied prospectively to PBE combinations for which the amalgamation date or acquisition date is on or after 1 January 2021.

## On the horizon

Below are recent proposals that are currently open for comment to the NZASB, IASB and/or IPSASB. Please refer to the current exposure draft section on the XRB website for more details ([www.xrb.govt.nz](http://www.xrb.govt.nz)).

Standard/Exposure Draft	Comments due to NZASB/XRB by	Comments due to IASB by	Comments due to IPSASB by
IPSASB Consultation Paper Measurement	Comment period closed		30 September 2019
NZASB ED 2019-2 2019 Omnibus Amendments to NZ IFRS	16 August 2019		
IASB ED/2019/3 Reference to the Conceptual Framework (Proposed amendments to IFRS 3)	16 August 2019	27 September 2019	
IASB ED/2019/2 Annual Improvements to IFRS Standards 2018–2020		20 August 2019	
IASB ED 2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)	11 October 2019	14 November 2019	
IASB ED/2019/4 Amendments to IFRS 17	26 August 2019	25 September 2019	

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