

Welcome to the December edition of Eye on Reporting.

December 2019

We are pleased to announce the release of our illustrative financial statements - Good Group New Zealand Limited (31 December 2019) – applicable to for-profit entities reporting under NZ IFRS and NZ IFRS RDR, which includes the NZ IFRS 16 Leases transition and post adoption disclosures. Further guidance on this is included in our global publication on *Presentation and disclosure requirements of IFRS 16*, which also contains possible formats entities could use to disclose information required by IFRS 16 using real-life examples from published financial statements.

In other developments, New Zealand has introduced a research and development (R&D) tax incentive which provides a 15% tax credit on eligible activities and expenses. This will be available to entities starting from the 2019/20 income year. We have issued a publication which examines possible accounting treatments based on the specific features of the credits.

This month's other highlights:

- ▶ An update of our *Core Tools Library* to include the *Supplement to Good Group (International) Limited - Agriculture (December 2019)* as well as *Good Mining - Illustrative Financial Statements 31 December 2019*
- ▶ Our quarterly publications on standards and interpretations that are effective in New Zealand for 31 December 2019 year-ends (for for-profit and public benefit entities)
- ▶ Summary of amendments relating to the phasing out of interest rate benchmarks such as interbank offered rates (IBORs)
- ▶ Summaries of the latest discussions and tentative agenda decisions at the IASB
- ▶ Our publication *Applying IFRS - Presentation and disclosure requirements of IFRS 15 (Updated November 2019)*, including further real-life disclosure examples

## What's new from the EY organisation



### [Good Group New Zealand Limited \(Illustrative consolidated financial statements for the year ended 31 December 2019\)](#)

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 2019 and 30 June 2020 year-ends.

The publication includes the NZ IFRS 16 transition and post adoption disclosures as well as appendices relating to:

- ▶ Alternative method of adopting the new standard
- ▶ 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 a prior year error
- ▶ Companies Act 1993 disclosures



### [Standards and interpretations in issue at 31 December 2019](#)

The attached publications list standards and interpretations that are effective in New Zealand for annual period's ending 31 December 2019. The publications also provide an overview of standards and interpretations that have been issued but are not yet effective for 31 December 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 Zealand R&D tax incentive – Accounting treatment](#)**

New Zealand has introduced a research and development (R&D) tax incentive designed to encourage business innovation by reducing the cost of doing R&D. The incentive provides a 15% tax credit on eligible activities and expenses starting from a business's 2019/20 income year.

Our publication outlines the main features of the programme, as well as insights on the accounting requirements.



**[Supplement to Good Group \(International\) Limited - Agriculture \(December 2019\)](#)**

This publication is a supplement to Good Group (International) Limited Illustrative consolidated financial statements for the year ended 31 December 2019, illustrating disclosures for biological assets, including bearer plants and agricultural produce.

The supplement is prepared in accordance with IFRS in issue at 30 June 2019 and effective for annual periods beginning 1 January 2019.



**[IFRS Developments Issue 154 - IASB discusses phase two classification and measurement issues](#)**

At its meeting on 23 October, the IASB progressed phase two of its work to amend IFRS in response to the financial reporting challenges of interbank offered rates (IBOR) reform. The Board agreed a number of solutions to address issues with the classification and measurement of financial instruments. The solutions include clarifying how existing IFRS should be applied, adding illustrative examples and amending IFRS where necessary.



**[IFRS Developments issue 155 - Revenue earned before an asset is ready for its intended use](#)**

In June 2019, the IASB decided to finalise the amendments to IAS 16 *Property, Plant and Equipment*. In October 2019, the Board agreed the amendments should apply to reporting periods beginning on or after 1 January 2022, with earlier application permitted.

The amendments will prohibit entities from deducting from the cost of an item of property, plant and equipment (PP&E), any sales proceeds earned before the asset is ready for its intended use. The amendments also require an entity to identify and measure the cost of items produced before an item of PP&E is available for use, applying the existing measurement requirements of IAS 2 *Inventories*.



**[IFRS Developments, Issue 156 - IBOR reform: IASB discusses phase two hedge accounting issues](#)**

This IFRS Developments summarises the tentative decisions reached by the IASB at its meeting in December 2019, on the hedge accounting issues associated with phase two of its project to amend IFRS in response to the challenges to financial reporting posed by IBOR reform.



**[Applying IFRS - Presentation and disclosure requirements of IFRS 15 \(Updated November 2019\)](#)**

Our updated publication summarises the presentation and disclosure requirements of IFRS 15 Revenue from Contracts with Customers on an ongoing basis. It illustrates possible formats for disclosing information required by IFRS 15 using real-life examples.

**[Applying IFRS - Presentation and disclosure requirements of IFRS 16 Leases](#)**

This publication provides a summary of the new requirements for lessees in IFRS 16 *Leases*, both at transition and on an ongoing basis. It illustrates possible formats entities could use to disclose information required by IFRS 16 using real-life examples from published financial statements.



### **[Good Mining - Illustrative Financial Statements 31 December 2019](#)**

This edition contains the illustrative financial statements of Good Mining (International) Limited and subsidiaries for the annual period ending 31 December 2019. It is prepared in accordance with IFRS issued as at 30 September 2019.



### **[Good Real Estate Group \(International\) Limited - illustrative consolidated financial statements 31 December 2019](#)**

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



### **[November Insurance Accounting Alert](#)**

At its November Board meeting, the IASB considered a summary of feedback from the comment letters submitted to the IASB in response to the Exposure Draft *Amendments to IFRS 17 Insurance Contracts* that was issued in June 2019. The Board considered responses to the questions it asked in the ED and also considered comments from stakeholders on topics for which it does not propose any amendments in the ED.

No technical decisions were made, but the Board agreed to a re-deliberation plan for the proposed amendments to IFRS 17.



### **[IFRS Developments Issue 157 - Lease term and useful life of leasehold improvements](#)**

This IFRS Developments summarises the Interpretations Committee's agenda decision on how to determine the lease term for cancellable and renewable leases and whether the useful life of related non-removable leasehold improvements is limited to the lease term determined applying IFRS 16 Leases.



### **[Good Bank \(International\) Limited - Illustrative Consolidated Financial Statements 31 December 2019](#)**

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

Standards issued, but not yet effective, as at 1 January 2019 are not illustrated in these financial statements, except for 'Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7', which has been early adopted in this edition.

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

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### **Amending standard (Interest Rate Benchmark Reform) approved for issue**

*Interest Benchmark Reform* amends NZ IFRS 9, NZ IAS 39 and NZ IFRS 7 and is applicable to Tier 1 and Tier 2 for-profit entities.

The amendments affect NZ IFRS 9, NZ IFRS 7 and NZ IAS 39 and modify some specific hedge accounting requirements 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 are effective from 1 January 2020, with early application permitted.

### **November and December 2019 IASB Update**

Several tentative agenda decisions were reached during the November 2019 meeting, including on the following topics.

- ▶ As part of its Primary Financial Statements project the IASB discussed the classification of income and expenses from investments in integral associates and joint ventures (JV)
- ▶ As part of its implementation work, the IASB considered what 'fees' should be included in the '10 per cent' test for derecognition of financial liabilities. An exposure draft will be issued to amend IFRS 9
- ▶ A continuation of the discussion on the Amendments to IFRS 17 *Insurance Contracts*

Topics discussed in the December 2019 meeting included the following. No agenda decisions were reached.

- ▶ Accounting Policies and Accounting Estimates (Amendments to IAS 8). The amendments are expected to be issued in the second quarter of 2020
- ▶ Financial Instruments with Characteristics of Equity
- ▶ Amendments to IFRS 17 Insurance Contracts
- ▶ IBOR Reform and the Effects on Financial Reporting
- ▶ Business Combinations under Common Control

The complete list of topics discussed, and summaries thereof can be accessed as follows

- ▶ [November Update](#)
- ▶ [December Update](#)

### **November 2019 IFRIC Update**

- ▶ The November 2019 update brings a final agenda decision on a discussion around the lease term and useful lives of leasehold improvements (IFRS 16/IAS 16).

Tentative agenda decisions were reached on the following topics.

- ▶ IAS 38 - Player Transfer Payments
- ▶ IAS 12 - Multiple Tax Consequences of Recovering an Asset

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

#### **ED and Invitation to Comment for an amending PBE Standard on Interest Rate Benchmark Reform approved**

The XRB approved for issue NZASB ED 2019-5 PBE *Interest Rate Benchmark Reform* which proposes amendments to the following standards:

- ▶ PBE IPSAS 41 Financial Instruments
- ▶ PBE IFRS 9 Financial Instruments
- ▶ PBE IPSAS 29 Financial Instruments: Recognition and Measurement and
- ▶ PBE IPSAS 30 Financial Instruments: Disclosures

The proposals are relevant for Tier 1 and 2 PBEs that apply hedge accounting and are affected by uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs).

The proposed amendments mirror recent amendments to NZ IFRS. They modify some specific hedge accounting requirements to provide relief from potential effects of the IBOR reform. They also require additional information about the hedging relationships which are directly affected by these uncertainties.

Comments are due to the NZASB by 14 January 2020 and the Consultation Documents can be accessed [here](#).

## 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
<a href="#">NZASB ED 2019-4 Withdrawal of PBE FRS 46 (Proposed amendments to PBEFRS 47)</a>	31 January 2020		
<a href="#">IPSASB ED 69 Public Sector-specific Financial Instruments: Amendments to IPSAS 41, Financial Instruments</a>	Comment period closed		31 December 2019
<a href="#">NZASB ED 2019-5 PBE Interest Rate Benchmark Reform</a>	14 January 2020		

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