



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need to Know series

Accounting Update For-profit entities

23 August 2023

Charis Halliday
Carly Berry



Presentation Overview

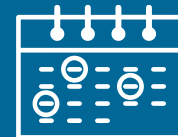


- Recently issued standards
- IFRS Interpretations Committee update
- Post-implementation review of IFRS 15 *Revenue from Contracts with Customers*
- On the horizon
- Questions

Disclosure of Fees for Audit Firms' Services

Summary of changes

- Amends FRS-44 *New Zealand Additional Disclosures*
- Enhanced disclosure requirements about fees incurred for services provided by the entity's audit or review firm
- Tier 2 disclosure requirements – but not as much as for Tier 1



**Mandatory date:
1 January 2024**

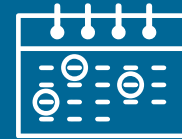


Recording and slides from the recent webinar on this topic available [here](#).

Supplier Finance Arrangements

Summary of changes

- Amends NZ IAS 7 *Statement of Cash Flows* and NZ IFRS 7 *Financial Instruments: Disclosures*
- Requires entities to disclose additional information in the notes about supplier finance arrangements



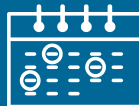
**Mandatory date:
1 January 2024**



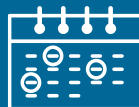
Consultation on Tier 2 disclosure concessions now open – closes on 30 September

Summary of changes

- Amends NZ IAS 12 *Income Taxes*
- Introduces a temporary mandatory exception to recognising deferred tax related to Pillar Two income taxes.
- Targeted disclosure requirements for those entities affected by Pillar Two income taxes.



Mandatory date: Periods ending on or after 10 August 2023



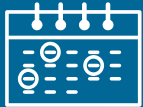
Mandatory date: 1 January 2023

Non-current Liabilities with Covenants



Summary of changes

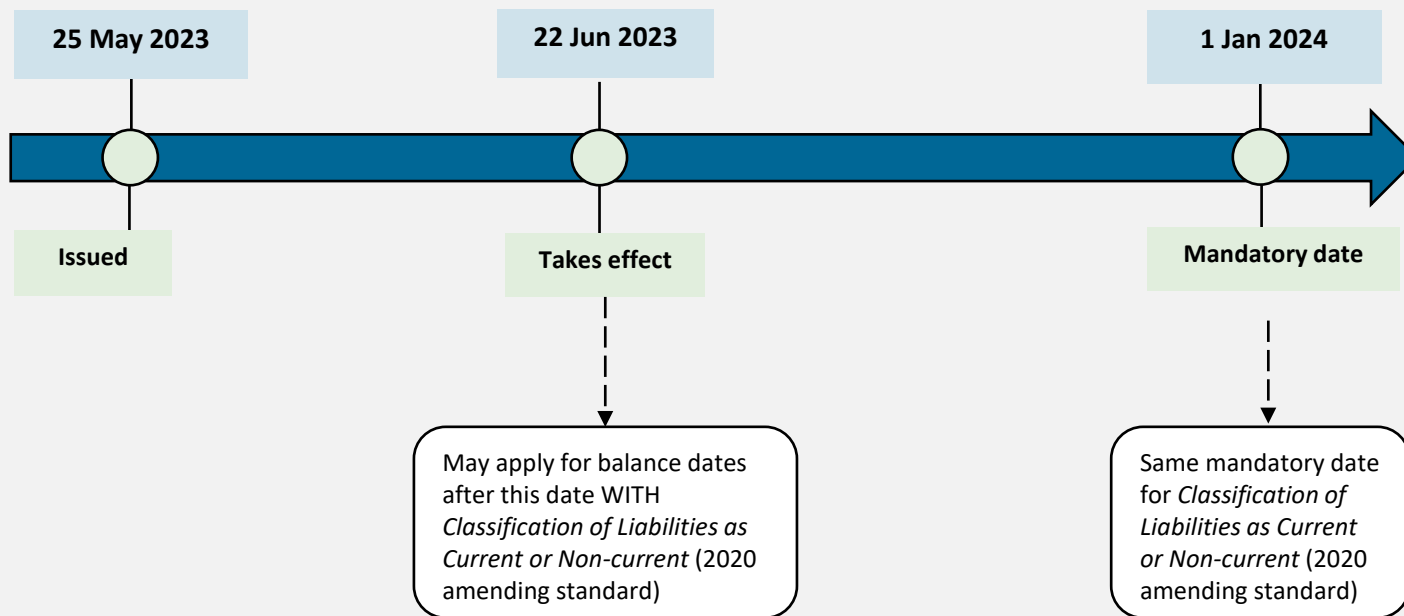
- Amends NZ IAS 1 *Presentation of Financial Statements*
- The amendments clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability.



Mandatory date: 1 January 2024

Non-current Liabilities with Covenants (2023 amending standard)

Commencement and application

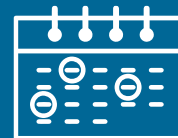


Recently issued by the IASB

Standard

Lack of Exchangeability

- amends IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- adds requirements for an entity to determine whether a currency is exchangeable into another currency and the exchange rate to use when it is not.



**Mandatory date:
1 January 2025**



The IFRS Interpretations Committee responds to questions about the application of IFRS Accounting Standards – to support consistent application

Agenda decisions **do not add or change the requirements in IFRS Accounting Standards**, but any **explanatory material** included may provide **new information** on how to apply a standard(s) for a specific transaction or fact pattern

IFRS Interpretations Committee update



Recent tentative agenda decisions

Matter	Related Standard
<u>Guarantee over a Derivative Contract</u>	IFRS 9
<u>Homes and Home Loans Provided to Employees</u>	IFRS 9, IAS 19
<u>Merger between a Parent and its Subsidiary in Separate Financial Statements</u>	IAS 27

IFRS Interpretations Committee update

Recent tentative agenda decision

Matter	Conclusion
<p><u>Premiums Receivable from an Intermediary</u></p> <ul style="list-style-type: none">• Intermediary arranges an insurance contract between the parties.• Policyholder pays the premiums to the intermediary, but the insurer has not yet received them (the agreement allows for collection at a later date).	<p>Does IFRS 9 or IFRS 17 apply?</p> <p>Either IFRS 9 or IFRS 17 could apply.</p> <p>For cost/benefit reasons, no standard-setting project has been added to the work plan.</p>

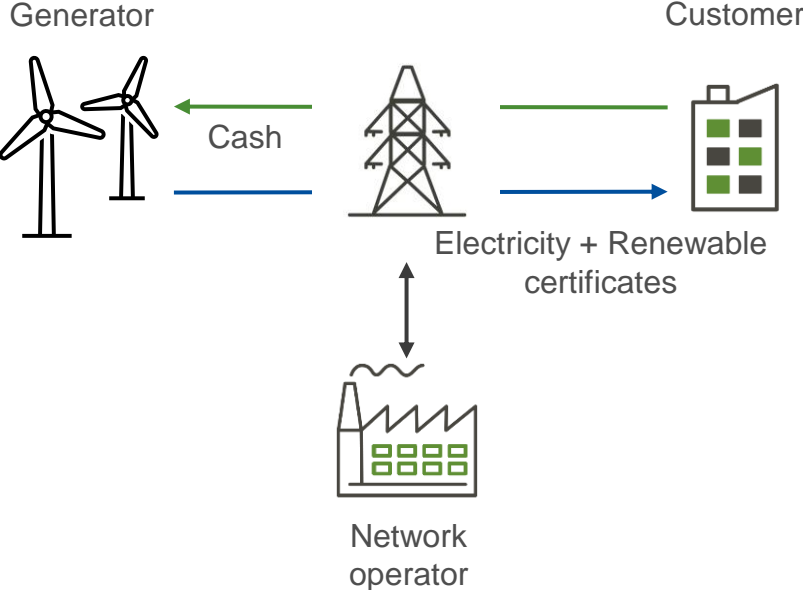
IFRS Interpretations Committee update

Matters referred to the IASB

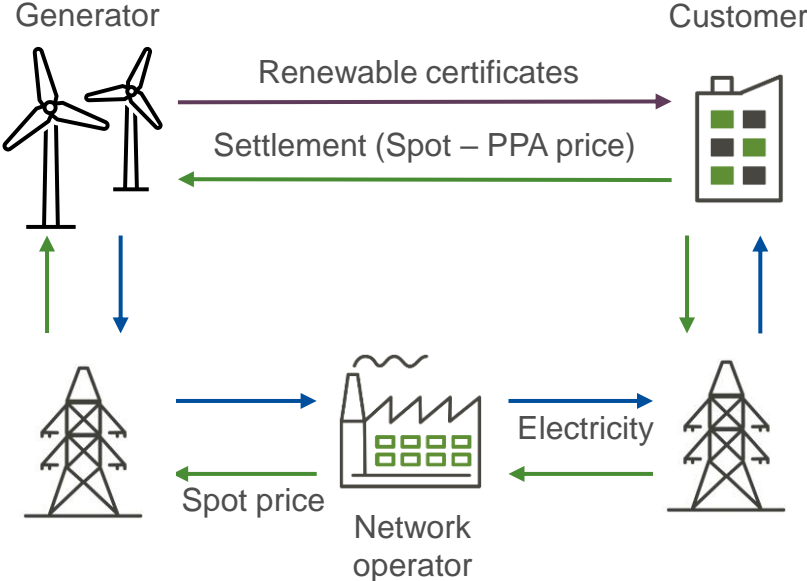
Matter	Impact	Related Standard
<u>Power Purchase Agreements</u>	Narrow-scope standard-setting to better reflect how financial statements are affected by certain types of power purchase agreements (PPAs).	IFRS 9
<u>Consolidation of a Non-hyperinflationary Subsidiary by a Hyperinflationary Parent</u>	Narrow-scope standard-setting to address the accounting applied by a hyperinflationary parent when it consolidates a non-hyperinflationary subsidiary.	IAS 21, IAS 29

Power Purchase Agreements

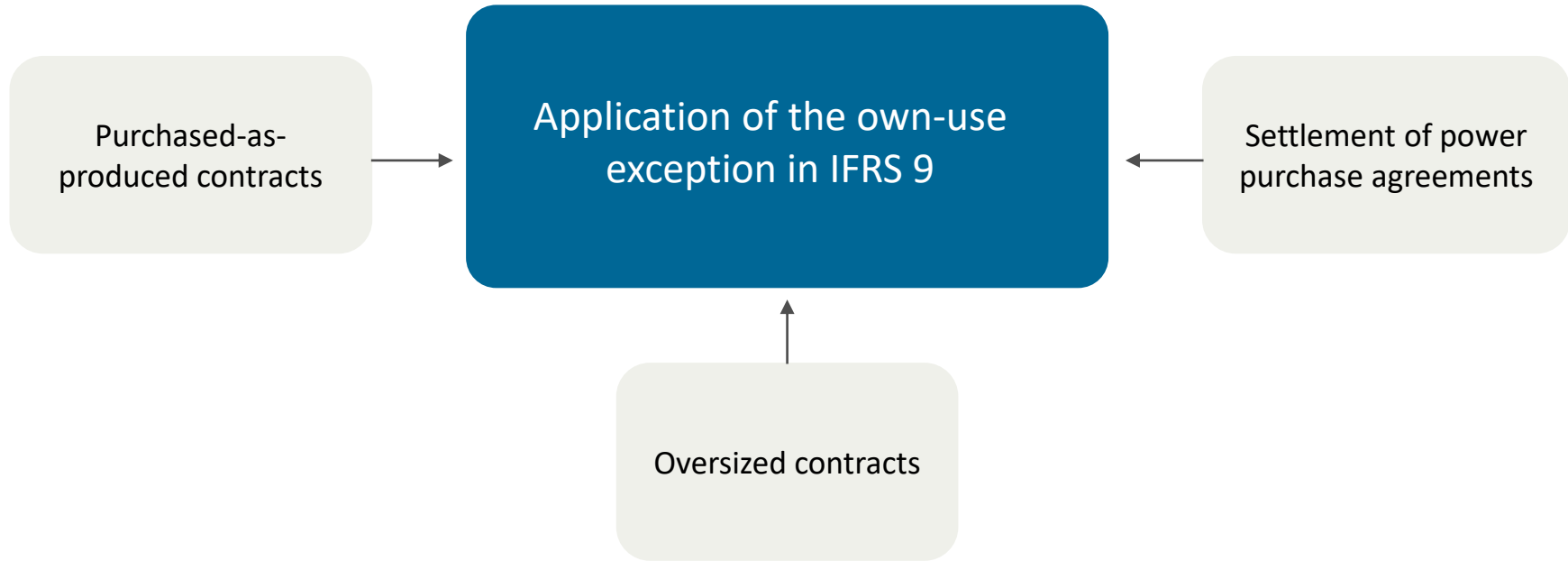
Physical PPA



Virtual PPA



Power Purchase Agreements



Power Purchase Agreements



What is the IASB doing?



- New research project

What is the project focus?



- Application of the own-use exception to physical PPAs
- Application of hedge accounting requirements using a virtual PPA as the hedging instrument

Which PPAs are in scope?



- The underlying non-financial item cannot be stored economically
- The underlying non-financial item must be consumed or sold within a short time frame – determined by the market structure where the item is bought and sold.

Polling Question 1



Are you involved in power purchase agreements?

- A. Yes
- B. No
- C. Not sure



Seeking your feedback on IFRS 15



Why now?

- The IASB is performing a post-implementation review of IFRS 15 to see if it is working as expected.
- Now is the time to influence future changes to the standard.

What is IFRS 15's objective?

Establish principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers

Polling Question 2




What is your overall view of IFRS 15?

- A. IFRS 15 is working well
- B. IFRS 15 is generally working well but there is room for improvement due to application issues
- C. There are significant challenges with IFRS 15 that need to be solved
- D. IFRS 15 is not working



Polling Question 3



In which area do you experience the greatest application challenges?

- A. Identifying performance obligations in a contract
- B. Determining the transaction price
- C. Determining when to recognise revenue
- D. Principal versus agent considerations
- E. Licensing
- F. Applying IFRS 15 with other IFRS Accounting Standards



Want to provide feedback?

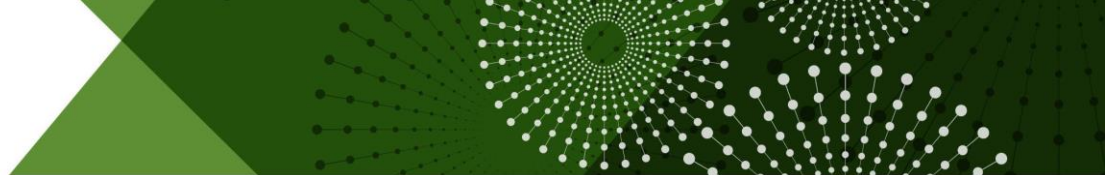
You can send **feedback** through the [XRB Post-implementation review of IFRS 15 webpage](#) by **22 September 2023**; and/or

Join us for our preparer roundtable discussions focused on:

- revenue arising from sale of goods > 30 Aug 9:30 – 11:30; or
- revenue arising from delivery of services > 31 Aug 10:30 – 12:00.

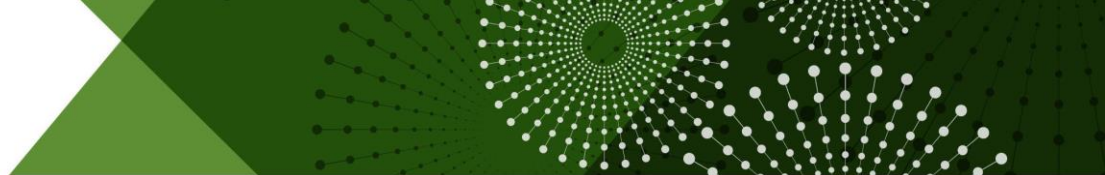
For a roundtable invite, or to provide an informal comment, please email us at Accounting@xrb.govt.nz

Upcoming IASB consultations



Project	Next steps
<i>Annual Improvements to IFRS Accounting Standards</i> (IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7)	Exposure draft (Sep 2023)
<u><i>Financial Instruments with Characteristics of Equity (FICE)</i></u> (IFRS 9, IAS 32, Conceptual Framework)	Exposure draft (Q4 2023)
<u><i>Business Combinations–Disclosures, Goodwill and Impairment</i></u> (IFRS 3, IAS 36)	Exposure draft (H1 2024)

Upcoming IASB standards

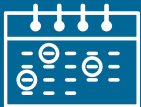


Project	Next steps
Subsidiaries without Public Accountability: Disclosures	New standard (H1 2024)
Primary Financial Statements	New standard (H1 2024)

New presentation and disclosure standard

Summary of changes

- Objective is to improve how information is communicated in the financial statements – with a focus on information in the statement of profit or loss
- The resulting new standard will replace IAS 1 *Presentation of Financial Statements*



Expected mandatory date: 1 January 2027

Key features of the new presentation and disclosure standard



Categories and new defined subtotals



- Five categories – including operating, investing and financing
- Operating profit – new subtotal
- Profit before financing and income tax – new subtotal

Management performance measures (MPMs)



- Management's view of an aspect of a company's performance
- Used in public communications outside the financial statements

Aggregation and disaggregation principles



- General principles
- Specific requirements for disaggregation of "other" balances
- Disclosure of specified opex by nature included in each function line item

Questions?

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