Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need-to-know series

Accounting Update

Tier 1 and Tier 2 For-profit entities

Tuesday 3 November 2026

Overview

What you need to know now:

- NZ IFRS 18 and IFRS Interpretations Committee Update
- Going Concern
- Upcoming standards and amendments becoming mandatory

What is coming up soon:

- Review of the Accounting Standards Framework
- On the Horizon
- Questions



Webinar slides and recording will be available on our website

About the XRB

Our purpose

Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance

Our strategy

Internationally aligned, locally relevant

Our approach

- Open, engaging and transparent
- Attuned to user needs, benefits and costs
- Agile and pragmatic
- Responsive to changing global and local context

What we deliver

- Financial reporting standards
- Audit and assurance standards
- Quality management and ethical standards for assurance practitioners
- Climate standards

What we do and don't do



Primary legislation: who standards apply to is set by Parliament



Secondary legislation: the framework and standards are set by the XRB



Monitoring and enforcement: sits with regulators such as the Financial Markets Authority (FMA)

NZ IFRS 18 and IFRS Interpretations Committee Update



NZ IFRS 18 is almost here

- Mandatory for all for-profit entities for **periods beginning on or after 1 January 2027**
- Must restate amounts in the comparative period and reconcile restated amounts to previously presented NZ IAS 1 amounts



1 January 2026

NZ IAS 1



1 January 2027

NZ IFRS 18

NZ IFRS 18 objective is improved communication of financial performance to users, through more comparable subtotals, greater transparency around non-GAAP measures and clearer grouping of information

Impact of NZ IFRS 18

- NZ IFRS 18 does not introduce recognition or measurement changes.
- **NZ IFRS 18 is not simply a financial-statement formatting exercise** – May affect accounting policies, consolidation processes, reporting systems, management reporting, investor communications, covenant discussions and audit evidence.
- Three key changes:

A more structured statement of profit or loss	Greater transparency over management-defined performance measures (MPMs)	Enhanced grouping of information

Five practical questions

Have the classification and accounting policy decisions been completed and documented?

Has the full population of potential management-defined performance measures (MPMs) been identified?

Can systems produce the required 2026 comparative information?

Have the pro forma 2026 financial statements been prepared and reviewed?

Have the changes been explained beyond the finance team?



These considerations are not specific requirements of NZ IFRS 18. They reflect practical issues raised by stakeholders as they prepare to implement the standard.

Agenda decisions in practice



Explain

Existing IFRS requirements

Mandatory interpretations – Cannot simply disregard the explanatory material.

Assess

Your accounting policies

Consider the implications for your accounting policies – Are changes needed?

Implement

Any required changes

Implement on a timely basis – Allow sufficient time for your circumstances.

IFRS 18-related final decisions

Expenses by nature
When do the disclosure requirements apply?

Intragroup FX differences
How should they be classified?

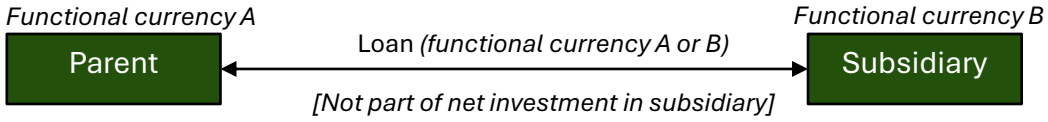
Derivatives & FX exposures
Where are gains and losses classified?

Parent's business activities
Which perspective should be used?

Read the full final decisions on our website

Intragroup FX differences

Fact pattern



Group level

- **Eliminate** intragroup balances relating to the loan
- **Retain** the exchange difference (see paragraph 45 of IAS 21)

Question

In applying paragraph B65 – How do you classify the exchange difference if the related income and expenses from the loan have been eliminated on consolidation?

Application of paragraph B65 of IFRS 18

View 1: Default classification
Operating category (as the default category)

View 2: Follow the related item
Same category where the income and expenses would have been classified before elimination of the loan (or operating, if undue cost or effort)

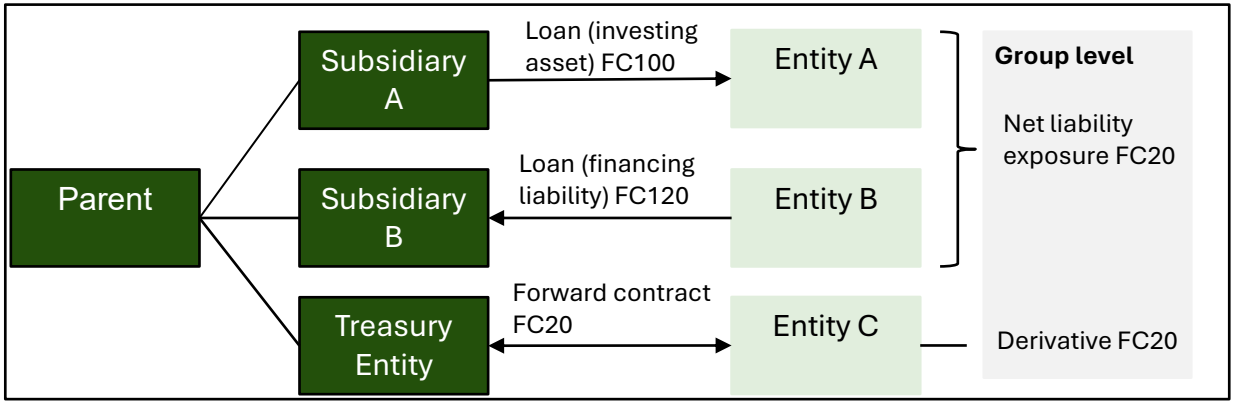
Conclusion

Either view is acceptable as an accounting policy. Apply the selected policy consistently.

Read the full decision here

Derivatives managing FX exposures

Fact pattern



Question

How should gains or losses on the external derivative be classified under IFRS 18?

Application of paragraphs B70-B76 of IFRS 18

Identify the risk being managed *(FX risk on the net liability exposure, not the gross exposure, in this case).*

Determine the categories affected by the risk being managed *(Financing in this case).*

Grossing up – does classification in the financing category require grossing up gains or losses on the external derivative? *(Not in this case).*

Conclusion

Classify the derivative gain or loss in the same category as the risk being managed (e.g. financing category) ***(unless grossing up required or undue cost or effort involved).***

Read the full decision here

Expenses by nature

Paragraph 75 of IFRS 18 requires presentation of line items in the statement of profit or loss for:

- Operating expenses (paragraph 75(a)(ii)); and
- Amounts required by IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* (paragraph 75(b)-(c))

Question

Do the requirements of paragraph 83 apply:

- only when an entity presents **operating expenses** by function; or
- When an entity presents **any expense** by function in the operating category?

Application of paragraph 83 of IFRS 18

- Paragraph 83 contains no exceptions or exclusions – the reason for classifying an expense by function is irrelevant.
- It applies regardless of why an expense is classified by function, including when required by another IFRS Accounting Standard.

Conclusion

Paragraph 83 applies whenever an entity presents a line item containing expenses classified by function.

Read the full decision here

IFRS 18-related tentative agenda decisions

Hypothetical income & expenses
Can they be management-defined performance measures (MPMs)?

Public communications
What counts as public communication for MPMs?

Labels of subtotals
How should subtotals that are MPMs be described?

Financing as a main business activity
How should income and expenses be classified?

Read the full tentative decisions on our website

IFRS 18-related tentative agenda decisions

Manufacturer-lessor activities
How should main business activities be assessed?

Cash & cash equivalents
How should related income and expenses be classified?

Assets generating independent returns
Which assets meet the classification criteria?

Presentation of operating expenses
How should operating expenses be presented?

Read the full tentative decisions on our website

IFRS 18-related tentative agenda decisions

Management-defined Performance Measures: Hypothetical Income and Expenses	A performance measure containing hypothetical income or expenses can still be an MPM, but the entity must clearly explain the measure and apply all the MPM disclosure requirements if the IFRS 18 definition is met.
Management-defined Performance Measures: Public Communications	Confidential presentations to a small number of identifiable investors are not necessarily public communications, so entities must consider the nature, accessibility and confidentiality of each communication when identifying MPMs.
Labels of Subtotals	The label of a subtotal that is also an MPM does not need to list every included or excluded item, provided the label and accompanying disclosures are clear, understandable and not misleading.
Classification of Income and Expenses when an Entity Has a Main Business Activity of Providing Financing to Customers	The classification requirements and accounting-policy choices apply to the consolidated group as a whole and may require all relevant financing-related income and expenses to be classified in operating when liabilities cannot be reliably distinguished.

Read the full tentative decisions on our website

IFRS 18-related tentative agenda decisions

Assessment of Specified Main Business Activities for a Manufacturer-Lessor	A manufacturer-lessor's combined finance-lease and operating-lease activities may constitute a main business activity of providing financing to customers, so operating leases cannot be excluded from the assessment solely because of their accounting classification.
Classification of Income and Expenses from Cash and Cash Equivalents	If investing in specified financial assets is a main business activity, income and expenses from all cash and cash equivalents are classified in operating, even where some of the cash relates to the entity's other activities.
Assets that Generate a Return Individually and Largely Independently of an Entity's Other Resources	An asset can qualify for investing-category treatment despite some interaction with other resources, with debt and equity investments typically qualifying while customer receivables arising from supplying goods or services typically do not.
Presentation of Operating Expenses	Entities must select a nature, function or mixed presentation that provides the most useful structured summary, rather than treating the presentation method as a free accounting policy choice or automatically carrying forward the existing IAS 1 format.

Read the full tentative decisions on our website

NZ IFRS 18 resources

- Use the **Standards Navigator** for quick and easy access to the requirements in the standard.
- Find all our guidance material on our dedicated **NZ IFRS 18 webpage** to help you as you implement the standard.
- Resources are available around the following areas:

Overview of NZ IFRS 18 requirements	New categories and subtotals in the statement of profit or loss	Grouping of information in the financial statements	Management-defined performance measures	Practical insights

- Join our in-person **NZ IFRS 18 Community of Practice Roundtables** in **Wellington** (Monday 23 November) and **Auckland** (Friday 4 December).

Going Concern

Going concern

What is changing?

- **Accounting standards** – no changes. Going concern remains the reporting entity and governance's responsibility.
- **Auditing standards** – Revised ISA (NZ) 570 *Going Concern*
  - Increases the auditor's scrutiny of management's going concern assessment and introduce greater transparency about going concern in the auditor's report.
  - Applies to accounting periods beginning on or after **15 December 2026**.

What is going concern?

*The assumption that an entity will continue to operate for the foreseeable future and has neither the need to liquidate or cease trading (**ability**) not the intention to do so (**intent**).*

- ***Accounting standards requirements*** - 12 months from the end of the reporting period
- ***Audit standards requirements*** - 12 months from the date of the approval of the financial statements

Going concern

What changes to expect?

- Greater audit scrutiny of management's going concern assessment
- Changes to auditor’s report
  - *For **all entities**, the auditor's conclusion on whether the going concern basis of preparation is appropriate will be included.*
  - *For **FMC reporting entities with higher level of public accountability** in certain situation, a description of how the auditor evaluated management's going concern assessment will also be included.*



Going concern guidance

Upcoming standards and amendments becoming mandatory



New standards and amendments for for-profit entities

Mandatory for periods beginning on or after 1 January 2026 (*Dec 2026 and Mar/Jun/Sept 2027 year ends*)

Standard/Amendment	Impact
Amendments to Classification and Measurement of Financial Instruments (NZ IFRS 9 and NZ IFRS 7)	Clarifies the accounting for electronic payments and the classification of financial assets with ESG-linked or similar features.
Contracts Referencing Nature-Dependent Electricity (NZ IFRS 9 and NZ IFRS 7)	Clarifies the own-use and hedge accounting requirements for nature-dependent electricity contracts and introduces new disclosures.
Annual Improvements to NZ IFRS	Narrow amendments that clarify requirements and correct minor inconsistencies or unintended consequences.
Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025	Updates XRB A2 to reflect revised statutory size definitions in the Financial Reporting Act 2013.

Also consider revised IFRS Practice Statement 1 *Management Commentary*

New standards and amendments for for-profit entities

Mandatory for periods beginning on or after 1 January 2027 (*Dec 2027 and Mar/Jun/Sept 2028 year ends*)

Standard/Amendment	Impact
NZ IFRS 18 Presentation and Disclosure in Financial Statements	Improves how financial statements communicate an entity's financial performance and position.
2025 Amendments to XRB A1 Application of the Accounting Standards Framework	Clarifies public accountability and aligns the Tier 1 threshold for for-profit public sector entities with Public Benefit Entities.
Translation to a Hyperinflationary Presentation Currency (NZ IAS 21 and NZ IAS 29)	Clarifies how amounts are translated into a hyperinflationary presentation currency and introduces related disclosures.
Amendments to the Fair Value Option for Investments in Associates and Joint Ventures (NZ IAS 28)	Expands the entities eligible to apply the fair value option to investments in associates and joint ventures.



New NZ IFRS Standard

NZ IFRS 20 *Regulatory Assets and Regulatory Liabilities*



- Applies to Tier 1 and Tier 2 for-profit entities from **annual periods beginning on or after 1 January 2029**. Earlier application is permitted.
- Will significantly impact entities where operations are subject to price/rate regulation by a regulator through regulatory agreements.

Faithful representation
Effects of rate regulation on financial performance and position

Regulatory assets and liabilities
Recognise when compensation and customer rates occur in different periods

Cash flow information
Understand the amount, timing and uncertainty of future cash flows

Review of the Accounting Standards Framework (ASF)

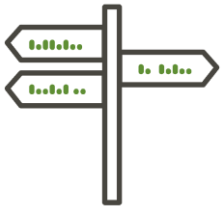


Review of the Accounting Standards Framework

- We are reviewing the ASF to determine whether it remains fit for purpose – Read our initial analysis on our webpage
- Separate sessions on ASF background and options for for-profit entities available
- Complete our surveys on each element of the ASF to provide early input
- **We expect to release a public discussion paper in May 2027 to seek your feedback**

Tier 1 For-Profit Reporting Frameworks





Tier 2 For-Profit Reporting Frameworks

Review of the Accounting Standards Framework

Purpose Statement

The purpose of the 2027 Accounting Standards Framework review is to assess whether New Zealand's tiered, multi-standard, sector-based accounting standards framework remains fit-for-purpose, internationally aligned and locally relevant, and continues to support high-quality, decision-useful financial reporting in the public interest.

The review is future-focused, evidence-based, and designed to explore viable options for the framework. It seeks to identify the key challenges, risks, opportunities and trade-offs that arise under different options.

While we recognise that any changes in the framework will involve costs, the review will examine whether the framework continues to meet user needs and whether it achieves an appropriate balance between the benefits of reporting and the costs imposed on preparers and others.

On the horizon



Open consultations

For banks, insurers and anyone still applying NZ IAS 39:

- **Risk Mitigation Accounting – Proposed Amendments to IFRS 9 and IFRS 7 – Comments to XRB close on 16 November 2026**

For entities applying NZ IFRS 9 hedge accounting:

- **Request for Information – Post-Implementation Review IFRS 9 and IFRS 7 Hedge Accounting Requirements – Comments to XRB close on 11 January 2027**

Consider our draft comment letter and whether it resonates with you



PIR of IFRS 16 Leases

IFRS 16 is delivering better lease information to stakeholders

- Feedback from global stakeholders (including from New Zealand) indicated that the benefits of the standard continue to outweigh the costs.
- Stakeholder feedback gathered confirmed that IFRS 16:

Improves transparency about lease obligations	Better reflects all leases as financing arrangements and enhanced comparability between entities.	Provides users with better information about an entity's financial position, financial performance and cash flow.

IASB response

The IASB intend to reduce the costs of applying IFRS 16

- The IASB has decided to undertake a project to explore how those costs can be reduced without significantly affecting the usefulness of the lease-related financial information.
- The project will focus on:
  - Remeasurement of lease liabilities
  - Determining discount rates

We are interested in your ideas on how the costs of applying NZ IFRS 16 in respect to remeasurements of lease liabilities and discount rates can be reduced.



On the horizon

- Intangibles (IAS 38)
- Business Combinations – Disclosures, Goodwill and Impairment (IFRS 3, IAS 36)
- Statement of Cash Flows (IAS 7)
- Equity Method (IAS 28)
- Financial Instruments (IFRS 9, IFRS 7)
- Provisions (IAS 37)

Review of the Accounting Standards Framework

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Pātai Questions?

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Thank you

Mā te wā