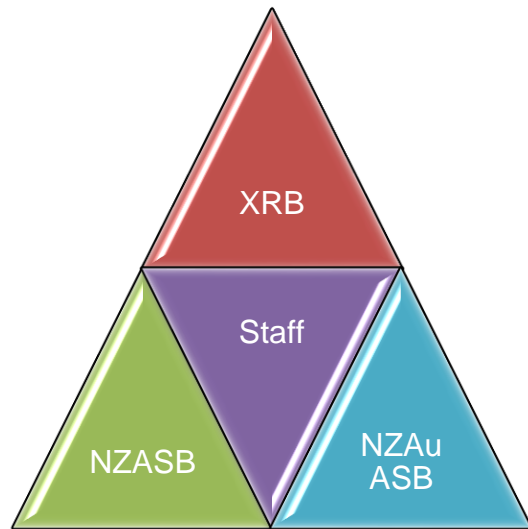


**ED NZASB 2017-1**

# **Amendments to RDR for Tier 2 For-profit Entities**

# Introducing the XRB

- The XRB is an independent Crown Entity responsible for developing and issuing accounting and auditing & assurance standards in New Zealand
- The XRB's Organisation Structure



- External Reporting Board (XRB)
- New Zealand Accounting Standards Board (NZASB)
- New Zealand Auditing and Assurance Standards Board (NZAuASB)

# Reduced Disclosure Regime (RDR)

- Same recognition and measurement requirements as “full” NZ IFRS with disclosure concessions
- Apply NZ IFRS RDR (Tier 2 For-profit Accounting Requirements)
- For-profit entities that do not have public accountability (and for-profit public sector entities with total expenses less than \$30m) and elect to report in accordance with Tier 2 Accounting Requirements

# ED and accompanying ITC

- The NZASB has issued for comment an exposure draft (ED) and accompanying Invitation to Comment (ITC)
- Propose changes to RDR
  - Proposed RDR decision-making framework
  - Consequential amendments to disclosure requirements for Tier 2 entities

# Objectives

- Raise awareness of the ITC and ED
- Outline the main proposals in the ITC
- Seek feedback on the proposals in the ITC and ED

# Invitation to Comment (ITC)

- Presentation is based on the ITC
- Slides refer to relevant ITC paragraphs

## **ITC Contents**

Questions for Respondents

1. Introduction

2. Overview of Invitation to Comment and ED

Appendix A: [Draft] Policy ...

Appendix B: Australian Examples...

# Amendments to RDR for Tier 2 For-profit Entities

- Joint project with AASB
- Intended to result in more robust approach to determining RDR
- ED NZASB 2017-1 issued January 2017
- Comments due 26 May 2017

# Effective Date

ITC paras 80-82

- Annual periods beginning on or after 1 January 2019
- Early application permitted but
  - Not before 1 January 2018
  - Must apply NZ IFRS 16 *Leases* to early adopt amendments to NZ IAS 40 *Investment Property*



# Current Approach for Determining RDR

ITC paras 18-20

- Where Tier 2 recognition and measurement requirements are the same as IFRS for SMEs<sup>®</sup> Standard, draw directly on IFRS for SMEs Standard
- If not, use the user-needs and cost-benefit principles applied by the IASB in developing the IFRS for SMEs Standard
- IFRS for SMEs Standard not being updated for new IFRS Standards – can't be used as starting point for determining disclosures for Tier 2 entities

# Proposed Approach for Determining RDR

ITC paras 21-26

- Some outreach undertaken to identify information needs of users
- Proposed RDR Decision-making Framework
- Overarching principles:
  - Information provided meets user needs
  - Benefits of providing disclosures exceed the cost
- Operational guidance developed to apply user-needs and cost-benefit principles

# Key Disclosure Areas

ITC paras 27-29

## Key Disclosure Areas to meet user needs

- Current liquidity and solvency of the entity
- Transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements – categorised broadly into
  - Disclosures of a general nature
  - Specific disclosures

# Transactions and Other Events

ITC para 28(b)

## Disclosures of general nature

- Nature of transaction or event that makes it significant or material
- Associated risks
- Associated accounting policy on recognition or measurement
- Associated significant estimates and judgements

## Specific disclosures

- Commitments and contingencies
- Impairment
- Related parties
- Subsequent events

# Rebuttable Presumptions

ITC paras 30-31

- Benefits of providing a disclosure that is a Key Disclosure Area exceed the costs
  - Can be rebutted: some specific disclosures provide little incremental benefit
- Costs of providing a disclosure that is not a Key Disclosure Area exceed the benefits
  - Can be rebutted: disclosures provide information about the reporting framework or structure of the group

# Operational Guidance

ITC paras 32-49

## Areas explained

- Presentation vs disclosure
- Disclosure objective/principles paragraphs
- Guidance
- Disclosures that are encouraged
- Reconciliations
- Cross-referencing
- NZ IFRSs not applicable (NZ IFRS 8 and NZ IAS 33)

# AASB and NZASB Approaches

ITC paras 51-72

- AASB and NZASB sometimes have different approaches
- Largely the result of differences in financial reporting frameworks in Australia and New Zealand
- Outcome is expected to result in substantially same disclosures for Tier 2 for-profit entities

# Approaches (contd)

ITC paras 51-72

- Different approaches regarding
  - Disclosures about accounting policies
  - Guidance
  - Cross-referencing in standards
- Legislative difference regarding departures from a standard(s) – the true and fair view override (NZ IAS 1 paragraphs 19 to 24)



# Comparison of Disclosures

ITC para 73

## Need to bear in mind

- Disclosure requirements are different - therefore difficult to quantify
- Additional RDR paragraphs – more partial concessions
- Some concessions being removed
  - Guidance
  - Presentation rather than disclosure
- No reconciliations but some individual items might need to be disclosed

# Comparison (contd)

ITC paras 74-76

## Substantial reductions

NZ IFRS 7  
NZ IFRS 12  
NZ IFRS 14  
NZ IFRS 16  
NZ IAS 7

## No change

NZ IAS 20  
NZ IAS 23  
FRS-44  
NZ IFRIC 14

## Fewer/approx the same disclosures

All other standards

- Whether there are substantial reductions in NZ IFRS 7, NZ IFRS 12 and NZ IAS 7 will vary from entity to entity depending on the type of transactions an entity has

# Comparison (contd)

- **Additional concessions in NZ IFRS 7**
  - Reclassification of financial assets
  - Items of income, expense, gains and losses
  - Hedging
  - Fair value
  - Transfers of financial assets
  - Initial application of NZ IFRS 9
- **Concessions removed in NZ IFRS 7**
  - Financial instruments at FVPL
  - Nature and extent of risks arising from financial instruments

# Identifying RDR

ITC paras 77-79

- **NZASB – continue with current approach**
  - Asterisk (\*) for concession for paragraph
  - RDR paragraph for partial concessions
- **AASB – appendix approach**
  - See Appendix B to the ITC for examples

# Feedback Sought

The NZASB is seeking feedback on

- Overarching principles of user-needs and cost-benefit
- Key Disclosure Areas
- Proposed RDR decision-making framework and operational guidance as a whole
- Approach taken by NZASB (all three areas)
- Retaining asterisks (\*) and RDR paragraphs
- Effective date
- Detailed proposals in ED NZASB 2017-1

# Responding to Exposure Draft

- Comments due: 26 May 2017
- Documents on XRB website
  - Invitation to Comment
  - Exposure Draft
  - Staff Analysis
- Send comments to [submissions@xrb.govt.nz](mailto:submissions@xrb.govt.nz)
  - Answer all or some questions
  - Formal or informal comments in an email or letter

# www.xrb.govt.nz

The screenshot displays the XRB website's 'Accounting Standards' page. At the top, the XRB logo and 'EXTERNAL REPORTING BOARD' are visible, along with a navigation menu including 'WHY REPORT?', 'ACCOUNTING STANDARDS', 'STANDARDS FOR ASSURANCE PRACTITIONERS', 'INFORMATION HUB', and 'ABOUT XRB'. A search bar labeled 'Find your standard' is positioned in the top right. The main heading is 'Accounting Standards', with a sub-heading 'Current Standards & Guidance'. Below this, there are links for 'For-profit Standards', 'Not-for-profit Standards', 'Public Sector Standards', and 'Templates', along with 'Explanatory Guides' and 'Authoritative Notices'. A large image of a man and a woman is featured. To the right, a 'Current Exposure Drafts' section is highlighted with a red arrow. Below this are three 'Frequently Asked Questions' boxes for different tiers. The bottom section is divided into 'Standards in Development', 'Archived Standards' (Current Framework), and 'Archived Standards' (Old Framework). A footer contains 'LATEST NEWS', 'Privacy & Disclaimer', and a 'Keep up to date' newsletter sign-up form, which is also highlighted with a red arrow.

**XRB** | EXTERNAL REPORTING BOARD  
*Te Kaiti Arāhi Pirangō Māwhiri*

WHY REPORT? | ACCOUNTING STANDARDS | STANDARDS FOR ASSURANCE PRACTITIONERS | INFORMATION HUB | ABOUT XRB

Home » Accounting Standards

## Accounting Standards

### Current Standards & Guidance

- FP For-profit Standards
- NFP Not-for-profit Standards
- PS Public Sector Standards
- NFP PS Templates

Explanatory Guides

Authoritative Notices

### Current Exposure Drafts

Frequently Asked Questions Tier 1 & 2 NFP

Frequently Asked Questions Tier 3 & 4 NFP

Accounting Standards Framework

### Standards in Development

- > Current Exposure Drafts
- > Closed Exposure Drafts
- > Submissions by the NZASB
- > NZASB 2016/17 Plan

### Archived Standards

#### Current Framework

- > General Standards and Explanatory Guides
- > For-profit Standards
- > Public Benefit Entity Standards

#### Old Framework

- > General Standards and Explanatory Guides
- > Standards for All Entities
- > NZ IFRS Differential Reporting
- > NZ IFRS PBE
- > Practice Statements
- > Old GAAP Standards
- > ASRB Releases

Visit our **Information hub** updates, events, and to search the site

**LATEST NEWS**  
New Accounting Standards  
The new auditor's report is here!

Privacy & Disclaimer  
Contact Us

Keep up to date  
To keep up to date with latest news and event details, please sign up for the XRB newsletter

Enter email address

© 2016 External Reporting Board.

# Questions

