

NZASB EXPOSURE DRAFT 2019-2

2019 OMNIBUS AMENDMENTS TO NZ IFRS

(NZASB ED 2019-2)

Invitation to Comment

May 2019

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Table of Contents

	Page
Information for respondents	4
List of abbreviations.....	5
Questions for respondents	6
1. Introduction	7
1.1 Purpose of this Invitation to Comment	7
1.2 Background	7
1.3 Timeline and next steps.....	7
2. Overview of Invitation to Comment and ED.....	8
2.1 Summary.....	8
2.2 Amendments to NZ IFRS 10 and NZ IAS 28.....	8
2.3 Amendments to FRS-44	9
2.4 Editorial corrections.....	11
2.5 Effective date and other comments	12
NZASB ED 2019-2 2019 Omnibus Amendments to NZ IFRS	

Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposed amendments to NZ IFRS.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: <https://www.xrb.govt.nz/accounting-standards/standards-in-development/open-for-comment/>.

The closing date for submissions is **16 August 2019**.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IASB	International Accounting Standards Board
IFRS® Standard	International Financial Reporting Standard
ITC	Invitation to Comment
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
RDR	Reduced Disclosure Regime

Questions for respondents

		Paragraphs
1	Do you agree with the proposal to defer the mandatory effective date of <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> (Amendments to NZ IFRS 10 and NZ IAS 8) to annual periods beginning on or after 1 January 2025? If you disagree, please explain why.	8–12
2	Do you agree with the proposed amendment to FRS-44 <i>New Zealand Additional Disclosures</i> that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS? If you disagree, please explain why.	13–19
3	Do you agree that paragraph 6.1 of FRS-44 should be identified as a disclosure concession for Tier 2 for-profit entities? If you disagree, please explain why.	20
4	Do you agree with the proposed amendments to FRS-44 <i>New Zealand Additional Disclosures</i> to delete the paragraphs dealing with the elements in the statement of service performance? If you disagree, please explain why.	21–23
5	Do you agree with the proposed effective date of annual reporting periods beginning on or after 1 January 2020, with early adoption permitted? If you disagree, please explain why.	40
6	Do you have any other comments on the ED?	–

1. Introduction

1.1 Purpose of this Invitation to Comment

1. The purpose of this Invitation to Comment (ITC) and associated Omnibus Exposure Draft (ED) is to seek comments on the proposal to amend a number of NZ IFRS.
2. Some of the amendments are editorial in nature and do not change the requirements in the standards. We are not specifically seeking comments on those editorial corrections, but you may comment on them if you so wish.

1.2 Background

3. During the normal course of business, matters come to our attention that are not urgent but do require amendments to accounting standards.
4. Rather than issuing an ED for each amendment, it is more efficient to propose the amendments to accounting standards in an Omnibus ED.

1.3 Timeline and next steps

5. Submissions on NZASB ED 2019-2 are due by **16 August 2019**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
6. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise these amendments soon afterwards.

2. Overview of Invitation to Comment and ED

2.1 Summary

7. NZASB Exposure Draft 2019-2 *2019 Omnibus Amendments to NZ IFRS* (NZASB ED 2019-2) proposes the following.
- (a) Amendments to NZ IFRS 10 *Consolidated Financial Statements* and NZ IAS 28 *Investments in Associates and Joint Ventures* to defer the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 28) from annual periods beginning on or after 1 January 2020 to annual periods beginning on or after 1 January 2025.
 - (b) Amendments to FRS-44 *New Zealand Additional Disclosures* to:
 - (i) require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity must disclose the information specified in paragraphs 30 and 31 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to that IFRS; and
 - (ii) delete the paragraphs dealing with elements in the statement of service performance.
 - (c) Editorial corrections to:
 - (i) NZ IFRS 7 *Financial Instruments: Disclosures* to delete two RDR paragraphs that are no longer needed;
 - (ii) NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* to update references to legislation;
 - (iii) NZ IAS 39 *Financial Instruments: Recognition and Measurement* to delete paragraphs 103A and amend paragraph 103U to reflect an editorial correction issued by the IASB in December 2018; and
 - (iv) NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* to delete paragraph D1(o) to reflect an editorial correction issued by the IASB in February 2019.

2.2 Amendments to NZ IFRS 10 and NZ IAS 28

8. In September 2014, the IASB issued *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) with an effective date of annual periods beginning on or after 1 January 2016. The NZASB issued the equivalent amendments to NZ IFRS 10 and IAS 28 in October 2014, also with an effective date of annual periods beginning on or after 1 January 2016.
9. In August 2015, the IASB deferred the effective date of those amendments – but did not specify the new effective date. The IASB deferred the amendments “to a date to be determined by the IASB”. In New Zealand, standards are required to have an effective date. Therefore, in February 2016 the NZASB approved *Effective Date of Amendments to NZ IFRS 10 and NZ IAS 28*, which deferred the effective date of the amendments to NZ IFRS 10 and NZ IAS 28 to annual periods beginning on or after 1 January 2020.²

² All legislative instruments in New Zealand are required to have an effective date. Accounting standards are legislative instruments so they are required to have an effective date.

10. The effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) was deferred to enable the IASB to consider more fully the equity method of accounting. The IASB plans to undertake a post-implementation review of IFRS 11 *Joint Arrangements* before considering further the equity method of accounting. As the IASB is still some time away from determining an effective date for these amendments, the NZASB has decided to further defer the effective date of the equivalent amendments in NZ IFRS.
11. NZASB ED 2019-2 proposes to defer the effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 8) to annual periods beginning on or after 1 January 2025.
12. If the IASB specifies an effective date for *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 8) before annual periods beginning on or after 1 January 2025, the NZASB will align the effective date for the amendments in NZ IFRS.

Question for respondents

1. Do you agree with the proposal to defer the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 8) to annual periods beginning on or after 1 January 2025? If you disagree, please explain why.

2.3 Amendments to FRS-44

IFRS issued but not yet effective

13. In accordance with the Accounting Standards Framework, for-profit entities that comply with NZ IFRS should be able to simultaneously assert compliance with NZ IFRS and IFRSs. The NZASB has been made aware of a situation in which this would not be possible and is proposing an amendment to address this matter. This situation arises when the IASB has issued an IFRS Standard but the equivalent NZ IFRS has not yet been issued.
14. Paragraph 16 of IAS 1 *Presentation of Financial Statements* requires an entity to make an explicit and unreserved statement of compliance with IFRSs when the entity's financial statements comply with all the requirements of IFRSs. This requirement is also found in paragraph 16 of NZ IAS 1 *Presentation of Financial Statements*.
15. Paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to disclose:
 - (a) the fact that it has not applied a new IFRS that has been issued but is not yet effective; and
 - (b) information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.
16. Paragraph 31 of IAS 8 lists the type of information that an entity considers disclosing in order to comply with paragraph 30 of IAS 8.
17. Paragraphs 30 and 31 NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are identical to paragraphs 30 and 31 of IAS 8, except that the references to IFRS were changed to NZ IFRS.

18. Although the NZASB considers and issues the New Zealand equivalent to a new IFRS Standard as soon as possible after the IASB issues the standard, the NZASB acknowledges that there may be times when an entity's reporting date falls between the date of the IASB issuing the IFRS Standard and the NZASB issuing the equivalent NZ IFRS. Under these circumstances, an entity would not be able to assert compliance with IFRSs unless it made the disclosures required by paragraphs 30 and 31 of IAS 8 in addition to the disclosures required by NZ IAS 8.
19. To ensure that for-profit entities applying NZ IFRS are able to assert compliance with IFRSs, NZASB ED 2019-2 proposes to add paragraph 6.1 to require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS.

RDR

20. Currently, there are disclosure concessions for Tier 2 for-profit entities for paragraphs 30 and 31 of NZ IAS 8. As paragraph 6.1 of FRS-44 refers to paragraphs 30 and 31 of NZ IAS 8, paragraph 6.1 is identified as a disclosure concession for Tier 2 for-profit entities.

Questions for respondents

2. Do you agree with the proposed amendment to FRS-44 *New Zealand Additional Disclosures* that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS? If you disagree, please explain why.
3. Do you agree that paragraph 6.1 of FRS-44 should be identified as a disclosure concession for Tier 2 for-profit entities? If you disagree, please explain why.

Elements in the statement of service performance

21. Paragraphs 12.1–12.10 of FRS-44 establish requirements that apply when a for-profit entity presents a statement of service performance. They specify the elements of service performance.
22. These requirements were retained in NZ IFRS when FRS-44 was first issued in 2011 as some public sector entities reporting in accordance with for-profit standards were required or chose to present statements of service performance.
23. NZASB ED 2019-2 proposes to delete these paragraphs for the following reasons.
 - (a) The requirements in FRS-44 are no longer consistent with the legislative requirements for some for-profit public sector entities to establish and report against targets and performance measures.³ The relevant legislation is now less prescriptive regarding the terminology to be used in reporting on targets and performance measures.
 - (b) In addition, the requirements in FRS-44 are no longer consistent with the requirements in the PBE Standard dealing with service performance reporting. PBE FRS 48 *Service Performance Reporting* (issued in 2017) establishes principles and requirements for Tier 1 and 2 public benefit entities to present service performance information, but does not require that the terms inputs, outputs and outcomes be used.

³ For example, the Port Companies Act 1988 and the Crown Research Institutes Act 1992.

Question for respondents

4. Do you agree with the proposed amendments to FRS-44 *New Zealand Additional Disclosures* to delete the paragraphs dealing with the elements in the statement of service performance? If you disagree, please explain why.

2.4 Editorial corrections

24. This section of the ITC identifies editorial amendments that are required to NZ IFRS. Some are being proposed by the NZASB in relation to NZ-specific material in NZ IFRS.
25. The remainder have already been issued by the IASB.

Amendments to NZ IFRS 7

26. NZASB ED 2019-2 proposes to delete paragraphs RDR 8.2 and RDR 23.1 of NZ IFRS 7 as these paragraphs are no longer required.

Paragraph RDR 8.2

27. Paragraph 8 of NZ IFRS 7 requires an entity to disclose, either on the face of the statement of financial position or in the notes, the carrying amounts of categories of financial assets and financial liabilities (for example, those measured at fair value through profit or loss and those measured at amortised cost).
28. Paragraphs 8(a) and (e) require a further breakdown of financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss respectively. Paragraph 8 was amended to require this detail by NZ IFRS 9 *Financial Instruments*.
29. Although paragraphs 8(a) and (e) are identified as disclosure concessions paragraph RDR 8.1 still requires that Tier 2 for-profit entities disclose the carrying amounts of financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss. That is, Tier 2 for-profit entities are required to disclose the total amounts rather than the breakdown of financial assets and financial liabilities required by paragraphs 8(a) and (e) respectively.
30. Paragraph RDR 8.2 states that a Tier 2 entity is not required to make the separate disclosure required by paragraph 8(e). This paragraph is not needed because paragraph RDR 8.1 already sets out the requirements for Tier 2 entities.

Paragraph RDR 23.1

31. Paragraph RDR 23.1 requires that a Tier 2 entity disclose more aggregated information than paragraph 23(d). Paragraph RDR 23.1 is no longer needed because paragraph 23 has been deleted from NZ IFRS 7.

Amendment to NZ IAS 26

32. NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* (paragraphs 27 and NZ 36.1) refers to the Superannuation Schemes Act 1989. However, this legislation has been repealed.
33. NZASB ED 2019-2 therefore proposes to amend paragraph NZ 36.1 and the footnote to paragraph 27 to refer to the Financial Markets Conduct Act 2013.

Amendment to NZ IAS 39

34. In December 2018 the IASB issued an editorial correction to the consequential amendments to IAS 39 *Financial Instruments: Recognition and Measurement* that were set out in Appendix C of IFRS 9 *Financial Instruments*. The editorial correction amends one effective date paragraph (paragraph 103U) and deletes another effective date paragraph (paragraph 103A).
35. NZASB ED 2019-2 therefore proposes to amend NZ IAS 39 *Financial Instruments: Recognition and Measurement* by amending paragraph 103U and deleting paragraph 103A.

Amendment to NZ IFRS 1

36. In February 2019 the IASB issued an editorial correction to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The editorial correction deletes paragraph D1(o) of IFRS 1 (which should have been deleted when IFRS 15 *Revenue from Contracts with Customers* was issued).
37. NZASB ED 2019-2 therefore proposes to delete paragraph D1(o) of NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Amendment to 2018 NZ Conceptual Framework

38. In February 2019 the IASB issued an editorial correction to amend the definition of material information in Appendix D of the 2018 *Conceptual Framework*. When the 2018 *Conceptual Framework* was amended by *Definition of Material* (Amendments to IAS 1 and IAS 8), issued by the IASB in October 2018, the definition of material information in Appendix D was unintentionally not updated.
39. This editorial correction will be reflected in the next compiled version of the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* (2018 NZ *Conceptual Framework*). It is not shown in the ED.

2.5 Effective date and other comments

40. The proposed effective date of the amendments in NZASB ED 2019-2 is annual reporting periods beginning on or after 1 January 2020. Earlier adoption is permitted.

Questions for respondents

5. Do you agree with the proposed effective date of annual reporting periods beginning on or after 1 January 2020, with early adoption permitted? If you disagree, please explain why.
6. Do you have any other comments on the ED?