



NZ ACCOUNTING  
STANDARDS  
BOARD

## **Annual Improvements to NZ IFRS 2018–2020**

### **Issued June 2020**

This Standard was issued on 25 June 2020 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 23 July 2020.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date set out in Part D.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 For-profit Accounting Standard is based on *Annual Improvements to IFRS Standards 2018-2020* issued by the International Accounting Standards Board (IASB).

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**CONTENTS**

	<i>from page</i>
<b>PART A: INTRODUCTION</b>	5
<b>PART B: SCOPE</b>	5
<b>PART C: AMENDMENTS TO NZ IFRS</b>	6
<b>AMENDMENT TO NZ IFRS 1 <i>FIRST TIME ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS</i></b>	6
<b>AMENDMENT TO NZ IFRS 9 <i>FINANCIAL INSTRUMENTS</i></b>	7
<b>AMENDMENT TO NZ IAS 41 <i>AGRICULTURE</i></b>	8
<b>PART D: EFFECTIVE DATE</b>	8

The following is available within New Zealand on the XRB website as additional material

**APPROVAL BY THE IASB OF ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018–2020  
ISSUED IN MAY 2020**

**AMENDMENTS TO THE IASB BASIS FOR CONCLUSIONS ON:**

- **IFRS 1 *FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS***
- **IFRS 9 *FINANCIAL INSTRUMENTS***
- **IFRS 16 *LEASES***
- **IAS 41 *AGRICULTURE***

**AMENDMENT TO ILLUSTRATIVE EXAMPLES ACCOMPANYING IFRS 16 *LEASES***

## Part A – Introduction

This document sets out amendments made to NZ IFRS as a consequence of *Annual Improvements to IFRS Standards 2018–2020*.

The following table shows the standards amended and the subject of the amendments.

<b>Standard</b>	<b>Subject of amendment</b>
NZ IFRS 1 <i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i>	Subsidiary as a First-time Adopter
NZ IFRS 9 <i>Financial Instruments</i>	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
NZ IAS 41 <i>Agriculture</i>	Taxation in Fair Value Measurements

## Part B – Scope

**This Standard applies to Tier 1 and Tier 2 for-profit entities.**

## Part C – Amendments to NZ IFRS

### Amendment to NZ IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 39AG and, in Appendix D, paragraph D13A are added. Paragraph D1(f) is amended. New text is underlined and deleted text is struck through.

#### Effective date

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...

**39AG** Annual Improvements to NZ IFRS 2018–2020, issued in June 2020, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

## Appendix D Exemptions from other NZ IFRSs

*This appendix is an integral part of the Standard.*

D1 An entity may elect to use one or more of the following exemptions:

- ...
- (f) cumulative translation differences (paragraphs D12–~~D13A~~ and ~~D13~~);
- ...

### Cumulative translation differences

...

**D13A** Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).

...

## Amendment to NZ IFRS 9 *Financial Instruments*

Paragraph 7.1.9, paragraph 7.2.35 and its heading, and paragraph B3.3.6A are added. Paragraph B3.3.6 is amended. New text is underlined. The requirements in paragraph B3.3.6A have not been amended but have been moved from paragraph B3.3.6.

## Chapter 7 Effective date and transition

### 7.1 Effective date

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...

7.1.9 *Annual Improvements to NZ IFRS 2018–2020*, issued in June 2020, added paragraphs 7.2.35 and B3.3.6A and amended paragraph B3.3.6. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

### 7.2 Transition

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...

7.2.35 An entity shall apply *Annual Improvements to NZ IFRS 2018–2020* to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

## Appendix B Application Guidance

*This appendix is an integral part of the Standard.*

## Recognition and derecognition (Chapter 3)

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...

### Derecognition of financial liabilities (Section 3.3)

...

**B3.3.6** For the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

**B3.3.6A** If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

...

## Amendment to NZ IAS 41 Agriculture

Paragraph 22 is amended and paragraph 65 is added. New text is underlined and deleted text is struck through.

### Recognition and measurement

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- ...
- 22 An entity does not include any cash flows for financing the assets, ~~taxation~~, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).

...

### Effective date and transition

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- ...
- 65 Annual Improvements to NZ IFRS Standards 2018–2020, issued in June 2020, amended paragraph 22. An entity shall apply that amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

## Part D – Effective Date

This Standard shall be applied for annual periods beginning on or after 1 January 2022. Earlier application is permitted.