

Amendments to For-profit Domestic Accounting Standards due to NZ IFRS 18

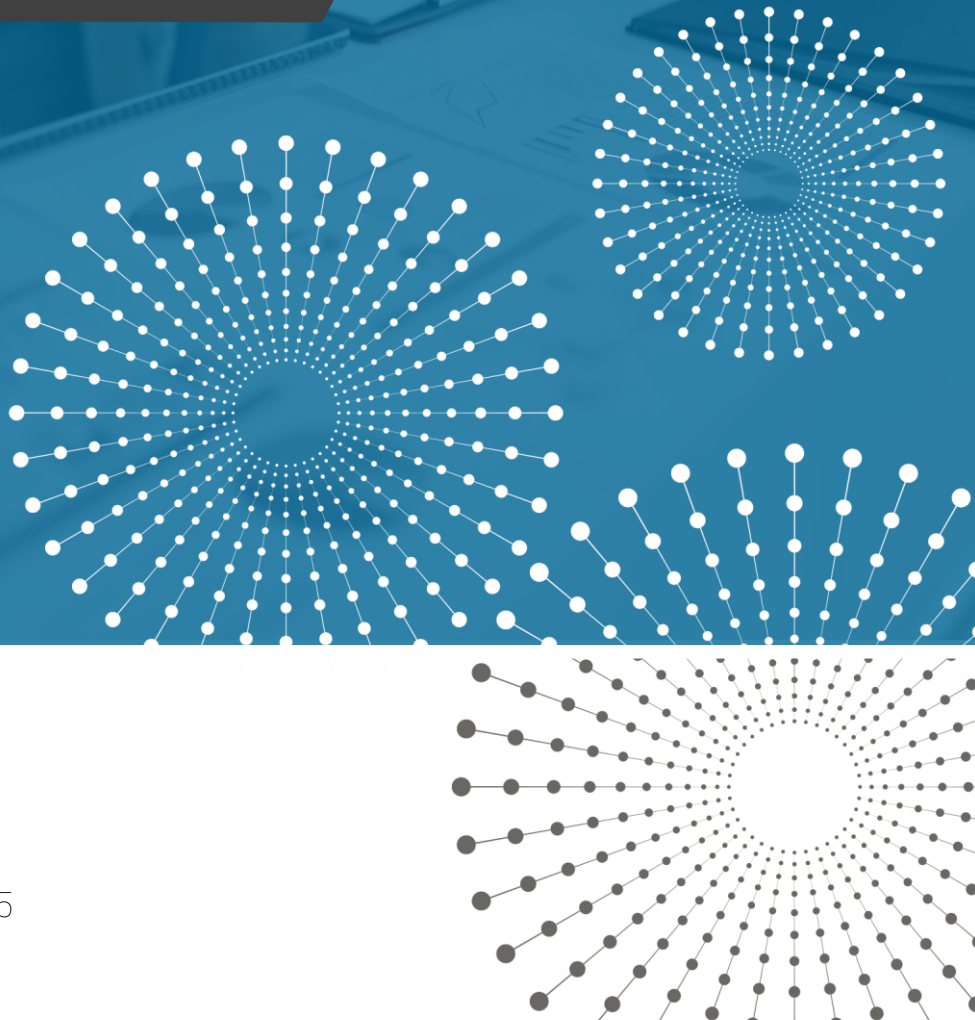
Proposed amendments to FRS-42, FRS-43 and FRS-44

Consultation document



May 2025

Consultation closes 31 July 2025





Contents

Section

1.	What is this consultation about?	2
2.	How to provide feedback	3
3.	Overview of the proposed amendments to FRS-42	4
4.	Overview of the proposed amendments to FRS-43	5
5.	Overview of the proposed amendments to FRS-44	6



Section 1

What is this consultation document about?

We are proposing amendments to the following for-profit domestic standards due to NZ IFRS 18 *Presentation and Disclosure in Financial Statements*:

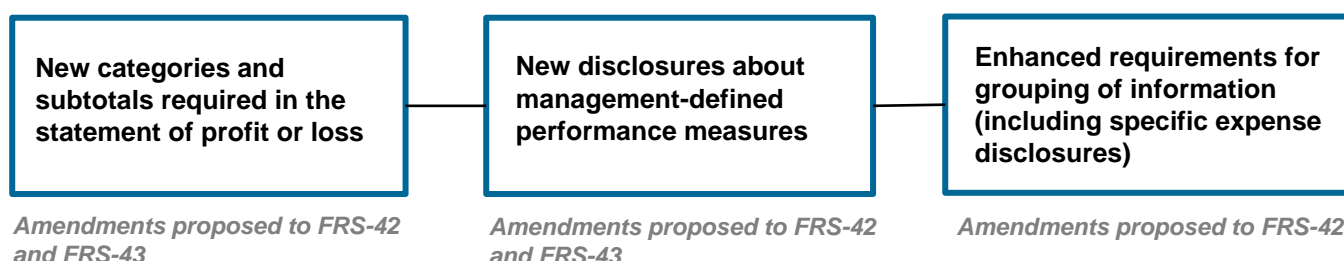
- FRS-42 *Prospective Financial Statements*
- FRS-43 *Summary Financial Statements*
- FRS-44 *New Zealand Additional Disclosures*

These proposed amendments aim to ensure that the presentation requirements for prospective and summary financial statements are consistent, where appropriate, with the requirements for the presentation of historical financial statements under NZ IFRS 18.

We also propose an amendment to the requirement in FRS-44 to reconcile net operating cash flow to profit (loss) when an entity uses the direct method to present its statement of cash flows. This proposed amendment aims to ensure consistency with the requirements in NZ IFRS 18 and NZ IAS 7 *Statement of Cash Flows* (as amended by NZ IFRS 18).

Overview of NZ IFRS 18 and the proposed amendments

NZ IFRS 18 applies to all Tier 1 and Tier 2 for-profit entities. NZ IFRS 18 aims to improve how information is communicated in the financial statements by introducing the following key new requirements.



NZ IFRS 18 is mandatory from 1 January 2027. The proposed amendments would have the same mandatory date.

How do the proposed amendments affect Tier 2 entities?

We do not expect that Tier 2 entities will be preparing prospective or summary financial statements. However, if a Tier 2 entity does engage in these types of reporting, then all the requirements of FRS-42 and FRS-43 apply. This includes the proposed amendments in this consultation relating to those standards.

The proposed amendment to FRS-44 relates to a requirement for which Tier 2 entities already have a disclosure concession. We are not proposing to remove this disclosure concession, and therefore the proposed amendment would not impact on Tier 2 entities who elect to use this disclosure concession.

Section 2

How to provide feedback



Making a submission

We are seeking comments on the questions below. We will consider all comments received before finalising the amendments to FRS-42, FRS-43 and FRS-44.

- Q1. Do you agree with the proposed amendments to FRS-42? If not, why not?**
- Q2. Do you agree with the proposed amendments to FRS-43? If not, why not?**
- Q3. Do you agree with the proposed amendment to FRS-44? If not, why not?**
- Q4. Do you have any concerns with the costs involved in adopting the proposed amendments?**
- Q5. Do you have any other feedback on the ED proposals?**

You can provide feedback to us via:

- the [consultation page](#) on our website (where you can upload a PDF or complete an online form); or
- emailing your formal or informal comments to accounting@xrb.govt.nz

Please include 'Amendments to for-profit domestic accounting standards' in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The consultation closes on **Thursday 31 July 2025**.

Timeline



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

We intend on publishing all submissions on the [XRB website](#), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the XRB website. 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 2020 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.



Section 3

Overview of the proposed amendments to FRS-42

The purpose of FRS-42

FRS-42 establishes principles and specifies minimum presentation and disclosure requirements for entities that are required by legislation or regulation to present general purpose prospective financial statements in accordance with generally accepted accounting practice.

FRS-42 requires an entity presenting general purpose prospective financial statements to present a complete set of prospective financial statements using the best information that could reasonably be expected to be available, and which meet certain qualitative characteristics.

Approach to amending FRS-42 for the impact of NZ IFRS 18

We considered the objective of prospective financial statements, which is to:

enable users of those statements to evaluate the entity's financial prospects and *to assess actual financial results prepared in future reporting periods against the prospective financial statements.*

Considering this objective, we are proposing the following key amendments to FRS-42, to ensure that entities present and disclose prospective information in a manner consistent with actual financial results that will be subsequently prepared under NZ IFRS 18 (for the prospective period).

Include the NZ IFRS 18 principles of aggregation and disaggregation

Require categorisation of income and expenses consistent with NZ IFRS 18

Remove minimum required line items in the statement of profit or loss

Require the presentation of totals and subtotals required under NZ IFRS 18

Require disclosure of certain operating expenses by nature, consistent with NZ IFRS 18

Require disclosure of certain information relating to management-defined performance measures

We are also proposing to clarify that an entity must present and disclose *material* information in prospective financial statements, to ensure that both prospective and historical financial statements are presented in accordance with a similar overarching consideration of this key principle.

Do you agree with the proposed amendments?





Section 4

Overview of the proposed amendments to FRS-43

The purpose of FRS-43

FRS-43 specifies the accounting practice and minimum presentation and disclosure requirements for summary financial statements of entities which are currently reporting in accordance with NZ IFRS. Summary financial statements are intended to meet the information needs of users who do not require all the information contained in full financial statements.

Summary financial statements may be required by legislation, or they may be voluntarily prepared by an entity.

Approach to amending FRS-43 for the impact of NZ IFRS 18

We considered the objective of summary financial statements, which is to:

enable a user to obtain *a broad understanding* of the entity's financial position and performance.

Considering this objective, we are proposing the following key amendments to FRS-43, to ensure that:

- entities can derive summarised information from their full financial statements prepared under NZ IFRS 18; and
- users can obtain a broad understanding of the entity's financial position, performance and cash flows through this summarised information.

Require the presentation of totals and subtotals consistent with those presented in the full financial statements

Retain some minimum line items, but prohibit entities from presenting any of these line items if the full financial statements do not separately present these line items

Require disclosure of certain information relating to management-defined performance measures

Do you agree with the proposed amendments?





Section 5

Overview of the proposed amendments to FRS-44

What is the purpose of FRS-44?

FRS-44 aims to meet the information needs of users who require New Zealand-specific information not contained in IFRS Accounting Standards as adopted in New Zealand.

Proposed amendment to FRS-44

We identified one disclosure requirement within FRS-44 that is impacted by NZ IFRS 18 – paragraph 10 states that:

10. When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to **profit or loss.**

We noted that:

- NZ IFRS 18 requires entities to present an *operating profit or loss* subtotal.
- Paragraph 18 of NZ IAS 7 *Statement of Cash Flows* (as amended by NZ IFRS 18) requires operating profit or loss to be adjusted for certain items when the indirect method is used to report cash flows from operating activities.

To maintain consistency with these other NZ IFRSs, we are proposing to amend paragraph 10 of FRS-44 to ensure consistency with the updated requirements in NZ IAS 7:

10. When an entity uses the direct method to present its statement of cash flows, the financial statements shall provide a reconciliation of the net cash flow from operating activities to **operating profit or loss.**

Do you agree with the proposed amendments?



Level 6, 154 Featherston St Wellington
PO Box 11250 Manners St Central
Wellington 6011 New Zealand

www.xrb.govt.nz

