



New Zealand Equivalent to IFRIC Interpretation 22

Foreign Currency Transactions and Advance Consideration (NZ IFRIC 22)

Issued February 2017 and incorporates amendments to 31 January 2026

This Interpretation was issued on 16 February 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 1993.

This Interpretation is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

This Interpretation 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 16 March 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date in paragraph A1 of Appendix A.

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

This Interpretation has been issued as a result of a new IFRIC[®] Interpretation issued by the International Accounting Standards Board (IASB).

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

ILLUSTRATIVE EXAMPLES
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NZ IFRIC 22

New Zealand Equivalent to IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (NZ IFRIC 22) is set out in paragraphs 1–9 and Appendices A and B. NZ IFRIC 22 is accompanied by IFRIC Illustrative Examples and a Basis for Conclusions.

Any New Zealand additional material is shown with either “NZ” or “RDR” preceding the paragraph number.

Reduced Disclosure Regime

Tier 2 for-profit entities must comply with all the provisions in NZ IFRIC 22.

NZ IFRIC Interpretation 22

Foreign Currency Transactions and Advance Consideration

References

- New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting*¹
- NZ IAS 8 *Basis of Preparation of Financial Statements*
- NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Background

- 1 Paragraph 21 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph 22 of IAS 21 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with IFRS Standards (Standards).
- 2 When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability² before the recognition of the related asset, expense or income. The related asset, expense or income (or part of it) is the amount recognised applying relevant Standards, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.
- 3 The IFRS Interpretations Committee (the Interpretations Committee) initially received a question asking how to determine ‘the date of the transaction’ applying paragraphs 21–22 of IAS 21 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. In discussing the issue, the Interpretations Committee noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, the Interpretations Committee decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

Scope

- NZ 3.1 This Interpretation applies to Tier 1 and Tier 2 for-profit entities.
- 4 This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).
 - 5 This Interpretation does not apply when an entity measures the related asset, expense or income on initial recognition:
 - (a) at fair value; or

¹ The conceptual framework that was in effect when the IASB developed IFRIC 22 was the IASB’s *Conceptual Framework for Financial Reporting*, issued in 2010. IFRIC 22 refers to that framework. The equivalent New Zealand pronouncement was the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010*.

² For example, paragraph 106 of IFRS 15 *Revenue from Contracts with Customers* requires that if a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (ie a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

- (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying NZ IFRS 3 *Business Combinations*).

6 An entity is not required to apply this Interpretation to:

- (a) income taxes; or
- (b) insurance contracts (including reinsurance contracts) that it issues or reinsurance contracts that it holds.

Issue

7 This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

8 Applying paragraphs 21–22 of NZ IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

9 If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Appendix A Effective date and transition

This Appendix is an integral part of NZ IFRIC 22 and has the same authority as the other parts of NZ IFRIC 22.

Effective date

- A1 An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact.

Transition

- A2 On initial application, an entity shall apply this Interpretation either:
- (a) retrospectively applying NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*³; or
 - (b) prospectively to all assets, expenses and income in the scope of the Interpretation initially recognised on or after:
 - (i) the beginning of the reporting period in which the entity first applies the Interpretation; or
 - (ii) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Interpretation.
- A3 An entity that applies paragraph A2(b) shall, on initial application, apply the Interpretation to assets, expenses and income initially recognised on or after the beginning of the reporting period in paragraph A2(b)(i) or (ii) for which the entity has recognised non-monetary assets or non-monetary liabilities arising from advance consideration before that date.

³ When it issued NZ IFRS 18 *Presentation and Disclosure in Financial Statements* in May 2024, the New Zealand Accounting Standards Board of the External Reporting Board changed the title of NZ IAS 8 to *Basis of Preparation of Financial Statements*.

Appendix B

Amendments to other Standards

The amendment in this Appendix shall be applied for annual reporting periods beginning on or after 1 January 2018. If an entity applies this Interpretation for an earlier period this amendment shall be applied for that earlier period.

The amendment contained in this appendix when this Interpretation was issued in 2017 has been incorporated into the relevant pronouncements.

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ Equivalent to IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

This table lists the pronouncements establishing and amending NZ IFRIC 22. The table is based on amendments approved as at 31 January 2026.

Pronouncements	Date issued	Early operative date	Mandatory date (annual reporting periods... on or after ...)
NZ IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	Feb 2017	Early application permitted	1 Jan 2018
<i>Amendments to References to the Conceptual Framework in NZ IFRS</i>	May 2018	Early application permitted	1 Jan 2020
NZ IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	May 2024	Early application permitted	1 Jan 2027

Table of Amended Paragraphs in NZ IFRIC 22

Paragraph affected	How affected	By ... [date]
References	Amended	<i>Amendments to References to the Conceptual Framework in NZ IFRS</i> [May 2018]
References	Amended	NZ IFRS 18 [May 2024]
Paragraph A2 (footnote added)	Amended	NZ IFRS 18 [May 2024]