



Reporting News



Reporting News - Issue 1, 2018

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Welcome to KPMG's Reporting News, a regular summary of publications on reporting matters from KPMG

Reporting News aims to keep you informed about financial reporting developments and includes the following principal newsletters:

- *Reporting Updates* published by KPMG New Zealand, which focus on the application of IFRS in the New Zealand financial reporting environment, legislative and regulatory changes, and other New Zealand-specific reporting topics.
- *Web articles* and other publications from KPMG's International Standards Group, which provide timely updates on developments concerning IFRS.

KPMG International Publications

IFRS 15 for Automotive Suppliers – Are you good to go?

IFRS 15 *Revenue from Contracts with Customers* may change the way automotive suppliers account for various stages of their products, such as framework agreements, tooling arrangements, serial production, modifications and price adjustments. In the past, when major IFRS change has led to large-scale implementation projects, management at companies – usually group financial controllers – have asked us “How will I know when we are done?”

To help you answer that question, we have released our new publication [IFRS 15 for Automotive Suppliers](#) as well as a SlideShare that list the key considerations that all suppliers need to focus on to get to the finish line.

Other IFRS 15 resources:

Our publications also cover guidance for a dozen sectors such as Insurance, Construction, Retail, Pharmaceutical, Technology, and Aerospace and Defence. See [IFRS 15 Revenue – Are you good to go?](#) which will assist you in outlining the key considerations that you need to focus on.

For further insights on IFRS 15, visit our [IFRS – Revenue](#) page where you can also find an [IFRS 15 Transition Toolkit](#) which will help you understand the new

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requirements and decide which transition option to use – it also provides [IFRS 15 Illustrative Disclosures](#).

Our [IFRS blog](#) provides topical insight and discussion, and practical guidance to help you implement the new IFRS accounting standards.

The Transition Resource group discusses important questions regarding IFRS 17

The TRG discussed several questions submitted by stakeholders, including:

- Separating insurance components from a single contract;
- Determining the boundary of certain insurance and reinsurance contracts; and
- Identifying coverage units for the CSM allocation.

Read our summary for a high-level overview of all the topics discussed.

Illustrative Disclosures

IFRS 9 pre-transition disclosures for banks

Users and regulators are showing an increasing interest in understanding the possible impact that the adoption of IFRS 9 will have on the financial statements of banks. As a consequence, significant focus is expected on the pre-transition disclosures.

[Our publication](#) is intended to help banks prepare IFRS 9-related pre-transition disclosures as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for standards that have been issued but are not yet effective in their 2017 financial statements. It comprises Note 45 'Standards issued but not yet effective' of the [Guide to annual financial statements – Illustrative disclosures for banks \(IAS 39\)](#), which has been updated since this December 2016 guide and illustrates what the IFRS 9-related pre-transition disclosures may look like in a bank's 2017 financial statements.

Other IFRS resources aimed at banks:

- Our [IFRS for banks](#) hot topics page keeps you up to date on the latest IFRS developments that directly impact banks, and the potential accounting implications of regulatory requirements.
- Our [Banking Newsletter](#) covers updates on IFRS Developments that directly impacts banks.

Other IFRS 9 resources:

For more insight on accounting for financial instruments, visit the [IFRS – Financial instruments](#) page where you will find the following publications:

- [IFRS 9 for corporates – Are you good to go?](#)
- [Illustrative financial statements and checklists of disclosures](#) – including an appendix on IFRS 9 disclosures.
- Our [IFRS blog](#) provides topical insight and discussion, such as [this blog post](#) which aims to highlight the importance of IFRS 15 for banks, who have understandably been focused on IFRS 9 for the past few years.

Illustrative disclosures for investment funds

[This publication](#) is intended to help entities prepare and present financial statements by illustrating one possible format for financial statements for a fictitious investment fund.

Illustrative disclosures for insurers

[This publication](#) helps insurers prepare and present financial statements in accordance with IFRS by illustrating one possible format for financial statements for a fictitious multinational insurer that applies IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*.

Your essential guide to the new lease disclosures

Our [IFRS 16 Leases supplement](#) focuses on the disclosure requirements in IFRS 16 *Leases*, which are due to become effective for annual periods beginning on or after 1 January 2019. It provides IFRS 16 disclosure examples and explanations as a supplement to the [September 2017](#) guide.

This supplement contains the following illustrative disclosures:

- Primary financial statements;
- Leases note as a lessee and a lessor, including significant accounting policies for lease accounting;

- Investment property note; and
- Changes in accounting policies note.

Proposed RDR for NZ IFRS 16 and NZ IAS 7 (for Tier 2 for-profit entities)

The NZASB has issued an [Exposure Draft](#) which proposes disclosure concessions for Tier 2 for-profit entities for NZ IFRS 16 *Leases* and paragraphs 44A–44E of NZ IAS 7 *Statement of Cash Flows*.

The ED proposes that Tier 2 for-profit entities will be able to apply the disclosure concessions for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This effective date would align with the effective date of NZ IFRS 16.

The NZASB is seeking feedback by 23 April 2018.

Differences between IFRS and US GAAP

Our publication [IFRS compared to US GAAP](#) aims to assist you in understanding the significant differences between IFRS and US GAAP. It does not discuss every possible difference, rather a summary of those differences that we have encountered most frequently, resulting from either a difference in emphasis, specific application guidance or practice.

You might also find our publication [Fair value measurement: Questions and Answers – US GAAP and IFRS](#) useful as it assists in understanding the requirements of, and the differences between IFRS 13 Fair Value Measurement, and Topic 820 Fair Value Measurement.

Do you have operations in the US?

The Tax Cuts and Jobs Act, was enacted on December 22 2017 and is expected to significantly impact companies' accounting for and reporting of income taxes, and the related processes and controls.

Because IAS 12 *Income Taxes*, requires companies to recognize the effect of tax law changes in the period that they are enacted or substantively enacted, the effects must be recognized in companies' December 2017 financial statements, even though the effective date of the law for most provisions is January 1, 2018.

Our publication, [Tax reform in the United States](#) considers the financial reporting implications under IFRS of the Tax Cuts and Jobs Act.

Other KPMG Resources

Employee Benefits: Clearer accounting for defined benefit plans

Targeted amendments have been made to IAS 19 clarifying when to use updated actuarial assumptions, and when to disregard the asset ceiling.

Have a look at [this post](#) to understand how you may be affected.

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Public Benefit Entity News

IPSASB proposes new lease accounting model for the public sector

The International Public Sector Accounting Standards Board (IPSASB) has published for comment Exposure Draft 64 Leases (ED 64). This contains proposals for how you will account for leases and disclose them in financial statements, including leases at below market-terms (concessionary leases).

The proposals remove the distinction between an operating lease and a finance lease. Instead, the lessee and the lessor will apply a right-of-use model to account for leases.

This differs from IFRS 16, which, for lessor accounting, retains the distinction between a finance lease and an operating lease that is currently found in IAS 17 Leases and IPSAS 13 Leases and adopted in PBE IPSAS 13 Leases.

Comments to be sent to the XRB by 31 May 2018.

Go to the [XRB website](#) for further information.

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Other

Are financial reports meeting user needs?

This publication summarises the research into the needs of users of Tier 2 for-profit entity financial reports in New Zealand.

Find out [here](#) how the findings compare with similar research by the XRB for Tier 1 for-profit entities operating in New Zealand.

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Please speak to your usual KPMG contact or call any of our offices should you have any questions on the above or if you would like further information on any of the matters discussed in this publication.

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