



Are you ready?

For-profit entities: New standards

31 December 2017 year-ends

Published 24 January 2018

This document outlines all standards issued by the XRB and the IASB which will be applicable for the first time or available for early adoption by for-profit entities (public benefit entities should refer to Public benefit entities: New standards) for financial years ending 31 December 2017. It will assist preparers of financial reports to:

- Ensure all NZ IFRSs and Interpretations that are mandatory for adoption have been applied in the correct period
- Identify and consider NZ IFRSs and Interpretations not yet mandatory, which may have relevance to an entity upon adoption.

NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires specific disclosures to be made when the adoption of a new or revised NZ IFRS or Interpretation results in a change in existing policy or new policy that is significant. NZ IAS 8 also requires disclosure of the possible impact of relevant NZ IFRSs and Interpretations on issue but not yet adopted. Tables 1 and 3 serve as a checklist to assist in the preparation of such disclosures.

IASB – awaiting approval by the XRB

Table 1: contains all standards and interpretations issued by the IASB that the XRB has yet to endorse. In order to claim compliance with IFRSs, entities must disclose the possible impact of the relevant IASBs and IFRIC Interpretations on issue but not yet adopted. Accordingly, the impact of the IFRSs and IFRICs in Table 1 would need to be included in such disclosures, if relevant. These standards and interpretations cannot be (early) adopted until approval is made by the XRB.

NZ IFRSs and Interpretations currently on issue

Table 2: contains all standards and interpretations that are mandatorily applicable for the first time for years ended 31 December 2017. Entities should ensure that they have adopted all of these standards in the 31 December 2017 financial statements. The standards and interpretations in Table 3 below are available for early

adoption for entities preparing financial statements for this period.

Table 3: includes all standards and interpretations available for early adoption at 31 December 2017. Even if entities are not electing to early adopt these pronouncements, entities should consider the potential impact on their financial statements and make the relevant disclosures in accordance with NZ IAS 8.

Further information

Links to the relevant KPMG resources are included with each of the standards. In some cases, the KPMG resources may not have been released for all new standards and interpretations included in this edition of *For-profit entities: New standards*. Please refer to the KPMG website for the subsequent release of [IFRS News](#) and [Reporting Updates](#).

Table 1: IASB standards and interpretations awaiting approval by the XRB¹

Standards	Effective for periods beginning	KPMG's guidance	Key requirements
<i>Annual Improvements to IFRS Standards 2015-2017 Cycle</i>	1 January 2019	Web Article	Minor amendments and editorial corrections to existing standards, particularly in relation to: <ul style="list-style-type: none">• IFRS 3 <i>Business Combinations</i> – clarifies that a company remeasures its previously held interest in a joint operation when it obtains control of the business.• IFRS 11 <i>Joint Arrangements</i> – clarifies that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.• IAS 12 <i>Income Taxes</i> – clarifies that a company accounts for all income tax consequences of dividend payments in the same way.• IAS 23 <i>Borrowing Costs</i> – clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

¹ These standards and interpretations cannot be early adopted until made by the XRB.

Table 2: NZ IFRSs and interpretations mandatorily applicable for the first time at 31 December 2017

Standards	Effective for periods beginning	KPMG's guidance	Key requirements
<i>Disclosure Initiative (Amendments to NZ IAS 7)</i>	1 January 2017	Web article	Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values).
<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to NZ IAS 12)</i>	1 January 2017	Web article	The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Guidance on how to determine future taxable profit for the recognition test is also provided.
<i>Annual Improvements to NZ IFRSs 2014-2016 Cycle (Amendments to NZ IFRS 12)</i>	1 January 2017	Web article	The amendments clarify that the disclosure requirements in NZ IFRS 12 (other than those in paragraphs B10-B16) apply to all interests in other entities regardless of whether or not they are classified as held-for-sale, as held for distribution to owners or as discontinued operations.

Table 3: NZ IFRSs and interpretations available for early adoption for 31 December 2017 year ends

Standards	Effective for periods beginning	KPMG's guidance	Key requirements
<i>Annual Improvements to NZ IFRSs 2014-2016 Cycle (Amendments to NZ IFRS 1)</i>	1 January 2018	Web article	The amendments delete the short-term exemptions that were contained in Appendix E of NZ IFRS 1 because they have now served their intended purpose.
<i>Annual Improvements to NZ IFRSs 2014-2016 Cycle (Amendments to NZ IAS 28)</i>	1 January 2018	Web article	When an investment in an associate or a joint venture is held by an entity that is a venture capital organisation, or other qualifying entity, the entity may elect to measure that investment at fair value through profit or loss. The amendments clarify that the election is for each associate or joint venture, upon initial recognition.
NZ IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018	Web article (with links to in-depth analysis)	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
<i>Clarifications to NZ IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018	Web article (with links to in-depth analysis)	Clarification of: <ul style="list-style-type: none"> — the application of principle versus agent considerations; — guidance on determining the nature of the entity's promise in granting a licence over intellectual property; — scope and applicability of the application guidance on sales-based or usage-based royalties promised in exchange for a licence or intellectual property; and — practical expedients on transition relating to contract modifications and completed contracts.

Standards	Effective for periods beginning	KPMG's guidance	Key requirements
NZ IFRS 9 <i>Financial Instruments</i>	1 January 2018	Web article (with links to in-depth analysis)	<p>The XRB has released the completed NZ IFRS 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes the previous versions NZ IFRS 9 issued in November 2009, November 2010 and December 2013.</p> <p>The application of the existing versions of NZ IFRS 9 from 1 February 2015 is limited to entities that have already early adopted them.</p>
<i>Classification and Measurement of Share-based Payment Transactions (Amendments to NZ IFRS 2)</i>	1 January 2018	Web article	<p>The amendments clarify:</p> <ul style="list-style-type: none"> — cash-settled share-based payments should be measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method; — classification of share-based payments settled net of tax withholdings; and — accounting for a modification of a share-based payment from cash-settled to equity-settled.
<i>Applying NZ IFRS 9 Financial Instruments with NZ IFRS 4 Insurance Contracts (Amendments to NZ IFRS 4)</i>	1 January 2018	Web article	<p>This amendment addresses the temporary accounting consequences of the different effective dates of NZ IFRS 9 <i>Financial Instruments</i> and the forthcoming insurance contracts Standard.</p> <p>The Amendments to NZ IFRS 4 <i>Insurance Contracts</i>:</p> <ul style="list-style-type: none"> — permit entities whose predominant activities are connected with insurance to defer the application of IFRS 9 until 2021 (the 'temporary exemption'); and — permit all issuers of insurance contracts to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when NZ IFRS 9 is applied before the new insurance contracts Standard is issued (the 'overlay approach')."
NZ IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018	Web article	<p>This interpretation clarifies which exchange rate to use in reporting foreign currency transactions when a payment is made or received in advance.</p>

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<i>Transfers of Investment Property (Amendments to NZ IAS 40)</i>	1 January 2018	Web article	The amendments clarify that: <ul style="list-style-type: none"> an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use; and the list of evidence in paragraph 57(a)-(d) is a non-exhaustive list of examples instead of the previous exhaustive list.
<i>RDR Expected Credit Losses (Amendments to NZ IFRS 7)</i>	1 January 2018	N/A – please refer to the amending standard itself for further information	Provides disclosure concessions for Tier 2 for-profit entities applying NZ IFRS 7 <i>Financial Instruments: Disclosures</i> as amended by NZ IFRS 9 <i>Financial Instruments</i> (as issued in 2014). The concessions are the same as those available under the equivalent Australian accounting standard (AASB 7).
<i>2017 Omnibus Amendments to NZ IFRS</i> <i>Part C: Amendments to other standards</i> <ul style="list-style-type: none"> - NZ IFRS 4 <i>Insurance Contracts</i> - NZ IFRS 7 <i>Financial Instruments: Disclosures</i> - FRS-43 <i>Summary Financial Statements</i> 	1 January 2018	N/A – please refer to the amending standard itself for further information	<ul style="list-style-type: none"> In NZ IFRS 4 the definition of separate financial statements is amended to align with the amended definition in NZ IAS 27. In NZ IFRS 7, the amendment deletes most of the paragraphs in Appendix E New Zealand-specific Additional Disclosure Requirements Applicable to NBDTs that are now redundant because of NZ IFRS 9 <i>Financial Instruments</i>. FRS-43 is amended to align the titles of the financial statements with the wording in NZ IAS 1 and removes wording that is no longer relevant.
<i>2017 Omnibus Amendments to NZ IFRS</i> <i>Part B: Amendments to NZ IFRS 10 Consolidated Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures</i>	1 January 2019	N/A – please refer to the amending standard itself for further information	<ul style="list-style-type: none"> NZ IFRS 10 is amended to require that the ultimate NZ parent shall present consolidated financial statements in accordance with NZ IFRS 10, except where the is an investment entity. NZ IAS 28 is amended to require the ultimate NZ parent to apply the equity method when accounting for investments in associates and joint ventures (except where the parent is an investment entity).
NZ IFRS 16 <i>Leases</i> *	1 January 2019	Web article (with links to in-depth analysis)	NZ IFRS 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

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NZ IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019	Web article	This IFRIC Interpretation aims to reduce diversity in how companies recognise and measure a tax liability or tax asset when the income tax treatment has yet to be accepted by tax authorities.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to NZ IFRS 9)	1 January 2019	Web article	<p>Clarifies that a for-profit entity is required to apply NZ IFRS 9 <i>Financial Instruments</i>, including its impairment requirements, to interests in an associate or joint venture to which the equity method is not applied.</p> <p>These interests include long-term interests that, in substance, form part of the net investment in the associate or joint venture. Such interests may include preference shares, and long-term receivables or loans, but do not include trade receivables, trade payables or any long-term receivables for which adequate collateral exists, such as secured loans.</p>
<i>Prepayment Features with Negative Compensation</i> (Amendments to NZ IFRS 9)	1 January 2019	Web article	The amendment clarifies how to classify a debt instrument if its contractual terms permit the borrower to prepay the instrument at a variable amount that could be more or less than unpaid amounts of principal and interest. Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.
NZ IFRS 17 <i>Insurance Contracts</i>	1 January 2021	KPMG NZ News, May 2017 Web article First impressions	<p>The key principles in the standard require an entity to:</p> <ol style="list-style-type: none"> identify as insurance contracts those contracts that meet the definition of an insurance contract in Appendix A of the standard; separate from the insurance contract specified embedded derivatives, distinct investment components and distinct performance obligations; divide the contracts into groups it will recognise and measure at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin); recognise the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk (unless a group of contracts is or

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			<p>becomes loss-making, in which case the loss is recognised immediately);</p> <ul style="list-style-type: none"> e) present separately insurance revenue, insurance service expenses and insurance finance income or expenses; and f) disclose information that enables users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. <p>Source: NZASB public meeting papers 2 August 2017, item 10.1</p>
<p><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28)</i></p>	<p>The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.</p>	<p>Web article</p>	<p>The amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a 'business' under NZ IFRS 3 <i>Business Combinations</i> (whether housed in a subsidiary or not).</p> <p>The IASB postponed the effective date of this amendment indefinitely pending the completion of its research project on the equity method of accounting. In New Zealand the Financial Reporting Act 2013 requires all accounting standards to have an effective date, accordingly the XRB has deferred the effective date of the amendments to 1 January 2020.</p>

* Early application of NZ IFRS 16 *Leases* is permitted only for entities that also apply NZ IFRS 15 *Revenue from Contracts with Customers*.

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