

## Reporting News



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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.
- *In the Headlines* published by the KPMG International Standards Group, which provide timely updates on developments concerning IFRS.

### Reporting Updates

#### IFRSs issued but not yet effective (30 June 2015)

This publication lists newly effective standards and standards issued but not yet effective for interim and annual periods ending 30 June 2015 and will assist you in complying with the disclosure requirements of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 30.

[Reporting Update RN15-04A – IFRS issued but not yet effective](#)

### IFRS News

#### Performance reporting – Would the proposals settle the debate?

For a long time, the question 'what is performance?' has gone unanswered, causing heated debate:

- what is the dividing line between profit or loss and OCI;
- should some performance, namely OCI, be recycled; and
- is OCI just a 'dumping ground' for anything controversial?

The IASB's [recent exposure draft](#) on its Conceptual Framework makes proposals, but they don't seem to set any founding principles and are therefore unlikely to resolve the long-standing issue of performance reporting.

Read our [latest web article](#) to find out more. Comments are due to the NZASB by 9 October 2015 and to the IASB by 26 October 2015.

## Communicating effectively through non-GAAP information

The European regulator, ESMA, has published its final guidelines on alternative performance measures (APMs), which are interchangeably referred to as KPIs and 'non-GAAP information'. Its aim is to promote the publication of transparent, neutral and comparable information on financial performance to users.

ESMA's guidelines represent another step in a long-standing debate over how best to present KPIs – to make that information more consistent, transparent and reliable. To date, regulators around the world, including [IOSCO](#), have taken different approaches to this type of information. This recent development could help drive consistency in this area.

Read our [web article](#) to find out more or go to [ESMA's press release](#).

## Other KPMG Publications

### IFRS Newsletter: Financial Instruments, Issue 24

Further progress has been made on the IASB's project on financial instruments with characteristics of equity.

After the project restarted in earnest last month, the Board has begun identifying the features of claims that are relevant to distinguishing between liabilities and equity.

As a first step, the Board discussed features that are relevant in measuring claims at its June meeting.

The next challenge is to explore how these features affect users' information needs.

Read Issue 24 of our [IFRS Newsletter: Financial Instruments](#) to find out more.

### IFRS Newsletter: Insurance, Issue 46

This edition of *IFRS Newsletter: Insurance* highlights the IASB's discussions in June 2015 on its insurance contracts project.

The IASB made substantial progress this month in its quest to find a workable solution for participating contracts.

The Board decided:

- to unlock the contractual service margin for changes in the estimate of the variable fee for service that an entity expects to earn on a direct participating contract;
- the criteria for an insurance contract to qualify as a direct participating contract; and
- that an entity would recognise the contractual service margin in profit or loss on the basis of the passage of time for participating contracts.

Also, in an education session, the Board considered the unintended consequences of the variable fee approach for entities that hedge interest rate risk using derivative contracts, and discussed feedback on applying IFRS 9 *Financial Instruments* before the new insurance contracts standard.

Read issue 46 of our [IFRS Newsletter: Insurance](#) to find out more.

### IFRS Newsletter: Banking, Issue 18

Many implementation projects for IFRS 9 *Financial Instruments* focus on the new expected credit loss model. However, banks shouldn't underestimate the impact of other changes – in particular, the judgement required, and the potential complexities involved, in assessing how a financial asset should be classified. We discuss some of these challenges in the context of a lending arrangement.

We also discuss how the leverage ratio is encouraging banks to consider the size of their balance sheet. This may involve a review of whether client money should be recognised on-balance sheet. The accounting analysis is usually very specific to the particular facts and circumstances, so we highlight some of the key factors to consider.

Also in this issue: IFRS 9 developments and the IASB's projects on macro hedging and the distinction between liabilities and equity.

Read issue 18 of our [IFRS Newsletter: Banking](#) to find out more.

## Further information

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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