

## 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

No Reporting Updates this issue.

### In the Headlines

No In the Headlines this issue.

### Other KPMG Publications

#### Enhancing auditor reporting: Providing insight and transparency

For some time, investors have demanded more than a binary pass/fail opinion from the auditor's report. The new international auditor reporting requirements – effective for December 2016 year ends – give auditors the opportunity to share more insight with investors.

The main change is that auditors will be required to describe in the audit reports of listed companies the key areas they focused on in the audit and what audit work they performed in those areas.

Our publication *Enhancing auditor reporting* discusses how investors, audit committee members and company management may be affected by the new requirements, and lists some steps they may consider taking in preparation for the change.

Watch our [video](#), and download your copy of [Enhancing auditor reporting: Providing insight and transparency](#).

## IFRS Newsletter: Financial Instruments, Issue 25

The IASB plans to issue a second discussion paper on its macro hedge accounting project before publishing an exposure draft.

As a first step, at its July 2015 meeting the Board approved the staff's proposed scope and approach for identifying the information needs of constituents.

The Board also made further progress on its project on financial instruments with characteristics of equity. It identified the features of claims that are relevant to the assessments that users might make using information in the financial statements.

Read Issue 25 of our [IFRS Newsletter: Financial instruments](#) for a summary of recent developments.

## IFRS Newsletter: Insurance, Issue 47

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

In July, the Board continued its discussions on the accounting consequences of temporary volatility and accounting mismatches in profit or loss caused by the different effective dates of IFRS 9 *Financial Instruments* and the forthcoming insurance contracts standard.

Having considered the options to address these consequences, it tentatively decided to amend IFRS 4 *Insurance Contracts*. An entity would be permitted to remove the impact of applying IFRS 9 from profit or loss, subject to certain limitations.

Issue 47 of our [IFRS Newsletter: Insurance](#) explains the decision and outlines the Board's discussions.

## IFRS News

### A clearer view of IFRS 15

Users and preparers of financial statements have said they find aspects of IFRS 15's revenue requirements unclear.

Following its announcement of a [one-year deferral](#) of the effective date to 2018, the IASB has now published [proposed amendments](#) to the new standard.

The FASB plans several detailed exposure drafts, but the IASB expects to issue just this one set of targeted amendments.

The proposals relate to licences, identifying performance obligations, principal-agent considerations and transitional provisions.

Now that the IASB's proposals are out, the big question is how they might affect your implementation plan.

Find out more with our [SlideShare presentation](#).

In New Zealand, the NZASB is encouraging constituents to comment to the NZASB or IASB on the proposals, as the amendments are likely to be adopted as NZ equivalents without further consultation.

Comments are due to the NZASB by 2 October 2015 and to the IASB by 28 October 2015.

Further information is available from the [XRB website](#).

### 2018 effective date for IFRS 15

The IASB has confirmed a one-year deferral of the effective date of its new revenue standard.

Companies are now required to apply IFRS 15 *Revenue from Contracts with Customers* no later than 1 January 2018. Early adoption continues to be permitted. The amendment has not yet been endorsed by the NZASB for application in New Zealand, however it is expected to do so shortly.

This decision at the IASB meeting on 22 July is consistent with the [decision](#) reached by the FASB earlier this month.

Visit our [IFRS – Revenue](#) hot topics page for further information on the new revenue standard.

### IASB proposes deferral of the effective date of amendments to IFRS 10 and IAS 28

The IASB has published an Exposure Draft proposing to defer indefinitely the effective date of narrow scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* until the research project on the equity method has been concluded. However, the option to early adopt the

amendments is maintained. These amendments to the standards affect recognition of gain or loss when assets are transferred between an investor and its associates or joint ventures.

In New Zealand, the NZASB is encouraging constituents to comment to the NZASB or IASB on the proposals, as the deferral of the effective date is likely to be adopted as NZ equivalents without further consultation.

Comments are due to the NZASB by 25 September 2015 and to the IASB by 9 October 2015.

Further information is available from the [XRB website](#).

## Other

### **XRB Communiqué 2015/10 – 17 August 2015**

The XRB is seeking constituents' views on some changes it proposes to make to the Accounting Standards Framework (the Framework). The proposed changes affect XRB A1 and all of the accounting standards to some extent.

The changes do not affect the multi-standards approach or the tier structure that underlie the approved Framework.

The changes have been made to:

- take into account recent legislative changes;
- reflect the XRB's tentative decision to describe the way Tier 1 and Tier 2 accounting requirements are described;
- clarify the definition of "public accountability" as it applies to trusts and FMC reporting entities; and
- reflect the Framework following its staged implementation.

The Invitation to Comment and Exposure Drafts can be downloaded [here](#). Comments are due by Friday 16 October 2015.

### **NZASB Communiqué 2015/21 – 17 August 2015**

The IASB is seeking views about its standard-setting priorities during the next 5 years, releasing a document for comment entitled *Request for Views 2015 Agenda Consultation*.

The IASB carries out projects in three broad areas, being:

- Research projects;
- Standard-setting projects; and
- Maintenance and implementation projects.

It is important that the IASB is working on the issues of most relevance to users of financial statements, and that there is the right balance of work across the three broad areas.

The IASB's agenda consultation is relevant to for-profit entities, because the XRB is committed to adopting the international standards issued by the IASB. Therefore, this is your opportunity to influence the IASB agenda, which ultimately affects the accounting standards for New Zealand for-profit entities.

Comments are due to the NZASB by 4 December 2015 and to the IASB by 31 December 2015.

Further information is available on the [XRB website](#).

### **NZASB Communiqué 2015/20 – 6 August 2015**

The International Public Sector Accounting Standards Board (IPSASB) has published a Consultation Paper entitled *Recognition and Measurement of Social Benefits*. Social benefits are benefits payable to citizens to lessen the effect of circumstances that could adversely affect their welfare, such as unemployment benefits and universal superannuation.

The matters discussed in the Consultation Paper are relevant for Tier 1 and Tier 2 public sector public benefit entities (PBEs).

The Consultation Paper gives you an opportunity to influence a future proposed International Public Sector Accounting Standard (IPSAS) on social benefits. It is important to take this opportunity, because the XRB has a policy that establishes a rebuttable presumption that the NZASB will adopt a new or amended IPSAS as a PBE Standard. Therefore, if you have comments about the appropriate accounting of social benefits, this is your chance to let the XRB know.

The Consultation Paper identifies three broad approaches to account for social benefits:

- An obligating event approach. Under this approach, obligations to pay social benefits are seen as no different from other obligations. The key issue is when a present obligation arises.
- A social contract approach. Under this approach, obligations are recognised when they become enforceable (or when claims for social benefits are approved).

- An insurance approach. Under this approach, an insurance accounting model is used to measure social benefits similar in practice to insurance contracts at the net present value of their cash inflows and outflows.

Comments are due to the NZASB by 18 December 2015 and to the IPSASB by 31 January 2016.

Further information is available from the [XRB website](#).

### **NZASB Communiqué 2015/17 – 30 July 2015**

The Board has issued two PBE Standards amendments:

- *Disclosure Initiative* (Amendments to PBE IPSAS 1)

This Standard clarifies existing requirements in PBE IPSAS 1 *Presentation of Financial Statements* and encourages PBEs to apply professional judgement in determining the information to disclose in their financial statements. As a result, PBEs should take the opportunity to focus disclosures on what is most relevant and important to users and remove immaterial disclosures, thereby helping to address disclosure overload in their financial statements.

- *2015 Omnibus Amendments to PBE Standards*

This Standard amends the PBE Accounting Standards for minor editorial corrections and to align them with some changes to NZ IFRSs and IPSASs as a consequence of the IASB's and IPSASB's Annual Improvements projects.

Both of these standards apply to Tier 1 and 2 PBEs and are effective for annual financial statements covering periods beginning on or after 1 January 2016.

These Standards are available on the [Not-For-Profit PBEs Standards](#) page as well as [Public Sector PBEs Standards](#) page (the Standards are identical on both pages).

### **NZASB Communiqué 2015/16 – 24 July 2016**

The New Zealand Accounting Standards Board has published for public comment an exposure draft (ED) that would allow entities, in certain circumstances, not to recognise donated goods at the date of acquisition. The ED is relevant for Tier 1 and 2 public benefit entities.

The Exposure Draft contains the following proposals:

- Entities do not have to recognise goods in-kind at the date of acquisition where it is not practicable to measure reliably the fair value of the goods in-kind such that the costs of recognising the goods in-kind at the date of acquisition outweigh the benefits.
- Where goods in-kind are intended for sale and the entity makes a judgement that it is not practicable to measure reliably the fair value of the goods at the date of acquisition such that the costs of recognising the donated goods at the date of acquisition outweigh the benefits, an entity will be permitted to recognise the revenue in the period when the goods in-kind are sold.

Comments are due to the NZASB by 30 October 2015.

Further information is available from the [XRB website](#).

### **NZASB Communiqué 2015/15 – 23 July 2015**

The New Zealand Accounting Standards Board held its most recent meeting on 21 July 2015. The main matters considered at the meeting included:

#### *Service performance reporting*

The Board considered the draft Exposure Draft on service performance reporting that would form part of the PBE Standards, and agreed a number of changes. However, the Board deferred a discussion about the proposed scope. The Board will further consider the draft Exposure Draft, and discuss the proposed scope, at a future meeting.

#### *Public accountability*

The Board agreed to recommend that the XRB amend ED XRB A1 to include:

- a paragraph to clarify the words "holds assets in a fiduciary capacity for a broad group of outsiders" as it applies to trusts; and
- an amendment to clarify which FMC reporting entities do not have public accountability.

You can access the papers discussed at the meeting on the [XRB website](#).

## 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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