

Reporting News



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

KPMG's Insights into IFRS – Your tool for applying IFRS

New standards, a surge in M&A activity, continued pressure for better business reporting... all of these factors make this a challenging (and interesting) time for the preparers of financial statements.

Insights into IFRS is your tool to help you apply IFRS to real transactions and arrangements, by providing in-depth and easily understandable guidance on the application of the standards – based on the experiences of our practitioners of IFRS. It can be used alongside our suite of *Guides to annual financial statements* to form your complete guide to the year end.

Organised by topic and reflecting standards in issue at 1 August 2015, Insights emphasises the application of IFRS in practice and explains the conclusions reached on many interpretative issues.

The [overview](#) edition provides a high-level briefing for audit committees and boards.

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To find out what's new in the 12th Edition or to order your hardy copy of Insights into IFRS, [visit KPMG's Global IFRS Institute](#).

Guides to annual financial statements 2015

Our *Guides to annual financial statements* help you to prepare your financial statements in accordance with IFRS, illustrating one possible format for financial statements based on a fictitious multinational corporation and helping you to identify which disclosures may be required.

These updated guides reflect IFRSs in issue at 1 August 2015 that are required to be applied by a company with an annual reporting period beginning on 1 January 2015.

[Guide to annual financial statements – Illustrative disclosures](#)

[Guide to annual financial statements – Disclosure checklist](#)

New on the Horizon: Clarifications to IFRS 15

The new revenue standard, IFRS 15, has been the subject of intense scrutiny and interpretative focus.

In response, the IASB proposed a series of clarifications in July 2015. We gave our insight at the time – and now we provide our detailed analysis.

The IASB is proposing to amend four key areas of IFRS 15 that users and preparers of financial statements say they find unclear:

- licensing;
- principal vs agent;
- identifying performance obligations; and
- transition.

If there are any issues in this ED that concern you, there is still a limited time to submit your comments to the IASB. The deadline for submissions is 28 October 2015.

Read our [New on the Horizon: Clarifications to IFRS 15](#) for our detailed analysis on the proposals and what they could mean for your business.

IFRS Newsletter: Leases, Issue 18

A 2019 effective date was agreed for the new leases standard at the IASB's final public meeting on the project.

IFRS 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted IFRS 15 *Revenue from Contracts with Customers*.

Having also cleared five remaining sweep issues identified during the drafting process, the IASB expects that its new leases standard will be ready for publication in December 2015.

Read issue 18 of our [IFRS Newsletter: Leases](#) for a summary of recent developments.

IFRS Newsletter: Financial instruments, Issue 26

Some challenges have been identified in applying IAS 32 *Financial Instruments: Presentation* to the classification of financial instruments with characteristics of equity.

At its September meeting, the IASB's discussions focused on the classification of non-derivatives.

The Board discussed the extent to which the requirements in IAS 32 capture the features that users need to make their assessments, and considered three possible classification approaches.

The classification of derivatives will be considered at a future meeting.

Read Issue 26 of our [IFRS Newsletter: Financial instruments](#) for a summary of recent developments.

IFRS Newsletter: IFRS 9 impairment, Issue 2

The new expected credit loss model for the impairment of financial instruments has triggered a variety of implementation issues.

At its second substantive meeting, the IFRS Transition Resource Group for Impairment of Financial Instruments (the ITG) discussed a number of issues that were submitted by stakeholders.

The IASB Board members believed that estimates of expected credit losses on revolving credit facilities should not include losses on draw-downs that exceed contractual credit limits.

Additionally, ITG members appeared to agree that internal credit risk ratings and behavioural indicators may be valuable tools in applying the new standard.

On most issues, members of the group generally appeared to agree on the interpretation of the standard. In some cases, they provided further clarifications to help preparers implement the requirements.

For each issue submitted, the IASB will consider what action – if any – is required. The ITG's next meeting is planned for 11 December 2015.

Read our [IFRS Newsletter: IFRS 9 Impairment](#) for the latest discussions on the impairment requirements in IFRS 9 *Financial Instruments*.

IFRS Newsletter: The Bank Statement, Issue 19

The size of a bank's balance sheet can have a direct impact on the size of its capital requirements. But should client clearing transactions be on a clearing member's balance sheet? In this quarter's newsletter, we explore some of the accounting issues involved.

In the past year, certain benchmark interest rates have become negative and remained so. This creates real economic challenges, but also leads to accounting issues that have not previously been considered. We discuss some of the common questions.

Also in this issue: EFRAG's endorsement advice on IFRS 9 *Financial Instruments* and updates on the IASB's projects.

For more detail, read Issue 19 our [IFRS Newsletter: The Bank Statement](#).

IFRS Newsletter: Insurance, Issue 48

At its September meeting, the IASB reached a number of decisions on its planned response to the differing effective dates of the forthcoming insurance contracts standard and IFRS 9 *Financial Instruments*.

As part of those decisions, the Board agreed to propose an optional deferral of the effective date of IFRS 9 at the reporting entity level for certain companies that issue contracts in the scope of IFRS 4 *Insurance Contracts*. It will seek feedback on the deferral option and an alternative proposal later this year.

Many decisions were also reached on participating contracts. The Board focused on disaggregating changes in participating contracts caused by changes in market variables, and on addressing accounting mismatches arising from hedging activities for direct participating contracts.

The Board has now completed most of its redeliberations, and expects the remainder to be completed soon. It expects to issue a final standard in 2016.

Read Issue 48 of our [IFRS Newsletter: Insurance](#) for a summary of recent developments.

IFRS News

NZ companies benefit from ASX listing rule changes

Entities listed on the main board of the New Zealand Securities Exchange (NZX) who wish to apply for dual listing on the Australian Securities Exchange (ASX) will now be subject to significantly reduced financial and other admission criteria. Following a period of consultation, ASX has received regulatory approval to amend its Listing Rules to facilitate dual listings by New Zealand companies. The changes will also allow any NZX entity that currently has a direct ASX listing to apply to change its admission category to an ASX Foreign Exempt Listing provided it meets certain conditions.

Further information is available in the [ASX's Compliance Update 10/15](#).

NZASB Communiqué 2015/26: 23 October 2015

Have your say on clarifications to income tax and foreign currency requirements

The International Accounting Standards Board (IASB) is proposing clarifications to its existing standards on income tax and foreign currency. The NZASB is seeking constituent's views on the proposals, as they will be adopted in New Zealand for application by for-profit entities once issued by the IASB.

The IASB's proposals relate to:

- the accounting treatment of income tax when there are uncertainties associated with tax calculations (such as when uncertainties arise from unresolved disputes with Inland Revenue); and
- the exchange rate to be used when foreign currency is received or paid in advance (such as when a deposit is paid to an overseas supplier for a fixed asset, which would be converted at the spot exchange rate on the date of payment

of the deposit).

The IASB's proposals are set out in two draft interpretations:

- [DI/2015/1](#) IASB Draft IFRIC Interpretation *Uncertainty over Income Tax Treatments*; and
- [DI/2015/2](#) IASB Draft IFRIC Interpretation *Foreign Currency Transactions and Advance Consideration*.

Comments are due to the NZASB by 14 December 2015 and to the IASB by 19 January 2016.

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

NZASB Communiqué 2015/24 - 16 September 2015

Public Benefit Entity Consultation on a new Conceptual Framework

The New Zealand Accounting Standards Board (NZASB) has published for public comment an Exposure Draft of a new Public Benefit Entity Conceptual Framework. The Exposure Draft is entitled ED NZASB 2015-7 *PBE Conceptual Framework*.

The proposals in the Exposure Draft are relevant for public benefit entities applying PBE Standards (Tier 1 and Tier 2) and PBE Simple Format Reporting - Accrual Standards (Tier 3).

The proposed Public Benefit Entity Conceptual Framework is based on *The Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities* issued by the International Public Sector Accounting Standards Board (IPSASB), and it has been enhanced to make it suitable for all public benefit entities in New Zealand. When finalised, it would be issued as an Authoritative Notice and supersede the current *Public Benefit Entities' Framework* (PBE Framework).

It is difficult to assess the impact of the proposed PBE Conceptual Framework as the development of a new conceptual framework does not automatically lead to changes in standards. The impact of a new conceptual framework occurs more gradually as it influences the development of new and revised standards within specific projects.

We encourage you to read the Exposure Draft and comment on the proposals. Comments are due to the NZASB by 15 February 2016.

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

NZAuASB Communiqué 2015/19: 2 October 2015

NZAuASB issues final standards to improve Auditor's Report

The New Zealand Auditing and Assurance Standards Board (NZAuASB) has issued 1 new and 6 revised auditor reporting standards designed to enhance auditors' reports for users of financial statements. These will be effective for audits of financial statements for periods ending on or after 15 December 2016, with early adoption permitted.

Key changes, that will have a significant impact on the auditor's report and all participants in the financial reporting supply chain include:

A new requirement for auditors of FMC reporting entities considered to have a higher level of public accountability to communicate "Key Audit Matters" - those matters that the auditor views as most significant, with an explanation of how they were addressed in the audit. (There is a two year transition period for non-listed entities);

Revisions to increase the auditor's focus on going concern matters including disclosures in the financial statements and enhanced auditor reporting on going concern; and

Clarification and strengthened scope and focus of auditor's efforts on other information included in an entity's annual report, including new reporting responsibilities.

The new and revised standards are available on the [XRB website](#).

[NZAuASB Communiqué 19: 2 October 2015](#)

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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