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.

IN THIS ISSUE

KPMG NZ Reporting Updates

Standards issued but not yet effective (30 September 2015)

This publication lists newly effective standards and standards issued but not yet effective for interim and annual periods ending 30 September 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 and PBE IPSAS *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 35.

Reporting Update RN15-07A – Standards issued but not yet effective

KPMG Global Publications

Revenue – New disclosure requirements

All companies are impacted by the new disclosure requirements of IFRS 15. Effective for annual periods beginning on or after 1 January 2018, it introduces extensive new quantitative and qualitative requirements.

Our illustrative disclosures supplement will help you to navigate the new requirements and enable you to focus on the information that is relevant to users of financial statements.

If you haven't assessed the wider impact of the new revenue standard yet, we would encourage you to visit our IFRS Revenue topic page.

Applying the materiality concept

Making financial statement disclosures more relevant and less boilerplate is one of the IASB's key focus areas. New proposals on applying materiality are the latest step in the Board's disclosure initiative.

Too often, immaterial information either obscures or takes the place of information that would be useful to users of financial statements. The Board's latest draft practice statement aims to clarify the materiality concept and provide practical guidance to help management apply it to financial statements.

The NZASB is also seeking views about the proposed practice statement for application in New Zealand.

Comments are due to the NZASB by 22 January 2015 and the IASB by 26 February 2016. We encourage you to submit your views.

Read our web article to find out more.

ESMA focuses on improving quality

The European regulator, ESMA, has issued statements on improving the quality of financial statement disclosures and enforcement priorities for 2015.

Concerns have been raised over the quality and quantity of disclosures in financial statements and ESMA notes that, despite national initiatives, relatively few issuers have responded. To address this, it has published five key principles, aimed at encouraging companies to improve the quality of financial statement disclosures.

The regulator has also outlined the areas of focus for European regulators when reviewing IFRS financial statements for the year ended 31 December 2015.

Read our web articles to find out more about ESMA's statements on improving disclosures and enforcement priorities.

Conceptual framework – further substantial work is needed

Many constituents, including ourselves, had high hopes for the IASB's conceptual framework project: if the founding principles in the conceptual framework are robust, then a set of internally consistent accounting standards that reduce complexity, improve comparability and lead to a faster, less controversial standard-setting process will follow.

We acknowledge the progress made in a number of areas, but would have liked the Board to deal with some fundamental issues that are essential to the conceptual framework – such as performance reporting and the dividing line between equity and liabilities – in the framework itself, rather than in separate projects.

The proposals are a step forward. However, this is not the end of the journey, as in our view, further substantial work is needed.

Read our comment letter to understand KPMG's position on the proposals.

IFRS Newsletter: Financial instruments, Issue 27

The classification of derivatives on own equity was the focus of the IASB's October meeting, as the Board continued its discussions on financial instruments with characteristics of equity.

The Board discussed the challenges of accounting for derivatives on own equity, and how IAS 32 *Financial Instruments: Presentation* deals with those challenges.

The next step for the project will be to further address the conceptual challenges of the 'fixed-for-fixed' condition in IAS 32.

At the October meeting, the Board also continued its discussions on measures to address the differing effective dates of IFRS 9 *Financial Instruments* and the forthcoming insurance contracts standard. In addition, the Board received an update on the activities of the Transition Resource Group for Impairment of Financial Instruments ('the ITG').

Read Issue 27 of our IFRS Newsletter: Financial instruments for a summary of recent developments.

IFRS Newsletter: Insurance, Issue 50

The IASB took another step toward publishing its new insurance contracts standard, having completed most of its technical deliberations.

At its November meeting, the Board evaluated the differences between the general measurement model and the variable fee approach, considered the accounting treatment for discretionary cash flows, and made decisions on issues arising from the variable fee approach.

The Board will further discuss the treatment of discretion in participating contracts, as well as the due process steps, at an upcoming meeting. The effective date will be discussed when the publication date is more certain.

Read Issue 50 of our IFRS Newsletter: Insurance for a summary of recent developments.

IFRS News

Investment property – clarifying guidance on transfers

The IASB has published proposals which aim to clarify the guidance on transfers to – or from – investment properties. The amendment is included in a document entitled ED/2015/9 *Transfers of Investment Property* (Proposed amendment to IAS 40).

The NZASB is also seeking views about the proposed amendment for application in New Zealand. Once the IASB issues the amending standard, the NZASB will issue an equivalent amending standard in New Zealand. Therefore, this exposure draft is your opportunity to comment on the proposals that will be issued in New Zealand and applicable for for-profit entities.

Further information on the investment property proposal is available from the XRB website.

Comments are due to NZASB by 19 February 2016 or directly to the IASB by 18 March 2016.

Annual improvements to IFRS

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued an exposure draft – Annual Improvements to IFRSs 2014–2016 Cycle.

The proposals clarify that:

- the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution; and
- a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

The ED also includes an amendment to remove outdated exemptions for first-time adopters of IFRS.

The NZASB is also seeking views about the proposed amendments for application in New Zealand. Once the IASB issues the amending standard, the NZASB will issue equivalent amending standards in New Zealand. Therefore, this exposure draft is your opportunity to comment on the proposals that will be issued in New Zealand and applicable for for-profit entities.

Further information on the Annual Improvements proposals is available from the XRB website.

Comments are due to the NZASB by 22 January 2016 or directly to the IASB by 17 February 2016.

Other

Financial Markets Conduct Regulations amended

While the Financial Markets Conduct Regulations 2014 (FMC Regulations) covered the detail necessary for the Financial Markets Conduct Act 2013 (FMC Act) to come into force on 1 December 2014, the size and complexity of the reforms meant the Government needed to defer some non-urgent matters.

The recently released Financial Markets Conduct Amendment Regulations 2015 (2015 Amendments) address some of these matters and some remedial issues that have emerged during implementation of the FMC regime.

The 2015 Amendments mostly relate to disclosure requirements and tailor the regime for non-standard situations that were deferred when the FMC Regulations were made.

The 2015 Amendments will commence on a staggered basis. Most provisions will come into force on 1 December 2015 but some will come into force on 17 December 2015 or 1 June 2016.

Further information on the key changes in the 2015 amendments is available on the FMA website.

FMA guidance note on risk indicators and description of managed funds

The FMA has recently released guidance on the risk indicator, primarily intended for managers and supervisors of managed funds. It explains how to calculate and present the risk indicator, when to update a PDS when there is a change in the risk category and how the fund's volatility should be described. It also discusses naming conventions for funds.

Guidance note

New rules for companies

From 29 October 2015, all New Zealand companies must have at least one director who either lives in New Zealand or who lives in Australia and is a director of a company incorporated in Australia. This is part of a number of changes under the Companies Amendment Act 2014 which came into force on 1 May 2015, but companies had a further 180 days to prepare for this particular requirement. Failure to comply with this requirement could result in removal from the Companies Register.

Further information is available in the government media release.

Small registered charities – new reporting standards resources

Charities Services has recently published a range of useful information to help small registered charities apply the new reporting standards (Tier 3 and Tier 4 of the new framework). They have produced a brief video explaining the new reporting standards in simple terms and a series of 'get started' videos to help registered charities understand how to apply the new reporting requirements:

- Tier 3 resources, information and get started videos
- Tier 4 resources, information and get started videos

NZASB Communiqué 2015/28: 2 November 2015

The New Zealand Accounting Standards Board held its most recent meeting on 27 October 2015. The main matters considered at the meeting included:

Standards approved for issue

The board approved *Effective Date of NZ IFRS 15* to be finalised and issued, which delays the effective date to 1 January 2018 to align with the international version of the standard.

In addition, the Board approved amendments to for-profit and PBE accounting standards as a consequence of XRB A1 and other amendments.

PBE interests in other entities

The Board continued to consider the Exposure Drafts relating to Interests in Other Entities, in particular the appropriateness of the proposed ED PBE IPSAS 35 *Consolidated Financial Statements* for entities with predetermined activities. The Board will continue its discussions at a future meeting.

For-profit RDR

The Board considered some outstanding issues regarding the approach to be taken to revising the Reduced Disclosure Regime (RDR) for for-profit entities. The Board tentatively agreed that the presentation of the primary financial statements by Tier 1 and Tier 2 for-profit entities should be the same and that disclosure concessions should be provided for NZ IAS 1, 8 and 10. The Board will consider a staff draft of the revised RDR at a future meeting.

You can access the papers discussed at the meeting on the XRB website.

NZASB Communique 28: 2 November 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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