



# Reporting News



## Reporting News - Issue 1, 2017

08 March 2017

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.
- *Web articles* and other publications from KPMG's International Standards Group, which provide timely updates on developments concerning IFRS.

### KPMG NZ Reporting Updates

#### Accounting for natural disasters

The recent large earthquakes in New Zealand and across the globe continue to impact the lives of many people. This publication is a refresher of our July 2011 publication, to help remind those of you affected by the recent earthquakes get through the difficult times.

[Reporting Update 17RU01A – accounting for natural disasters](#)

#### NZ IFRS Illustrative financial statements

We have published our illustrative guide on annual financial statements. The updated guide reflects the standards that were in issue at 15 August 2016 and would be applied for financial statements beginning on 1 January 2016. It applies to for-profit entities in New Zealand reporting under Tier 1 and Tier 2, including the RDR concessions.

The guide also contains disclosures on the possible impacts of standards issued but not yet effective. In addition, they include a new appendix illustrating the effects of adopting NZ IFRS 9 *Financial Instruments*.

A copy of the guide can be downloaded [here](#).

### In this issue

- Guide on NZ IFRS illustrative financial statements (for for-profits Tier 1 & 2)
- IFRS compared to US GAAP – 2016 edition
- Investment funds – Your essential guide to disclosures
- Integrated reporting and Better Business Reporting
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40 *Investment Properties*
- New PBE Standards
- NZASB & NZAuASB Communiqués

## KPMG International Publications

### IFRS 15 – 10 reasons why CFOs should be worried

“On a daily basis, I’m getting calls from clients who are expressing surprise that their IFRS 15 conversion project isn’t going to be as straightforward as they first thought.

Why? Well, they’ve usually either identified a broader range of contract terms than expected – making the impact of IFRS 15 far greater – or they’ve underestimated the commercial opportunities presented by the new standard.”

Nick Chandler, UK Head of Accounting Advisory Services at KPMG, examines the reasons why CFOs should be worried about the new revenue requirements and his tips for avoiding a crisis.

You can read more [here](#), and also access our [practical guidance](#) to help you navigate and make a smooth transition to the new standard.

### IFRS compared to US GAAP – 2016 edition

Convergence between IFRS and US GAAP has looked increasingly uncertain over the past few years and now, with the IASB and the FASB pursuing their own, independent agendas, our current two-GAAP world looks set to continue.

Therefore, an understanding of the differences between IFRS and US GAAP continues to be important to preparers and users of financial statements.

With this in mind, KPMG International has published the 2016 edition of *IFRS compared to US GAAP*, along with an [overview](#) version providing a high-level briefing for audit committees and boards.

### Investment funds – Your essential guide to disclosures

Our Guide to annual financial statements – Illustrative disclosures for investment funds helps your clients to prepare their financial statements in accordance with IFRS. It illustrates one possible format for financial statements based on a fictitious investment fund, to help identify which disclosures may be required.

This guide reflects standards in issue at 15 December 2016 that are required to be applied by an entity with an annual period beginning on 1 January 2016.

A copy of the guide can be downloaded [here](#).

### Providing insight into business strategy and prospects

There’s a gap between what investors need to know and what corporate reports are telling them.

When evaluating companies, investors firmly focus on the future. Last year’s earnings may be a good starting point, but what about the company’s strategy and its progress implementing it? How will this drive value? Although corporate reports could answer these questions, many don’t.

The International Integrated Reporting Council (IIRC) has issued a [SlideShare](#) presenting an overview of the key principles of integrated reporting, targeted at investors and produced in association with KPMG. Companies seeking to apply these principles to close their reporting gap may be interested in the IIRC’s [Integrated Reporting Framework](#).

Read our [web article](#) to find out more. You’ll also be able to find out more about [Better Business Reporting](#) from our website.

## Other IFRS News

### NZ IFRIC 22 clarifies accounting treatment of foreign currency transactions

For foreign currency transactions involving an advance payment or receipt, current IFRS is unclear as to which date – and therefore, which exchange rate – should be used for translation. To address the lack of clarity, the IFRS Interpretations Committee has issued IFRIC 22 *Foreign Currency Transactions and Advance Consideration*. The NZASB subsequently approved the New Zealand equivalents to this Interpretation on 8 February 2017.

The effective date of the Interpretation for annual reporting periods beginning on or after 1 January 2018, but earlier adoption is permitted. A high-level summary of the Interpretation can be found in our [SlideShare presentation](#).

## **Amendments to NZ IAS 40 *Investment Properties***

The IASB has amended the requirements in IAS 40 *Investment Property* to clarify that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. The NZASB subsequently adopted this amending standard on 8 February 2017.

The amendments apply for annual periods beginning on or after 1 January 2018, with early adoption permitted. Read our [web article](#) to find out more.

## **Final Insurance standard expected in May 2017**

The International Accounting Standards Board (IASB) received an update on the insurance contracts project at its Board meeting yesterday. The staff informed the Board that it should expect sweep issues from the fatal flaw review of IFRS 17 to be discussed at the February Board meeting.

As a result, the staff now expect to publish the final standard in May 2017.

The staff also stated that, over the next few months, they will consider the objective and scope of a transition resource group to provide adequate support for IFRS 17 implementation. Once the standard is issued by the IASB, the New Zealand Accounting Standards Board (NZASB) will consider the standard for adoption in New Zealand.

We will be publishing an update on the detail of the sweep issues, and the conclusions reached by the IASB, shortly after the February meeting.

## **Annual improvements to IFRS**

### ***Annual Improvements to IFRS Standards 2014–2016 Cycle***

The NZASB has approved this amending standard issued by the IASB, which contains amendments to:

- NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards;
- NZ IFRS 12 Disclosure of Interests in Other Entities; and
- NZ IAS 28 Investments in Associates and Joint Ventures.

The amendments have a range of effective dates, with the earliest being for annual periods beginning on or after 1 January 2017.

A copy of the amending standard can be found on the [XRB's website](#).

### ***Annual Improvements to IFRS Standards 2015–2017 Cycle***

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued an exposure draft – *Annual Improvements to IFRS Standards 2015–2017 Cycle*.

Proposed amendments relate to IAS 12 *Income Taxes*, IAS 23 *Borrowing Costs*, IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9 *Financial Instruments*. Read our [web article](#) to find out more and to access KPMG's insight on the proposals.

Once the IASB issues the final amendments, the NZASB will issue equivalent amendments in New Zealand for those for-profit entities that apply NZ IFRS. Comments can be submitted to the XRB before 17 March 2017, or directly to the IASB by 12 April 2017, with a copy to the NZASB.

## **Revision of Reduced Disclosure Regime (RDR)**

The New Zealand Accounting Standards Board (NZASB) and the Australian Accounting Standards Board (AASB) have jointly developed a proposed RDR decision-making framework.

When finalised, this framework will form a joint Policy Statement to be used for determining disclosure requirements for entities reporting in accordance with Tier 2 For-profit Accounting Requirements, that is, NZ IFRS Reduced Disclosure Regime (RDR).

The proposed framework will provide a more robust approach and consistent basis for developing Tier 2 disclosure requirements.

A copy of the Exposure Draft, along with supplementary staff analysis can be accessed from the [XRB's website](#).

Comments can be sent to the NZASB by 26 May 2017.

## **Public Benefit Entity News**

### **New Public Benefit Entity Standards issued**

The NZASB has issued several new PBE Standards and an amending Standard which affect both public sector and not-for-profit entities.

#### ***PBE Interest in Other Entities***

- [PBE IPSAS 34 \*Separate Financial Statements\*](#);
- [PBE IPSAS 35 \*Consolidated Financial Statements\*](#);

- [PBE IPSAS 36 \*Investments in Associates and Joint Ventures\*](#);
- [PBE IPSAS 37 \*Joint Arrangements\*](#); and
- [PBE IPSAS 38 \*Disclosure of Interests in Other Entities\*](#)

These new standards are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. They supersede PBE IPSASs 6 to 8.

#### ***PBE IFRS 9 Financial Instruments***

This Standard gives PBEs the opportunity to early adopt a PBE Standard that is based on NZ IFRS 9 Financial Instruments, from the point at which NZ IFRS 9 becomes effective.

Entities likely to consider early adoption of PBE IFRS 9 include those that are part of a mixed group (being a group that includes both PBEs and for-profit entities) or those that want to adopt the new hedge accounting requirements.

In considering whether to early adopt PBE IFRS 9, you will need to consider the impact of all the new requirements in PBE IFRS 9, including the new classification and impairment requirements.

PBE IPSAS 29 Financial Instruments: Recognition and Measurement will continue to be available for several years until an international project on financial instruments has been completed.

PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

A copy of PBE IFRS 9 Financial Instruments can be accessed from the [XRB's Website](#).

#### ***2016 Omnibus Amendments to PBE Standards***

This amending Standard contains amendments to PBE Standards arising from Chapters 1 to 4 of the Public Benefit Entities' Conceptual Framework, Improvements to IPSASs 2015 and IASB® narrow scope-amendments to IFRS® Standards. It also contains editorial corrections.

The amendments have a range of effective dates, with the earliest being for annual periods beginning on or after 1 January 2017.

A copy of the 2016 Omnibus Amendments can be accessed from the [XRB's Website](#).

[NZASB Communiqué 2017/01](#)

#### **Exposure Draft on Employee Benefits**

The NZASB is seeking feedback on an exposure draft (ED) based on IPSAS 39 *Employee Benefits*.

The proposals in ED NZASB 2016-11 PBE IPSAS 39 *Employee Benefits* are relevant for public benefit entities (PBEs) in both Tiers 1 and 2. They are intended to align the requirements for employee benefits in PBE Standards with those in IPSAS 39 *Employee Benefits*.

The International Public Sector Accounting Standards Board (IPSASB) issued IPSAS 39, which replaces IPSAS 25 *Employee Benefits*, in 2016. IPSAS 39 was the result of a limited scope project to maintain convergence between the employee benefit requirements in IPSASs and IAS 19 Employee Benefits (as amended in 2011).

The changes made as a result of this project include removing the "corridor approach" and amending some disclosure requirements.

The NZASB proposes that PBE IPSAS 39 be effective for periods beginning on or after 1 January 2019. However, PBEs that want to early adopt PBE IPSAS 39 can choose to do so.

Comments can be sent to the NZASB by 31 March 2017.

[NZASB Communiqué 2016/30](#)

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