

Reporting News – Issue 7, 2016



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

For-profit entities – Standards issued but not yet effective (30 September 2016)

This publication lists newly effective NZ IFRS standards and standards issued but not yet effective for for-profit entities with interim and annual periods ending 30 September 2016 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 RN1607A – For-profit standards issued but not yet effective](#)

Public benefit entities – Standards issued but not yet effective (30 September 2016)

This publication lists newly effective PBE standards and PBE standards issued but not yet effective for public benefit entities with interim and annual periods ending 30 September 2016 and will assist you in complying with the disclosure requirements of PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*, paragraph 35.

[Reporting Update RN1607B – PBE standards issued but not yet effective](#)

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KPMG International Publications

Quick guide into IFRS app

The KPMG *Quick Guide into IFRS* App is now available for free download in the App-stores for iPhone/iPad and Android.

The app features:

- A digital pocket size summary of KPMG's Insights into IFRS, including search functionality;
- Decision trees that help applying IFRS in specific situations;
- A digital glossary into common IFRS terminology; and
- Links to KPMG's thought leadership on current hot topics such as IFRS 15 and IFRS 16.

Click [here](#) to download for iPhone/iPad from the App Store

Click [here](#) to download for Android on Google Play

Accounting for insurance contracts is changing

The final insurance contracts standard is expected to be issued within the next few months. Implementing the new requirements will be very complex, so it's time to engage.

Our publication – *Accounting for insurance contracts is changing* – can help you assess the extent of the impact, so that you can address the wider business implications and meet the expectations of stakeholders and regulators.

There's a version for [life insurers](#), and one for [general insurers](#). You may also be interested in our SlideShare presentations for [life](#) and [general](#) insurers, which give a high-level visual summary of the coming changes.

Financial reporting implications of Brexit

It's not just British businesses that will be affected by the short-term uncertainty and volatility arising from the UK's vote to leave the EU. Businesses outside the UK with significant exposure to the UK market will need to consider how their financial statement estimates, judgements and disclosures will be affected.

KPMG's Audit Committee Institute in the UK has produced a document that addresses the initial accounting and reporting impacts of the referendum outcome. The briefing is written from the perspective of audit committees of British companies, but the issues for consideration are generally relevant also for groups outside the UK that are impacted by the referendum.

[Brexit: Financial reporting implications](#)

Other IFRS News

IASB webcast: IFRS 15 – Implementation update on revenue from contracts with customers

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) are hosting a joint webcast that discusses implementation of the requirements in *Revenue from Contracts with Customers* (IFRS 15 and FASB Accounting Standards Codification Topic 606).

Topics of discussion will include:

- an overview of the revenue model;
- an update on recent implementation activities, including standard-setting and the Transition Resource Group for Revenue Recognition;
- resources available to help with implementation questions;
- disclosures; and
- an audience question-and-answer session.

During the live webcast, the audience will have the opportunity to submit questions to the panellists. The web presentation is free, but registration is required. To register for the webcast, [click here](#).

An archive of the webcast, which can be accessed via the [IFRS 15 Implementation page](#), will be available until 14 December 2016.

Revenue – Regulator calls for transparency on IFRS 15 impacts

The European regulator, ESMA, has issued a [public statement](#) promoting consistent application of IFRS 15 *Revenue from Contracts with Customers* and transparent disclosure in the lead up to initial application.

In particular, the statement sets out ESMA's expectations with respect to an issuer's disclosures on the potential impacts of the initial application of IFRS 15 in its 2016 and 2017 annual financial statements and interim financial statements during 2017.

Although ESMA's statement is European in its scope, regulatory bodies outside of Europe with a practical interest in managing the transition to the new standard are likely to have similar expectations. Therefore, entities in other jurisdictions may find the statement a useful guide when considering the disclosures they include in their annual and interim financial statements in the lead up to and in the year of initial application of IFRS 15.

NZASB issues amendments to Share-based Payment standard

The NZASB has issued *Classification and Measurement of Share-based Payment Transactions* (Amendments to NZ IFRS 2), which amends NZ IFRS 2 *Share-based Payments*. This amendment affects for-profit entities.

It clarifies how to account for certain types of share-based payment transactions and addresses the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amending standard is effective for periods beginning on or after 1 January 2018, with earlier application permitted.

[Read the amending standard on the XRB website.](#)

Public Benefit Entity News

Exposure draft on 2016 Omnibus Amendments to PBE Standards

The New Zealand Accounting Standards Board (NZASB) has published for public comment an Exposure Draft to amend existing PBE Standards entitled: ED NZASB 2016-8 2016 *Omnibus Amendments to PBE Standards*.

This contains the following proposals:

- a. amendments arising from Chapters 1-4 of the *Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework)*;
- b. amendments arising from *Improvements to IPSASs 2015* (Part II);
- c. amendments arising from IASB amendments; and
- d. editorial corrections.

Most of the proposed amendments clarify requirements in standards.

The amendments to PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 27 *Agriculture* are more substantive and reflect the changes made by the International Accounting Standards Board (IASB) in its amending standard *Agriculture: Bearer Plants*.

The proposals in ED NZASB 2016-8 are relevant for Tier 1 and Tier 2 public benefit entities.

Comments are due to the NZASB by 11 November 2016. Go to the [XRB website](#) for further information.

IPSASB issues consultation paper on Public Sector specific financial instruments

The CP covers 3 types of financial instruments used specifically by the public sector:

- Currency in circulation
- International Monetary Fund (IMF) Quota Subscription and Special Drawing Rights (SDRs)
- Monetary Gold

The paper seeks preliminary views on accounting for these three types of financial instruments. It will be relevant for Tier 1 and Tier 2 public sector public benefit entities (PBEs) only.

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, it is important that Tier 1 and Tier 2 public sector PBEs take this opportunity to comment on the preliminary views and options provided in the CP.

Comments are due to the NZASB by 2 December 2016 and to the IPSASB by 31 December 2016.

Access the [consultation paper](#) and the "[At a glance](#)" summary on the XRB website [here](#).

NZASB Communiqué 2016/23 – 15 August 2016

The New Zealand Accounting Standards Board (NZASB) met in Wellington on 4 August 2016. The main matters considered at the meeting were:

- **PBE IFRS 16 *Leases*** - The Board agreed to conduct outreach to assist in further consideration of whether to develop a PBE IFRS 16 Leases Standard, particularly with mixed groups and PBEs with users that may be concerned about different lease accounting requirements between the PBE sector and for-profit sector. The Board will continue to keep a watching brief on the IPSASB's Leases Project.
- **ED PBE IPSASs 34-38 *Interests in Other Entities*** - The Board received a high-level overview of the submissions received. A full analysis of the submissions will be considered at a future meeting.
- **IPSASB revenue project update** - The Board received an education session on the IPSASB's Revenue Project. The Board will continue to monitor project developments, with an IPSASB Consultation Paper expected to be issued for comment later in 2017.

Other

NZAuASB Communiqué 2016/13 – 22 August 2016

The International Auditing and Assurance Standards Board (IAASB)'s Integrated Reporting Working Group has released a Discussion Paper: [Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements](#).

The Working Group is seeking input from all those involved in the external reporting supply chain to gain a better understanding of how the IAASB-as the global standard setter-can contribute to the quality of different engagements, in the public interest, and where others can or need to play a role.

External reporting is evolving, globally and in New Zealand, and various professional services are being performed, including assurance engagements. This is an important opportunity for New Zealand stakeholders to share their views on this evolving area, recognising that the New Zealand Auditing and Assurance Standards Board (NZAuASB)'s strategic objective is to adopt international standards where they are generally applicable and appropriate in the New Zealand context.

The Discussion Paper explores:

- the factors that can enhance credibility and trust, internally and externally, in relation to emerging forms of external reports;
- the types of professional services covered by the IAASB's international standards most relevant to these reports, in particular assurance engagements;
- the key challenges in relation to assurance engagements; and
- the type of guidance that might be helpful to support the quality of these assurance engagements.

The working group has also developed material to supplement the Discussion Paper, including FAQs. This material, as well as more information and updates on the project, are available on the IAASB's project page [here](#).

Comments are due to the NZAuASB by 18 November 2016 and to the IAASB by 15 December 2016.

NZAuASB Communiqué 2016/12 – 4 August 2016

The New Zealand Auditing Standards Board held its most recent meeting on 27 July meeting. The main matters discussed at the meeting include:

- **NOCLAR approval** – Amendments to PES 1 *Responding to Non-Compliance with Laws and Regulation* were approved. This redefines the assurance practitioner's ethical role when laws and regulations are broken;
- **Assurance standard on compliance engagements** - the board approved the ED of SAE 3100 *Compliance Engagements* for release;

- **Auditing standard on service performance** – discussions are ongoing and the board expects to release an ED later in the year; and
- **Research projects update** - staff are to commence a project to better understand the types of 'other assurance' engagements currently being undertaken in practice using the SAE 3000 suite of standards.

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

[NZAuASB Communiqué 2016/12](#)

NZAuASB Communiqué 2016/11 – 3 August 2016

Survey consultation on the IAASB's 2017-2018 work plan

The International Auditing and Assurance Standards Board (IAASB) is seeking feedback from a wide range of stakeholders to assist the Board in evaluating its priorities for 2017-2018, and allocating its resources in the best way possible. The IAASB's current work plan prioritizes standard setting in relation to the fundamental topics of accounting estimates, professional skepticism, quality control, risk assessment, and group audits. However, it is also actively debating the implications for practitioners of developments in data analytics, integrated reporting, and emerging forms of external reporting.

Recognising that the New Zealand Auditing and Assurance Standards Board's (NZAuASB) strategic objective is to adopt international standards where they are generally applicable and appropriate in the New Zealand context-and therefore the NZAuASB's work plan is directly linked to the IAASB's work plan-this is an important opportunity for New Zealand stakeholders to share your views on how the topics should be prioritised.

You can either respond directly to the IAASB, and/or you can share your views with the NZAuASB – read more on the XRB website [here](#).

Responses are due by 30 September 2016.

Financial markets updates

FMA legislative notices supporting the FMC Act regime

With less than 3 months until the end of the transitional period to the FMC Act, the FMA has been working, in consultation with the sector, on various legislative tools such as exemptions, frameworks, methodologies, public accountability notices, and designations (the FMA's legislative tools).

The FMA has recently updated their [regulatory update](#) summarising:

- the legislative notices that have already been issued to support the FMC Act regime;
- some recent decisions;
- the matters for which they are still exploring legislative tool solutions.

[Regulatory Update: FMA legislative notices supporting the FMC Act regime](#)

Work to do on corporate governance disclosure, FMA finds

New Zealand listed companies publicly disclose about two-thirds of the corporate governance information that the FMA believes would be useful to investors. However, on average, unlisted companies provided only 24% of the recommended governance information.

The FMA has completed a [review of corporate governance disclosures](#) by 45 companies, listed and unlisted. Good corporate governance is one of the FMA's strategic priorities because it is an important contributor to transparency and efficiency in capital markets. In 2014 the FMA published a [Corporate Governance Handbook](#) comprising nine corporate governance principles.

The FMA has reviewed information provided in public disclosures by companies about how they address the principles. The resulting [report](#), released last month, is not an assessment of the quality of corporate governance in New Zealand companies - rather, it reports the extent to which New Zealand companies are providing information about their approach to corporate governance; which is a good indicator of how seriously companies are taking the corporate governance principles.

Read the full release on the FMA website [here](#).

European recognition of FMA oversight of auditors

The European Commission has announced its recognition of the New Zealand audit oversight regime as equivalent to EU standards, permitting NZ-regulated auditors to operate in the European Union.

With this announcement, the Commission has concluded that the New Zealand systems of public oversight, quality assurance, investigation and penalties for auditors and audit firms are equivalent of that of the Member States of the European Union. This recognition will allow New Zealand auditors to continue to audit financial statements of entities listed on EU markets.

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.

Please click here if you wish to [subscribe to future updates](#).

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