Reporting News

IN THIS ISSUE

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 June 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 June 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 RN1604A – For-profit standards issued but not yet effective

Public benefit entities - Standards issued but not yet effective (30 June 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 June 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 RN1604B – PBE Standards issued but not yet effective

KPMG International Publications

IFRS 15 *Revenue from Contracts with Customers* – Issues in-depth

Now that the IASB has issued its clarifications to IFRS 15, we have the final version of the standard that you will be required to apply by 2018.

The XRB have also issued a New Zealand equivalent amending standard, entitled *Clarifications to NZ IFRS 15* Revenue from Contracts with Customers. The amendments can be found on the XRB website here.

If you haven't already made a start, it's time to engage. You'll need to assess the extent of the impact, so that you can address the wider business implications and meet the expectations of stakeholders and regulators.

In our last Reporting News, we referred you to our web article and revised First Impressions for a high level overview of the requirements of IFRS 15, highlighting key impacts and potential next steps.

We've gained extensive insight and hands-on experience in the US and globally. And we're now delighted to share our experience with you in this second edition of Revenue – Issues In-Depth. It's almost twice as long as the first edition, with more examples and discussion of the areas that companies have found most complex, as well as the latest IASB and FASB developments.

Many have been surprised at the length and complexity of the assessment and implementation phases. If you haven't already made a start, it's time to engage – to meet the expectations of stakeholders and regulators.

Whether you are just making a start or well advanced in your implementation project, use this publication to help you navigate the complexities of this standard.

Climate-related disclosures

Climate change is emerging as a threat to the stability of the financial system, but few companies currently disclose climate-related financial risks. This is set to change.

Mark Carney – the Chair of the Financial Stability Board (FSB) and Governor of the Bank of England – has formed the Task Force on Climate-related Financial Disclosures in response to requests by G20 finance ministers and Central Bank governors.

The Task Force is chaired by Michael Bloomberg, and its main aim is to recommend best practice for companies to (voluntarily) disclose the financial risks they face from climate change in their mainstream financial reporting. KPMG is the only firm of the Big 4 currently to have a partner on the Task Force.

Given its profile, the Task Force's recommendations are likely to have significant implications for corporate financial reporting – particularly in terms of information provided to support decision-making by companies and their financial stakeholders.

The Task Force issued its Phase 1 preliminary report on 1 April 2016 and is expected to deliver its final report to the FSB by the end of 2016.

Read our briefing document to find out more.

IFRS Newsletter: Financial instruments, Issue 29

Further progress has been made in exploring ways to present useful information not captured by a binary classification approach.

At its April meeting, the Board continued to look at the separate requirements for liabilities that depend on a residual amount and the attribution of profit or loss and other comprehensive income (OCI) to equity claims other than ordinary shares.

To move the project forward, the Board will consider refinements to the definition of the residual amount. It will also further consider the presentation of income and expense that depend on a residual amount in profit or loss or OCI, the attribution approaches for derivative equity claims and disclosure requirements for equity claims.

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

IFRS Newsletter: Insurance, Issue 53

More companies will be able to benefit from the temporary exemption from applying IFRS 9 Financial Instruments, thanks to decisions taken by the IASB this month.

The Board has responded to feedback by agreeing to broader qualifying criteria for the temporary exemption. It has also confirmed aspects of the overlay approach and amended some disclosures, which may enhance comparability between entities.

The IASB is on track to publish its final amendments to IFRS 4 *Insurance Contracts* in September 2016.

Find out more in our IFRS Newsletter: Insurance.

IFRS Newsletter: The Bank Statement, Issue 21

With less than two years until IFRS 9 *Financial Instruments* becomes effective, most banks are engaged in the heavy lifting phase of their implementation projects: replacing their 'old-style' impairment models with new ones able to measure expected credit losses.

This requires a view on possible future economic conditions and how these conditions will impact credit quality. We look at some of the emerging practices in this complex area.

Also in this quarter's newsletter: the latest round of change for client-clearing for over-the-counter derivatives, disclosure of the likely impacts of IFRS 9 and our usual updates on IFRS 9 and the IASB's projects.

For more detail, read our IFRS Newsletter: The Bank Statement.

Other IFRS News

IASB staff webcast: IFRS 16 exemptions

The IASB staff have recorded a web presentation discussing the recognition exemptions for lessees in IFRS 16 *Leases* with Board Member Sue Lloyd.

Those exemptions relate to short-term leases and leases of low-value assets. This is the fourth in a series of webcasts that the International Accounting Standards Board (the Board) is providing to support the implementation of IFRS 16.

In the webcast, the IASB staff discuss the IFRS 16 requirements relating to the recognition exemptions and obtain insights from Sue Lloyd, including her views on:

- the Board's rationale for providing the exemptions and determining their scope;
- the kinds of leases the Board had in mind when discussing the exemptions, including practical examples of leases that are, or are not, captured by the exemptions; and
- implementation questions that have been raised by lessees to date.

The webcast can be accessed via the Leases implementation page.

The forthcoming insurance contracts standard – IASB webinar series

In January 2016, the International Accounting Standards Board (IASB) completed its planned technical decisions for the forthcoming insurance contracts Standard, which is due to be released by the end of 2016. The IASB has launched a new weekly series of webinars providing an overview of the forthcoming Standard.

At the time of our last Reporting News, the first three episodes had been completed. Since then, the remainder of the series has been released:

4. Subsequent measurement of insurance contracts
5. Modifications to the general model: variable fee contracts
6. Other modifications to the general model
7. Presentation and disclosure
8. Applying the Standard for the first time

The full webinar series is accessible here.

Public Benefit Entity News

NZASB Communiqué 2016/12 - 9 May 2016

The New Zealand Accounting Standards Board held its most recent meeting on 4 May 2016. The main matters considered at the meeting are summarised below:

PBE Conceptual Framework

The Board considered the submissions received on the proposed PBE Conceptual Framework and approved the PBE Conceptual Framework for issue. The PBE Conceptual Framework will supersede the current PBE Framework, which was issued in 2013 and revised to incorporate not-for-profit enhancements in 2014.

IPSASB ED 60 Public Sector Combinations

The Board provided feedback on the draft comment letter on IPSASB ED 60 *Public Sector Combinations*. The Board will consider an updated draft comment letter at its next meeting.

Board discussion included consideration of the proposed approaches for accounting for public sector combinations, and whether the application of these resulted in appropriate and consistent outcomes when accounting for different types of public sector combinations.

PBE IFRS 9 Project Update

The Board received an update on how the project to develop an exposure draft of a PBE Standard based on IFRS 9 *Financial Instruments* (PBE IFRS 9) is progressing (more information on this project can be found in NZASB Communiqué 2016/8).

The Board intends to consider an exposure draft at its next meeting in June.

Prospective Financial Statements

The Board discussed the current scope of FRS-42 *Prospective Financial Statements* and PBE FRS 42 *Prospective Financial Statements*, in particular the intended scope in relation to general purpose prospective financial information.

Before considering any potential clarifications to the scope of FRS-42 and PBE FRS 42, the Board agreed to seek further information to understand the issues being encountered in practice.

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

NZASB Communiqué 2016/12 - 9 May 2016

NZASB Communiqué 2016/13 - 11 May 2016

Seminars on PBE Exposure Drafts

As mentioned in our last Reporting News, the New Zealand Accounting Standards Board's (NZASB) held seminars on two recently issued exposure drafts applicable to Tier 1 and Tier 2 PBEs. The topics covered were:

- An overview of the five exposure drafts on interests in other entities;
- Differences between the proposals and the current PBE Standards on interests in other entities; and
- The proposals in the exposure draft on service performance reporting.

Free webinars on the same topics will be available in June 2016, but you must register in advance on the XRB's website.

NZASB Communiqué 2016/13 - 11 May 2016

Other

NZASB Communiqué 2015/14 – 12 May 2016

Disclosure Initiative (Amendments to NZ IAS 7)

Along with the *Clarification to IFRS 15* mentioned above, the XRB also issued an amending standard which amends NZ IAS 7 *Statement of Cash Flows*. This requires entities to provide information about changes in liabilities arising from financing activities for both changes from financing cash flows and the impact of other non-cash flow changes (such as foreign exchange gains or losses), enabling users of financial statements to evaluate changes in liabilities arising from financing activities.

This amending standard is entitled Disclosure Initiative (Amendments to NZ IAS 7).

The amendments to NZ IAS 7 can be found on the XRB's website, and Additional Materials provide useful illustrative examples.

Amendments to NZ IAS 7 is effective for annual financial statements covering periods beginning on or after 1 January 2017, with earlier application permitted.

NZASB Communiqué 2015/14 – 12 May 2016

NZASB Communiqué 2016/10 – 22 April 2016

The XRB issued an amending standard which amends NZ IAS 12 *Income Taxes* to clarify how to account for deferred tax assets related to debt instruments measured at fair value.

This is applicable to for-profit entities reporting tax losses. This amending standard, entitled *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to NZ IAS 12), is available on the XRB's website.

The amending standard is effective for annual financial statements covering periods beginning on or after 1 January 2017, with earlier application permitted.

NZASB Communiqué 2016/10 – 22 April 2016

XRB Communiqué 2016/4 - 22 April 2016

EG A1: *Guide to the application of the Accounting Standards Framework*

At its latest meeting the XRB considered and approved for issue the Explanatory Guide XRB *A1 Guide to the application of the Accounting Standards Framework* (EG A1).

EG A1 reflects the completion of the staged implementation of the Accounting Standards Framework. The Explanatory Guide accompanies the latest version of XRB A1 and is applicable for reporting periods beginning on or after 1 January 2016. The Explanatory Guide is not mandatory.

A copy of EG A1 can be found on the XRB's website.

XRB Communiqué 2016/4 – 22 April 2016

Financial markets updates

Financial Markets Conduct Regulations amended

Due to the size and complexity of the reform of financial markets conduct regulations, the government had 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 will commence on a staggered basis. Most provisions will came into force on 1 December 2015 but some will come into force on 17 December 2015 or 1 June 2016. The summary of key changes in the 2015 Amendments and their enforcement date can be found on the FMA's website.

Property schemes to be exempt from some requirements of FMCA

The FMA has announced that the managers and custodians of property schemes will be exempt from some requirements of the FMCA.

These exemptions will make it easier for many property schemes to transition to compliance with the FMCA.

Read the FMA's media release to find out more.

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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