

### A look at current financial reporting issues



**Going concern disclosures**  
Amendments to FRS-44 and  
PBE IPSAS 1



**XRB - Spotlight on going concern**

### Going concern disclosures Amendments to FRS-44 and PBE IPSAS 1

#### At a glance

In August 2020, the NZASB approved amendments to FRS-44 and PBE IPSAS 1, which introduce more specific going concern disclosures in circumstances where an entity's going concern assessment has involved significant judgement and/or the consideration of material uncertainties. The amendments are effective for annual periods ending on or after 30 September 2020. Earlier application is permitted.

#### What's the issue?

The COVID-19 pandemic in 2020 resulted in significant business disruption and uncertainties for many entities and led to an increased interest in going concern disclosures. The NZASB considered that the matter was of sufficient importance, and users' need for information sufficiently urgent, to propose New Zealand- specific disclosures aimed to:

- help preparers decide what information should be provided to users of those financial statements by providing more specific disclosure requirements;
- result in more relevant, transparent and consistent information for users of financial statements; and
- help align the requirements in accounting standards with the requirements in auditing standards.

#### What's the impact?

The amendments to FRS-44 *New Zealand Additional Disclosures* for for-profit entities and PBE IPSAS 1 *Presentation of Financial Reports* for public benefit entities (PBEs) introduce more specific going concern disclosure requirements to assist preparers of financial reports in satisfying existing requirements to provide relevant and transparent information on going concern:

- significant judgements and estimates made in management's assessment of the entity's ability to continue as a going concern, along with any material uncertainties; and
- management's plans to mitigate the effect of any material uncertainties around the entity's ability to continue as a going concern.

## Effective date

The effective date of the amendments is annual periods ending on or after 30 September 2020. Earlier application is permitted. Organisations currently preparing their annual financial statements may find it helpful to use the more specific going concern disclosure requirements.

## More information

To download the amendments to FRS-44, please refer to the XRB website [here](#).

To download the amendments to PBE IPSAS 1, please refer to the XRB website [here](#).

## XRB - Spotlight on going concern

### At a glance

As part of its response to COVID-19 the XRB issued a series of COVID-19 Alerts related to going concern considerations and disclosures, both for for-profit and PBE entities. These documents provide commentary on the requirements of accounting standards and audit expectations.

## What's the issue?

In the current environment, preparers and auditors are facing practical difficulties in preparing financial statements and carrying out audits. Many will need to consider reporting on material uncertainties relating to going concern.

The XRB has issued a series of COVID-19 Alerts with guidance for preparers and users of financial reports relating to going concern disclosures and assurance requirements including:

- XRB Alert 2 (For-profit entities) - What is the impact on going concern disclosures in response to COVID-19?
- XRB Alert 3 (Not-for-profit entities) - What is the impact on going concern disclosures in response to COVID-19?
- Not-for-profit Tier 3 FAQs - Assessing and reporting on your entity's ability to continue operating.

## What's the impact?

These publications do not amend the requirements of existing accounting standards, instead, they provide an overview of those requirements to assist preparers and auditors during this period of increased uncertainty.

## More information

To access and download the above documents refer to the XRB website [here](#).

## Need more information?

If you wish to discuss this or any other financial reporting related matter, please contact your usual PwC contact or one of the following financial reporting specialist:

**Stephen Hogg**

Partner, Auckland  
[stephen.c.hogg@pwc.com](mailto:stephen.c.hogg@pwc.com)

**Tiniya du Plessis**

Partner, Auckland  
[tiniya.b.du.plessis@pwc.com](mailto:tiniya.b.du.plessis@pwc.com)

**Lesley Mackle**

Executive Director, Wellington  
[lesley.j.mackle@pwc.com](mailto:lesley.j.mackle@pwc.com)

**Robert Harris**

Partner, Christchurch  
[harris.r@nz.pwc.com](mailto:harris.r@nz.pwc.com)

This content is accurate as at 31 August 2020. This content is for general information purposes only, and should not be used as a substitute for consultation with our professional advisors.  
If you wish to understand the potential implications of COVID-19 for your business, please get in touch.  
To find an advisor and to see more of our general guidance for businesses, please visit our COVID-19 webpage at [www.pwc.co.nz/covid-19](http://www.pwc.co.nz/covid-19).