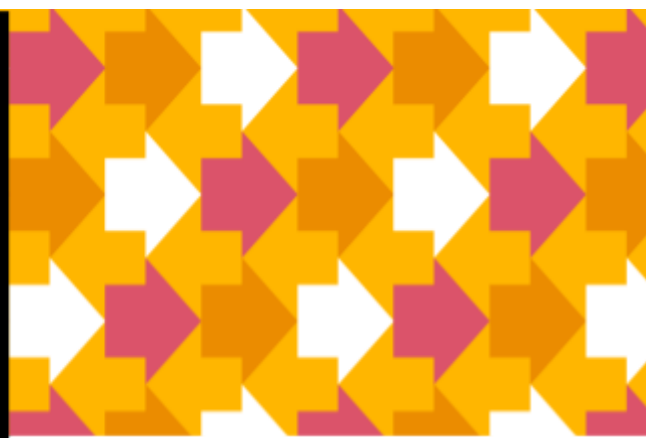


Financial reporting developments for March 2023 reporters New Zealand



What new pronouncements do you need to consider for your next report?

We've listed the most important changes for you here. If you have any queries or require more information on how these apply to your specific circumstances, please talk to your PwC local contact.

For-profit entities applying NZ IFRS

- A. Pronouncements mandatory for the first time for March 2023 for-profit reporters
- B. Pronouncements available for early adoption for March 2023 for-profit reporters
- C. Pronouncements issued but not available for early adoption for March 2023 for-profit reporters

Public benefit entities (PBEs) applying PBE Standards

- D. Pronouncements mandatory for the first time for March 2023 PBE reporters
- E. Pronouncements available for early adoption for March 2023 PBE reporters
- F. Pronouncements issued but not available for early adoption for March 2023 PBE reporters

This document is current as at: **9 August 2023**

Effective dates are for periods starting on or after the stated effective date unless otherwise specified.

For-profit entities applying NZ IFRS

A. Pronouncements mandatory for the first time for March 2023 for-profit reporters

Property, plant and equipment - proceeds before intended use (amendments to NZ IAS 16)

Prohibits a reporting entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related costs in profit or loss.

Effective date:
1 January 2022

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In brief: INT2021-10](#)

Onerous contracts - cost of fulfilling a contract (amendments to NZ IAS 37)

Specifies which costs an entity includes in determining the cost of fulfilling a contract, for the purpose of assessing whether the contract is onerous.

Effective date:
1 January 2022

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In depth: INT2021-02](#)

Annual Improvements to NZ IFRS 2018–2020 (amendments to NZ IFRS 1, NZ IFRS 9 and NZ IAS 41)

The amendments include various minor changes, including:

- NZ IFRS 1 - provides an exemption to a subsidiary, joint venture or associate to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to NZ IFRS
- NZ IFRS 9 - addresses which fees should be included in the 10% test for derecognition of financial liabilities, and
- NZ IAS 41 - removes the requirement for entities to exclude cash flows for taxation when measuring fair value under NZ IAS 41.

Effective date:
1 January 2022

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In depth: INT2021-02](#)

B. Pronouncements available for early adoption for March 2023 for-profit reporters

Disclosure of accounting policies (amendments to NZ IAS 1)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. It also includes guidance and examples on the application of materiality to accounting policy disclosures in the Materiality Practice Statement.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In brief: INT2021-02](#)



Definition of accounting estimates (amendments to NZ IAS 8)

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In brief INT2021-02](#)

Deferred tax related to assets and liabilities arising from a single transaction (amendments to NZ IAS 12)

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In brief INT2021-10](#)

NZ IFRS 17 Insurance contracts

Replaces NZ IFRS 4, which currently permits a wide variety of practices. It requires a current measurement model where estimates are re-measured each reporting period. The measurement is based on the building blocks of discounted probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract.

Effective date:
1 January 2023

Affects: All entities that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[PwC Insurance Industry Page](#)

Amendments to NZ IFRS 17

Includes targeted amendments and a number of proposed clarifications that relate to eight areas of NZ IFRS 17. The amendments are intended to ease implementation of NZ IFRS 17, simplify some requirements of the standard and ease transition. They are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

Effective date:
1 January 2023

Affects: All entities that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[PwC Insurance Industry Page](#)

Initial application of NZ IFRS 17 and NZ IFRS 9 - Comparative information

Allows an entity that first applies NZ IFRS 17 and NZ IFRS 9 at the same time to apply a classification overlay for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for NZ IFRS 9. It is also available for entities that had already applied NZ IFRS 9 before the initial application of NZ IFRS 17 where those entities redesignate financial assets in accordance with the transition provisions.

Effective date:
1 January 2023

Affects: All entities that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[Initial Application of NZ IFRS 17 and NZ IFRS 9 - Comparative Information](#)

Classification of liabilities as current or non-current (amendment to NZ IAS 1)

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 entities

Information Link:
[In depth: INT2021-02](#)

Sale and leaseback transactions (narrow-scope amendments to NZ IFRS 16)

NZ IFRS 16 now specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments do not prescribe a particular method of subsequent measurement. However, they include examples illustrating the initial and subsequent measurement of the lease liability where there are variable payments that do not depend on an index or rate.

Effective date:
1 January 2024

Affects: All Tier 1 and Tier 2 Entities

Information Link:
[In brief: INT2022-12](#)

Sale or contribution of assets between an investor and its associate or joint venture (amendments to NZ IFRS 10 and NZ IAS 28)

Clarifies the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments confirm that the accounting depends on whether the contributed assets constitute a business or an asset.

Effective date:
1 January 2025

Affects: Entities with investments in associates or joint ventures

Information Link:
[Sale or contribution of assets between an investor and its associate or joint venture](#)

C. Pronouncements issued but not available for early adoption for March 2023 for-profit reporters

Pillar Two tax reform (amendments to NZ IAS 12)

The amendments give entities temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's international tax reform. The amendments introduce:

- a temporary exception to the accounting for deferred taxes arising from the implementation of the rules, and
- targeted disclosure requirements for affected entities.

Effective date:
1 January 2023

Available for early adoption:
Periods ending on or after
10 August 2023

Affects:
Multinational
Tier 1 and Tier 2
Entities affected
by the Pillar
Two tax reforms

Information Link:
[XRB website](#)
[In brief INT2023-05](#)

Supplier finance arrangements (amendments to NZ IAS 7 and NZ IFRS 7)

Requires specific disclosures about supplier finance arrangements (SFAs). The amendments respond to investors that said they urgently need more information about SFAs to be able to assess how these arrangements affect an entity's liabilities, cash flows and liquidity risk.

Entities will be required to aggregate the information they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information when the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.

Effective date: 1 January 2024	Available for early adoption: Periods ending on or after 10 August 2023	Affects: All Tier 1 and Tier 2 Entities that enter into SFAs	Information Link: XRB Website In brief INT2023-03
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Non-current liabilities with covenants (amendments to NZ IAS 1)

The amendments to NZ IAS 1 clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

Effective date: 1 January 2024	Available for early adoption: Periods ending on or after 22 June 2023	Affects: All Tier 1 and Tier 2 Entities	Information Link: XRB Website In brief: 2022-16
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Disclosure of fees for audit firms' services (amendments to FRS-44)

Enhances the current disclosure requirements of a Tier 1 entity for fees incurred for services received from its audit or review firm. New disclosure requirements have also been introduced for Tier 2 entities.

Effective date: 1 January 2024	Available for early adoption: Periods ending on or after 15 June 2023	Affects: All Tier 1 and Tier 2 Entities	Information Link: XRB Website
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Public benefit entities (PBEs) applying PBE Standards

D. Pronouncements mandatory for the first time for March 2023 PBE reporters

PBE IPSAS 41 Financial instruments

PBE IPSAS 41 will replace both PBE IPSAS 29 and PBE IFRS 9. Simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Applies a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.

Effective date: 1 January 2022	Affects: All Tier 1 and Tier 2 PBEs	Information Link: PBE News: April 2019
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PBE FRS 48 Service performance reporting

PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to 'tell their story'.

Effective date:
1 January 2022

Affects: All Tier 1 and Tier 2 not-for-profit PBEs and public sector PBEs required by legislation to report service performance information in accordance with GAAP

Information Link:
[PBE News: November 2017](#)

E. Pronouncements available for early adoption for March 2023 PBE reporters

PBE IFRS 17 Insurance contracts (NFP entities only)

The NZASB has issued PBE IFRS 17 for application by not-for-profit PBEs only. The recognition, measurement, presentation and disclosure requirements of PBE IFRS 17 are aligned with the requirements of the for-profit standard, NZ IFRS 17.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 NFP PBEs that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[PBE News August 2019](#)

Amendments to PBE IFRS 17 (NFP entities only)

Includes targeted amendments and a number of proposed clarifications that relate to eight areas of PBE IFRS 17. The amendments are intended to ease implementation of PBE IFRS 17, simplify some requirements of the standard and ease transition. They are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 NFP PBEs that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[PBE News September 2019](#)

Initial application of PBE IFRS 17 and PBE IPSAS 41 – Comparative information

Allows an entity that first applies PBE IFRS 17 and PBE IPSAS 41 at the same time to apply a classification overlay for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for PBE IPSAS 41. It is also available for entities that had already applied PBE IPSAS 41 before the initial application of PBE IFRS 17 where those entities redesignate financial assets in accordance with the transition provisions.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 NFP PBEs that issue insurance contracts or investment contracts with discretionary participation features

Information Link:
[XRB Website](#)
[Initial Application of NZ IFRS 17 and NZ IFRS 9 - Comparative Information](#)



Public sector specific financial instruments (Non-authoritative amendments to PBE IPSAS 41)

The Non-Authoritative Amendments amend the non-authoritative Illustrative Examples and Illustrative Guidance accompanying PBE IPSAS 41. The aim of the amendments is to clarify the accounting treatment of the following items that may be held by public sector entities:

- Monetary gold
- Currency in circulation
- International Monetary Fund special drawing rights, and
- IMF quota subscriptions.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 PBEs

Information Link:
[Non-Authoritative Amendments to PBE IPSAS 41](#)

2022 Omnibus amendments to PBE standards

The following amendments are made to PBE Standards:

- PBE IPSAS 16 *Investment Property* - Clarifies that fair value measurement of self-constructed investment property could commence before the completion of construction
- PBE FRS 47 *First-time Adoption of PBE Standards* - Extends the exemption available to an entity transitioning to PBE Standards later than its controlling entity. The exemption previously related to the measurement of assets and liabilities, and the amendments extend the exemption so that it also applies to cumulative foreign exchange translation differences in net assets/equity
- PBE IPSAS 41 *Financial Instruments* - Clarifies which fees an entity includes when it applies the '10 percent' test for the derecognition of a financial liability
- PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* - Clarifies the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised)
- PBE IPSAS 17 *Property, Plant and Equipment* - Prohibits proceeds from selling items produced before an asset is available for use to be deducted from the cost of property, plant, and equipment
- PBE IAS 12 *Income Taxes* and PBE FRS 47 *First-time Adoption of PBE Standards* - Narrows the scope of the recognition exemption for deferred tax assets and deferred tax liabilities, so that the recognition exemption would not apply to transactions that give rise to equal and offsetting temporary differences
- PBE IPSAS 27 *Agriculture* - Removes the exclusion of taxation cash flows when measuring fair value in PBE IPSAS 27, and
- Various other minor wording amendments in order to clarify accounting treatment, update references and provide additional guidance and illustrative examples.

Effective date:
1 January 2023

Affects: All Tier 1 and Tier 2 PBEs

Information Link:
[2022 Omnibus Amendments to PBE Standards](#)



F. Pronouncements issued but not available for early adoption for March 2023 PBE reporters

Disclosure of fees for audit firms' services (amendments to PBE IPSAS 1)

Enhances the current disclosure requirements of a Tier 1 entity for fees incurred for services received from its audit or review firm. New disclosure requirements have also been introduced for Tier 2 entities.

Effective date: 1 January 2024	Available for early adoption: Periods ending on or after 15 June 2023	Affects: All Tier 1 and Tier 2 PBEs	Information Link: XRB Website
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Insurance contracts in the public sector (amendments to PBE IFRS 17)

Adds public sector modifications to PBE IFRS 17 Insurance Contracts to include public sector entities and to ensure that this Standard is suitable for this sector.

Effective date: 1 January 2026	Available for early adoption: Periods ending on or after 20 July 2023	Affects: All Tier 1 and Tier 2 Public sector PBEs that issue insurance contracts or investment contracts with discretionary participation features	Information Link: XRB Website
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