



# Illustrative NZ IFRS RDR 2023 financial statements

**Additional resources**

## Illustrative NZ IFRS RDR 2023 financial statements

### Additional resources

This document provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2023), (b) IFRS IC agenda decisions issued between November 2022 and October 2023 that may be relevant for the preparation of annual reports in 2023 and 2024, (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024, and (d) additional matters for consideration when preparing annual reports in 2023 and 2024.

The below requirements apply to Tier 1 and Tier 2 for-profit entities unless specifically stated otherwise.

### a) New standards and amendments – applicable from 1 January 2023

Title	Key requirements	Effective date <sup>1</sup>
NZ IFRS 17 <i>Insurance Contracts</i>	<p>NZ IFRS 17 was issued in August 2017 as replacement for NZ IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> <li>• Discounted probability-weighted cash flows</li> <li>• An explicit risk adjustment, and</li> <li>• A contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.</li> </ul> <p>Non-insurance companies need to identify whether they have any contracts within the scope of NZ IFRS 17.</p>	<p>1 January 2023</p> <p>For further information see our In depth <a href="#">INT2022-14 IFRS 17 affects more than just insurance companies</a></p>
Disclosure of Accounting Policies – Amendments to NZ IAS 1 and IFRS Practice Statement 2	<p>The NZASB amended NZ IAS 1 to require entities to disclose their <i>material</i> rather than their <i>significant</i> accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting policy information.</p> <p>To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	<p>1 January 2023</p> <p>For further information see our <a href="#">Practice aids</a></p>
Definition of Accounting Estimates – Amendments to NZ IAS 8	<p>The amendment to NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.</p>	<p>1 January 2023</p>
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to NZ IAS 12	<p>The amendments to NZ IAS 12 <i>Income Taxes</i> require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.</p> <p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible</p>	<p>1 January 2023</p> <p>For further information, see <a href="#">In brief INT2021-10</a></p>

<sup>1</sup> Applicable to reporting periods commencing on or after the given date.

Title	Key requirements	Effective date <sup>1</sup>
	<p>and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> <li>• right-of-use assets and lease liabilities, and</li> <li>• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.</li> </ul> <p>The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. NZ IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>	
OECD Pillar Two Rules	<p>In July 2023 the NZASB issued narrow-scope amendments to NZ IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules.</p> <p>The amendments also require affected companies to disclose:</p> <ul style="list-style-type: none"> <li>• the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes</li> <li>• their current tax expense (if any) related to the Pillar Two income taxes, and</li> <li>• during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.</li> </ul>	<p>1 January 2023</p> <p>Application of the temporary exception is required from 10 August 2023 onwards</p> <p>For further information see <a href="#">International Tax Reform – Pillar Two Model Rules</a></p> <p>and</p> <p><a href="#">Pillar Two – Global minimum effective tax rate: New Zealand draft legislation released</a></p>

## b) IFRS IC agenda decisions issued in the last 12 months

As at 31 October 2023, the following agenda decisions were issued that may be relevant for the preparation of annual reports in 2023 and 2024. The date issued refers to the date of the relevant [IFRIC Update](#). For more recent information refer to our website at [viewpoint.pwc.com](http://viewpoint.pwc.com).

Date issued	Topic
April 2023	<a href="#">Definition of a Lease – Substitution Rights (IFRS 16)</a>
July 2023	<a href="#">Application of the 'Own Use' Exception to some Physical Power Purchase Agreements (Amendments to IFRS 9)</a>
October 2023	<a href="#">Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)</a>
October 2023	<a href="#">Homes and Home Loans Provided to Employees</a>
October 2023	<a href="#">Guarantee over a Derivative Contract (IFRS 9)</a>

### c) Forthcoming requirements

As at 31 October 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at [www.xrb.govt.nz](http://www.xrb.govt.nz).

Title	Key requirements	Effective date <sup>2</sup>
Amendments to FRS 44	<p>The amendments to FRS 44 aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services.</p> <p>The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm.</p>	<p>1 January 2024</p> <p>For further information see <a href="#">Disclosure of Fees for Audit Firms' Services</a></p>
Classification of Liabilities as Current or Non-current – Amendments to NZ IAS 1	<p>The narrow-scope amendments to NZ IAS 1 Presentation of Financial Statements (2020 Amendments) clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what NZ IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>The IASB further issued amendments to IAS 1 Non-current Liabilities with Covenants on 31 October 2022 (2022 Amendments) in response to concerns raised on applying the 2020 Amendments to the classification of loan arrangements as either current or non-current, for which an entity's right to defer related settlements is subject to complying with conditions specified in the loan arrangements (liabilities with covenants). The 2022 Amendments clarify that covenants of loan arrangements which an entity should comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The 2022 Amendments also defer the effective date of the 2020 Amendments to 1 January 2024, the same effective date as the 2022 Amendments. The XRB adopted this amendment in May 2023.</p> <p>The amendments must be applied retrospectively in accordance with the normal requirements in NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p>	<p>1 January 2024 (deferred from 1 January 2022)</p> <p>For further information see global <a href="#">in brief INT2022-16</a></p>

---

<sup>2</sup> Applicable to reporting periods commencing on or after the given date.

Title	Key requirements	Effective date <sup>2</sup>
Lease Liability in a Sale and Leaseback – Amendments to NZ IFRS 16	In November 2022, the NZASB issued narrow-scope amendments to the requirements for sale and leaseback transactions in NZ IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, 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 that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024  For further information see <a href="#">Additional material</a> and <a href="#">In brief INT2022-12</a>
Supplier finance arrangements – Amendments to NZ IAS 7 and NZ IFRS 7	The amendments introduce disclosures to enhance transparency of an entity's supplier finance arrangements and their effects on its liabilities, cash flows and exposure to liquidity risk.  <b>*Reduced Disclosure Regime</b> The amending standard <i>Supplier Finance Arrangements RDR</i> exempts Tier 2 for-profit entities from all of the new disclosure requirements.	1 January 2024  For further information see <a href="#">In brief INT2023-03</a> <a href="#">In depth INT2023-01</a>
Lack of Exchangeability - Amendments to NZ IAS 21 The Effects of Changes in Foreign Exchange Rates and NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards.	The amending standard defines when a currency is exchangeable and introduces new requirements, guidance, and disclosures relating to estimating the spot exchange rate when a currency is not exchangeable.	1 January 2025  For further information see <a href="#">Additional material</a>

#### d) Additional matters for consideration

Topic	Requirements and useful links
Disclosing the impact of climate change	<p>NZ IFRS does not refer explicitly to <b>climate-related matters</b>; however, companies must consider them in applying NZ IFRS where the effect of those matters is material to the financial statements. To help preparers and auditors identify where additional disclosures may be required, please refer to Appendix E of the <a href="#">global IFRS 2023 publication</a>.</p> <p>Some Climate Reporting Entities (CREs) in New Zealand have elected to voluntarily report early against the <b>Aotearoa New Zealand Climate Standards (CRDs)</b> for FY23 (compliant reporting is required from FY24). Reporting entities that have identified climate related risks or highlighted net zero or carbon reduction commitments outside the financial statements should consider the related impact on their financial statements.</p> <p>Further information can be found in the following PwC publications:</p> <ul style="list-style-type: none"> <li>• <a href="#">Do the financial statements of NZX50 June-September 2023 reporters reflect the impact of climate change?</a></li> <li>• <a href="#">In Brief: Extreme weather events: the impact on financial statements</a></li> </ul>
The Russian invasion of Ukraine and the imposition of international sanctions	<p><b>The Russian invasion of Ukraine and the imposition of international sanctions</b> continue to have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by these developments. This continues to necessitate careful consideration of the resulting accounting implications by entities that are affected by these developments. For guidance, refer to <a href="#">In depth INT2022-05 Accounting implications of the Russian invasion of Ukraine</a>.</p>
Rising inflation and interest rates	<p><b>Rising inflation and interest rates</b> will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short- and long-duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area. For guidance, see <a href="#">In depth INT2022-12 Navigating IFRS Accounting Standards in periods of rising inflation and interest rates</a>. For sample disclosures affecting various areas of the financial statements, please refer to the <a href="#">global IFRS 2023 publication</a>.</p>



# Thank you.

[pwc.co.nz](https://www.pwc.co.nz)

© 2023 PricewaterhouseCoopers New Zealand. All rights reserved. PwC refers to the New Zealand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](https://www.pwc.com/structure) for further details.



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. It does not take into account any objectives, financial situation or needs of any recipient; any recipient should not act upon the information contained in this publication without obtaining independent professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers New Zealand, its employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.