

IFRS, 2016



IFRS APPLICATION AROUND THE WORLD JURISDICTIONAL PROFILE: **New Zealand**



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This Profile provides information about the application of IFRS Standards in New Zealand. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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PARTICIPANT IN THE IFRS FOUNDATION SURVEY ON APPLICATION OF IFRS

Organisation(s)	External Reporting Board (XRB)
Role of the organisation(s)	The XRB is an independent Crown Entity (ie an entity within the government sector) responsible for the development and issuance of accounting and auditing and assurance standards in New Zealand. The XRB, through its sub-board the New Zealand Accounting Standards Board (NZASB), is the official standard-setting body for New Zealand. It was established under the Financial Reporting Act 1993. Its existence is continued under the Financial Reporting Act 2013.
Website	http://www.xrb.govt.nz
Email contact	enquiries@xrb.govt.nz

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
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Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes, for for-profit entities.
What is the jurisdiction's status of adoption?	<p>New Zealand has already adopted New Zealand equivalents to International Financial Reporting Standards (NZ-IFRS) for all for-profit entities that have public accountability and for all large for-profit public sector entities. NZ-IFRS are identical to IFRS Standards as issued by the IASB Board with three additional New Zealand-specific standards. If other for-profit entities are required by law to prepare generally accepted accounting practice (GAAP) financial reports, GAAP in this instance is IFRS Standards with reduced disclosure concessions under New Zealand's reduced disclosure regime (NZ-IFRS-RDR).</p>
Additional comments provided on the adoption status?	<p>For-profit entities were permitted to adopt NZ equivalents to IFRS Standards (NZ-IFRS) for periods beginning on or after 1 January 2005. NZ-IFRS were mandatory from 1 January 2007.</p> <p>The XRB has defined two tiers of reporting for for-profit entities, with different financial reporting standards applying to each tier.</p> <p>Tier 1: Entities that have public accountability* plus for-profit public sector entities that are large** apply NZ-IFRS. These are identical to IFRS NZ equivalents to IFRS Standards as issued by the IASB Board with three additional New Zealand-specific standards (FRS-42 <i>Prospective Financial Statements</i>, FRS-43 <i>Summary Financial Statements</i>, and FRS-44 <i>New Zealand Additional Disclosures</i>).</p> <p>* Entities with public accountability include all public issuers of debt or equity securities, licensed supervisors, registered banks, deposit takers, insurance providers and superannuation schemes and any other entity that trade securities in a public market or hold assets in a fiduciary capacity as part of its primary business.</p> <p>** A for-profit public sector entity is large if it has total expenses over NZ\$30 million (approximately US\$ 21 million).</p> <p>Tier 2: Entities that do not have public accountability and for-profit public sector entities that are not large may elect to be in Tier 2. If they do, they apply New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ-IFRS-RDR). NZ-IFRS-RDR has the same recognition, measurement, and presentation requirements as NZ-IFRS but with significant disclosure concessions.</p> <p>The XRB has also developed accounting standards for use by public benefit entities (PBE). The PBE Standards are based on International Public Sector Accounting Standards (IPSAS) with minor modifications mainly to terminology and application guidance. They also include several New Zealand domestic PBE Standards specifying additional requirements where there is a gap in IPSAS. Adoption of the PBE standards for public sector PBE entities is mandatory for periods beginning on or after 1 July 2014 (with no early adoption permitted). Adoption of the PBE Standards for registered charities is mandatory for periods beginning on or after 1 April 2015 (with early adoption permitted from periods beginning on or after 1 April 2014).</p>

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS NZ equivalents to IFRS Standards in the jurisdiction.

Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

Yes, the use of IFRS Standards is required for all domestic companies whose securities trade in a public market. The standards are referred to as NZ-IFRS. These are identical to IFRS Standards.

IFRS Standards are augmented with domestic standards only where there is a gap in international standards, (domestic standards do not replace an international standard) or to specify disclosures that are additional to those contained in the international standards. There are currently three New Zealand standards applicable to for-profit entities using NZ-IFRS. They cover:

- summary financial statements;
- prospective financial statements; and
- a small number of New Zealand specific disclosure requirements (in addition to those in IFRS Standards).

There are also detailed Appendices to the New Zealand equivalent to IFRS 4 *Insurance Contracts* specifying requirements for life insurance and general insurance. Those domestic standards reflect local legislative requirements.

If YES, are IFRS Standards REQUIRED or PERMITTED?

Required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

They apply to all "FMC reporting entities" under the Financial Markets Conduct Act 2013 that have a higher level of public accountability (unless designated as not having a higher level of public accountability by the Financial Markets Authority, the regulatory body) and those FMC reporting entities designated by the Financial Markets Authority as having a higher level of public accountability.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

NZ-IFRS are required if separate company financial statements are prepared.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

NZ-IFRS are required for the following three categories of entities regardless of whether their securities trade in a public market:

- entities that have public accountability (as defined);
- entities that are deemed to have public accountability and that are FMC reporting entities (as defined by legislation). Such entities include all public issuers of debt or equity securities, licensed supervisors, registered all banks, deposit takers, insurance providers and superannuation schemes; or
- for-profit public sector entities that are large (as defined).

Entities that do not have public accountability or non-large for-profit public sector entities that are required by law to report using GAAP may apply NZ-IFRS-RDR.

Any company or other for-profit entity that is not required by law to apply NZ-IFRS is permitted to do so.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Not applicable.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Foreign companies whose securities are publicly traded in New Zealand are required to use NZ-IFRS. However, the regulatory body, the Financial Markets Authority, can give exemptions in prescribed circumstances.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?

Permitted.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?

All IFRS Standards as issued by the IASB Board (Standards and amendments) are adopted as NZ-IFRS.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:

IFRS Standards and New Zealand IFRS.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?

Yes.

Are IFRS Standards incorporated into law or regulations?

Yes. NZ IFRS are approved by the External Reporting Board, a Crown Entity.

If yes, how does that process work?	Accounting standards issued by the XRB or its sub-board the NZASB are Regulations under the law. Standards become authoritative when the NZASB completes its due process, places a notice of its issue in the <i>Gazette</i> , and submits a copy to Parliament in accordance with the Legislation Act 2012.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes. IFRS Standards are not endorsed as such in New Zealand. NZ IFRS are approved by the External Reporting Board, a Crown Entity.
If yes, what is the process?	When the IASB Board issues a due process document, the NZASB undertakes a comparable and concurrent due process. The process culminates in the placing of a notice of a new standard in the <i>Gazette</i> . At that time, the Parliament has 28 days in which it can disallow that standard.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	<p>The XRB has defined two tiers of reporting for-profit entities, with different financial reporting standards applying to each tier.</p> <p>Tier 1 entities apply standards that are equivalent to IFRS Standards as issued by the IASB without any modifications (but augmented by several local standards). Thus Tier 1 entities comply with both NZ-IFRS and IFRS Standards as issued by the IASB Board.</p> <p><u>Tier 2 standards</u> are based on IFRS Standards with disclosure concessions (NZ-IFRS-RDR). NZ-IFRS-RDR has the same recognition, measurement, and presentation requirements as NZ IFRSs but with significant disclosure concessions.</p>
If yes, what are the changes?	Tier 2 standards (for non-publicly-accountable for-profit entities or non-large for-profit public sector entities) have reduced disclosures.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

TRANSLATION OF IFRS

Are IFRS Standards translated into the local language?	Not applicable. English is an official language of New Zealand.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	Not applicable.
ADOPTION OF THE IFRS FOR SMEs	
Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.

Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	<p>They use the <u>Tier 2 standards</u> NZ-IFRS-RDR: Non-publicly accountable entities or non-large for-profit public sector entities that are required by law to prepare general purpose financial statements may use the RDR. That is, they apply the same recognition and measurement requirements as in IFRS Standard, but with substantially reduced disclosures (based in part on the disclosure concession principles used in IFRS for SMEs Standard).</p> <p>Most small and medium-sized for-profit entities do not have a statutory requirement to prepare financial statements in accordance with GAAP.</p>
Other comments regarding use of the IFRS for SMEs Standard?	None.