



## Accounting Alert

### Quarterly update – For-profit entities

Connect to what's new in financial reporting for December 2024

This quarterly update includes a high-level overview of new and revised financial reporting requirements that need to be considered by for-profit entities for annual and interim financial reporting periods ending on 31 December 2024. Information is also included for September 2024 year-ends for entities who are still finalising their financial statements.



# Financial Reporting Standards Update

Six new financial reporting standards or amendments approved by the New Zealand Accounting Standards Board (NZASB) become effective and will be mandatory for annual periods ending 31 December 2024. These include *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants* (Amendments to NZ IAS 1), *Lease Liability in a Sale and Leaseback* (Amendments to NZ IFRS 16), *Supplier Finance Arrangements* (Amendments to NZ IAS 7 and NZ IFRS 7) as well as RDR amendments and *Disclosure of Fees for Audit Firms' Services* (Amendments to FRS-44).

Entities should also pay close attention to NZ IFRS 18 *Presentation and Disclosure in Financial Statements* which is the new standard on presentation and disclosure as well as the amendments to the measurement and classification of financial instruments that amends numerous requirements in NZ IFRS 7 *Financial Instruments: Disclosures* and NZ IFRS 9 *Financial Instruments*.

All entities will need to assess the impact of the new standards and amendments and ensure that relevant policies and processes are in place to implement the changes.

All Tier 1 entities (applying full NZ IFRS) who are yet to adopt standards and amendments that are approved but not yet effective, need to consider appropriate disclosure in their annual financial statements.

We have also included in [Appendix B](#) a list of the IFRS Interpretations Committee Agenda Decisions during the last year. Entities should consider whether any of these agenda decisions are applicable to the preparation of their financial statements.

## Importance of disclosures

Judgement will be required to determine the extent of additional disclosure, which appropriately explains the impact of the new standards and amendments on the financial statements.

## Current economic environment

Entities should consider the current economic environment and its impact on accounting and financial reports. Deloitte's [iGAAP in Focus](#) publication outlines areas of focus for reporting including uncertainty and financial reporting, climate-related risks in financial statements, currency and hyperinflation, and other accounting and reporting considerations. The guidance on uncertainty and financial reporting covers:

- General inflation and interest rates
- Volatility in energy prices
- Uncertainty and financial risks disclosure
- Uncertainty and fair value measurement and disclosures
- Uncertainty and IFRS 9 (NZ IFRS 9)

## Climate change

Financial statement preparers must consider the accounting implications of climate change as well as the appropriate disclosures to include in the entity's financial statements. See [page 10](#) for information about reflecting climate risk in financial statements.

It is important to consider consistency and coherence between financial statements and other documents the entity may have issued including climate information such as the annual report and the climate related disclosures for those entities required to

present these under Part 7A of the Financial Markets Conduct Act 2013.

## The New Zealand Accounting Standards Framework

The New Zealand Accounting Standards Framework is a two sector (for-profit and public benefit entities (PBE)), multi-tiered framework. This approach has been adopted to meet the differing information needs of each sector's users of financial statements. The for-profit entity framework is based on IFRS Accounting Standards (IFRS).

## XRB A1 Application of the Accounting Standards Framework

(XRB A1) sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers. Each reporting period, entities should consider whether there have been any changes to the business that would result in a change in reporting or audit requirements. These could include:

- Changes in ownership (such as an increase in the number of shareholders or proportion of overseas ownership).
- Increases in revenue or assets through growth, business combinations or capital raises.

You may find our framework publication, '[The New Zealand financial reporting landscape](#)' useful. This publication provides a summary of the legislative and accounting standards requirements for New Zealand entities.



## For-profit entities: What are the new and revised accounting pronouncements for December 2024?

Changes in accounting standards can have a significant impact on an entity's financial statements. New pronouncements should be carefully reviewed for any potential impacts or opportunities.

The tables below and overleaf outline the new and revised pronouncements that are either required to be applied for the first time for a 31 December 2024 annual or interim reporting period or may be early adopted<sup>1</sup>. The footnotes distinguish between mandatory initial application, and pronouncements that were also mandatory in a previous period, as well as provide guidance on early adoption. We have also included links to relevant Deloitte publications which provide further detail, where appropriate.

In the majority of cases, the disclosure requirements of the individual pronouncements listed in the tables below would not be applicable to half-year financial reports; however, the recognition and measurement requirements would be applied where those pronouncements have been adopted by the entity.

In addition, disclosure of the application of new and revised accounting pronouncements needs to be carefully considered, along with the impact of those that are approved but not yet effective. We have outlined a few considerations in respect of these in [Appendix A](#).

The information below was updated on 6 December 2024 for developments to that date. Further information on each pronouncement can be found in the next section.

New pronouncements	Effective date*	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<i>Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1)</i>	1 Jan 2024	O	M	M
<i>Non-current Liabilities with Covenants (Amendments to NZ IAS 1)</i>	1 Jan 2024	O	M	M
<i>Lease Liability in a Sale and Leaseback (Amendments to NZ IFRS 16)</i>	1 Jan 2024	O	M	M
<i>Disclosure of Fees for Audit Firms' Services (Amendments to FRS-44)</i>	1 Jan 2024	O	M	M
<i>Supplier Finance Arrangements (Amendments to NZ IAS 7 and NZ IFRS 7)</i>	1 Jan 2024	O	M	M
<i>Supplier Finance Arrangements RDR (Amendments to NZ IAS 7)</i>	1 Jan 2024	O	M	M
<i>Lack of Exchangeability (Amendments to NZ IAS 21 and NZ IFRS 1)</i>	1 Jan 2025	O	O	O
<i>Lack of Exchangeability RDR (Amendments to NZ IAS 21)</i>	1 Jan 2025	O	O	O



### Key

- O** Optional
- M** Mandatory – first time
- M<sup>2</sup>** Mandatory in a previous period

\* Annual reporting periods beginning on or after this date. **Note regarding early adoption:** Standards and amendments issued by the XRB take legal effect 28 days after they are published under the Legislation Act 2019. Early adoption of certain standards and amendments is permitted, but not for accounting periods ending before the date those standards and amendments take legal effect. For recent amendments, the table below includes the dates these are available for early adoption.

<sup>1</sup> Amendments to NZ IFRS 1 *First-time Adoption of NZ IFRS* have not been considered in this publication. First time adopters should consult the latest version of NZ IFRS 1 when preparing their first financial statements in compliance with NZ IFRS. Entities will also need to monitor approvals between the date of this publication and the date the financial statements are approved.

New pronouncements	Effective date*	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
NZ IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 Jan 2027	O	O	O
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28)</i>	1 Jan 2028	O	O	O
<i>Mandatory Date of Amendments to NZ IFRS 10 and NZ IAS 28 (2024)</i>	1 Jan 2025	O	O	O
<i>Amendments to the Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7)</i>	1 Jan 2026	O	O	O
<i>Annual Improvements to NZ IFRS Accounting Standards 2024</i>	1 Jan 2026	O	O	O



Key



- O Optional
- M Mandatory – first time
- M² Mandatory in a previous period


\* Annual reporting periods beginning on or after this date. **Note regarding early adoption:** Standards and amendments issued by the XRB take legal effect 28 days after they are published under the Legislation Act 2019. Early adoption of certain standards and amendments is permitted, but not for accounting periods ending before the date those standards and amendments take legal effect. For recent amendments, the table below includes the dates these are available for early adoption.





## Impact of each new and revised pronouncement



The following tables set out information on the impact of the recent new pronouncements (see key on pages 2 and 3).

New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<b><i>Classification of Liabilities as Current or Non-current (Amendments to NZ IAS 1) and Non-current Liabilities with Covenants (Amendments to NZ IAS 1)</i></b>	1 Jan 2024*	O	M	M
<p>In 2020, NZ IAS 1 <i>Presentation of Financial Statements</i> was amended to:</p> <ul style="list-style-type: none"><li>clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period;</li><li>specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;</li><li>explain that rights are in existence if covenants are complied with at the end of the reporting period; and</li><li>introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</li></ul> <p>Further amendments to NZ IAS 1 titled ‘<i>Non-current Liabilities with Covenants</i>’ (issued in May 2023) clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current).</p> <p>Additional disclosures are also required that enable users to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including information about the nature of the covenants, when they are measured and any facts and circumstances that indicate the entity might have difficulty complying with them.</p> <p>The amendments issued affect only the presentation of liabilities as current or non-current in the statement of financial position. These are to be applied retrospectively.</p> <p>*‘<i>Non-current Liabilities with Covenants</i>’ is effective for annual reporting periods beginning on or after 1 January 2024. These amendments also deferred the effective date of ‘<i>Classification of Liabilities as Current or Non-current</i>’ from 1 January 2023 to 1 January 2024.</p> <p>Early application of these amendments is permitted:</p> <ul style="list-style-type: none"><li>‘<i>Non-current Liabilities with Covenants</i>’ is available for early adoption for reporting periods ending after 22 June 2023.</li><li>‘<i>Classification of Liabilities as Current or Non-current</i>’ is already available for early adoption. If an entity elects to early adopt these amendments for periods ending after 22 June 2023, they must also early adopt ‘<i>Non-current Liabilities with Covenants</i>’ at the same time.</li></ul>	<div> <b><u><a href="#">IFRS in Focus Newsletter (Classification of Liabilities as Current or Non-current)</a></u></b></div> <div><b><u><a href="#">iGAAP in Focus Newsletter (Non-current Liabilities with Covenants)</a></u></b></div>			
<b><i>Lease Liability in a Sale and Leaseback (Amendments to NZ IFRS 16)</i></b>	1 Jan 2024	O	M	M
<p>The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in NZ IFRS 15 <i>Revenue from Contracts with Customers</i> to be accounted for as a sale.</p>	<div> <b><u><a href="#">iGAAP in Focus Newsletter</a></u></b></div>			

New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right-of-use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. The amendment is fully retrospective to sale and leaseback transactions entered into after the date of initial application of NZ IFRS 16 <i>Leases</i> .				
<b>Disclosure of Fees for Audit Firms' Services (Amendments to FRS-44)</b>	1 Jan 2024	O	M	M
The amendments update the required disclosures for fees relating to services provided by the entity's audit or review firm. The fees must be disaggregated into specified categories, including audit and review services, other assurance services and agreed-upon procedure engagements, taxation services, and other services. The amendments include guidance to assist entities in determining the types of services to include in each category.  There are reduced disclosure concessions for Tier 2 entities.				
<b>Supplier Finance Arrangements (Amendments to NZ IAS 7 and NZ IFRS 7) and Supplier Finance Arrangements RDR</b>	1 Jan 2024	O	M	M
<p>In July 2023 the NZASB issued amendments to NZ IAS 7 <i>Statement of Cash Flows</i> and NZ IFRS 7 <i>Financial Instruments: Disclosures</i> relating to supplier finance arrangements.</p> <p>The amendments require an entity to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk.</p> <p>Disclosures include:</p> <ul style="list-style-type: none"><li>• The terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided).</li><li>• As at the beginning and end of the reporting period:<ul style="list-style-type: none"><li>• the carrying amounts of the financial liabilities that are part of a supplier finance arrangement and associated line items in the entity's statement of financial position;</li><li>• the amounts included above for which suppliers have already received payment from the finance providers; and</li><li>• the range of payment due dates for both the financial liabilities included in a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement. If ranges of payment due dates are wide, an entity is required to disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).</li></ul></li><li>• The type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents.</li></ul>	 <a href="#">iGAAP in Focus Newsletter</a>			




New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<p>The amendments to the application guidance of NZ IFRS 7 add that concentrations of liquidity risk and market risk may arise from supplier finance arrangements resulting in financial liabilities being concentrated with one financial institution rather than a diverse group of suppliers.</p> <p>In November 2023 the NZASB issued an amending standard <i>Supplier Finance Arrangements Reduced Disclosure Regime</i> which exempts Tier 2 for-profit entities from all disclosure requirements introduced by <i>Supplier Finance Arrangements (Amendments to NZ IAS 7 and NZ IFRS 7)</i>.</p>				
<b><i>Lack of exchangeability (Amendments to NZ IAS 21 and NZ IFRS 1) and Lack of exchangeability RDR</i></b>	1 Jan 2025*	○	○	○
<p>The NZASB has published amendments to NZ IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> that specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. The NZASB subsequently also issued reduced disclosure concessions to these amendments.</p> <p>Applying the amendments, a currency is exchangeable when an entity is able to exchange that currency for the other currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. However, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose.</p> <p>When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.</p> <p>* The amendments are effective for annual reporting periods beginning on or after 1 January 2025. The amendments are available for early adoption for accounting periods ending on or after 30 November 2023. An entity will not be permitted to apply the amendments retrospectively. Instead, an entity will be required to apply the specific transition provisions included in the amendments. <i>Lack of Exchangeability RDR</i> is available for early adoption for periods ending on or after 15 February 2024.</p>	 <a href="#">iGAAP in Focus Newsletter</a>			
<b><i>NZ IFRS 18 Presentation and Disclosure in Financial Statements</i></b>	1 Jan 2027*	○	○	○
<p>NZ IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> will supersede NZ IAS 1 <i>Presentation of Financial Statements</i> and is intended to improve comparability and transparency in the presentation of financial statements.</p> <p>NZ IFRS 18 introduces three key new requirements (among others):</p> <ul style="list-style-type: none"> <li>a change in the structure of the statement of profit or loss – requires the presentation of profit and loss items by operating, investing and financing activities and specified subtotals including operating profit or loss;</li> </ul>	 <a href="#">iGAAP in Focus Newsletter</a>			

New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<ul style="list-style-type: none"> <li>management defined performance measures (MPMs) to be included in a note in the financial statements; and</li> <li>enhanced aggregation/ disaggregation clarification.</li> </ul> <p>The new standard also amends the classification in the statement of cash flows.</p> <p>*Early application is permitted for periods ending after 20 June 2024.</p>				
<b><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28) and Mandatory Date of Amendments to NZ IFRS 10 and NZ IAS 28 (2024)</i></b>	1 Jan 2028*	O	O	O
<p>The amendments clarify that in a transaction involving an associate or joint venture, the extent of the gain or loss recognised is dependent upon whether the assets sold or contributed constitute a business, as defined in NZ IFRS 3 <i>Business Combinations</i>.</p> <p>A gain or loss is recognised in full where an entity:</p> <ul style="list-style-type: none"> <li>sells or contributes assets constituting a business to a joint venture or associate; or</li> <li>loses control of a subsidiary that contains a business but retains joint control or significant influence.</li> </ul> <p>Where the sold or contributed assets do not constitute a business, or where the subsidiary over which control was lost does not contain a business then the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.</p> <p>*The IASB postponed the effective date indefinitely to complete its research project on equity accounting (which may include further clarifications to these amendments). Since the Financial Reporting Act 2013 requires all accounting standards issued in New Zealand to have an effective date, the NZASB has decided on an effective date of 1 January 2025 (which will be reassessed in accordance with the IASB's decision on the matter). <i>Mandatory Date of Amendments to NZ IFRS 10 and NZ IAS 28 (2024)</i> deferred the effect date of <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28)</i> from 1 January 2025 to 1 January 2028.</p> <p>*Early application of the amendments is still permitted for periods beginning on or after 1 January 2025.</p>	 <p><a href="#"><b>IFRS in Focus Newsletter</b></a></p> <p><a href="#"><b>IFRS in Focus Newsletter – deferral of effective date</b></a></p>			
<b><i>Amendments to the Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7)</i></b>	1 Jan 2026*	O	O	O
<p>The amendments introduce an alternative to the derecognition of financial liability requirements where the financial liability will be settled via an electronic payment system. An entity may deem a financial liability (or part of it) to be discharged before settlement date if and only if the entity has initiated payment instructions that result in the following:</p> <ul style="list-style-type: none"> <li>the entity having no practical ability to withdraw, stop or cancel the payment instruction;</li> <li>the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and</li> </ul>	 <p><a href="#"><b>iGAAP in Focus Newsletter</b></a></p>			



New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<ul style="list-style-type: none"> <li>the settlement risk associated with the electronic payment system being insignificant.</li> </ul> <p>The amendments clarify that settlement risk associated with an electronic payment system is considered insignificant if the completion of payment instruction follows a standard administrative process and the time between meeting the first two criteria above and the counterparty receiving the cash is short. If an entity elects to apply this alternative to the derecognition of a financial liability, the entity must apply this consistently to all settlements made through the same electronic payment system. No alternative treatment is allowed for the counterparty who holds the financial asset.</p> <p>The amendments also provide clarification around <i>contractual terms that are consistent with a basic lending arrangement</i> which will help entities to assess contractual cash flow characteristics of financial assets with ESG features. The amendments add two illustrative examples to the application guidance in NZ IFRS 9 <i>Financial Instruments</i> to demonstrate when financial assets do or do not have contractual cash flows that are solely payments of principal and interest when ESG features are involved.</p> <p>The amendments also clarify classification of:</p> <ul style="list-style-type: none"> <li>Financial assets with non-recourse features and</li> <li>Contractually linked instruments</li> </ul> <p>NZ IFRS 7 <i>Financial Instruments: Disclosures</i> is also amended in respect of investments in equity instruments designated at FVTOCI. The amendments add that an entity is required to disclose for each class of investments the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised in the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. If an investment in an equity instrument designated at FVTOCI is derecognised during the reporting period, an entity will need to disclose any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period. An entity is also no longer required to disclose the reporting date fair value of each equity instrument designated at FVTOCI and can instead present this information by class of instruments.</p> <p>Disclosures have also been introduced where financial instruments include contractual terms that could vary the timing or amount of contractual cash flows depending on the occurrence (or non-occurrence) of contingent events unrelated to changes in basic lending risks and costs (such as the time value of money or credit risk). The amendments prescribe qualitative and quantitative information to be made by class of financial assets measured at amortised cost or FVTOCI and financial liabilities measured at amortised cost.</p> <p>Unless specified otherwise, the amendments will need to be applied retrospectively in accordance with NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. Prior period restatement is not required.</p> <p>*Early application is permitted for periods ended on or after 25 July 2024.</p>				

New pronouncement	Effective date	Year ending		Interim ending
		Sept 2024	Dec 2024	Dec 2024
<b><i>Annual Improvements to NZ IFRS Accounting Standards 2024</i></b>	1 Jan 2026	○	○	○
<p>The amendments were issued by the NZASB to address minor inconsistencies, lack of clarity and errors across a number of standards. One of the key changes is around the derecognition of lease liabilities under NZ IFRS 9 <i>Financial Instruments</i> which clarifies that when a lessee has determined that a lease liability has been extinguished in accordance with NZ IFRS 9, the lessee is required to apply NZ IFRS 9:3.3.3 and therefore recognise any resulting gain or loss in profit or loss.</p>		<div> <a href="#">iGAAP in Focus Newsletter</a></div>		

## Reflecting climate risk in financial statements

The IFRS Foundation has issued educational materials on the [Effects of climate-related matters on financial statements](#). As New Zealand financial reporting standards are based on IASB developed standards, the guidance is also relevant for financial statements prepared in accordance with NZ Generally Accepted Accounting Practice (NZ GAAP).

Preparers of financial statements must consider the **accounting implications of climate change** as well as the appropriate **disclosures** to include in the entity's financial statements, including the **consistency of that disclosure** with other information in the annual report.

### Impact on measurement and recognition

The risks and uncertainties arising from climate change are likely to have an impact on the financial statements of all entities, whether directly, or indirectly (through the supply / value chain). For example, climate change could result in:

- changes to assumptions in forecasts when considering asset impairment, including goodwill;
- effects on impairment calculations because of increased costs or reduced demand;
- changes in the useful life of assets;
- changes in the fair values of assets;
- changing availability of future tax profits when assessing recoverability of deferred tax assets;
- changes in provisions for onerous contracts because of increased costs or reduced demand;
- changes in provisions and contingent liabilities arising from fines and penalties;
- changes in expected credit losses for loans and other financial assets; and
- new financing arrangements and terms to be considered.

Forecasts used to assess going concern over a period of at least 12 months from the date of signing the financial statements may also be significantly affected in certain cases. The likelihood and extent of impact will require judgement because there is significant uncertainty as to the extent by which the global temperature will increase, what the impact of different climate change scenarios on an entity's business might be, and how these factors may result in changes to cash flow projections or to the level of risk associated with achieving those cash flows.

Assumptions made will need to be consistent with:

- risk management, strategy, and business model disclosure;
- commitments made by the company to investors and other stakeholders (including climate transition plans);
- commitments made by governments of jurisdictions in which the company operates, e.g., the NZ Government's commitment to 'net zero by 2050' and a carbon neutral public sector by 2025; and

- other disclosures made by the entity (such as the new climate-related disclosures issued by the XRB or other ESG reporting).

If your organisation has made climate commitments, the financial impact of these commitments should be reflected in related accounting estimates and disclosures.

### Increased Disclosure

Investors, regulators, and other stakeholders are also increasingly demanding better disclosures on climate change matters and challenging entities who are not factoring the effects of climate change into their critical accounting judgements.

Accounting standards note that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements" (NZ IAS 1 *Presentation of Financial Statements* / NZ IFRS 18 *Presentation and Disclosure in Financial Statements*).

If investors could reasonably expect that climate-related risks (or other emerging risks) will have a significant impact on the entity and this would qualitatively influence investors' decisions, then information on the climate or other assumptions made should be disclosed, including information about the sensitivity of those assumptions. Such disclosure may be necessary, even if the effects of climate change on the entity are not expected in the short term.

[IFRS Practice Statement 2: Making Materiality Judgements](#) provides guidance and examples that help preparers in making materiality judgements.

Climate disclosures in the financial statements should be consistent with information provided elsewhere, for example in management commentary in the annual report and information on the organisation's website as well as in the climate-related disclosures.

### Illustrative examples

On 31 July 2024, the IASB issued exposure draft *Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples*. The exposure draft illustrates how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in financial statements. Refer to Deloitte's [iGAAP in Focus](#) publication for more information.

The staff of the XRB have also issued guidance on Climate-related matters in the financial statements and how these link to the climate-related disclosures under the Climate-related Disclosures Standards applicable for Climate Reporting Entities under the Financial Markets Conduct Act 2013.

# Appendix A – Shedding light on the new disclosures required

NZ IFRS requires disclosures in relation to all the new or revised Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, whether they have been adopted or not. The requirements for interim financial reports are less onerous but must still be considered.

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- For annual reporting periods – NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- For interim reporting periods – NZ IAS 34 *Interim Financial Reporting*.

Entities reporting under NZ IFRS RDR (Tier 2 entities) are permitted exemptions from certain disclosures as noted below.

## What disclosures are required?

Applicability of new or revised pronouncement	Summary of disclosures required	
	Annual financial statements	Interim financial statements
Initial mandatory or voluntary application of a new or revised pronouncement	<p>The relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.</p> <p><i>Tier 2 entities would not need to disclose details of transitional provisions.</i></p> <p>(NZ IAS 8.28)</p> <p>In addition, each standard may have specific transitional provisions with which the entity needs to comply.</p> <p>When initial application has not had a material impact on the financial statements (and is also not expected to have a material impact in future periods), an entity may wish to include generic disclosure such as:</p> <p><i>“All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements.”</i></p>	<p>The nature and effect of any change in accounting policy compared with the most recent annual financial report.</p> <p>(NZ IAS 34.16A(a))</p> <p>NZ IAS 34 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with NZ IAS 8. However, best practice might suggest that the requirements of NZ IAS 8 be used as a guide.</p> <div>An IFRS in Focus Newsletter with more details can be found <a href="#">here</a>.</div>
Pronouncement on issue but not adopted	<p>The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).</p> <p>The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 30 September 2024 or 31 December 2024 (updated to 6 December 2024).</p> <p>When initial application is genuinely not expected to have a material impact on the financial statements, an entity may wish to include a generic disclosure such as:</p> <p><i>“There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become mandatory. None are expected to result in a material impact on the Company's financial statements.”</i></p> <p>Tier 2 entities are exempt from these disclosures.</p> <p>(NZ IAS 8.30-31)</p>	

### Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date or at the mandatory adoption date.

Other interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of

each Interpretation and its potential impacts when deciding whether early adoption is appropriate.

### Do the annual disclosures extend to pronouncements issued by the IASB/IFRIC where an equivalent New Zealand pronouncement has not been approved at the date of signing the financial report?

Yes. FRS 44 *New Zealand Additional Disclosures* requires for-profit entities to disclose the information required by paragraphs 30 and 31 of NZ IAS 8 in relation to a Standard or Interpretation issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved at the date of signing the financial report. This approach ensures that the entity can make an unreserved statement of compliance with IFRS as required by paragraph 16 of NZ IAS 1 *Presentation of Financial Statements* and paragraph 19 of NZ IAS 34 *Interim Financial Reporting*.



# Appendix B – IFRS Interpretations Committee Agenda Decisions

The IFRS Interpretations Committee responds to questions about the application of accounting standards. Below is a list of the published agenda decisions from the last 12 months.

## Agenda Decisions

Title
Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27 <i>Separate Financial Statements</i> ) (January 2024)
Climate-related Commitments (IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> ) (April 2024)
Payments Contingent on Continued Employment during Handover Periods (IFRS 3 <i>Business Combinations</i> ) (April 2024)
Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 <i>Operating Segments</i> ) (July 2024)

Refer to the [IFRS Interpretations Committee updates](#) page for further information about the fact patterns and the decisions that were reached by the Committee.





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