

FRSB Alert

By Vanessa Sealy-Fisher, Senior Project Manager – Accounting Standards (*Summary as at 22 December 2009*)

The Financial Reporting Standards Board (FRSB) met in Auckland on 17 December. The main issues discussed are summarised below.

Management Commentary

The FRSB held preliminary discussions on matters to be included in its submission to the IASB on ED/2009/6 *Management Commentary*. ED/2009/6 is available on the NZICA website at http://www.nzica.com/AM/Template.cfm?Section=Current_Exposure_Drafts. Comments are due to the FRSB no later than **29 January 2010** and to the IASB by no later than **31 March 2010**.

The FRSB will consider its submission to the IASB as its February 2010 meeting.

Accounting by Retirement Benefit Plans

The FRSB considered an Exposure Draft (including a Basis for Conclusions) and accompanying Request for Comment which proposes to amend NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. The proposals in the Exposure Draft are the product of a short-term review to remove potential inconsistencies between NZ IAS 26 and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* within the context of the requirements of ASRB Release 8 (revised 2009), including ensuring that profit-oriented entities applying NZ IFRSs are able to assert compliance with IFRSs. The main change proposed is to align the scope of NZ IAS 26 with the scope of IAS 26. This is intended to clarify the scope of NZ IAS 26 and remove the potential for inconsistency between the scope of NZ IAS 26 and IAS 26. The exposure draft also proposes to remove the NZ specific definitions and some NZ specific presentation requirements. It does not propose any changes to the additional disclosures required by NZ IAS 26, other than minor editorial amendments.

The FRSB agreed a comment date of 30 April 2010 and a proposed effective date of annual periods beginning on or after 1 April 2011. The ED will be available for comment early in 2010.

Financial Instruments

The FRSB was updated on the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In particular the updates related to ED/2009/12 *Financial Instruments: Amortised Cost and Impairment*, hedging and the recent meeting of the IASB's Financial Instruments Working Group which considered the classification and measurement of financial liabilities.

Emissions Trading Schemes

The FRSB noted the discussions from the November 2009 meeting of the IASB regarding its project on Emissions Trading Schemes. The FRSB noted concerns relating to the recognition of a liability when an entity becomes a party to an emissions trading scheme and how that liability may be avoided.

Service Performance Reporting

The FRSB considered a draft joint AASB/FRSB project plan for the AASB Disclosure by Private Sector Not-for-Profit Entities project and the FRSB project on service performance reporting by public benefit entities (PBEs). The FRSB noted the current high level of interest in improving service performance reporting in New Zealand. The FRSB also noted the feedback provided by the Public Benefit Entity Working Group (PBEWG) on some of the issues identified in the joint AASB/FRSB project plan.

Reporting on the Long-term Sustainability of Public Finances

The FRSB noted that the International Public Sector Accounting Standards Board (IPSASB) has recently issued for comment Consultation Paper *Reporting on the Long-term Sustainability of Public Finances*. The FRSB believes that there is likely to be limited public interest in this paper in New Zealand. The issues discussed in the paper are likely to be of most interest to the Treasury, which prepares regular reports on long-term fiscal sustainability, and rating agencies as key users of those reports.

The FRSB also noted that there are links between long-term fiscal sustainability and long-term service sustainability, that is, long-term fiscal sustainability reporting could be used to highlight any mismatch between resources and the services to be provided in the future.

The Consultation Paper is available on the NZICA website at http://www.nzica.com/AM/Template.cfm?Section=Current_Exposure_Drafts.

Consolidation

The FRSB agreed to undertake jointly with the AASB a project on Control in the public sector. The AASB and FRSB will consider a joint project plan at their meetings in February 2010.

The purpose of the project is identify and address those issues faced by entities in the public and not-for-profit sectors when identifying which entities should be included within the group when preparing consolidated financial statements.

Differential Reporting

The FRSB was updated on discussions that took place at both the Accounting Standards Review Board (ASRB) meeting held in November and the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) meeting held on 2 December 2009 regarding differential reporting in Australia and New Zealand. The FRSB noted that the AASB is considering a proposed reduced disclosure regime as a differential reporting framework for application in Australia. This framework would apply to entities that fall into Tier 2 of the Australian proposed financial reporting framework. The proposed reduced disclosure regime would not require fewer disclosures than are required in the IASB's IFRS for SMEs.

The FRSB agreed to monitor and provide input on the AASB's proposals. The FRSB considered whether or not it was appropriate to issue the AASB's proposals for comment in New Zealand when they are issued for comment in Australia. However, the FRSB decided that it was not appropriate as this could result in confusion in the New Zealand market (which currently already has two differential reporting frameworks and a discussion document issued by the ASRB seeking feedback on whether differential reporting is the most appropriate framework in the future).

FRSB approvals regarding forthcoming IASB EDs

The FRSB approved New Zealand Requests for Comment to accompany the forthcoming IASB EDs *Measurement of Liabilities* (Proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and *An improved Conceptual Framework for Financial Reporting: Chapter 2 The Reporting Entity*).

ASRB Approvals

The ASRB approved the following out of session:

- NZ IFRS 9 *Financial Instruments*
- NZ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- *Prepayments of a Minimum Funding Requirement* (Amendment to NZ IFRIC 14)

Next meeting

The next meeting of the FRSB will be held in Wellington on 28 January 2010.

Constituents who wish to receive the FRSB Alert and/or releases of exposure drafts electronically should contact the Institute on ASD@nzica.com

Please note that the information above is provided for guidance only. Decisions reported are tentative and may be revised or modified at future FRSB meetings. Information on previous Board meetings can be found on the Financial Reporting Standards section of the Institute's Web site at http://www.nzica.com/AM/Template.cfm?Section=Previous_FRSB_Alerts