

Institute of Chartered Accountants of New Zealand

FINANCIAL REPORTING STANDARD NO. 39  
Issued September 2002

## **SUMMARY FINANCIAL REPORTS**

*Issued by the Council of the  
New Zealand Institute of Chartered Accountants \**

**On 9 September 2002 the Accounting Standards Review Board has given a direction under the Financial Reporting Act 1993 that FRS-39: Summary Financial Reports has authoritative support within the accounting profession in New Zealand.**

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## **FRS-39**

*This Financial Reporting Standard should be read in the context of the  
Explanatory Foreword to General Purpose Financial Reporting  
issued by the Council of the  
New Zealand Institute of Chartered Accountants.*

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## **1 INTRODUCTION**

### *COMMENTARY*

1.1 General purpose financial reports are financial reports which are intended to provide information to meet the needs of external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs. A general purpose financial report includes financial and non-financial statements which communicate information about the financial and service performance, financial position and cash flows of the entity that is the subject of the report.

1.2 General purpose financial reports that comply with all the requirements under generally accepted accounting practice are referred to in this Standard as “full financial reports”. Summary financial reports are reports covering an annual reporting period, which are prepared for the users of general purpose financial reports, and which present information at a reduced level from that contained in the full financial report.

1.3 Over time, the requirements under generally accepted accounting practice have increased and the full financial reports of many entities have become longer and more complex. By providing less extensive information than that contained in full financial reports, summary financial reports are intended to meet the information needs of users who do not require all the information contained in full financial reports.

1.4 While summary financial reports do not comply with all the disclosure requirements under generally accepted accounting practice, information provided in a summary financial report must comply with all measurement and recognition requirements under generally accepted accounting practice.

1.5 Summary financial reports complying with the requirements of this Standard may be prepared in addition to full financial reports but must not be prepared instead of full financial reports. This Standard does not require the presentation of summary financial reports but it applies when summary financial reports are presented.

1.6 Financial reporting standards are paragraphs in bold type-face in this Standard. Where appropriate, interpretive commentary paragraphs in plain type-face follow the financial reporting standards.

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### 2 APPLICATION

#### *STANDARD*

**2.1 This Standard applies to the summary financial reports of all entities, except where a summary financial report is included in an annual report or other document that contains the full financial report.**

#### *COMMENTARY*

2.2 A summary financial report which is included in the same document that provides the full financial report is not subject to the requirements of this Standard. Such a summary financial report is not stand-alone, and the completeness of information protection afforded by this Standard is not necessary since users are given complete information in the full financial report.

2.3 A summary financial report presented on a Web site that also contains the full financial report will be regarded as being included in the same document as the full financial report when the two reports are presented in such a way as to provide the user with the impression that the two reports form part of the same document. Such an impression may come about, for example, through both reports being hyperlinked to/from a common contents page, or through both reports being contained in the same Web page or downloadable file.

#### *STANDARD*

**2.4 This Standard does not apply to financial information which is expressed solely in general terms and financial information prepared by a third party without involvement of the governing body of an entity.**

#### *COMMENTARY*

2.5 Examples of financial information which is expressed solely in general terms are:

- (a) a narrative report including key financial indicators taken from the entity's financial report;
- (b) monthly statements produced by unit trusts; and
- (c) general banking information prepared for customers, such as a key information summary.

2.6 Financial information prepared by a third party without involvement of the governing body of an entity includes information such as that prepared by investment analysts for information of their clients.

*STANDARD*

**2.7 The requirements in this Standard become part of generally accepted accounting practice only for the purposes of the presentation of summary financial reports.**

*COMMENTARY*

2.8 The presentation by an entity of a summary financial report in accordance with this Standard does not satisfy any obligation of that entity to present a full financial report in accordance with generally accepted accounting practice. Therefore, the summary financial report, where presented by an entity, must be additional to the full financial report presented by that entity.

*STANDARD*

**2.9 The financial reporting standards set out in this Standard apply to all summary financial reports where such application is of material consequence. A statement, fact or item is material if it is of such a nature or amount that its disclosure, or the method of treating it, given full consideration of the circumstances applying at the time the summary financial report is completed, is likely to influence the users of the summary financial report in making decisions or assessments.**

**2.10 This Standard applies to summary financial reports covering periods ending on or after 31 December 2002.**

**3 STATEMENT OF PURPOSE**

*COMMENTARY*

3.1 This Standard specifies the accounting practice and minimum disclosure requirements for summary financial reports.

3.2 Although this Standard specifies minimum information to be disclosed in a summary financial report, it does not prescribe the format in which that information is to be presented. Entities should develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, pie charts or columns, with explanatory comments in “pop-up” boxes or similar.

**4 DEFINITIONS**

*STANDARD*

**4.1 “General purpose financial reports” are financial reports which are intended to provide information to meet the needs of external users who are**

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unable to require, or contract for, the preparation of special reports to meet their specific information needs.

**4.2 “Full financial reports” are the annual general purpose financial reports of an entity that are required to comply with all the requirements under generally accepted accounting practice.**

### *COMMENTARY*

4.3 The full financial report of an entity will normally include:

- (a) a statement of financial performance;
- (b) a statement of movements in equity;
- (c) a statement of financial position;
- (d) a statement of cash flows (where not exempted);
- (e) a statement of service performance (where not exempted); and
- (f) such accounting policies and explanatory notes as a reader may need to understand the entity’s financial and non-financial performance, financial position and cash flows.

### *STANDARD*

**4.4 “Summary financial reports” are financial reports covering an annual reporting period that:**

- (a) are prepared for the users of a general purpose financial report of an entity; and**
- (b) present a précis of the information contained in the full financial report for the same period.**

### *COMMENTARY*

4.5 Summary financial reports are financial reports prepared for an annual reporting period only. Requirements concerning financial reports prepared for periods within an annual reporting period can be found in FRS-24: *Interim Financial Statements*.

4.6 In this Standard, “annual reporting period” includes the entity’s first reporting period and periods which have been extended or reduced to accommodate a new balance date.

4.7 While this Standard applies only to summary financial reports as defined, application of the principles set out in this Standard is encouraged for the preparation of all summarised financial information.

*STANDARD*

**4.8 Specific items which must be disclosed are listed in section 5 of this Standard and have the meanings set out in applicable financial reporting standards.**

**5 FINANCIAL REPORTING**

**General**

*STANDARD*

**5.1 The summary financial report must be drawn from and be consistent with information which is included in the full financial report for the same period.**

**5.2 Subject to paragraph 5.24, any additional information presented with a summary financial report must be drawn from and be consistent with information which is included in the annual report for the same period.**

*COMMENTARY*

5.3 To ensure summary financial reports contain information that is reliable and unbiased, it is important that the financial information disclosed is drawn only from information included in the full financial report. It is also important that any additional information presented with a summary financial report is drawn only from information included in the annual report. However, the process of summarisation will inevitably mean that some information, especially narrative information, cannot be a duplicate of that expressed in the full financial report or annual report. In such circumstances, such information must, at a minimum, be consistent with that expressed in the full financial report or annual report.

*STANDARD*

**5.4 Summary financial reports must comply with all measurement and recognition requirements under generally accepted accounting practice.**

*COMMENTARY*

5.5 While summary financial reports need comply only with the disclosures set out under this Standard, they must still meet all measurement and recognition requirements that must be met in full financial reports.

*STANDARD*

**5.6 The entity presenting the summary financial report must be clearly identified and where the entity presenting the summary financial report is a group, the summary financial report must be prepared on a consolidated basis.**

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**5.7 An entity must disclose the date when the summary financial report was authorised for issue and who gave that authorisation.**

### **Summary Statements Required**

#### *STANDARD*

**5.8 Any presentation of a summary financial report must include a précis of the financial and non-financial statements which are required to be included in the full financial report.**

#### *COMMENTARY*

5.9 The following financial and non-financial statements will normally be included in such a presentation:

- (a) a précis of the statement of financial performance for the period;
- (b) a précis of the statement of movements in equity for the period;
- (c) a précis of the statement of financial position as at the end of the period;
- (d) a précis of the statement of cash flows for the period (where not exempted);  
and
- (e) a précis of the statement of service performance for the period (where not exempted).

5.10 Although this Standard specifies the financial and non-financial statements to be included in the summary financial report, it does not prescribe the format in which those statements are to be presented. For example, an entity may present a combined statement which includes précis of the information contained in the statements of financial performance and movements in equity.

### **Specific Disclosures**

#### *STANDARD*

**5.11 The items specified in paragraphs 5.13 to 5.33 are the minimum disclosures that must be made in a summary financial report. Disclosures included in summary financial reports that are made in addition to the items specified in paragraphs 5.13 to 5.33, must be consistent with generally accepted accounting practice.**

#### *COMMENTARY*

5.12 When additional disclosures are made which are consistent with an appropriate financial reporting standard, there is no need to provide all the disclosures required by that financial reporting standard. For example, if an entity disclosed fees paid to its auditors in its summary statement of financial performance, it would need to do so in accordance with FRS-9: *Information to be*

*Disclosed in Financial Statements.* However, providing this additional disclosure does not mean that all the other disclosures required by FRS-9 must be included.

*Disclosure Requirements*  
**STANDARD**

**5.13 Statement of financial performance disclosures must include:**

- (a) **operating revenue;**
- (b) **surplus (deficit) before income tax;**
- (c) **income tax; and**
- (d) **net surplus (deficit) for the period (separately disclosing minority interest).**

**5.14 Statement of movements in equity disclosures must include a reconciliation of equity at the beginning of the period with equity at the end of the period, separately disclosing the material reconciling items and total recognised revenue and expenses for the period.**

**5.15 Statement of financial position disclosures must include:**

- (a) **Either:**
  - (i) **separate disclosure of the aggregates of:**
    - **current assets**
    - **non-current assets**
    - **current liabilities**
    - **non-current liabilities;**
  - Or:**
  - (ii) **where, because of the nature of the activity of the entity and to be consistent with the reporting practices in its full financial report, it is not appropriate to disclose the classifications listed directly above, the major components of assets and liabilities must be disclosed in the broad order of their liquidity; and**
- (b) **Equity (separately disclosing minority interest).**

**5.16 Where an entity has included a statement of cash flows in its full financial report, the statement of cash flows disclosures in the summary financial report must include the following individual components:**

- (a) **net cash flows from operating activities;**
- (b) **net cash flows from investing activities; and**
- (c) **net cash flows from financing activities.**

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**5.17 Items included in the components listed in paragraphs 5.13 and 5.15 must be disclosed separately if they are of such incidence and size, or of such nature, that their disclosure is necessary to explain the performance and financial position of the entity. A précis of the description of each item, as included in the full financial report, must be given to enable its nature to be understood.**

**5.18 When requirements for the full financial report of the entity reporting are set out under an industry-specific financial reporting standard, the summary financial report must include a précis of the items for which separate disclosure is required by that industry-specific financial reporting standard.**

### *Budgeted Financial Information*

**5.19 Entities that are required by legislation to report budgeted financial information in their full financial report must include a précis of the budgeted financial information included in their full financial report in their summary financial report.**

### *COMMENTARY*

5.20 In the public sector, many entities are required by legislation to provide budgeted information in their full financial report. The provision of budgeted financial information provides users with information useful to assess the financial and service performance, financial position and cash flows of an entity. Accordingly, a précis of such information should be provided in the summary financial report and, where possible, budgeted information should be provided for all actual financial and non-financial information presented.

5.21 Entities that report budgeted financial information in their full financial reports, although they are not required by legislation to report such information, are encouraged to provide in their summary financial reports a précis of the budgeted financial information included in their full financial reports.

5.22 As set out in paragraphs 5.1 and 5.2, an entity should only include information in its summary financial report that has been included in the entity's full financial report or annual report. Where the entity presenting the summary financial report is a group and such entity is not required by legislation to report budgeted information in the consolidated financial report, the requirement in paragraph 5.19 would not result in the disclosure of consolidated budgeted information in the entity's summary financial report.

*Events Occurring After the Reporting Date*

*STANDARD*

**5.23** Where events were required to be disclosed in the full financial report in terms of FRS-5: *Events After Balance Date*, a précis of the information disclosed in the full financial report must be disclosed in the summary financial report.

**5.24** Information on events occurring subsequent to the date of issuance of the full financial report, but before the date of issuance of the summary financial report, must be disclosed in the summary financial report if on-disclosure of such information would result in the summary financial report being misleading. The disclosures must include:

- (a) the nature of the event; and
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

*Additional Information*

**5.25** Sufficient additional information must be disclosed to ensure that all relevant matters are reported to the users of the summary financial report. A précis of the description of each item, as included in the full financial report, must be given to enable its nature to be understood.

*COMMENTARY*

5.26 Examples of the additional information required to be disclosed under paragraph 5.25 may include information with regard to contingent assets, contingent liabilities, related party transactions, commitments, off-balance sheet transactions, discontinued activities and the basis on which the full financial reports were prepared where the going concern basis is not appropriate or where a fundamental uncertainty exists. Any précis of additional information given should be disclosed in accordance with the financial reporting standard, where applicable, relating to the item.

*Reporting Period*

*STANDARD*

**5.27** The period covered by the summary financial report must be disclosed.

*Comparative Information*

**5.28** Comparative information for the previous reporting period must be shown for all items disclosed in the summary financial report, except where such information is not disclosed in the full financial report.

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### *Relationship to Full Financial Report*

**5.29 The summary financial report must prominently display the following information:**

- (a) **that the specific disclosures included in the summary financial report have been extracted from the full financial report and the date of such report;**
- (b) **that the summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flows of the entity;**
- (c) **details as to how a user may obtain a copy of the full financial report; and**
- (d) **where substantial time has lapsed between the issuance of the full financial report and the summary financial report, a statement to that effect.**

### *COMMENTARY*

5.30 The nature of the communication identified in paragraph 5.29(a) to (c) is necessary to compensate for the fact that the summary financial report does not provide complete information about the financial and service performance, financial position and cash flows of the entity for the period covered. The disclosure identified in paragraph 5.29(d) alerts users to the possibility that events that occurred subsequent to the date when the full financial report was authorised for issue, may affect the usefulness of the information presented.

### *STANDARD*

**5.31 The summary financial report must prominently disclose:**

- (a) **whether the full financial report has been audited and, if so, the nature of the audit opinion; and**
- (b) **whether the summary financial report has been examined by the auditor for consistency with the full financial report and, if so, the nature of the auditor's report.**

### *COMMENTARY*

5.32 An audit report may be unqualified or qualified. An audit report that is unqualified may contain reference to any uncertainty or to any non-compliance with an authoritative requirement. The audit status of a full financial report is critical information to the user of any summary financial report of that entity. It is therefore appropriate that such information be prominently communicated.

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### *Accounting Policies* *STANDARD*

**5.33** When there is a change in accounting policy or estimates from those used in the preceding financial year that has a material effect in the current financial year or is expected to have a material effect in a subsequent financial year, the summary financial report must disclose a précis of the information required about such a change in accordance with FRS-1: *Disclosure of Accounting Policies*.

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### **APPENDIX**

#### **Comparison of FRS-39 with International and Australian Accounting Standards**

This comparison appendix, which was prepared as at 24 June 2002, is produced for information purposes only and does not form part of the standards in FRS-39.

The Australian accounting standard comparable with FRS-39 is AASB 1039 (2002): *Concise Financial Reports*.

There are no International Accounting Standards comparable with FRS-39.

There are no International Public Sector Accounting Standards comparable with FRS-39.

Legislation in Australia permits companies and certain other entities to distribute to members either full financial reports or concise financial reports. AASB 1039 is drafted in this context. In contrast, in New Zealand, entities preparing summary financial reports may do so only in addition to full financial reports. FRS-39 is drafted in this context. As a result of this difference, the disclosure requirements of FRS-39 are less detailed and also provide more flexibility with regard to the presentation of summary financial reports. A detailed comparison is therefore not presented.