

**Framework for Differential Reporting for Entities
Applying the New Zealand Equivalents to International
Financial Reporting Standards Reporting Regime**

Issued June 2005 and incorporates amendments up to November 2007.

Issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants* and approved by the Accounting Standards Review Board in June 2005 under the Financial Reporting Act 1993.

This document should be read in the context of the New Zealand *Preface* published by the New Zealand Institute of Chartered Accountants.

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DIFF REP FRAMEWORK

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HISTORY OF AMENDMENTS

Table of Pronouncements – *Framework for Differential Reporting*

This table lists the pronouncements establishing and amending the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)*.

The table is based on amendments approved as at 30 November 2007.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
<i>Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to IFRSs Financial Reporting Standards Reporting Regime (Framework for Differential Reporting)</i>	Jun 2005 (Approval 62)	On adoption of NZ IFRSs	1 Jan 2007
Withdrawal NZ IFRIC 3 <i>Emission Rights</i>	Oct 2005 (Approval 67)	NA	Immediately
NZ IFRIC 6 <i>Liabilities Arising from Participating in a Specific-Market-Waste Electrical and Electronic Equipment</i>	Oct 2005 (Approval 71)	1 Jan 2006	1 Jan 2007
NZ IFRS 7 <i>Financial Instruments: Disclosures</i> and a complementary Amendment to NZ IAS 1 <i>Presentation of Financial Statements–Capital Disclosures</i>	Nov 2005 (Approval 72)	Early application encouraged	1 Jan 2007
FRS-42 <i>Prospective Financial Statements</i>	Dec 2005 (Approval 74)	1 Jan 2006	March 2006 Local Authorities June 2006 for other entities

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Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
Withdrawal FRS-29 <i>Prospective Financial Information</i>	Dec 2005 (Approval 75)		June 2006
Amendment to the <i>Framework for Differential Reporting</i>	Dec 2005 (Approval 76)	On adoption of NZ IFRSs	1 Jan 2007
NZ IFRIC 7 Applying the Restatement Approach under NZ IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	Dec 2005 (Approval 77)	Early application encouraged	1 Jan 2007
NZ IFRIC 9 <i>Reassessment of Embedded Derivatives</i>	May 2006 (Approval 81)	1 June 2006 Early application encouraged	1 Jan 2007
Amendments to NZ IFRS 7 <i>Financial Instruments: Disclosures–Differential Reporting Concessions and Financial Institution Disclosures</i>	Sep 2006 (Approval 82)	1 Jan 2007 Early application encouraged	1 Jan 2007
NZ IFRIC 10 <i>Interim Financial Reporting and Impairment</i>	Sep 2006 (Approval 83)	1 Nov 2006 Early application encouraged	1 Jan 2007
NZ IFRIC 11 <i>NZ IFRS 2–Group and Treasury Share Transactions</i>	Dec 2006 (Approval 84)	Early application permitted	1 Mar 2007
NZ IFRS 8 <i>Operating Segments</i>	Dec 2006 (Approval 85)	Early application permitted	1 Jan 2009
Omnibus Amendments (2006-01)	Dec 2006 (Approval 86)	Early application permitted	1 Jan 2007
Amendment to the <i>Framework for Differential Reporting</i>	Jan 2007 (Approval 87)	Refer Financial Reporting Amendment Act 2006	Refer Financial Reporting Amendment Act 2006
FRS-43 <i>Summary Financial Statements</i>	May 2007 (Approval 89)	Early application permitted	1 Jan 2007

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Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (annual reporting periods... on or after ...)
Amendments to NZ IFRS 4 <i>Insurance Contracts—The Scope of Insurance Activities and Differential Reporting Concessions</i>	Sept 2007 (Approval 91)	Early application permitted	1 Jan 2009
NZ IFRIC 13 <i>Customer Loyalty Programmes</i>	Sept 2007 (Approval 92)	Early application permitted	1 Jan 2008
NZ IFRIC 14 <i>NZ IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Sept 2007 (Approval 93)	Early application permitted	1 Jan 2009
NZ IAS 1 <i>Presentation of Financial Statements</i>	Nov 2007 (Approval 94)	Early application permitted	1 Jan 2009
Omnibus amendments (2007-1)	Nov 2007 (Approval 95)	Early application permitted	1 Jan 2008

Table of Amended Paragraphs – Framework for Differential Reporting		
Paragraph affected	How affected	By ... [date]
Paragraph 2.4	Amended	Amendment to the <i>Framework for Differential Reporting</i> [Jan 2007]
Paragraph 2.5	Amended	NZ IAS 1 [Nov 2007]
Appendix 1	Amended	Withdrawal NZ IFRIC 3 [Oct 2005]
Appendix 1	Amended	NZ IFRIC 6 [Oct 2005]
Appendix 1	Amended	NZ IFRS 7 [Nov 2005]

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Table of Amended Paragraphs – Framework for Differential Reporting		
Paragraph affected	How affected	By ... [date]
Appendix 1	Amended	FRS-42 [Dec 2005]
Appendix 1	Amended	Withdrawal FRS-29 [Dec 2005]
Appendix 1	Amended	Amendment to the <i>Framework for Differential Reporting</i> [Dec 2005]
Appendix 1	Amended	NZ IFRIC 7 [Dec 2005]
Appendix 1	Amended	NZ IFRIC 9 [May 2006]
Appendix 1	Amended	Amendments to NZ IFRS 7 [Sep 2006]
Appendix 1	Amended	NZ IFRIC 10 [Sep 2006]
Appendix 1	Amended	NZ IFRIC 11 [Dec 2006]
Appendix 1	Amended	NZ IFRS 8 [Dec 2006]
Appendix 1	Amended	Omnibus Amendments (2006-01) [Dec 2006]
Appendix 1	Amended	FRS-43 [May 2007]
Appendix 1	Amended	Amendments to NZ IFRS 4 [Sept 2007]
Appendix 1	Amended	NZ IFRIC 13 [Sept 2007]
Appendix 1	Amended	NZ IFRIC 14 [Sept 2007]
Appendix 1	Amended	NZ IAS 1 [Nov 2007]

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Table of Amended Paragraphs – Framework for Differential Reporting		
Paragraph affected	How affected	By ... [date]
Appendix 1	Amended	Omnibus amendments (2007-1) [Nov 2007]
Appendix 2	Amended	Amendment to the <i>Framework for Differential Reporting</i> [Jan 2007]

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1 INTRODUCTION

- 1.1 The *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005) (Framework for Differential Reporting)* explains differential reporting and its application in the context of New Zealand equivalents to International Financial Reporting Standards (IFRSs), the specific Financial Reporting Standards applicable to entities that have adopted New Zealand equivalents to IFRSs and the New Zealand Equivalent to the IASB *Framework for the Preparation and Presentation of Financial Statements (NZ Framework)*. This *Framework for Differential Reporting* sets out the concessions available under this reporting regime to qualifying entities required to prepare general purpose financial statements that comply with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).¹
- 1.2 This *Framework for Differential Reporting* represents an interim approach to the development of differential reporting concessions for entities applying New Zealand equivalents to IFRSs. It is based on the *Framework for Differential Reporting* initially developed in 1994. A discussion of the assumptions used in developing that Framework and supporting the use of the surrogates for assessing the benefits and costs of financial reporting requirements are set out in sections 3 and 4 of that Framework. In developing this *Framework for Differential Reporting* the FRSB has not re-examined these assumptions. The FRSB has not re-examined these assumptions because a review of qualifying entities and differential reporting concessions is likely to be required in the short term.
- 1.3 The International Accounting Standards Board (IASB) has embarked upon a project in which it is considering reporting requirements for small and medium entities (SMEs). Following completion of this project, New Zealand's approach to differential reporting will be reviewed.
- 1.4 The Government is currently engaged in a review of the financial reporting obligations of various entities. This review could lead to changes in the types of entities required to comply in full with New Zealand equivalents to IFRSs. It will be appropriate to review this *Framework for Differential Reporting* once these details are known.
- 1.5 In the short-term, as standards or interpretations are developed or revised, this *Framework for Differential Reporting* will be used to determine any differential application of each standard or interpretation. Preparers of financial statements will not be allowed to vary the application of a standard except in the ways described in that standard.

¹ The New Zealand *Preface (NZ Preface)*, paragraph 17, contains an explanation of the term general purpose financial statements.

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- 1.6 Appendix 1 to this document lists the differential reporting application of the most recently published versions of standards and interpretations. As revisions of these standards or interpretations are published, their differential reporting paragraphs may change. Reference should be made to the application paragraph of each particular new or revised standard or interpretation.
- 1.7 Adoption of this *Framework for Differential Reporting* will be permitted only when an entity has applied New Zealand Equivalent to International Financial Reporting Standard 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* (NZ IFRS 1) for an annual accounting period beginning on or after 1 January 2005.
- 1.8 Qualifying entities electing to apply differential reporting concessions shall, in accordance with NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and NZ IAS 1 *Presentation of Financial Statements*, disclose the criteria which establish the entity as a qualifying entity for differential reporting and the extent to which the entity has applied some but not all available differential reporting concessions. Such entities will not meet the full requirements of IFRSs and will therefore be unable to assert compliance with IFRSs.

2 DEFINITIONS

The following terms are used in this *Framework for Differential Reporting* with the meanings specified:

- 2.1 **General purpose financial statements** are those provided to meet the information needs of external users who are unable to require or contract for, the preparation of special reports to meet their specific information needs.
- 2.2 **Special purpose financial reports** are financial reports tailored to meet the specific information needs of a particular user.
- 2.3 **Governing body** means the body responsible for the financial, investing or operating policies of an entity; for example, the board of directors of a company, or its equivalent in other entities, in both the private and public sectors.
- 2.4 **Exempt company** is a company as defined in the Financial Reporting Act 1993. (Refer Appendix 2).
- 2.5 For the purposes of this *Framework for Differential Reporting* **owner** is a party which has:
 - (a) an equitable or beneficial interest in the residual value of an entity's assets; or
 - (b) the right to participate in the election or appointment of an entity's governing body.

- 2.6 **Qualifying entities** are entities which meet the requirements of the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*, to qualify for differential reporting exemptions in standards.
- 2.7 **Total income** comprises the annualised gross income based on the amount reported in the entity's statement of comprehensive income for the current period. Income includes both revenue and gains. Revenue arises in the course of the ordinary activities of an entity and includes, but is not limited to, sales, fee income, grants, output appropriations, cost recoveries, donations, dividends, interest, and subscriptions. Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity.
- 2.8 **Total assets** is the value of all assets (including intangible assets) reported in the entity's statement of financial position at the end of the current period.
- 2.9 **Employees** comprise the number of full-time equivalent persons in the paid employment of the entity, calculated on an annual basis.

3 DISCUSSION

Application of the Benefit:Cost Criterion

- 3.1 Using the assumptions in the *Framework for Differential Reporting* (issued 1994²), the surrogates for the Benefit:Cost Criterion for a reporting entity are:
- (a) public accountability;
 - (b) separation of owners and governing body of an entity; and
 - (c) size.

Public Accountability

- 3.2 An entity has public accountability for the purposes of this *Framework for Differential Reporting* if:
- (a) at any time during the current or the preceding reporting period, the entity (whether in the public or the private sector) was an issuer as defined in the Financial Reporting Act 1993; or
 - (b) the entity has the coercive power to tax, rate or levy to obtain public funds.
- 3.3 Public accountability is particularly important for public sector entities because:
- (a) office holders are accountable to the general public and to electors for the management of public sector entities;
 - (b) elected officers are like trustees in their stewardship on behalf of the public; and

² The *Framework for Differential Reporting* was issued in 1994 and was subsequently revised in 1997, 2002 and 2005.

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- (c) the statutory right to tax, to levy or otherwise to acquire funds compulsorily, creates an obligation to report to the public on the use of the funds acquired compulsorily.
- 3.4 An entity does not have public accountability, for the purposes of this *Framework for Differential Reporting*, solely by reason of receiving public funds from another entity which has the coercive power to tax, rate or levy to obtain public funds.

Separation between Owners and Governing Body of an Entity

- 3.5 Where every owner of an entity is also a member of the entity's governing body, there is no accountability requirement between the governing body and the owners. Subject to paragraphs 3.8 to 3.9 below, in such circumstances the entity will qualify for differential reporting exemptions provided it is not publicly accountable.
- 3.6 Where an owner of an entity is not a natural person (for example the owner is a company or a trust) and the owner appoints a representative to the governing body, that representative is considered to be an owner for the purposes of this *Framework for Differential Reporting*. In the example of a wholly owned subsidiary, the directors appointed by the holding company are considered to be the owners of the subsidiary.
- 3.7 The definition of an owner in paragraph 2.5 of this *Framework for Differential Reporting* identifies an owner as a party which has a beneficial interest in the residual value of the entity's assets. Therefore when the entity preparing the financial statements is a trust, all beneficiaries must be trustees in order to meet the requirement that there is no separation between the owners and the governing body.

Closely-held entities where the parent or ultimate controlling entity has the coercive power to tax, rate or levy

- 3.8 If the parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds, the entity is not permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for differential reporting exemptions. Such entities may qualify for differential reporting only on the basis of size. This is because it is not appropriate that entities such as Council Controlled Organisations, Crown entities, State-owned enterprises or government departments should be permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for exemptions because the public have a beneficial interest in the entity and in many cases the public indirectly provides funds to such entities through taxes, rates or levies.

Size

- 3.9 An entity is large if it exceeds any two of the following:
- (a) total income of \$20.0 million;
 - (b) total assets of \$10.0 million;

- (c) 50 employees.

For the purposes of the application of the size criteria the total income and total assets are determined after the application of any allowable exemptions permitted by the *Framework for Differential Reporting*.

The size criteria will be reviewed regularly.

Groups of Entities

- 3.10 Where the entity reporting is a group in New Zealand, the criteria in paragraphs 3.2 to 3.9 shall be applied to the group comprising the investor and all its subsidiaries. For a group the criteria of size in paragraph 3.9 shall be applied to the totals of an actual or notional consolidation. When the parent of the group is an issuer, the group is an issuer and is deemed publicly accountable in terms of paragraph 3.2. A group should however not be considered publicly accountable solely by reason of a subsidiary or associate being publicly accountable.

Framework for Differential Reporting

- 3.11 An entity qualifies for differential reporting exemptions (is a qualifying entity) when the entity does not have public accountability (paragraphs 3.2 – 3.4), and:

- (i) at balance date, all of its owners are members of the entity's governing body; or
- (ii) the entity is not large in terms of paragraph 3.9.

Except that an entity which does not have public accountability but whose parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds may only qualify for differential reporting where it is not large in terms of paragraph 3.9.

- 3.12 This means that an entity does not qualify for differential reporting exemptions (is not a qualifying entity) when:

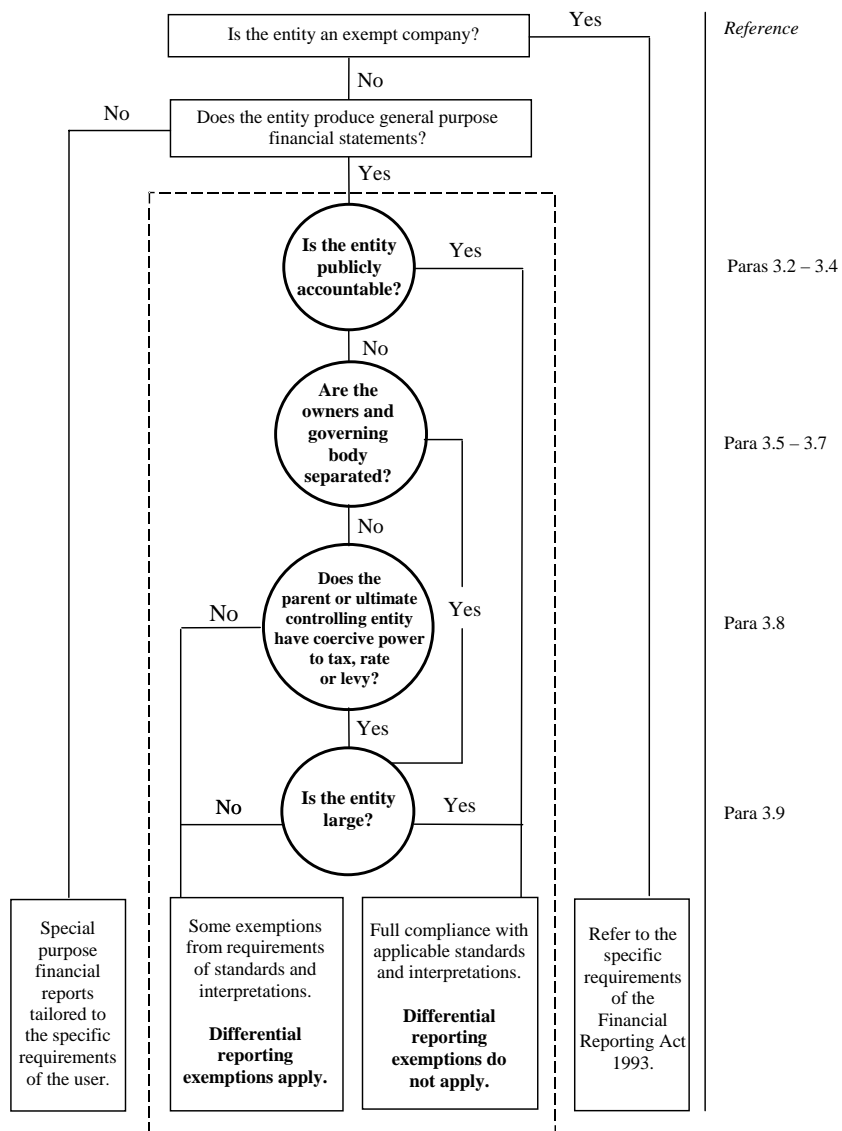
- (a) it has public accountability; or
- (b) both:
 - (i) at balance date the entity has owners who are not members of the governing body; and
 - (ii) the entity is large in terms of paragraph 3.9; or
- (c) both:
 - (i) the parent or ultimate controlling entity of the entity has the coercive power to tax, rate or levy to obtain public funds; and
 - (ii) the entity is large in terms of paragraph 3.9.

These criteria are demonstrated in Figure 1 below.

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Figure 1: Framework for Differential Reporting

Note: material in the dotted box indicates the Framework for Differential Reporting



- 3.13 When an entity has been large in terms of paragraph 3.9 and subsequently ceases to be large, the entity will not qualify for differential reporting exemptions in terms of paragraphs 3.11(ii) until the entity ceases to be large for two consecutive reporting periods. However, when the size criteria have been amended, an entity may apply the revised size criteria in the first year of application and qualify for differential reporting exemptions.
- 3.14 Where an entity has previously qualified for differential reporting exemptions in terms of paragraph 3.11, but no longer qualifies, the entity shall cease immediately to apply differential reporting exemptions. An entity shall provide comparative figures for the previous period without applying differential reporting exemptions to the comparative figures in accordance with NZ IAS 8. NZ IAS 8 requires such changes in accounting policies to be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

4 ADDITIONAL CONSIDERATIONS WITH RESPECT TO DIFFERENTIAL REPORTING

- 4.1 In the short-term when each standard is prepared or revised, differential reporting exemptions will be considered and, where appropriate, included in the new standard.
- 4.2 Individual standards may also specifically exempt certain entities from complying with the standard or parts thereof, and/or may provide additional bases for the application of differential reporting with respect to the standard.
- 4.3 Qualifying entities may selectively apply the provisions of standards from which they are exempt under the *Framework for Differential Reporting* where this will not affect the recognition or measurement of revenues, expenses, assets or liabilities.
- 4.4 Where a qualifying entity discloses information for which there is an exemption in accordance with the *Framework for Differential Reporting*, it will not be compelled to comply fully with the relevant standard. If a qualifying entity chooses to give any disclosure from which it is exempt, the entity shall make the disclosure in accordance with the relevant standard.

5 COMPLYING WITH OTHER STANDARDS

Applying Differential Reporting Concessions

- 5.1 *Where a qualifying entity takes advantage of differential reporting concessions in this Framework for Differential Reporting the entity shall, in accordance with NZ IAS 8, disclose the criteria which establish the entity as a qualifying*

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entity for differential reporting and the extent to which the entity has applied some but not all available differential reporting concessions.

- 5.2 *Qualifying entities electing to apply differential reporting concessions will not be able to assert compliance with IFRSs.*

Changes in Accounting Policies

- 5.3 *Where a qualifying entity has taken advantage of differential reporting concessions in this Framework for Differential Reporting and subsequently ceases to apply one or more of these concessions, the entity shall account for the change in accounting policies in accordance with NZ IAS 8.*

- 5.4 *Where a qualifying entity which is a profit-oriented entity has taken advantage of differential reporting concessions in this Framework for Differential Reporting and subsequently ceases to apply all of these concessions, and is thereby required to assert compliance with IFRSs, the entity shall account for the change in accounting policies in accordance with NZ IAS 8 and IFRS 1. The requirement to apply both these standards may limit the ability of such entities to apply some of the exemptions available in IFRS 1.*

- 5.5 In electing to use specific differential reporting concessions, qualifying entities which may subsequently comply in full with New Zealand equivalents to IFRSs or with IFRSs should carefully consider the potential impact of future changes in accounting policies.

6 EFFECTIVE DATE

- 6.1 *Adoption of this Framework for Differential Reporting is permitted at the same time or subsequent to an entity's compliance with NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards for an annual accounting period beginning on or after 1 January 2005.*

APPENDIX 1

Application of Differential Reporting to Specific Pronouncements

This Appendix describes the differential reporting concessions available in all New Zealand equivalents to IFRSs and Financial Reporting Standards (FRSs) applicable to entities that have adopted the New Zealand equivalents to IFRSs reporting regime. Differential reporting concessions are specified within each Standard. Readers should therefore refer to each Standard for a precise description of any differential reporting concessions.

The *Framework for Differential Reporting* grants either full, partial or no exemption from standards.

Full Exemption

Any qualifying entity is granted full exemption from:

NZ IAS 7 *Statement of Cash Flows*

Partial Exemption

Qualifying entities are given partial exemption from the following standards.

NZ IAS 1 *Presentation of Financial Statements* (revised 2007)

NZ IAS 2 *Inventories*

NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

NZ IAS 11 *Construction Contracts*

NZ IAS 12 *Income Taxes*

NZ IAS 16 *Property, Plant and Equipment*

NZ IAS 17 *Leases*

NZ IAS 18 *Revenue*

NZ IAS 19 *Employee Benefits*

NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*

NZ IAS 23 *Borrowing Costs* (revised 2007)

NZ IAS 24 *Related Party Disclosures*

NZ IAS 28 *Investments in Associates*

NZ IAS 36 *Impairment of Assets*

NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

NZ IAS 38 *Intangible Assets*

NZ IAS 40 *Investment Property*

NZ IAS 41 *Agriculture*

NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

NZ IFRS 7 *Financial Instruments: Disclosure*

FRS 42: *Prospective Financial Information*

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NZ SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

NZ SIC-32 *Intangible Assets – Web Site Costs*

NZ IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*

A more detailed description of the specific exemptions within each standard is shown below.

NZ IAS 1 *Presentation of Financial Statements* (revised 2007)* (partial exemption)

Qualifying entities are given several concessions to the specific requirements of this Standard (as identified in the Standard). Qualifying entities are required to comply with all other paragraphs in the Standard unless specifically exempted by a concession in another Standard.

Qualifying entities are not required to comply with the requirements of:

- paragraph 10(d) which requires a statement of cash flows for the period. Qualifying entities are granted full exemption from NZ IAS 7 *Statement of Cash Flows*.
- paragraph 31(f) which requires an entity present a statement of financial position as at the beginning of the earliest comparative period when the entity makes a retrospective application of an accounting policy or a retrospective restatement or reclassification of items in its financial statements.
- paragraph 41(b) which requires that when comparative amounts are reclassified an entity shall disclose the amount of each item or class of items that is reclassified.
- paragraph 54(j) which requires disclosure in the statement of financial position of the total assets classified as held for sale and assets included in disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale in accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- paragraph 54(p) which requires disclosure in the statement of financial position of liabilities included in disposal groups classified as held for sale in accordance with NZ IFRS 5.
- paragraph 61 which requires an entity to disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than twelve months after the end of the reporting period and (b) more than twelve months after the end of the reporting period.

* NZ IAS 1 was revised in 2007. The concessions available in respect of the previous version of NZ IAS 1 are described in that Standard.

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- paragraph 79(a)(i) and (iii) which require disclosure of the number of shares authorised and the par value per share, or that the shares have no par value, respectively.
- paragraph 82(e) which requires disclosure in the statement of comprehensive income of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operations.
- paragraph 90 which requires an entity to disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes. This concession is available only to a qualifying entity that elects to account for income taxes under the income taxes payable method. A qualifying entity applying this concession that presents components of other comprehensive income net of related tax effects shall disclose the aggregate amount of income tax relating to components of other comprehensive income in the notes. A qualifying entity applying this concession that presents components of other comprehensive income before related tax effects with one amount shown for the aggregate amount of income tax relating to those components is not required to disclose the amount of income tax relating to each component of other comprehensive income.
- paragraph 98(a) insofar as it requires disclosure of write-downs of inventories and the reversals of such write-downs. Qualifying entities are still required to disclose write-downs of property, plant and equipment to net realisable value and reversals of such write-downs in accordance with paragraph 98(a).
- paragraph 98(e) which requires separate disclosure of discontinued operations.
- paragraph NZ 105.2 which requires disclosure of donations made.
- paragraph 106 in certain circumstances. Qualifying entities are not required to present a statement of changes in equity in accordance with paragraph 106 in the following circumstances:
 - (a) there have been no transactions between the entity and the entity's owners during the current or previous period; and
 - (b) there have been no adjustments to the opening balance of retained earnings for the current or previous period.A qualifying entity that does not comply with paragraph 106 shall include in its financial statements a statement to this effect and the reasons why.
- paragraph 122 which requires that an entity shall disclose the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.
- paragraph 125 which requires that an entity shall disclose information about the assumptions it makes about the future and other major sources of estimation

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uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- paragraph 134 to the extent that it relates to paragraphs 135(a), (b) and (c) which are subject to differential reporting concessions. However, qualifying entities are required to comply with paragraph 134 to the extent that it relates to paragraphs 135(d) and (e). Paragraph 134 requires disclosure of information that enables users of an entity's financial statements to evaluate the entity's objectives, policies and processes for managing capital. Paragraph 135(a) requires disclosure of qualitative information about an entity's objectives, policies and processes for managing capital. Paragraph 135(b) requires disclosure of summary quantitative data about what an entity manages as capital. Paragraph 135(c) requires disclosure of any changes in the qualitative information or quantitative data from previous periods.

NZ IAS 2 *Inventories* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to disclose the carrying amount of inventories in classifications appropriate to the entity as required by paragraph 36(b). Qualifying entities are still required to disclose the total carrying amount of inventories.

Qualifying entities are not required to comply with:

- paragraph 36(c) which requires disclosure of the carrying amount of inventories carried at fair value less costs to sell.
- paragraph 36(d) which requires disclosure of the amount of inventories recognised as an expense during the period.
- paragraph 36(e) which requires disclosure of the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34.
- paragraph 36(f) which requires disclosure of the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34.
- paragraph 36(g) which requires disclosure of the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34.

NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (partial exemption)

Qualifying entities are given a concession to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 30 which requires disclosures regarding the impact of a NZ IFRS that has been issued but is not yet effective.

NZ IAS 11 *Construction Contracts* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities may recognise profit on all construction contracts on a “completed contract method” and need not comply with any other paragraphs of NZ IAS 11. The completed contract method is a method of accounting by which the profit on a construction contract is recognised only when the contract is completed or substantially completed, subject always to the requirements of paragraph 36 of NZ IAS 11 to recognise any loss as soon as it is foreseen.

Qualifying entities that elect to recognise profit on construction contracts in accordance with this Standard are not required to comply with:

- paragraph 39 which requires disclosure of contract revenue, the methods used to determine contract revenue and the methods used to determine the stage of completion of contracts in progress.

NZ IAS 12 *Income Taxes* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to account for income tax in accordance with NZ IAS 12. A qualifying entity may elect to account for income tax in accordance with NZ IAS 12 or it may use the taxes payable method. Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period. The income tax effects of temporary differences under NZ IAS 12 are not recognised but may be disclosed in the notes.

Qualifying entities electing to account for income taxes under the income taxes payable method are not required to comply with the disclosure requirements in NZ IAS 12 insofar as they relate to disclosure of deferred tax expense (income). Therefore qualifying entities are not required to comply with:

- paragraph 81(a) insofar as it requires disclosure of the deferred tax relating to items charged or credited directly to equity.
- paragraph 81(e) insofar as it requires disclosure of deductible temporary differences for which no deferred tax asset is recognised in the statement of financial position.

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- paragraph 81(f) which requires disclosure of the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures, for which deferred tax liabilities have not been recognised.
- paragraph 81(g) which requires disclosure of the amount of deferred tax assets and liabilities recognised in the statement of financial position and the amount of deferred tax income or expenses recognised in profit or loss if this is not apparent from the changes in the amounts recognised in the statement of financial position.
- paragraph 81(h) which requires disclosure of the tax expense relating to discontinued operations.
- paragraph 82 which requires disclosure of information regarding a deferred tax asset.

In addition, in disclosing the major components of tax expense (income) in accordance with paragraph 79, qualifying entities would not need to disclose the items listed in paragraph 80(c) to (g) insofar as they relate to deferred tax.

Qualifying entities electing to account for income taxes under the income taxes payable method are not required to comply with NZ IAS 1 paragraph 68(n) which requires disclosure of deferred tax liabilities and deferred tax assets in the statement of financial position.

Qualifying entities electing to account for income taxes under the income taxes payable method are not required to disclose the amount of income tax relating to each component of other comprehensive income, as required by paragraph 81(ab) of NZ IAS 12.

- (a) Qualifying entities applying this concession that present components of other comprehensive income net of related tax effects shall disclose the aggregate amount of income tax relating to components of other comprehensive income in the notes.
- (b) Qualifying entities applying this concession that present components of other comprehensive income before related tax effects with one amount shown for the aggregate amount of income tax relating to those components are not required to disclose the amount of income tax relating to each component of other comprehensive income.

Qualifying entities are permitted to explain the relationship between tax expense (income) and accounting profit as required by paragraph 81(c) using the gross amounts of the relevant items of income or expense (rather than their related tax effects).

If a qualifying entity electing to account for income taxes under the income taxes payable method voluntarily makes disclosures from which it is exempt, these disclosures shall be made in accordance with NZ IAS 12. In all instances, the entity shall disclose the accounting policy adopted for income tax, in accordance with NZ IAS 1 *Presentation of Financial Statements*.

NZ IAS 16 *Property, Plant and Equipment* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are permitted to adopt the same rates of depreciation for financial reporting as for income tax purposes except when assets have been revalued in accordance with the revaluation model in NZ IAS 16. If this exemption is taken, the entity is not required to comply with the requirements of paragraphs 51 and 61.

Qualifying entities are not required to:

- provide a reconciliation between the carrying amount at the beginning and end of the period as required by paragraph 73(e). However, entities using this exemption must still comply with sub-paragraphs 73(e)(v) to 73(e)(vii) which require disclosure, by each class of property, plant and equipment, of impairment losses recognised, impairment losses reversed and depreciation.
- comply with paragraph 74(b) which requires disclosure of the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction.
- comply with paragraph 74(d) which requires disclosure of the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.
- comply with paragraph 77(e) which requires disclosure of, for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model.

NZ IAS 17 *Leases* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 31(b) insofar as it requires a reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value. Qualifying entities are still required to disclose a time period analysis of the total of future minimum lease payments, and their present value, at the end of the reporting period in accordance with the requirement in paragraph 31(b).
- paragraph 31(c) which requires disclosure, by lessees in respect of finance leases, of contingent rents recognised as an expense during the period.
- paragraph 31(e) which requires a general description of the lessee's material finance leasing arrangements.
- paragraph 35(d) which requires a general description of the lessee's significant operating leasing arrangements.

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- paragraph 47(a) which requires lessors to disclose a reconciliation between the gross investment in the finance lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period and disclosure of the gross investment in the lease and the present value of minimum lease payments receivable classified into three time periods.
- paragraph 47(d) which requires disclosure by lessors of the accumulated allowance for uncollectable minimum lease payments receivable in respect of finance leases.
- paragraph 47(e) which requires disclosure by lessors of contingent rents recognised as income in the period in respect of finance leases.
- paragraph 47(f) which requires disclosure by lessors of a general description of the lessor's material finance leasing arrangements.
- paragraph 56 which requires a range of disclosures by lessors in respect of operating leases.

NZ IAS 18 Revenue (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

NZ IAS 18 paragraph 8 states that sales taxes are excluded from revenue. Qualifying entities are exempt from accounting for Goods and Services Tax (GST) in accordance with NZ IAS 18. Qualifying entities may recognise revenue and expense items either with GST included (gross) or with GST excluded (net), provided that:

- (a) the method adopted by the entity shall be:
 - (i) applied consistently to all revenue and expense items; and
 - (ii) disclosed in the statement of accounting policies;
- (b) where GST input tax is irrecoverable, it should be recognised as part of the related asset or, where the expenditure relates to an expense item, expensed in accordance with the New Zealand Equivalent to the IASB *Framework for the Preparation and Presentation of Financial Statements (NZ Framework)*.

Qualifying entities are not required to comply with:

- paragraph 35(b) which requires disclosure of significant categories of revenue recognised during the period.
- paragraph 35(c) which requires disclosure of the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

NZ IAS 19 Employee Benefits (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

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Qualifying entities are not required to comply with:

- paragraph 120A(c) which requires disclosure of a reconciliation of opening and closing balances of the present value of the defined benefit obligation.
- paragraph 120A(d) which requires disclosure of an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.
- paragraph 120A(e) which requires disclosure of a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset under paragraph 104A.
- paragraph 120A(j) which requires disclosure for each major category of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, of the percentage or amount that each major category constitutes of the fair value of the total plan assets.
- paragraph 120A(k) which requires disclosure of amounts included in the fair value of plan assets for each category of the entity's own financial instruments; and any property occupied by, or other assets used by, the entity.
- paragraph 120A(o) which requires disclosure of a sensitivity analysis in respect of medical costs.

NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to:

- translate transactions measured in a foreign currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction as required by paragraph 21 of this Standard. If transactions are not translated at the rate in effect at the date of the transaction then transactions settled in the accounting period shall be translated at the settlement rate, and transactions unsettled at the end of the reporting period shall be translated using the closing rate in accordance with paragraph 23 of this Standard; or
- separately disclose the amount of exchange differences recognised in profit or loss as required by paragraph 52(a) of this Standard.

NZ IAS 23 *Borrowing Costs* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

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- paragraph 29(b) which requires disclosure of the amount of borrowing costs capitalised during the period.
- paragraph 29(c) which requires disclosure of the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

NZ IAS 24 *Related Party Disclosures* (partial exemption)

Qualifying entities are given a concession to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with the requirements of paragraph 16 which requires disclosure of key management personnel compensation in total and by category.

NZ IAS 28 *Investments in Associates* (partial exemption)

Qualifying entities are given a concession to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 37(b) which requires disclosure of summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss.

NZ IAS 36 *Impairment of Assets* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 10 which requires an entity to undertake an annual assessment of impairment of an intangible asset with an indefinite useful life or an intangible asset not yet available for use or goodwill acquired by a business combination. Qualifying entities are required to test for impairment the assets identified in paragraph 10 only when there is an indication that the assets identified may be impaired at the end of the reporting period, in accordance with the requirement in paragraph 9.
- paragraph 129 which requires disclosure of segment information.
- paragraph 130 which requires disclosure of information in relation to each material impairment loss recognised or reversed during the period.
- paragraph 131 which requires disclosure of information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised

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during the period for which no information is disclosed in accordance with paragraph 130.

- paragraph 134(c) which requires disclosure of the basis on which the unit's (group of units') recoverable amount has been determined.
- paragraph 134(d) which requires disclosure of the assumptions and methodology used to determine value in use.
- paragraph 134(e) which requires disclosure of the methodology used to determine fair value less costs to sell.
- paragraph 134(f) which requires disclosure of information regarding the sensitivity of values to changes in key assumptions.
- paragraph 135(c) which requires a description of the key assumption(s) in relation to goodwill or intangible assets with indefinite useful lives allocated across multiple cash generating units where the amount so allocated is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.
- paragraph 135(d) which requires a description of management's approach to determining the value(s) assigned to the key assumption(s) in paragraph 135(c) and information about those assumptions.
- paragraph 135(e) which requires disclosure of information regarding the sensitivity of values to changes in key assumptions.
- paragraph 136 which provides additional guidance on the calculation of amounts disclosed in accordance with paragraphs 134 and 135.

NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 84(b) which requires disclosure of additional provisions made in the period, including increases to existing provisions.
- paragraph 84(c) which requires disclosure of amounts used (i.e. incurred and charged against the provision) during the period.
- paragraph 84(e) which requires disclosure of the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

NZ IAS 38 *Intangible Assets* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

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Qualifying entities are permitted to expense all research and development costs in the period they are incurred. If an entity applies this concession it is not required to comply with paragraph 57.

Qualifying entities are not required to comply with:

- paragraph 118(d) which requires disclosure of the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included.
- paragraph 118(e) which requires for each class of intangible assets a reconciliation of the carrying amount at the beginning and end of the period.
- paragraph 122(c) which requires disclosures in relation to intangible assets acquired by way of a government grant and initially recognised at fair value.
- paragraph 124(a)(iii) which requires disclosure of the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74.
- paragraph 124(b) which requires disclosure of the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

When amortising software in accordance with paragraph 97, qualifying entities are permitted to use the rates adopted for income tax purposes in allocating the depreciable amount of the software over its useful life.

NZ IAS 40 *Investment Property* (partial exemption)

Qualifying entities are given a concession to the requirements of this Standard (as identified in the Standard).

Qualifying entities may account for investment properties in accordance with:

- (a) NZ IAS 40. Under NZ IAS 40 an entity is required, after initial recognition, to measure investment property at its fair value at the end of the reporting period (paragraphs 33 and 38); or
- (b) the cost model in NZ IAS 16.

NZ IAS 41 *Agriculture* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

- paragraph 12 which requires that biological assets be measured at fair value as at each reporting date. Qualifying entities are permitted to measure each class of biological assets at fair value in accordance with paragraph 12 or at cost in accordance with paragraph 30. Qualifying entities with livestock are permitted to

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use national average market values issued by Inland Revenue Department as a proxy for the fair value of a class of livestock, provided that such values are applied consistently to a class of livestock. Qualifying entities with livestock are permitted to use national standard costs issued by Inland Revenue Department as a proxy for the cost of a class of livestock, provided that such costs are applied consistently to a class of livestock. This concession applies even when the fair value of biological assets is reliably measurable.

- paragraph 13 which requires that agricultural produce harvested from an entity's biological assets be measured at its fair value less estimated point-of-sale costs at the point of harvest. Qualifying entities are permitted to measure each class of agricultural produce at fair value in accordance with paragraph 13 or at cost. This concession applies even when the fair value of agricultural produce is reliably measurable.

In addition, qualifying entities are not required to comply with:

- paragraph 46 which requires disclosure of the nature of an entity's activities involving each group of biological assets and non-financial measures or estimates of the physical quantities of biological assets and output.
- paragraph 49(c) which requires disclosure of financial risk management strategies related to agricultural activity.
- paragraph 50 which requires a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period.
- paragraph 51 which encourages separate disclosure of physical and price changes in biological assets measured using the fair value model.
- paragraph 54(b) and (c) which require, in respect of biological assets carried at cost, an explanation of why fair value cannot be measured reliably and if possible, the range of estimates within which fair value is highly likely to lie.
- paragraph 55 which requires disclosure of gains and losses on disposal of biological assets measured using the cost model and which specifies items to be disclosed in a reconciliation of changes in the carrying amount of biological assets carried at cost.
- paragraph 56 which requires, in respect of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses and now measured at fair value, an explanation of why fair value has become reliably measurable and the effect of the change.

Not all disclosure requirements in NZ IAS 41 are relevant to entities applying the cost model for biological assets and/or agricultural produce. This is discussed in the Standard.

NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to comply with:

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- paragraphs 30 to 42 which establish presentation and disclosure requirements.

NZ IFRS 7 *Financial Instruments: Disclosure* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Standard (as identified in the Standard).

Qualifying entities, other than financial institutions as defined in Appendix E to the Standard, or entities complying with NZ IFRS 4 *Insurance Contracts*, are not required to comply with:

- paragraph 14, which requires disclosure of the carrying amount of financial assets the entity has pledged as collateral and the terms and conditions relating to its pledge.
- paragraph 15, which requires disclosure of the fair value of collateral held, or collateral sold or repledged including the terms and conditions associated with its use of the collateral in circumstances where an entity holds collateral and is permitted to sell or repledge the collateral.
- paragraph 16, which requires a reconciliation of changes in any separate credit or impairment account relating to credit losses of any financial assets.
- paragraph 23, which requires disclosures in relation to cash flow hedges including the period when cash flows are expected to occur, a description of any forecast transaction no longer expected to occur and amounts recognised in other comprehensive income during the period or reclassified from equity to profit or loss for during the period.
- paragraph 24, which requires disclosure of gains and losses in fair value hedges, ineffectiveness recognised in profit and loss from cash flow hedges and ineffectiveness recognised in profit and loss from hedges of net investments in foreign operations.
- paragraph 25, which requires, except for certain exemptions set out in paragraph 29, disclosure of the fair value of each class of financial assets and liabilities in a way that permits it to be compared with its carrying amount.
- paragraph 26, which limits the offsetting of fair value disclosures of financial assets and liabilities to the extent that the carrying amounts of classes of financial assets and liabilities are offset in the statement of financial position.
- paragraph 27, which requires an entity to disclose methods and assumptions applied in determining the fair value of each class of financial assets or financial liabilities, whether they are referenced to published price quotations or an active market and, where a valuation technique has been used that is not based on available observable market data, how changes in assumptions will affect the estimated fair value groups of financial assets and liabilities.
- paragraph 28, which requires an entity to disclose, in situations where there is a difference between fair value at initial recognition and the amount determined using a valuation technique, the accounting policy for recognising the difference

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in profit and loss and the aggregate difference yet to be recognised in profit and loss.

- paragraph 29, which exempts disclosure of fair value where the carrying amount approximates fair value, where an investment in equity instruments does not have a quoted market price in an active market and where the fair value cannot be measured reliably for a contract containing a discretionary participation feature (as described in NZ IFRS 4).
- paragraph 30, which requires entities exempt from disclosing fair value in accordance with paragraph 29(b) and (c) to disclose the fact that fair value information has not been disclosed, a description of the financial instruments and why the fair value cannot be measured reliably including information about the market for the instruments, and how the entity intends to dispose of the financial instruments.
- paragraph 31, which requires disclosure of information that enables users of financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at reporting date.
- paragraph 32, which requires disclosures of the risks arising from financial instruments and how they have been managed as detailed more specifically in paragraphs 33-42.
- paragraph 33, which requires disclosures for each type of risk arising from financial instruments, including how the exposure arises, the entity's objectives, policies and processes for managing the risks and the methods used to measure the risk, and any changes from the previous period.
- paragraph 34, which requires disclosure of summary quantitative data for each type of risk arising from financial instruments that an entity has an exposure to at reporting date.
- paragraph 35, which requires further information if the quantitative data disclosed is unrepresentative of an entity's exposure to risk during the period.
- paragraph 36, which requires an entity to disclose by class of financial instrument, its maximum exposure to credit risk, a description of collateral held as security, information about the credit quality of financial assets and the carrying amount of financial assets previously impaired which have been renegotiated.
- paragraph 37, which requires disclosure of analysis of the age of financial assets, an analysis of financial assets that are impaired and a description of the collateral held by an entity as security.
- paragraph 38, which requires an entity holding collateral as security to disclose the nature and carrying amount of the assets obtained and its policies for disposing of such assets when they are not readily convertible into cash.
- paragraph 39, which requires an entity to disclose a maturity analysis for financial liabilities and a description of how it manages its liquidity risk.
- paragraph 40, which requires disclosure of a sensitivity analysis for each type of market risk to which an entity is exposed at the reporting date showing how profit

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or loss and equity would have been affected by changes in the relevant risk variable, the methods and assumptions used in preparing the sensitivity analysis and any changes in the methods and assumptions used from the previous period and the reasons for such changes.

- paragraph 41, which requires that where an entity discloses a sensitivity analysis that reflects interdependencies between risk variables it should also disclose an explanation of the method and the objective of the method used in preparing such a sensitivity analysis.
- paragraph 42, which requires an entity that discloses a sensitivity analysis in accordance with paragraph 40 or 41 that is not representative of a risk inherent in a financial instrument to disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

Qualifying entities which are also financial institutions as defined in Appendix E to the Standard, may apply the differential reporting concessions identified in NZ IFRS 7 above, except to the extent that Appendix E of that Standard refers to those disclosure requirements.

FRS-42: *Prospective Financial Statements* (partial exemption)

Qualifying entities are given a concession to the requirements of this Standard (as identified in the Standard).

Qualifying entities are not required to prepare a statement of cash flows in accordance with the requirements of this Standard. However, where a qualifying entity intends to publish a statement of cash flows in its historical financial statements, it shall prepare a statement of cash flows in accordance with this Standard.

NZ SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Interpretation (as identified in the Interpretation).

Qualifying entities are not required to comply with the disclosure requirements in paragraphs 10 and 11 which require a description of the arrangement including the underlying asset and any restrictions on its use, the life and other significant terms of the arrangement, the transactions that are linked together, including any options and the accounting treatment applied to any fee received, the amount recognised as income in the period, and the line item of the statement of comprehensive income in which it is included. The disclosures required in accordance with paragraph 10 are required to be provided individually for each arrangement or in aggregate for each class of arrangement.

NZ SIC-32 *Intangible Assets – Web Site Costs* (partial exemption)

Qualifying entities are given several concessions to the requirements of this Interpretation (as identified in the Interpretation).

Qualifying entities are required to comply with all the provisions in NZ SIC-32 except that qualifying entities are permitted to expense all research and development costs in the period they are incurred (refer NZ IAS 38).

NZ IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies* (partial exemption)

Qualifying entities that elect to apply the taxes payable method as permitted by the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime*, instead of accounting for income tax in accordance with NZ IAS 12 *Income Taxes*, are not required to comply with NZ IFRIC 7 paragraph 4 and NZ IFRIC 7 paragraph 5 (insofar as NZ IFRIC 7 paragraph 5 relates to deferred tax).

FULL COMPLIANCE (No Differential Reporting Concessions)

Qualifying entities must comply with all the provisions in the following standards:

NZ IAS 10 *Events after the Reporting Period*

NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

NZ IAS 27 *Consolidated and Separate Financial Statements*

NZ IAS 29 *Financial Reporting in Hyperinflationary Economies*

NZ IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*

NZ IAS 31 *Interests in Joint Ventures*

NZ IAS 32 *Financial Instruments: Presentation*

NZ IAS 33 *Earnings per Share* (applicable only to entities whose ordinary shares or potential ordinary shares are publicly traded including all issuers as defined in the Financial Reporting Act 1993, section 4, and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets.)

NZ IAS 34 *Interim Financial Reporting*

NZ IAS 39 *Financial Instruments: Recognition and Measurement*

NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*

NZ IFRS 2 *Share-based Payment*

NZ IFRS 3 *Business Combinations*

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NZ IFRS 4 *Insurance Contracts*

NZ IFRS 6 *Exploration for and Evaluation of Mineral Resources*

NZ IFRS 8 *Operating Segments* (applicable only to entities whose equity or debt securities are publicly traded, entities that are in the process of issuing equity or debt securities in public securities markets, and profit-oriented entities other than qualifying entities. Not applicable to public benefit entities)

FRS-43: *Summary Financial Statements* (qualifying entities applying differential reporting concessions in their full financial statements apply the same concessions in any summary financial statements relating to those full financial statements).

NZ SIC-7 *Introduction of the Euro*

NZ SIC-10 *Government Assistance – No Specific Relation to Operating Activities*

NZ SIC-12 *Consolidation – Special Purpose Entities*

NZ SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*

NZ SIC-15 *Operating Leases – Incentives*

NZ SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets*

NZ SIC-25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*

NZ SIC-29 *Disclosure – Service Concession Arrangements*

NZ SIC-31 *Revenue – Barter Transactions Involving Advertising Services*

NZ IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

NZ IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*

NZ IFRIC 4 *Determining Whether an Arrangement Contains a Lease*

NZ IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

NZ IFRIC 6 *Liabilities Arising from Participating in a Specific-Market-Waste Electrical and Electronic Equipment*

NZ IFRIC 8 *Scope of NZ IFRS 2*

NZ IFRIC 9 *Reassessment of Embedded Derivatives*

NZ IFRIC 10 *Interim Financial Reporting and Impairment*

NZ IFRIC 11 *NZ IFRS 2—Group and Treasury Share Transactions*

NZ IFRIC 12 *Service Concession Arrangements*

NZ IFRIC 13 *Customer Loyalty Programmes*

NZ IFRIC 14 *NZ IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

APPENDIX 2

Exempt Company – As Defined in the Financial Reporting Act 1993[†]

6A Meaning of exempt company

- (1) In this Act, **exempt company** means a company, other than an overseas company or an issuer, if—
 - (a) at least 2 of the following subparagraphs apply:
 - (i) as at the balance date of the accounting period for which financial statements are required, the value of the total assets of the company (including intangible assets) reported in the statement of financial position did not exceed \$1,000,000:
 - (ii) in the accounting period for which financial statements are required, the turnover of the company did not exceed \$2,000,000:
 - (iii) as at the balance date of the accounting period for which financial statements are required, the company has 5 or fewer full-time equivalent employees; and
 - (b) as at the balance date of the accounting period for which financial statements are required, the company—
 - (i) was not a subsidiary of another body corporate or association of persons; and
 - (ii) did not have any subsidiaries.
- (2) The Governor-General may, by Order in Council, make regulations for all or any of the following purposes:
 - (a) amending the maximum amount of assets that applies under subsection (1)(a)(i):
 - (b) amending the maximum amount of turnover that applies under subsection (1)(a)(ii):
 - (c) amending the maximum number of full-time equivalent employees that applies under subsection (1)(a)(iii).
- (3) In counting employees for the purposes of subsection (1), part-time employees must be taken into account as an appropriate fraction of a full-time equivalent.

[†] The Financial Reporting Amendment Act 2006 amended the definition of an exempt company in the Financial Reporting Act 1993. For details of the commencement date of this amendment refer to the Financial Reporting Amendment Act 2006 at:
http://www.lexisnexis.co.nz/products/bulletins/legislation/nz_act_public_2006-No-064.txt

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