

New Zealand Institute of Chartered Accountants*

FINANCIAL REPORTING STANDARD NO. 43

Issued May 2007

SUMMARY FINANCIAL STATEMENTS

*Issued by the Financial Reporting Standards Board of the
New Zealand Institute of Chartered Accountants*

*Approved May 2007 by the Accounting Standards Review Board under
the Financial Reporting Act 1993.*

*This Financial Reporting Standard is a regulation for the purposes of
the Regulations (Disallowance) Act.*

*This Financial Reporting Standard establishes requirements for the
preparation of summary financial statements for entities applying
New Zealand equivalents to IFRSs. Entities that have not adopted
New Zealand equivalents to IFRSs will continue to apply FRS-39.*

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HISTORY OF AMENDMENTS**Table of Pronouncements – FRS-43: *Summary Financial Statements***

This table lists the pronouncements establishing and amending FRS-43. The table is based on amendments approved as at 30 November 2007.

Pronouncements	Date approved (ASRB approval)	Early operative date	Effective date (prospective financial statements published... on or after ...)
FRS-43: <i>Summary Financial Statements</i>	May 2007 (Approval 89)	Early application permitted	1 Jan 2007
NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007)	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 in FRS 43		
Paragraph affected	How affected	By ... [date]
Paragraph 23A	Inserted	NZ IAS 1 [Nov 2007]
Paragraph 24	Amended	NZ IAS 1 [Nov 2007]
Paragraph 25	Amended	NZ IAS 1 [Nov 2007]
Paragraph 25A	Inserted	NZ IAS 1 [Nov 2007]
Paragraph 27	Amended	NZ IAS 1 [Nov 2007]
Paragraph 28	Deleted	NZ IAS 1 [Nov 2007]
Paragraph 42	Amended	Omnibus amendments (2007-1) [Nov 2007]
Paragraph 43A	Inserted	NZ IAS 1 [Nov 2007]

Financial Reporting Standard No. 43 *Summary Financial Statements* (FRS-43) is set out in paragraphs 1-44 and Appendices A and B. All the paragraphs have equal authority. Paragraphs in bold type state the main principles. Terms defined in Appendix A are in italics the first time they appear in the Standard. Definitions of other terms are given in the Glossary.

FRS-43 should be read in the context of its objective, the New Zealand *Preface* and the New Zealand Equivalent to the IASB *Framework for the Preparation and Presentation of Financial Statements* (NZ *Framework*). NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

This Standard uses the terminology adopted in International Financial Reporting Standards (IFRSs) to describe the financial statements and other elements. NZ IAS 1 *Presentation of Financial Statements* (as revised in 2007) paragraph 5 explains that entities other than profit-oriented entities seeking to apply the Standard may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves. For example, profit/loss may be referred to as surplus/deficit and capital or share capital may be referred to as equity.

INTRODUCTION

Reasons for issuing the Standard

This Standard establishes requirements for the preparation and presentation of summary financial statements by entities that have adopted New Zealand equivalents to IFRSs (NZ IFRSs). The Standard updates the requirements of FRS-39 Summary Financial Statements for consistency with NZ IFRSs. The Standard supersedes FRS-39.

Main features of the Standard

This Standard applies when an entity presents summary financial statements instead of full annual financial statements to users who have public access to, or would otherwise have received, the entity's full annual financial statements. Summary financial statements are intended to meet the information needs of users who do not require all the information contained in full financial statements.

The Standard requires that the information in summary financial statements be drawn from and be consistent with the information in the full financial statements for the period.

Although summary financial statements do not comply with all the disclosure requirements under generally accepted accounting practice, information provided in summary financial statements is required to comply with all measurement and recognition requirements under generally accepted accounting practice.

The Standard requires that summary financial statements include a summary of the financial statements included in a full financial report. If a full financial report also includes non-financial statements, the summary financial statements shall be accompanied by a summary of such non-financial statements. The Standard specifies the minimum disclosures for summary financial statements, but it does not prescribe the format in which summary financial statements are to be presented.

An entity shall apply this Standard to its summary financial statements for periods beginning on or after 1 January 2007.

Differential reporting

Qualifying entities must comply with all the provisions in the Standard. However, as identified in the Standard, qualifying entities which apply differential reporting concessions in their full financial statements shall apply the same concessions in the summary financial statements relating to the full financial statements.

FINANCIAL REPORTING STANDARD 43**Summary Financial Statements****OBJECTIVE**

1 The objective of this Standard is to specify the accounting practice and minimum disclosure requirements for summary financial statements of entities which report in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). Summary financial statements cover an annual reporting period, are prepared for the users of general purpose financial statements, and present information at a reduced level from that contained in the full financial statements.

2 Summary financial statements are intended to meet the information needs of users who do not require all the information contained in full financial statements. Summary financial statements may be required by legislation or they may be voluntarily prepared by an entity. Summary financial statements generally contain less detail on the face of the statements and fewer notes than the full financial statements.

SCOPE

3 **An entity shall apply this Standard when it provides summary financial statements instead of full annual financial statements to users who have public access to, or would otherwise receive, the entity's full annual financial statements. It therefore does not apply to:**

- (a) **summary financial statements included in the same document as the full financial statements;**
- (b) **summary financial statements for an interim period;**
- (c) **summary financial information such as a trend statement provided in an annual report or a prospectus that includes key financial indicators taken from the entity's financial statements;**
- (d) **financial information prepared by a third party without involvement of the governing body of an entity, such as information prepared by investment analysts for their clients;**
- (e) **monthly statements produced by unit trusts; or**
- (f) **general banking information prepared for customers, such as a key information summary.**

Nevertheless, application of the principles set out in this Standard is encouraged for the preparation of all summarised historical financial information.

4 This Standard adopts the term "summary financial statements". A variety of terms are used to describe such statements, including "concise financial statements", "condensed financial statements" and "abridged accounts".

5 As stated in paragraph 3, summary financial statements which are included in the same document as full financial statements are not subject to the requirements of this

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

6 The requirements in this Standard are part of Generally Accepted Accounting Practice in New Zealand (NZ GAAP) only for the purposes of the presentation of summary financial statements. The presentation by an entity of summary financial statements in accordance with this Standard does not satisfy any obligation of that entity to present full financial statements in accordance with NZ GAAP. Therefore the summary financial statements presented by an entity are additional to the full financial statements presented by that entity.

7 As stated in paragraph 3, application of the principles set out in this Standard is encouraged for the preparation of all summarised historical financial information. For example, the principles in this Standard could be applied to:

- (a) a summary of a full set of interim financial statements (that is, interim financial statements prepared in accordance with all the requirements of NZ IFRSs, as opposed to condensed financial statements prepared in accordance with NZ IAS 34 Interim Financial Reporting);
- (b) a summary of parent financial information presented in addition to the group financial information required by this Standard; and
- (c) a financial statement in summary form included in a prospectus.

Differential reporting concessions

8 Entities which qualify for differential reporting concessions in accordance with the *Framework for Differential Reporting for Entities Applying the New Zealand Equivalents to International Financial Reporting Standards Reporting Regime (2005)* are required to comply in full with this Standard. However, qualifying entities which apply differential reporting concessions in their full financial statements shall apply the same concessions in the summary financial statements relating to the full financial statements.

COMPONENTS OF SUMMARY FINANCIAL STATEMENTS

9 Summary financial statements shall include a summary of each financial statement included in a full financial report. If the full financial report is required to include non-financial statements such as a statement of service performance, the summary financial statements shall be accompanied by a summary of the non-financial statements required to be included in the full financial report.

10 Summary financial statements shall include a summary of the:

- (a) statement of financial position as at the end of the period;
- (b) statement of comprehensive income for the period;

- (c) statement of changes in equity (or statement of recognised income and expense) for the period; and
- (d) statement of cash flows for the period (if not exempted).

11 Although this Standard specifies the statements to be presented and the minimum information to be disclosed, it does not prescribe the format in which summary financial statements are 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.

OVERALL CONSIDERATIONS

Consistency with full financial statements

12 The information in the summary financial statements shall be drawn from and be consistent with information presented in the full financial statements for the same period.

13 Subject to paragraph 34, any additional information presented with summary financial statements shall be drawn from and be consistent with information presented in the annual report for the same period.

14 To ensure that summary financial statements contain information which is reliable and unbiased, it is important that the financial information disclosed is drawn only from information included in the full financial statements. It is also important that any additional information presented with summary financial statements 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 statements or annual report. In such circumstances, such information shall, at a minimum, be consistent with that expressed in the full financial statements or annual report.

15 The information in the summary financial statements shall be prepared in accordance with all measurement and recognition requirements under NZ GAAP. Although summary financial statements need comply only with the disclosures set out under this Standard, the information presented in them shall still meet all measurement and recognition requirements that apply to full financial statements.

16 If the entity presenting the summary financial statements is a group, the summary financial statements shall be presented for the group. Parent financial information is not required.

Specific disclosures

17 An entity shall disclose sufficient information in its summary financial statements to enable a reader to obtain a broad understanding of the financial position and performance of the entity in a manner that is neither misleading nor biased.

18 This Standard specifies minimum disclosures in respect of summary financial statements. When additional disclosures are made which are consistent with an appropriate

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financial reporting standard, there is no need to provide all the disclosures required by that financial reporting standard.

19 An entity shall clearly identify each summary financial statement and the notes. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:

- (a) the name of the reporting entity or other means of identification, and any change in that information from the preceding balance sheet date;
- (b) whether the summary financial statements are for a group or an individual entity;
- (c) the reporting date or the period covered by the summary financial statements, whichever is appropriate to that component of the summary financial statements;
- (d) the presentation currency, as defined in NZ IAS 21 *The Effects of Changes in Foreign Exchange Rates*; and
- (e) the level of rounding used in presenting amounts in the summary financial statements.

20 An entity shall disclose the date when the summary financial statements were authorised for issue and who gave that authorisation.

21 When an entity has prepared its financial statements on the basis that the entity is not a going concern, that fact shall be disclosed. In addition, if the going concern basis has become inappropriate after the full financial statements have been authorised for issue, that fact shall be disclosed.

22 If the balance sheet in an entity's full financial statements presents assets and liabilities using the current/non-current distinction rather than the alternative presentation outlined in paragraph 23, the summary balance sheet shall disclose, as a minimum:

- (a) current assets;
- (b) non-current assets;
- (c) current liabilities;
- (d) non-current liabilities; and
- (e) equity including separate disclosure of minority interests.

23 If the balance sheet in an entity's full financial statements presents assets and liabilities in order of liquidity the summary balance sheet shall disclose, as a minimum:

- (a) assets and liabilities broadly in order of liquidity; and
- (b) equity including separate disclosure of minority interests.

23A An entity shall present all items of income and expense recognised in a period:

- (a) in a single statement of comprehensive income; or**
- (b) in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).**

24 The summary statement of comprehensive income shall, as a minimum, separately disclose:

- (a) revenue;

- (b) finance costs;
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (d) tax expense;
- (e) a single amount comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) 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 operation;
- (f) profit or loss;
- (g) each component of other comprehensive income classified by nature (excluding amounts in (h));
- (h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and
- (i) total comprehensive income.

25 The following items shall be disclosed in the summary statement of comprehensive income as allocations of profit or loss for the period:

- (a) profit or loss for the period attributable to:
 - (i) minority interest; and
 - (ii) owners of the parent;
- (b) total comprehensive income for the period attributable to:
 - (i) minority interest; and
 - (ii) owners of the parent.

25A An entity may present in a separate income statement (see paragraph 23A) the line items in paragraph 24(a)-(f), and the disclosures in paragraph 25(a).

26 The disclosures required by this Standard are subject to the definition of materiality in NZ IAS 1 *Presentation of Financial Statements*. They shall be disclosed separately if they are of such incidence and size, or of such nature, that their disclosure is necessary to explain the performance or financial position of the entity. A summary description of each material item, as included in the full financial statements, shall be given to enable its nature to be understood.

27 An entity shall present a summary statement of changes in equity. The summary statement of changes in equity shall, as a minimum, separately disclose:

- (a) total comprehensive income for the period showing separately the total amounts attributable to owners of the parent and to minority interest;
- (b) the amounts of transactions with owners acting in their capacity as owners, including showing separately contributions by and distributions to owners; and
- (c) total equity and each component of equity.

28 [Deleted]

29 The summary cash flow statement shall include the following individual components:

- (a) net cash flows from or used in operating activities;
- (b) net cash flows from or used in investing activities; and

- (c) net cash flows from or used in financing activities.

Prospective financial statements

30 Where, in accordance with NZ IAS 1, an entity has presented a comparison of, and explanations for major variances between, prospective and historical financial statements in its full financial statements, the entity shall present a summary of that comparison and those explanations in its summary financial statements.

31 A comparison of prospective and historical financial statements provides users with information that is useful in assessing the financial and service performance, financial position and cash flows of an entity. In the public sector, many entities are required by legislation to present such comparisons.

32 An entity should include a comparison of prospective and historical financial statements in its summary financial statements only if such a comparison has been included in the entity's full financial statements. If the entity presenting the summary financial statements is a group, in complying with paragraph 30, the entity would present a summary comparison of consolidated prospective and historical financial statements only if the entity had included such a comparison in its historical financial statements.

Events occurring after the balance sheet date

33 In respect of each non-adjusting event that occurs between the balance date and the date when the full financial statements are authorised for issue, the entity shall disclose the information required by paragraph 21 of NZ IAS 10 *Events after the Reporting Period*.

34 An entity shall also disclose information about events occurring between the date when the full financial statements are authorised for issue and the date the summary financial statements are authorised for issue. The events in respect of which information shall be disclosed are those that provide further evidence of conditions that existed at balance date and those that are indicative of conditions that arose between the date that the full financial statements were authorised for issue and the date that the summary financial statements were authorised for issue. An entity shall disclose the following for each material category of such events:

- (a) the nature of the event;
- (b) an estimate of its financial effect, or a statement that such an estimate cannot be made; and
- (c) a statement that the event was not included in the full financial statements because it occurred after the date when those financial statements were authorised.

Other than disclosing the information required by this paragraph, an entity shall not make any adjustments to the summary financial statements for the events referred to in this paragraph.

Additional information

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

36 Examples of the additional information required to be disclosed under paragraph 35 may include information with regard to contingent assets, contingent liabilities, related party transactions, commitments, discontinued activities and the basis on which the full financial statements were prepared if a fundamental uncertainty exists. Any additional information given shall be disclosed in accordance with the financial reporting standard, if applicable, relating to the item.

Comparative information

37 Comparative information for the previous reporting period shall be shown for all items disclosed in the summary financial statements, except when such information is not disclosed in the full financial statements.

Relationship to full financial statements

38 The summary financial statements shall prominently display the following information:

- (a) that the specific disclosures included in the summary financial statements have been extracted from the full financial statements;
- (b) the date on which the full financial statements were authorised for issue;
- (c) whether the entity's full financial statements have been prepared in accordance with NZ GAAP, including whether the entity is a:
 - (i) profit-oriented or public benefit entity; and
 - (ii) qualifying entity that has applied differential reporting concessions;
- (d) whether the entity has made an explicit and unreserved statement of compliance with IFRSs in its full financial statements;
- (e) that the summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements;
- (f) details as to how a user may obtain a copy of the full financial statements or full financial report; and
- (g) whether the full financial statements have been audited and, if so, the nature of the audit opinion and any explanatory paragraphs in the audit report which highlight matters that are regarded as relevant to a proper understanding of the basis of the opinion.

39 Disclosure of the nature of an entity and the financial reporting requirements that an entity has complied with in its full financial statements is important as the classification of an entity can affect its accounting policies. Disclosure of the relationship of the summary financial statements to the full financial statements is necessary to compensate for the fact that summary financial statements do not provide complete information about the entity for the period covered.

Accounting policies

40 When there is a change in accounting policy from those used in the preceding reporting period that has a material effect in the current reporting period or is expected to have a material effect in a subsequent financial year, the summary financial statements shall disclose a summary of the information required about such a change in accordance with the relevant standard (for example, NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* or NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*).

41 When an entity presents summary financial statements in respect of its first NZ IFRSs full financial statements it shall:

- (a) state that the summary financial statements are in respect of its first NZ IFRSs full financial statements;
- (b) include a summary of the reconciliations and other disclosures required by paragraphs 39 and 40 of NZ IFRS 1; and
- (c) provide directions as to the location of these disclosures in the full financial statements.

42 If an entity's summary financial statements are in compliance with this Standard, that fact shall be disclosed. An entity shall not describe summary financial statements as complying with IFRSs or NZ GAAP. Summary financial statements may be described as complying with NZ GAAP as it relates to summary financial statements. Section 209(6)(c) of the Companies Act 1993 states that "summary financial statements must give a true and fair view of the matters to which they relate and comply with generally accepted accounting practice (as defined in section 3 of the Financial Reporting Act 1993)". In the context of summary financial statements in concise annual reports, compliance with GAAP means compliance with GAAP as it relates to summary financial statements.

EFFECTIVE DATE

43 An entity shall apply this Standard to its summary financial statements for periods beginning on or after 1 January 2007. Earlier application is permitted only when an entity complies, or has complied, with NZ IFRS 1 in its annual financial statements for a period beginning on or after 1 January 2005. If an entity applies this Standard in summary financial statements for a period before 1 January 2007, it shall disclose that fact.

43A NZ IAS 1 (as revised in 2007) amended the terminology used throughout NZ IFRSs. In addition it amended paragraphs 24, 25 and 27, deleted paragraph 28 and added paragraphs 23A and 25A. An entity applying NZ IFRSs shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies NZ IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

WITHDRAWAL OF FRS-39

44 This Standard supersedes FRS-39 *Summary Financial Statements*.

APPENDIX A**Defined terms**

This appendix is an integral part of the Standard.

In this Standard, technical terms have the same meaning as in the relevant Standards applied in the preparation of the financial statements for the current reporting period.

Full financial statements	The annual general purpose financial statements of an entity that are required to comply with all the requirements under Generally Accepted Accounting Practice in New Zealand (NZ GAAP).
General purpose financial statements	Statements 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.
Summary financial statements	Financial statements covering an annual reporting period that: <ul style="list-style-type: none"> (a) are prepared for the users of the general purpose financial statements of an entity; and (b) present a summary of the information contained in the full financial statements for the same period.

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APPENDIX B

Amendments to other standards

The amendments in this appendix shall be applied in summary financial statements for annual periods beginning on or after 1 January 2007. If an entity applies this Standard for an earlier period, these amendments shall be applied for that earlier period.

The amendments contained in this appendix when this Standard was issued in 2007 have been incorporated into the relevant pronouncements published in this volume.

BASIS FOR CONCLUSIONS

FRS-43 Summary Financial Statements

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BASIS FOR CONCLUSIONS ON FRS-43 SUMMARY FINANCIAL STATEMENTS

This Basis for Conclusions accompanies, but is not part of, FRS-43.

INTRODUCTION

BC1 This Basis for Conclusions summarises the Financial Reporting Standards Board's (FRSB) considerations in reaching its conclusions on developing FRS-43 *Summary Financial Statements* (FRS-43) in 2006. FRS-43 updates the requirements previously set out in FRS-39 for application by entities applying New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). The majority of the requirements in FRS-39 were carried forward without reconsideration by the FRSB. In developing FRS-43 the FRSB also considered whether any aspects of the equivalent Australian standard, AASB 1039 *Concise Financial Reports* (2005) should be adopted in New Zealand. This Basis for Conclusions focuses on changes to the requirements of FRS-39 or significant issues raised by respondents to the Exposure Draft.

BACKGROUND

BC2 FRS-39 *Summary Financial Reports* was developed to improve the quality of summary financial statements produced by a range of entities including local authorities, superannuation schemes and companies. In revising FRS-39 the FRSB's objective was to update the requirements of FRS-39 for consistency with NZ IFRSs. Further changes to the requirements of FRS-39 were made in response to constituents' comments on ED-107.

SCOPE (PARAGRAPHS 3-8)

BC3 ED 107 proposed that the Standard would apply to the general purpose summary financial statements of entities reporting in accordance with NZ IFRSs, except when those summary financial statements are included in an annual report or other document containing the full financial statements.

BC4 Some respondents to ED 107 proposed extending the scope of the Standard. Suggestions included extending the scope to:

- (a) summary financial statements included in an annual report or other document that contains the full financial statements;
- (b) summaries of full interim financial statements (that is, interim financial statements that comply with all the relevant requirements of NZ IFRSs); and
- (c) the five year summary form information which is sometimes required in a prospectus.

BC5 In considering respondents' comments on scope the FRSB decided to revise the scope of the Standard, to clarify its original intention when FRS-39 was developed. In developing FRS-39 the FRSB's intention was to improve the quality of general purpose summary financial statements provided to external users in lieu of the full financial statements. The FRSB did not intend that FRS-39 be applied to other forms of summary financial information. It did not intend that FRS-39 be applied to summary financial

statements included in the same document as the full financial statements, for the following reasons:

- (a) it would result in unnecessary duplication of information, particularly duplication of note disclosures; and
- (b) it would be difficult to establish appropriate scope boundaries. The FRSB did not intend FRS-39 to be applied to historical trend statements or other summary financial information in the narrative section of an annual report. The FRSB considered that trend statements and other summary financial information, which is provided to expand upon the information contained in the full financial statements, is of a different nature to summary financial statements which are provided in lieu of the full financial statements.

BC6 Although the FRSB agreed not to extend the scope of the Standard, it agreed to state that application of the principles in the Standard to other forms of summary financial information is encouraged.

COMPONENTS OF SUMMARY FINANCIAL STATEMENTS (PARAGRAPHS 9-11)

BC7 The Standard permits entities to present summary financial statements in a format that best meets the information needs of their users (paragraph 11). The Standard would permit, for example, the presentation of summary financial statements in the form of graphs, pie charts or columns, with explanatory comments in “pop-up” boxes or similar. This approach is intended to give entities the flexibility to present summary financial statements in a manner tailored to the needs of infrequent or casual users of financial information. The FRSB considers that summary financial statements are an important source of information for such users.

BC8 The FRSB acknowledged that there is not universal support for this degree of flexibility in the presentation of summary financial statements. An alternative view is that summary financial statements should be presented in a manner and format consistent with the full financial statements. This would require the presentation of summary financial statements in a more traditional format and would allow users to more readily relate the summary financial statements to the full financial statements. The use of a consistent format on the face of the financial statements would not preclude presentation of additional summary financial statements using graphs and pie charts etc. The FRSB decided that flexibility in presentation was an important aspect of assisting entities to make summary financial statements more accessible to a wide group of users.

OVERALL CONSIDERATIONS (PARAGRAPHS 12-43)

Specific disclosures (paragraphs 17-29)

BC9 The specific disclosures required by FRS-43 are very similar to those required by FRS-39. Two additional disclosure requirements are:

- (a) the presentation currency and level of rounding used in the financial statements (paragraph 19). These disclosures reflect the disclosures required in NZ IAS 1 *Presentation of Financial Statements*; and

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- (b) disclosure of finance costs within the summary income statement (paragraph 24). The FRSB agreed that finance costs should be disclosed in summary financial statements because finance costs are part of the costs of capital and this disclosure is useful to users in assessing the performance of an entity. The FRSB noted that both AASB 1039 *Concise Financial Reports* and NZ IAS 34 *Interim Financial Reporting* require disclosure of finance costs.

Relationship to full financial statements (paragraphs 38-39)

BC10 The Standard (paragraph 38(c) and (d)) introduces disclosure requirements regarding the nature of an entity (profit-oriented, public benefit and qualifying) and the financial reporting requirements that an entity has complied with in its full financial statements. These disclosure requirements are based on the disclosures required by NZ IAS 1 *Presentation of Financial Statements* and are intended to alert the reader to the New Zealand specific financial reporting requirements that an entity may have applied in its full financial statements.

BC11 The Standard (paragraph 38(g)) requires disclosure of whether the full financial statements have been audited, and if so, the nature of the audit opinion and any explanatory paragraphs in the audit report which highlight matters that are regarded as relevant to a proper understanding of the basis of the opinion. This requirement is similar to that in FRS-39 but it has been changed to specifically refer to explanatory paragraphs in the audit report. The FRSB considered that the audit status of the full financial statements is necessary information for the users of any summary financial statements and that knowledge of explanatory paragraphs in the audit report on the full financial statements would be relevant for users in making an assessment of the audit status of the full financial statements. In contrast to FRS-39, the Standard does not require disclosure of the audit status of the summary financial statements. The FRSB considered that an audit report on summary financial statements should be presented separately from the financial statements, not summarised within the financial statements. Auditing Standard 702: *The Audit Report on an Attest Audit AS 702* (paragraph 70) outlines the matters that must be included in an audit report on summary financial statements.

Accounting policies (paragraphs 40-42)

BC12 When the summary financial statements relate to an entity's first NZ IFRSs full financial statements, the Standard requires disclosure of this fact and a summary of the relevant transition disclosures (paragraph 41). The FRSB noted that some respondents to ED 107 disagreed with the requirement to summarise the transition disclosures in the full financial statements. However, the FRSB considered that this information is critical to users' understanding of such summary financial statements and should be available in the summary financial statements.

SUMMARY OF MAIN CHANGES FROM THE EXPOSURE DRAFT

BC13 The main changes to the proposals in ED 107 are:

- (a) the scope has been clarified to highlight that the Standard is intended to be applied when summary financial statements are provided instead of full financial statements. The Standard has not been developed for application to other forms of summary

financial information, although application of the principles in the Standard to other forms of summary financial information is encouraged;

- (b) the requirement proposed in ED 107 that summary financial statements use the same manner of presentation as that used in the full financial statements to which the summary financial statements relate, except that less detail may be provided, has been withdrawn. The FRSB agreed that this requirement was not necessary. The requirement that information in the summary financial statements be drawn from and be consistent with information in the full financial statements (paragraph 12) would ensure that users can readily reconcile information in the summary financial statements with information in the full financial statements. Also, the FRSB accepted respondents' comments that the proposed requirement was inconsistent with the proposal to allow entities to develop a format that best meets the needs of their users;
- (c) an entity is required to disclose the nature of the entity and the financial reporting requirements applied in the full financial statements (paragraph 38(c) and (d)) but is prohibited from describing summary financial statements as complying with IFRSs or NZ GAAP (paragraph 43);
- (d) an entity is required to disclose the nature of the audit opinion (including any explanatory paragraphs) on the full financial statements (paragraph 38(g)). ED 107 required that an entity disclose the nature of the audit opinion but did not specifically require disclosure of any explanatory paragraphs in an audit report; and
- (e) the amendments to other Standards give rise to the deletion of paragraph NZ 3.1 of NZ IAS 1.

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