

## **New Zealand Equivalent to IFRIC Interpretation 6**

### **Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (NZ IFRIC 6)**

**Issued October 2005 and incorporates amendments up to November 2007.**

This Interpretation was issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants\* and approved by the Accounting Standards Review Board in October 2005 under the Financial Reporting Act 1993.

---

\* The New Zealand Institute of Chartered Accountants is the operating name of the Institute of Chartered Accountants of New Zealand, a body established under the Institute of Chartered Accountants of New Zealand Act 1996. All references to the New Zealand Institute of Chartered Accountants, or to the Institute, in this document mean the Institute of Chartered Accountants of New Zealand.

NZ IFRIC 6

© Crown copyright 2006

This ASRB standard contains International Accounting Standards Committee Foundation copyright material. Reproduction within New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and inquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chairman, Accounting Standards Review Board, Private Bag 92162, Auckland.

All rights in this material outside of New Zealand are reserved by IASCF. Reproduction of ASRB standards outside of New Zealand in unaltered form (retaining this notice) is permitted for personal and non-commercial use only. Further information and requests for authorisation to reproduce for commercial purposes outside New Zealand should be addressed to the IASCF.

ISBN 1-877430-56-0

## **Contents**

### **New Zealand Equivalent to IFRIC Interpretation 6**

### **Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (NZ IFRIC 6)**

*Paragraphs*

#### **HISTORY OF AMENDMENTS**

**BACKGROUND** 1 – 5

**SCOPE** 6 – 7

**ISSUE** 8

**CONSENSUS** 9

**EFFECTIVE DATE** 10

**TRANSITION** 11

#### **APPENDIX**

**Amendments to other Standards**

**IFRIC BASIS FOR CONCLUSIONS**

## HISTORY OF AMENDMENTS

### **Table of Pronouncements – NZ IFRIC 6 *Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment***

This table lists the pronouncements establishing and amending NZ IFRIC 6. The table is based on amendments approved as at 30 November 2007.

<b>Pronouncements</b>	<b>Date approved (ASRB approval)</b>	<b>Early operative date</b>	<b>Effective date (annual reporting periods... on or after ...)</b>
<i>NZ IFRIC 6 Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment</i>	Oct 2005 (Approval 71)	1 Jan 2006	1 Jan 2007

New Zealand Equivalent to IFRIC Interpretation 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* (NZ IFRIC 6) is set out in paragraphs 1-11.

NZ IFRIC 6 is based on IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* (IFRIC 6). NZ IFRIC 6 should be read in the context of the IFRIC's Basis for Conclusions on IFRIC 6. The scope and authority of Interpretations are set out in paragraphs 2 and 7-17 of the *Preface to International Financial Reporting Standards* and paragraph 13 of the *New Zealand Preface*.

Any additional material is shown with grey shading. The paragraphs are denoted with "NZ" and identify the types of entities to which the paragraphs apply.

**Differential Reporting**

Qualifying entities must comply with all the provisions in NZ IFRIC 6.

## **New Zealand Equivalent to IFRIC Interpretation 6**

### **Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (NZ IFRIC 6)**

#### **References**

- NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

#### **BACKGROUND**

- 1 Paragraph 17 of NZ IAS 37 specifies that an obligating event is a past event that leads to a present obligation that an entity has no realistic alternative to settling.
- 2 Paragraph 19 of NZ IAS 37 states that provisions are recognised only for ‘obligations arising from past events existing independently of an entity’s future actions’.
- 3 The European Union’s Directive on Waste Electrical and Electronic Equipment (WE&EE), which regulates the collection, treatment, recovery and environmentally sound disposal of waste equipment, has given rise to questions about when the liability for the decommissioning of WE&EE should be recognised. The Directive distinguishes between ‘new’ and ‘historical’ waste and between waste from private households and waste from sources other than private households. New waste relates to products sold after 13 August 2005. All household equipment sold before that date is deemed to give rise to historical waste for the purposes of the Directive.
- 4 The Directive states that the cost of waste management for historical equipment should be borne by producers of that type of equipment that are in the market during a period to be specified in the applicable legislation of each Member State (the measurement period). The Directive states that each Member State shall establish a mechanism to have producers contribute to costs proportionately ‘e.g. in proportion to their respective share of the market by type of equipment’.
- 5 Several terms used in the Interpretation such as ‘market share’ and ‘measurement period’ may be defined very differently in the applicable legislation of individual Member States. For example, the length of the measurement period might be a year or only one month. Similarly, the measurement of market share and the formulae for computing the obligation may differ in the various national legislations. However, all of these examples affect only the measurement of the liability, which is not within the scope of the Interpretation.

## SCOPE

- 6 This Interpretation provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the EU Directive on WE&EE in respect of sales of historical household equipment.
- 7 The Interpretation addresses neither new waste nor historical waste from sources other than private households. The liability for such waste management is adequately covered in NZ IAS 37. However, if, in national legislation, new waste from private households is treated in a similar manner to historical waste from private households, the principles of the Interpretation apply by reference to the hierarchy in paragraphs 10-12 of NZ IAS 37. The NZ IAS 8 hierarchy is also relevant for other regulations that impose obligations in a way that is similar to the cost attribution model specified in the EU Directive.

## ISSUES

- 8 The IFRIC was asked to determine in the context of decommissioning of WE&EE what constitutes the obligating event in accordance with paragraph 14(a) of NZ IAS 37 for the reconciliation of a provision for waste management costs:
  - the manufacture or sale of the historical household equipment?
  - participation in the market during the measurement period?
  - the incurrence of costs in the performance of waste management activities?

## CONSENSUS

- 9 Participation in the market during the measurement period is the obligating event in accordance with paragraph 14(a) of NZ IAS 37. As a consequence, a liability for waste management costs for historical household equipment does not arise as the products are manufactured or sold. Because the obligation for historical household equipment is linked to participation in the market during the measurement period, rather than to production or sale of the items to be disposed of, there is no obligation unless and until a market share exists during the measurement period. The timing of the obligating event may also be independent of the particular period in which the activities to perform the waste management are undertaken and the related costs incurred.

## EFFECTIVE DATE

- 10 An entity shall apply this Interpretation for annual periods beginning on or after 1 January 2007. For entities which elect to comply 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 and before 1 January 2007, this Interpretation becomes operative for annual accounting periods beginning on or after 1 December 2005. Earlier application is

NZ IFRIC 6

encouraged. If an entity applies the Interpretation for a period beginning before 1 December 2005, it shall disclose that fact.

**TRANSITION**

- 11 Changes in accounting policies shall be accounted for in accordance with NZ IAS 8.