

FRSB Alert

By **Vanessa Sealy-Fisher**, Senior Project Manager – Accounting Standards (*Summary as at 12 February 2010*)

The Financial Reporting Standards Board (FRSB) met in Wellington on 28 January and in Auckland on 10 February. The main issues discussed are summarised below.

Securities Regulations 2009

The FRSB considered a range of matters arising from the interaction of the Securities Regulations 2009 with financial reporting standards NZ IAS 34 *Interim Financial Reporting*, FRS-42 *Prospective Financial Statements* and FRS-43 *Summary Financial Statements*.

The FRSB agreed that further work is to be undertaken regarding the application of FRS-43 to multi-period statements, such as the five year summary statements referred to in the Securities Regulations and will be considered by the FRSB at a future meeting. There were a number of minor potential issues that the FRSB agreed it would be useful for NZICA staff to discuss with staff of the Securities Commission.

Income from Non-Exchange Transactions

The FRSB noted the submissions received from both Australian and New Zealand constituents on ED 118 *Income from Non-Exchange Transactions (Taxes and Transfers)*. A number of the respondents disagreed with the proposals in the ED in relation to transfers (for example, grants) subject to stipulations. These respondents were of the view that the approach in the ED was too restrictive and/or inconsistent with the requirements of other existing or proposed pronouncements and requested that the Boards (Australian Accounting Standards Board (AASB) and FRSB) consider a range of alternative approaches that were proposed by the respondents. A complete collation of comments on this and other issues raised by respondents will be considered by the Boards at their joint meeting to be held on 17 March.

AASB proposed Reduced Disclosure Regime (Differential Reporting)

The FRSB noted and supported the use of the *IFRS for SMEs* as the basis for determining disclosures under the Australian Accounting Standards Board's (AASB) proposed reduced disclosure regime. The AASB's draft Exposure Draft is available on the AASB website at http://www.aasb.gov.au/admin/file/content105/c9/AASB_Consultation_Paper.pdf. The details of the proposals will be available soon.

The FRSB is actively monitoring this project and proposes to provide input on the proposals.

Emissions Trading Schemes

The FRSB noted the deliberations of the IASB on this project. The FRSB discussed the most recent views considered by the IASB, which are (1) that the liability in respect of emissions is recognised as emissions are made, and (2) that becoming a party to an emissions scheme creates the liability for an entity. Concerns were raised regarding the consistency of the two views with the IASB *Framework for the Preparation and Presentation of Financial Statements*.

The FRSB also received an education session on the New Zealand Emissions Trading Scheme.

Financial Instruments

The FRSB was updated on the IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. In particular the update related to the financial liabilities phase of the project to replace IAS 39 *Financial instruments: Recognition and Measurement* and hedge accounting (phase 3 of the project).

The FRSB also received a presentation on the potential impact of the proposals in IASB ED/2009/12 *Financial Instruments: Amortised Cost and Impairment*.

Review of the financial reporting framework

The FRSB discussed its comments provided to NZICA regarding the Ministry of Economic Development Discussion Document *The Statutory Framework for Financial Reporting* and the Accounting Standards Review Board Discussion Document *Proposed application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting*. The submission to the MED and the ASRB is available on the NZICA website at

http://www.nzica.com/AM/Template.cfm?Section=Government_Relations_and_Strategic_Projects_files&Template=/CM/ContentDisplay.cfm&ContentID=18774

Measurement of Liabilities

The FRSB discussed the proposals in IASB Exposure Draft ED/2010/1 *Measurement of Liabilities in IAS 37* and identified issues to be raised in the FRSB's submission to the IASB on ED/2010/1. The FRSB will consider a draft submission on ED/2010/1 at its March 2010 meeting.

ED/2010/1 is available on the NZICA website at

http://www.nzica.com/AM/Template.cfm?Section=Current_Exposure_Drafts. Comments are due to the FRSB no later than **19 March 2010** and to the IASB no later than **12 April 2010**.

Revenue Recognition

The FRSB received an update on the IASB's deliberations regarding its project on revenue recognition. The FRSB decided not to comment at this point in time on the IASB's tentative decisions. However the FRSB requested that clarification is sought on the practical impact of some of the tentative decisions made to date.

Submissions to the ASRB

The FRSB approved submissions to the Accounting Standards Review Board for the following proposed amendments to NZ IFRSs:

- Amendment to NZ IFRS 3 *Business Combinations—Scope Exemption* which provides a scope exemption in respect of a local authority reorganisation. The FRSB considered the three submission received on ED 119 *Proposed Amendment to NZ IFRS 3—Scope Exemption* and as a result decided to clarify that the scope exemption applies to the local authorities, together with all entities controlled by those local authorities that are parties to the reorganisation. However, the FRSB had previously decided (during the deliberations that resulted in the issue of ED 119) that the scope exemption would be clearly ring-fenced and agree, therefore, not to extend the scope exemption, which had been requested by two of the respondents.
- *Limited Exemption from Comparative NZ IFRS 5 Disclosures for First-time Adopters* (Amendment to NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*)

Management Commentary

The FRSB considered and approved a submission to the IASB on ED/2009/6 *Management Commentary*.

Accounting by Retirement Benefit Plans

ED 120 Proposed Amendments to NZ IAS 26 *Accounting and Reporting by Retirement Benefit Plans* is available on the NZICA website at

http://www.nzica.com/AM/Template.cfm?Section=Current_Exposure_Drafts. Comments are due to the FRSB no later than **30 April 2010**.

Next meeting

The next meeting of the FRSB will be held jointly with the AASB in Auckland on 17 March 2010 and is open for members of the public to attend as observers. The Boards will also hold a joint planning day in private on 18 March 2010.

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

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