Effective Periods Beginning

BDO NZ IFRIC 17: DISTRIBUTION OF NON-CASH ASSETS TO **OWNERS**

ISSUES

When an entity declares a distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend payable. Consequently, NZ IFRIC 17 addresses the following

- · When should the entity recognise the dividend payable?
- How should an entity measure the dividend payable?
- When an entity settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable?

SCOPE

- · NZ IFRIC 17 applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:
- Distribution of non-cash assets; and
- Distribution that give owners a choice of receiving either non-cash assets or a cash alternative.
- NZ IFRIC 17 only applies if all owners of a class of equity instruments are treated equally.
- · NZ IFRIC 17 does not apply to distributions of non-cash assets that are ultimately controlled by the same party(s) before and after the distribution.

CONSENSUS

WHEN TO RECOGNISE A **DIVIDEND PAYABLE**

The liability to pay a dividend is recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, which is the date:

- · When declaration of the dividend is approved by the relevant authority, if the jurisdiction requires such approval,
- · When the dividend is declared, if the iurisdiction does not require further approval.

MEASUREMENT OF A DIVIDEND PAYABLE

- An entity measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.
- If an entity gives its owners a choice of receiving either a noncash asset or a cash alternative, the entity estimates the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative.
- · At the end of each reporting period and at the date of settlement, the entity reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

ACCOUNTING FOR DIFFERENCES IN CARRYING AMOUNTS

When an entity settles the dividend payable, it recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the dividend payable in profit or loss.

PRESENTATION & DISCLOSURE

- An entity presents any gains or losses arising from differences in carrying amounts of dividend liabilities and related assets that are derecognised on settlement as a separate line item in profit or loss.
- · An entity discloses the following information, if applicable:
- The carrying amount of the dividend payable at the beginning and end of the period; and
- The increase or decrease in the carrying amount recognised in the period as result of a change in the fair value of the assets to be distributed.
- If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it discloses:
- The nature of the asset to be distributed;
- The carrying amount of the asset to be distributed as of the end of the reporting period; and
- The estimated fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method used to determine that fair value required by NZ IFRS 13 Fair Value Measurement.

TIER 2 NZ IFRS RDR REPORTERS

NZ IFRIC 17 includes RDR disclosure concessions and associated RDR paragraphs.

effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice hexamination of the particular facts and circumstances of the situation.

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