



Now that New Zealand entities are starting to prepare their first NZ IFRS compliant financial statements, the practical impacts of the new standards are beginning to emerge.

Learning by experience is one of the best, if sometimes the most painful, ways of learning. To ease the pain of transition to NZ IFRS, these *NZ IFRS in Practice* notes are intended to share with you of some of the less obvious issues that have arisen in practice.

For this inaugural issue of *NZ IFRS in Practice*, we have chosen the presentation of cash flows which many will assume remains largely unchanged under NZ IFRS.

Under pre-NZ IFRS accounting standards (FRS-19) the cash flows presented in the cash flow statement were generally reported net of GST: that is, receipts from customers and payments to suppliers were reported excluding GST.

There is some uncertainty about whether IAS 7, *Cash Flow Statements* requires gross or net presentation. For example, in Australia entities are required to apply gross presentation of cash flows from operations.

To resolve this uncertainty, the International Accounting Standard Board will consider this issue when they next update IAS 7, although the timing of this is uncertain.

In New Zealand this means that entities currently have the choice of whether to present cash flows gross or net of GST. However, this may change and it is entirely possible that gross presentation will be required in the future. Clearly, subsidiaries of Australian parents may wish to adopt gross presentation. Whichever method of presentation is chosen, it would be appropriate to disclose this. Furthermore, it will be important to ensure that the company's systems are capable of generating the required information

If you wish to discuss this or any other NZ IFRS-related matter, please contact your usual PwC contact or one of the following NZ IFRS specialists:

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