

## New Financial Reporting Framework for Companies May 2014

The Financial Reporting Act 2013 and most of the Financial Reporting (Amendments to Other Enactments) Act 2013 came into force on 1 April 2014 bringing a number of positive and timely changes to financial reporting for small and medium sized companies.

From 1 April, most companies will no longer be required to prepare general purpose financial statements. These companies include:

- small companies (being companies that are not part of a group and have not derived income or incurred expenditure, in excess of \$30,000 during the income year)
- companies which are subject to other financial reporting requirements (e.g. Charities Act 2005)
- non-active companies.

Your company will only be required to prepare general purpose statements if it:

- is “large” - a company with turnover of more than \$30 million or assets of more than \$60 million

- is a subsidiary of an overseas company with turnover over \$10 million or assets over \$20 million
- is a “FMC reporting entity”
- is a public entity
- has ten or more shareholders unless it opts out
- has fewer than ten shareholders and opts in.

If your company fits between the “small” and “large” classifications, then it must follow the minimum reporting requirements developed by Inland Revenue and set out in the Tax Administration (Financial Statements) Order 2014. These minimum requirements set out:

- what the financial statement must consist of and what they must show
- the accounting principles that the statements must comply with
- the valuation principles that must be used
- a statement of accounting policies.

If you would like more information regarding the above, or have any questions, please contact us.

**Kellie Bright**, Partner

Contact her on +64 9 300 8753 or [kellie.bright@shieffangland.co.nz](mailto:kellie.bright@shieffangland.co.nz).  
[www.shieffangland.co.nz](http://www.shieffangland.co.nz)

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