External Reporting Board Standard A1

Accounting Standards Framework (For-profit Entities Update) (XRB A1 (FP Entities Update))

Issued December 2012 and incorporates amendments arising from *Amendments to XRB A1Accounting Standards Framework: Omnibus Amendments (Legislative Update)* issued in February 2014 which amended various paragraphs of this Standard to reflect legislative changes.

Issued by the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993. This Standard is a Regulation for the purpose of the Regulations (Disallowance) Act 1989.

This Standard applies to reporting periods beginning on or after 1 April 2014 to reporting periods beginning on or before 30 June 2014. This Standard supersedes XRB A1 *Application of Accounting Standards.*

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EXTERNAL REPORTING BOARD STANDARD A1 ACCOUNTING STANDARDS FRAMEWORK (FOR-PROFIT ENTITIES UPDATE) (XRB A1 (FP ENTITIES UPDATE))

External Reporting Board Standard A1 *Accounting Standards Framework (For-profit Entities)* (XRB A1 (FP Entities Update)) is set out in paragraphs 1–85 and Appendices A–E. All the paragraphs have equal authority.

A. INTRODUCTION

Objective

1 The objectives of this Standard are to:

(a) establish the accounting standards framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare general purpose financial reports;

(b) in doing so, establish

(i) the tiers of financial reporting for all entities that are required to report;

(ii) the criteria for each tier of financial reporting;

(iii) the accounting standards and authoritative notices that are applicable to each tier of financial reporting; and

(iv) the requirements for an entity to move from one tier of financial reporting to another tier of financial reporting; and

(c) define what comprises generally accepted accounting practice and what comprises a "non-GAAP standard" issued by the External Reporting Board.

Scope

2 An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, general purpose financial reports in accordance with statutory requirements.

3 An entity that has a statutory requirement to prepare, or opts under an enactment to prepare, general purpose financial reports shall:

(a) determine whether it is a for-profit entity or a public benefit entity in accordance with the definitions in this Standard and the integral guidance in Appendix A;

(b) if it is a for-profit entity, report in accordance with Tier 1 For-profit Accounting Standards specified in this Standard unless:

(i) the entity meets the criteria to report in accordance with Tier 2 For-profit Accounting Standards or Tier 3 For-profit Accounting Standards or Tier 4 For-profit Accounting Standards; and

(ii) the entity elects to report in accordance with a Tier that it is eligible to apply; and

(c) if it is a public benefit entity, report in accordance with the requirements of paragraphs 61–82.

Generally accepted accounting practice

4 The financial statements of various reporting entities are required by legislation to comply with 'generally accepted accounting practice' (GAAP). GAAP comprises:

(a) accounting standards issued by the External Reporting Board (XRB), or its sub-Board the New Zealand Accounting Standards Board (NZASB), pursuant to section 12(a) of the Financial Reporting Act 2013; and

(b) authoritative notices issued by the XRB or the NZASB, pursuant to section 12(c) of the Financial Reporting Act 2013.

Non-GAAP standard

4A Certain Acts permit an entity that does not meet the size threshold to be a "specified not-for-profit entity"[1] to prepare its financial statements in accordance with a "non-GAAP standard". A "non-GAAP standard" is a standard issued by the XRB or NZASB pursuant to section 12(a) of

[1] Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a "specified not-for-profit entity".

the Financial Reporting Act 2013 that is stated to be a non-GAAP standard. Non-GAAP standards may be applied by Tier 4 public benefit entities.

Definitions

5 The following terms are used in this Standard with the meanings specified:

<u>Accounting standard</u> (for the purposes of this Standard) has the same meaning as "financial reporting standard" and includes "applicable financial reporting standard" as defined in the Financial Reporting Act 2013.

<u>Employees</u> means the number of full-time equivalent persons in the paid employment of the entity, calculated on an annual basis.

<u>For-profit entities</u> are reporting entities that are not public benefit entities.

<u>For-profit public sector entities</u> are for-profit entities that are public entities as defined in the Public Audit Act 2001.

<u>General purpose financial reports</u> means financial reports that are intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

<u>Governing body</u> means the body responsible for the financial, investing or operating policies of an entity; for example, the board of directors of a company, or its equivalent in other entities, in both the private and public sectors.

<u>NZ IFRS</u> means New Zealand equivalents to International Financial Reporting Standards (including standards and interpretations) issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board.

<u>NZ IFRS Diff Rep</u> means NZ IFRS with differential reporting recognition, measurement and disclosure concessions.

<u>NZ IFRS PBE</u> means NZ IFRS with PBE modifications.

<u>NZ IFRS RDR</u> means NZ IFRS with disclosure concessions.

<u>Old GAAP</u> means New Zealand accounting standards and pronouncements that have authoritative support that were applicable in New Zealand prior to the adoption of NZ IFRS in New Zealand, and comprises Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs).

<u>Owner</u> (for the purposes of this Standard) means a party which has:

(a) an equitable or beneficial interest in the residual value of an entity's assets; or

(b) the right to participate in the election or appointment of an entity's governing body.

<u>Public benefit entities</u> (PBEs) are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

<u>Tier 1 For-profit Accounting Standards</u> means NZ IFRS other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

<u>Tier 1 for-profit entity</u> means a reporting entity that is required to apply Tier 1 For-profit Accounting Standards.

<u>Tier 2 For-profit Accounting Standards</u> means NZ IFRS RDR, other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

<u>Tier 2 for-profit entity</u> means a reporting entity that qualifies for and elects to apply Tier 2 For-profit Accounting Standards.

<u>Tier 3 For-profit Accounting Standards</u> means NZ IFRS Diff Rep, other New Zealand accounting standards and pronouncements that have authoritative support that are applicable to entities that apply NZ IFRS Diff Rep, as listed in Appendix C.

Tier 3 for-profit entity means a reporting entity that qualifies for and elects to apply Tier 3 For-profit Accounting Standards.

Tier 4 For-profit Accounting Standards means Old GAAP, either in full or with differential reporting concessions, as listed in Appendix D.

Tier 4 for-profit entity means a reporting entity that qualifies for and elects to apply Tier 4 For-profit Accounting Standards.

Total assets (for the purposes of this Standard) means the value of assets (including intangible assets) reported in the entity's Statement of Financial Position at the end of the current annual reporting period.

Total income (for the purposes of this Standard) means the annualised gross income based on the amount reported in the entity's Statement of Comprehensive Income for the current annual reporting period. Income includes both revenue and gains. Revenue arises in the course of the ordinary activities of an entity and includes, but is not limited to, sales, fee income, grants, output appropriations, cost recoveries, donations, dividends, interest, and subscriptions. Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity.

Total revenue (for the purposes of this Standard) is the annualised gross operating revenue based on the amount reported in the entity's Statement of Financial Performance for the current annual reporting period. Total revenue includes, but is not limited to, sales, fee income, grants, output appropriations, cost recoveries, donations, dividends, interest and subscriptions.

B. FOR-PROFIT ENTITIES

TIER STRUCTURE

6 The tier structure for for-profit entities consists of four tiers. The tier criteria in paragraphs 7 to 30 are subject to paragraphs 45 to 60 on moving between the tiers.

7 A for-profit entity shall report in accordance with Tier 1 For-profit Accounting Standards if it meets the following criteria:

(a) (i) it has public accountability as defined in paragraph 12 at any time during the annual reporting period; or

(ii) it is a large for-profit public sector entity as defined in paragraph 17; or

(b) the entity is eligible to report in accordance with another tier but does not elect to report in accordance with that other tier.

8 A for-profit entity that does not meet the criteria specified in paragraph 7(a) may elect to report in accordance with Tier 2 For-profit Accounting Standards.

9 A for-profit entity that meets the criteria specified in paragraphs 20 and 21 may elect to report in accordance with Tier 3 For-profit Accounting Standards.

10 A for-profit entity that meets the criteria specified in paragraph 27 may elect to report in accordance with Tier 4 For-profit Accounting Standards.

11 If an entity is eligible to report in accordance with more than one tier, the entity may elect to report under any of those tiers.

Tier 1 Criteria

Public accountability

12 Subject to paragraph 16, an entity has public accountability if:

(a) it meets the IASB definition of public accountability as specified in paragraphs 13 and 14; or

(b) it is deemed to be publicly accountable in New Zealand in accordance with paragraph 15.

13 In accordance with the IASB definition, an entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or

(b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks.

14 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies), that does not make them publicly accountable.

15 An entity is deemed to be publicly accountable in the New Zealand context if:

(a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or

(b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or

(c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

15A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 12(a) and 15 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

16 Where the entity is a group in New Zealand, and the parent of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a subsidiary having public accountability.

Size

17 A for-profit public sector entity is large for the purposes of paragraph 7 if it has total expenses over $30 million.

18 For the purpose of the application of the size criteria in paragraph 17, total expenses means the total expenses (including income tax expense) recognised by an entity in accordance with NZ IFRS in its profit or loss , where profit or loss is defined as the total of income less expenses, excluding the components of other comprehensive income. Where income and expenses are offset as required or permitted by a relevant standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses are applied to the group comprising the parent/controlling entity and all its subsidiaries/controlled entities.

Tier 2 Criteria

19 A for-profit entity may elect to report in accordance with Tier 2 For-profit Accounting Standards when the entity:

(a) does not have public accountability as defined in paragraph 12; and

(b) is not a large for-profit public sector entity as defined in paragraph 17.

Tier 3 Criteria

20 A for-profit entity may elect to report in accordance with Tier 3 For-profit Accounting Standards when the entity does not have public accountability as defined in paragraph 12 and either:

(a) at the end of the reporting period, all of its owners are members of the entity’s governing body; or

(b) the entity is not large as defined in paragraph 25.

21 A for-profit public sector entity which does not have public accountability as defined in paragraph 12 but whose parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds may qualify for Tier 3 only where that for-profit entity is not large as defined in paragraph 25.

22 If the parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds, the entity is not permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for Tier 3. Such entities may qualify for Tier 3 only on the basis of size. As the public has a beneficial interest in the entity it is not appropriate that entities such as State-owned enterprises or council-controlled organisations should be permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for Tier 3.

Separation between owners and governing body of an entity

23 Where an owner of a for-profit entity is not a natural person (e.g. the owner is a company or a trust) and the owner appoints a representative to the governing body, that representative is considered to be an owner for the purposes of paragraph 20.

24 An owner is a party which has a beneficial interest in the residual value of the entity’s assets. Therefore when the entity preparing the financial statements is a trust, all beneficiaries must be trustees in order to meet the requirement that there is no separation between the owners and the governing body.

Size

25 A for-profit entity is large for the purposes of paragraph 20 if it exceeds any two of the following:

(a) total income of $20 million;

(b) total assets of $10 million; and

(c) 50 employees.

26 For the purpose of the application of the size criteria, total income and total assets are determined after the application of any allowable concessions permitted in NZ IFRS Diff Rep. Where the entity reporting is a group in New Zealand, the size criteria shall be applied to the group comprising the investor and all its subsidiaries. For a group the criteria of size shall be applied to the totals of an actual or notional consolidation.

Tier 4 Criteria

27 A for-profit company may elect to report in accordance with Tier 4 For-profit Accounting Standards when it:

(a) was applying Old GAAP at 30 June 2011, or was established between 1 July 2011 and 31 March 2014; and

(b) does not have public accountability as defined in paragraph 12; and

(c) is not required by section 19 of the Financial Reporting Act 1993 to file its financial statements with the Registrar of Companies[2]; and

(d) is not large as defined by section 19A[3] of the Financial Reporting Act 1993.

28 A for-profit entity other than a company may elect to report in accordance with Tier 4 For-profit Accounting Standards if it:

(a) was applying Old GAAP at 30 June 2011, or was established between 1 July 2011 and 31 March 2014; and

(b) does not have public accountability as defined in paragraph 12; and

(c) is not large, as defined in paragraph 29.

29 A for-profit entity is large for the purposes of paragraph 28 if it exceeds any two of the following:

(a) total revenue of $20 million;

(b) total assets of $10 million; and

(c) 50 employees.

30 For the purpose of the application of the size criteria, total revenue and total assets are determined after the application of any allowable concessions permitted in Old GAAP. Where the entity reporting is a group in New Zealand, the size criteria shall be applied to the group comprising the investor and all its subsidiaries. For a group the criteria of size shall be applied to the totals of an actual or notional consolidation.

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2 In general, section 19 of the Financial Reporting Act 1993 requires a company to file its financial statements if it is:
(a) an overseas company or a subsidiary of an overseas company; and
(b) large and 25% of its voting power is held by overseas shareholders (entities or individuals).

3 A company is defined as large if it meets any two of the following three size thresholds:
(a) as at balance date, the total assets (including intangible assets) of the company and its subsidiaries (if any) exceeds $10 million;
(b) the total turnover of the company and its subsidiaries (if any) exceeds $20 million;
(c) as at balance date, the company and its subsidiaries (if any) have 50 or more full-time equivalent employees.

ACCOUNTING STANDARDS

Tier 1

31 A Tier 1 for-profit entity shall apply Tier 1 For-profit Accounting Standards and may not use any RDR concessions in the For-Profit Accounting Standards.

Tier 2

32 A Tier 2 for-profit entity may elect to apply any or all of the concessions in Tier 2 For-profit Accounting Standards. The concessions are indicated by an asterisk (*) next to the paragraph or an additional RDR paragraph in standards and pronouncements listed in Appendix B.

33 If a Tier 2 for-profit entity makes any disclosure that is not required under Tier 2 For-profit Accounting Standards, the entity shall make that disclosure in accordance with the relevant standard.

34 A Tier 2 for-profit entity shall disclose:

(a) that it has elected to report in accordance with Tier 2 For-profit Accounting Standards and has applied disclosure concessions; and

(b) the criteria that establish the entity as eligible to report in accordance with Tier 2 For-profit Accounting Standards.

35 Where a Tier 2 for-profit entity has taken advantage of RDR concessions and subsequently ceases to apply one or more of those concessions, the entity shall disclose comparative information in respect of those previously applied disclosure concessions in accordance with NZ IAS 1 *Presentation of Financial Statements* unless the NZ IFRS requirement does not require comparatives to be presented.

Tier 3

36 A Tier 3 for-profit entity may elect to apply any or all of the concessions in Tier 3 For-profit Accounting Standards. The concessions are indicated by an asterisk (*) next to the paragraph or grey shaded paragraphs in standards and pronouncements listed in Appendix C.

37 If a Tier 3 for-profit entity makes any disclosure that is not required under disclosure concessions in Tier 3 For-profit Accounting Standards, the entity shall make that disclosure in accordance with those standards.

38 A Tier 3 for-profit entity shall disclose:

(a) that it has elected to report in accordance with Tier 3 For-profit Accounting Standards;

(b) the criteria that establish the entity as eligible to report in accordance with Tier 3 For-profit Accounting Standards; and

(c) the extent to which the entity has applied available recognition and measurement differential reporting concessions.

39 Where a Tier 3 for-profit entity has taken advantage of recognition and measurement differential reporting concessions and subsequently ceases to apply one or more of those concessions, the entity shall account for the change in accounting policies in accordance with NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors*.

Tier 4

40 If a Tier 4 for-profit entity has an accounting policy for which no Tier 4 for-profit accounting standard exists, the entity shall apply paragraph 41 to determine an appropriate accounting treatment.

41 Other sources of authoritative support in the preparation of financial statements in accordance with Old GAAP are:

(a) NZ IFRS that are applicable to analogous items or matters;

(b) accounting standards published by the Australian Accounting Standards Board;

(c) accounting standards published by other well-recognised bodies with the authority to promulgate financial reporting standards in other jurisdictions; and

(d) practice widely accepted as appropriate and prevalent for the industry or sector concerned.

42 If a Tier 4 for-profit entity makes any disclosure that is not required under disclosure concessions in Tier 4 For-profit Accounting Standards, the entity shall make that disclosure in accordance with those standards, or where relevant, other sources of authoritative support.

43 A Tier 4 for-profit entity shall disclose:

(a) that it has elected to report in accordance with Tier 4 For-profit Accounting Standards;

(b) the criteria that establish the entity as eligible to report in accordance with Tier 4 For-profit Accounting Standards; and

(c) the extent to which the entity has applied available recognition and measurement differential reporting concessions.

44 Where a Tier 4 for-profit entity has taken advantage of recognition and measurement differential reporting concessions and subsequently ceases to apply one or more of those concessions, the entity shall account for the change in accounting policies in accordance with FRS-1 *Disclosure of Accounting Policies*.

MOVING BETWEEN TIERS

Moving into Tier 1

Tier 2 to Tier 1

45 A Tier 2 for-profit entity that subsequently becomes publicly accountable as defined in paragraph 12 shall apply Tier 1 For-profit Accounting Standards in the reporting period in which it becomes publicly accountable.

46 A Tier 2 for-profit public sector entity that becomes large may continue reporting under Tier 2 For-profit Accounting Standards for the reporting period in which it becomes large unless that entity was reporting under Tier 1 For-profit Accounting Standards in the reporting period immediately preceding the annual period in which it becomes large.

47 A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards.*

48 Where a Tier 2 for-profit entity subsequently applies Tier 1 For-profit Accounting Standards, the entity's recognition and measurement accounting policies are not necessarily changed as a result of moving from Tier 2 For-profit Accounting Standards to Tier 1 For-profit Accounting Standards. The recognition and measurement requirements in Tier 1 For-profit Accounting Standards and Tier 2 For-profit Accounting Standards are essentially identical[4]. It follows that a move between the accounting standards for these two for-profit tiers (whether voluntary or mandatory) does not trigger any changes in the entity's recognition and measurement accounting policies other than as may be required by NZ IFRS 1 or other NZ IFRSs. Voluntary changes in accounting policies shall be made only when such changes comply with the requirements in paragraphs 14 – 27 of NZ IAS 8.

Tier 3 or Tier 4 to Tier 1

49 A Tier 3 for-profit entity or a Tier 4 for-profit entity that subsequently becomes publicly accountable as defined in paragraph 12 shall apply Tier 1 For-profit Accounting Standards in the reporting period in which it becomes publicly accountable.

50 A Tier 3 for-profit entity or a Tier 4 for-profit entity that no longer qualifies to apply those standards because it fails to meet the size criteria specified in paragraph 25 or paragraph 29 respectively, may continue to report in accordance with Tier 3 For-profit Accounting Standards

4 The only difference is an exemption for Tier 2 entities in NZ IAS 27 in relation to intermediate parent reporting.

or Tier 4 For-profit Accounting Standards (as applicable) for the annual reporting period in which it becomes large and the following annual reporting period.

51 A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1.

52 A Tier 4 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards shall apply NZ IFRS 1.

Moving into Tier 2

Tier 1 to Tier 2

53 A Tier 1 for-profit entity that is eligible to apply Tier 2 For-profit Accounting Standards may elect to apply Tier 2 For-profit Accounting Standards for any reporting period commencing on, before or after the date this Standard is first applied; provided that the entity must report in accordance with Tier 1 For-profit Accounting Standards for any periods in which the entity meets the Tier 1 criteria during that period.

54 Where a Tier 1 for-profit entity has been applying Tier 1 For-profit Accounting Standards and the entity subsequently applies Tier 2 For-profit Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 1 For-profit Accounting Standards to Tier 2 For-profit Accounting Standards, except as permitted by Tier 2 For-profit Accounting Standards.

Tier 3 or Tier 4 to Tier 2

55 A Tier 3 for-profit entity or a Tier 4 for-profit entity that no longer qualifies to apply those standards because it fails to meet the size criteria specified in paragraph 25 or paragraph 29 respectively, may continue to report in accordance with Tier 3 For-profit Accounting Standards or Tier 4 For-profit Accounting Standards (as applicable) for the annual reporting period in which it becomes large and the following annual reporting period.

56 A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall apply NZ IFRS 1.

57 A Tier 4 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards shall apply NZ IFRS 1.

Moving into Tier 3

Tier 1 or Tier 2 to Tier 3

58 A Tier 1 for-profit entity or a Tier 2 for-profit entity that becomes eligible to apply Tier 3 For-profit Accounting Standards because the Tier 1 or Tier 2 size criteria no longer apply, shall not apply Tier 3 For-profit Accounting Standards until the entity ceases to be large for two consecutive annual reporting periods.

Tier 4 to Tier 3

59 A Tier 4 for-profit entity that no longer qualifies to apply Tier 4 For-profit Accounting Standards but is eligible for and elects to apply Tier 3 For-profit Accounting Standards, shall comply with NZ IFRS 1 (Diff Rep) *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Exempt companies

60 An exempt company that was reporting in accordance with the Financial Reporting Order 1994 and no longer qualifies as an exempt company shall report in accordance with an applicable tier of financial reporting identified in this Standard.

C. PUBLIC BENEFIT ENTITIES

61 Subject to paragraphs 63–65, public benefit entities (PBEs) shall apply NZ IFRS PBE and other New Zealand accounting standards and pronouncements that have authoritative support and that are applicable to entities that apply NZ IFRS PBE. Where no NZ IFRS PBE exists, public benefit entities shall apply NZ IAS 8 (PBE) as the basis for determining an accounting treatment.

62 NZ IFRS PBE and other New Zealand accounting standards and pronouncements with authoritative support, which are applicable to PBEs that report in accordance with NZ IFRS PBE, are listed in Appendix E.

Small and medium-sized public benefit entities

63 PBEs which do not have public accountability as defined in paragraph 71, and are not large as defined in paragraph 65, and were applying Old GAAP at 30 June 2011 are permitted to continue applying Old GAAP.

64 Public sector PBEs that are established between 1 July 2011 and 30 June 2014 and not-for-profit PBEs that are established between 1 July 2011 and 31 March 2015 that do not have public accountability as defined in paragraph 71, and are not large as defined in paragraph 65, are permitted to apply Old GAAP.

65 A PBE that applies Old GAAP is large for the purposes of differential reporting if it exceeds any two of the following:

(a) total revenue of $20 million;

(b) total assets of $10 million; and

(c) 50 employees.

For the purposes of the application of the size criteria the total revenue and total assets are determined after the application of any allowable concessions permitted in Old GAAP.

66 The accounting standards and other pronouncements that have authoritative support in New Zealand that comprise Old GAAP are listed in Appendix D, followed by the differential reporting concessions.

Differential reporting

67 A PBE qualifies for differential reporting concessions (is a qualifying entity) when the entity does not have public accountability as defined in paragraph 71, and:

(a) at the end of the reporting period, all of its owners are members of the entity’s governing body; or

(b) the entity is not large as defined in paragraph 77.

68 A PBE which does not have public accountability as defined in paragraph 71, but whose parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds may qualify for differential reporting only where that PBE is not large as defined in paragraph 77.

69 If the parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds, the entity is not permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for differential reporting concessions. Such entities may qualify for differential reporting only on the basis of size. This is because it is not appropriate that entities such as council-controlled organisations, Crown entities, State-owned enterprises or government departments should be permitted to use a lack of separation between the owners and the governing body as a basis for qualifying for concessions because the public has a beneficial interest in the entity and in many cases the public indirectly provides funds to such entities through taxes, rates or levies.

70 The differential reporting concessions for PBEs are indicated in the relevant NZ IFRS PBE.

Public accountability

71 A PBE has public accountability for the purposes of Part C of this Standard if:

(a) at any time during the current or the preceding reporting period, the entity:

(i) is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or

(ii) is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or

(iii) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

(b) the entity has the coercive power to tax, rate or levy to obtain public funds.

71A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraph 71 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

72 Public accountability is particularly important for public sector entities because:

(a) office holders are accountable to the general public and to electors for their management of public sector entities;

(b) elected officers are like trustees in their stewardship on behalf of the public; and

(c) the statutory right to tax, to levy or otherwise to acquire funds compulsorily creates an obligation to report to the public on the use of the funds acquired compulsorily.

73 A PBE does not have public accountability, for the purposes of Part C of this Standard, solely by reason of receiving public funds from another entity which has the coercive power to tax, rate or levy to obtain public funds.

74 Where the entity is a group in New Zealand, and the parent of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a subsidiary having public accountability.

Separation between owners and governing body of an entity

75 Where an owner of a PBE is not a natural person (e.g. the owner is a company or a trust) and the owner appoints a representative to the governing body, that representative is considered to be an owner for the purposes of differential reporting.

76 An owner is a party which has a beneficial interest in the residual value of the entity’s assets. Therefore when the entity preparing the financial statements is a trust, all beneficiaries must be trustees in order to meet the requirement that there is no separation between the owners and the governing body.

Size

77 A PBE that applies NZ IFRS PBE is large for the purposes of differential reporting if it exceeds any two of the following:

(a) total income of $20 million;

(b) total assets of $10 million;

(c) 50 employees.

For the purposes of the application of the size criteria the total income and total assets are determined after the application of any allowable concessions permitted in NZ IFRS PBE.

78 Where the entity reporting is a group in New Zealand, the criteria to qualify for differential reporting shall be applied to the group comprising the investor and all its subsidiaries. For a group the criteria of size shall be applied to the totals of an actual or notional consolidation.

Ceasing to apply differential reporting

79 When a PBE has been large and subsequently ceases to be large, the entity will not qualify for differential reporting concessions until the entity ceases to be large for two consecutive reporting periods.

80 Where a PBE has previously qualified for differential reporting concessions, but no longer qualifies, the entity shall cease immediately to apply differential reporting concessions. A PBE shall provide comparative figures for the previous reporting period without applying differential reporting concessions to the comparative figures in accordance with NZ IAS 8 (PBE) *Accounting Policies, Changes in Accounting Estimates and Erro*rs. NZ IAS 8 (PBE) requires such changes in accounting policies to be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Applying differential reporting concessions

81 Where a PBE qualifying entity takes advantage of differential reporting concessions the entity shall disclose if, for the purposes of complying with GAAP, it is a qualifying entity and has applied differential reporting concessions.

Changes in accounting policies

82 Where a PBE qualifying entity has taken advantage of differential reporting concessions in this Standard and subsequently ceases to apply one or more of these concessions, the entity shall account for the change in accounting policies in accordance with NZ IAS 8 (PBE).

D. EFFECTIVE DATE

83 An entity shall apply this Standard for reporting periods beginning on or after 1 April 2014, with early application not permitted[5]. If an entity applies this Standard earlier, it shall disclose that fact.

[5] As amended by *Amendments to XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* issued in February 2014.

APPENDIX A

WHEN IS AN ENTITY A PUBLIC BENEFIT ENTITY?

This appendix forms an integral part of XRB A1 Accounting Standards Framework (For-profit Entities Update).

Introduction

1 Reporting entities designate themselves as either for-profit entities or public benefit entities (PBEs).

2 PBEs are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

3 For-profit entities are not defined. Rather, the term for-profit entities encompasses all entities other than PBEs. An entity must assess whether it is a PBE or a for-profit entity, by considering whether or not it meets the definition of a PBE. Assessing whether an entity meets the definition of a PBE requires an entity to determine its primary objective.

4 The form of an entity is unlikely to be a conclusive factor in determining whether or not an entity is a PBE. PBEs are constituted in many different forms such as incorporated societies, trusts, statutory bodies and even companies. PBEs include a wide range of entity types, including charities, clubs, and non-commercial public sector entities. They exist in the private sector and in the public sector and may be small or large. In determining the designation of an entity which is a group, it is necessary to consider the characteristics of the group.

5 [Reserved]

Purpose

6 The purpose of this Appendix is to assist an entity preparing general purpose financial statements to determine whether or not it is a PBE.

7 The classification of an entity as a for-profit entity or a PBE is important because it determines which accounting standards are applied by an entity and may result in different accounting policies. Inappropriate classification may result in adoption of inappropriate accounting policies and failure to provide users with information appropriate to assessing the financial performance and position of an entity.

Determining the primary objective of an entity

8 Whether an entity is a PBE is determined by the primary objective of an entity. In identifying the primary objective of an entity it is necessary to consider the substance of the entity's purpose and whether the goods or services are provided for community or social benefit.

9 Although in general terms PBEs exist to provide goods and services for the community or social benefit, this does not necessarily imply that such entities exist for the benefit of the public as a whole. Many PBEs exist for the direct benefit of a particular group of people, although it is also possible that society as a whole benefits indirectly. For example, a football club exists to promote and encourage football for the direct benefit of its members. However, society as a whole may benefit through a healthier population and through the provision of organised activities for its youth.

10 In many cases it will be obvious whether an entity is a PBE or not. However, objectively determining the primary objective of an entity can be difficult where an entity has multiple objectives and such objectives are not ranked, or where the objectives are not clearly stated.

11 Paragraphs 12 to 26 discuss indicators that aim to focus on the substance of an entity's purpose and which should be considered in determining whether an entity is a PBE. These indicators are:

- the entity's founding documents;
- the nature of the benefits;
- the quantum of expected financial surplus;
- the nature of the equity interest; and
- the nature of an entity's funding.

Founding documents

12 For many entities the governing legislation, a constitution, a trust deed, or other founding documents will specify the objectives of an entity, including for whom the benefits generated by the entity are intended. For example, the State-Owned Enterprises Act 1986 states that the principal objective of every State enterprise is to "operate as a successful business and to this end, to be:

(a) As profitable and efficient as comparable businesses that are not owned by the Crown; and

(b) A good employer; and

(c) An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so."

13 The founding documents of an entity may also specify the objective of an entity in terms of the nature of the benefits the entity provides. For example, one of the objectives of District Health Boards is to improve, promote and protect the health of people and communities.

14 Many entities are established with multiple objectives. For example, Crown Research Institutes (CRIs) are required by the Crown Research Institutes Act 1992 (CRI Act) to:

- undertake research for the benefit of New Zealand;
- comply with any applicable ethical standards;
- promote and facilitate application of the results of research and technological developments;
- be a good employer and exhibit a sense of social responsibility; and
- operate in a financially responsible manner so that they maintain their financial viability.

15 Where an entity's founding documents indicate that an entity has multiple objectives, determining which of these objectives is the primary objective will depend on an assessment of the substance of the purpose of the entity.

16 The founding documents may require an entity to be financially viable or to generate an adequate rate of return. However, being financially viable is not in itself conclusive in distinguishing a for-profit entity from a PBE. There exists a clear community expectation that PBEs be financially viable and operate to ensure that the limited resources at their disposal are used effectively.

Nature of the benefits

17 The nature of the benefits provided by an entity will usually indicate whether an entity is a PBE. For example, if the entity produces goods or services that are not provided at market prices, but are provided to consumers at no cost or for nominal consideration, the entity is likely to be a PBE.

18 PBEs do not exist to generate benefit in the form of a financial return to equity-holders. That is not to imply that PBEs never generate, or aim to generate, a financial surplus on the net assets

employed. However, where a PBE does generate a financial surplus, it may be required or expected to be used to support the entity's primary objective of providing goods or services for the community or for social benefit.

19 PBEs may establish controlled entities or discrete business units which operate to generate a return that can be used to support the primary activities of the controlling entity. Such entities or business units may be for-profit. This fact does not affect the classification of the controlling entity or economic entity[1].

Quantum of expected financial surplus

20 Many entities aim to generate revenues in excess of the expenses incurred. In order to continue operating all entities need to at least break even over the long term. The quantum of the expected surplus will provide a strong indication whether an entity is a PBE.

21 The objective of for-profit entities is to generate a commercial or market return—that is, to maximise the financial return commensurate with the relative risks of operating.

22 PBEs do not operate to maximise financial return in this way. PBEs may plan to generate a financial surplus. However, the quantum of the expected financial surplus is not expressed in relation to a market return or other measure of commercial success.

23 PBEs may not quantify the expected financial surplus, or may do so in qualitative or general terms only. For example, an entity may specify that it aims to generate an adequate rate of return, or a financial surplus sufficient to remain solvent, or generate a financial surplus sufficient to repay any debts within a certain time period.

Nature of equity interest

24 Where an entity is established to generate a financial return for the benefit of the equity holders the ownership instrument is usually clearly defined. This is important for for-profit entities because it determines the level of benefits such as dividends and rights to the residual net assets. If an entity does not have any clear equity holders or the nature of the equity instrument is unclear, the entity is likely to be a PBE.

25 The absence of clear equity holders may manifest itself in a number of ways, including:

- the absence of an individual or entity having a right to participate in any financial return or in the net assets of the entity were it to be wound up or otherwise cease to operate; or
- a requirement that in the event the entity ceases operating any residual net assets are to be applied to another entity with a similar purpose or to revert to another PBE. That is, the use of the assets is effectively restricted to providing goods or services for the benefit of the community or part thereof.

Nature of funding

26 If an entity is funded wholly or primarily through the sale of goods and services it may not be a PBE. If an entity relies wholly or primarily on donations or other contributions that do not establish a financial interest in the entity, or which do not reflect a sale and purchase transaction, the entity is likely to be a PBE.

Conflicting indicators

27 In some cases the above indicators may conflict with each other in respect of a single entity and the primary purpose or objective of the entity may not be obvious. Some indicators may indicate that an entity should be classified as for-profit and others may indicate the entity should be classified as a public benefit entity. In this situation professional judgement is required.

[1] If a controlled entity or business unit is required to prepare general purpose financial reports its designation is determined by its own primary objective and not that of the controlling entity of the group reporting entity.

Changing classification

28 Changing circumstances may lead to a change in an entity's classification. For example, a change in government policy may require that entities previously classified as public benefit entities are now to operate on a commercial basis, or vice versa.

29 Accounting for a change in classification depends on the applicable tier of the new classification. For example, if an entity's classification changes from "public benefit entity" to "for-profit entity", the entity would need to apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

ILLUSTRATIVE EXAMPLES: Determining the nature of an entity's purpose

31 The following examples aim to illustrate application of this Appendix. The examples are illustrative only and do not establish requirements.

32 While specific types of entity are referred to in the examples, the circumstances in relation to individual entities may vary significantly, and therefore the examples do not conclude as to whether the entity in question is or is not a public benefit entity. Rather, the examples illustrate characteristics to be considered by preparers in reaching a conclusion regarding the nature of an entity's purpose. In assessing the nature of an entity appropriate weighting needs to be given to each individual indicator. Depending on the circumstances some indicators will provide a stronger indication than others about the underlying nature of the entity. The entity will need to consider each indicator against the other indicators and make an overall assessment of whether or not the entity is a public benefit entity.

Scenario 1: Crown Research Institute (CRI)

Entity A is a company established under section 11 of the CRI Act.

Founding documents – *The Crown Research Institutes Act 1992*

The CRI Act states that the purpose of every CRI is to undertake research (section 4) and sets out the principles of operation CRIs are expected to follow in fulfilling this purpose. These principles are set out in section 5 of the Act and include, for example, that a CRI should undertake research for the benefit of New Zealand, operate in a financially responsible manner and be a good employer.

The CRI Act establishes a broad framework for the operation of CRIs. The primary objective (purpose) of CRIs is clearly stated in the CRI Act. The principles set out in section 5 are detailed, but they are not ranked and their implementation can be achieved in a number of ways. CRIs, therefore, appear to have discretion as to how they can achieve their purpose.

Nature of the benefits

The key benefit of establishing CRIs is the production of research that will benefit New Zealand. In one sense the CRIs undertake research for community or social benefit. The New Zealand economy and entities operating in New Zealand can benefit from the research undertaken.

However, there may be discretion as to how research findings are distributed and in determining the nature of the research to be undertaken. Whether or not Entity A is a public benefit entity may depend on whether Entity A distributes or undertakes research on a commercial fee-for-service basis, or whether it makes its research findings available free of charge or for a nominal charge.

Quantum of the expected financial surplus

The CRI Act requires CRIs to operate in a financially responsible manner so that they maintain their financial viability. On its own maintaining "financial viability" is a general requirement and allows discretion as to what the financial targets should be.

Entity A has in place an operating agreement with the Shareholding Minister. If the operating agreement specified that Entity A should aim to generate an expected financial surplus equivalent to a market return, this would indicate that Entity A is a for-profit entity. If the operating agreement specified a target rate of return, it would be necessary to consider how that rate of return was determined. If, for example, it was determined after benchmarking against commercial entities, this would indicate that Entity A was profit-oriented. If the rate of return was determined based on ensuring that Entity A covered its variable costs only, this may indicate that it is a public benefit entity.

Nature of equity interest

Entity A is a company. The equity interest is in the form of shares owned by the Shareholding Minister. In the case of Entity A, the nature of the equity interest is clear. In addition, there is no restriction on the use of assets in the event a CRI is sold, wound up or ceases to operate. However, in this case, neither of these factors would appear to affect the nature of the purpose of the entity.

Nature of funding

Entity A competes for funding from government and private sources. Revenue is derived through selling research services in a competitive environment. This may indicate that Entity A is a for-profit entity.

If Entity A relied on donations and grants from government and other organisations and such funds were provided on a non-exchange basis, this may indicate that Entity A is a public benefit entity.

Scenario 2: Charity Shop

A charitable trust is established with the objective of providing health services to the homeless. The trust receives an annual grant from the Government. The grant is sufficient to cover operating costs necessary to provide basic health care services to a limited number of people. To meet the increasing demand for its services and to fund an expanded range of services, the trust establishes a charity shop (Company 1).

Company 1 sells second hand bicycles and runs a successful bicycle hire service. All profits from Company 1 are returned to the trust to support the primary objective of providing health services to the homeless.

Founding documents – *Constitution*

Company 1's constitution specifies that its objective is to raise funds to support the charitable trust.

Nature of the benefits

The benefits derived from Company 1 are the funds generated through the sale and hire of bicycles. This may indicate that the shop is a for-profit entity.

If on the other hand the shop is used primarily as a vehicle to promote and publicise the objective of the trust or to provide employment to homeless people, then Company 1 may, subject to consideration of other factors, be a public benefit entity.

Quantum of the expected financial surplus

The directors carefully manage Company 1 to ensure it meets its financial targets. The directors are experienced business people who donate their time to manage and guide the operation of Company 1. The directors aim to ensure that the return on the net assets invested in the shop is at least equivalent to a market return. If Company 1 does not generate adequate return the directors may recommend that the trust invest its funds in another activity. This may indicate that Company 1 is by nature an investment and therefore profit oriented.

If Company 1 was operated with the objective of generating a positive financial return and the level of the return was not determined with reference to market returns, the shop may be a public benefit entity.

Nature of equity interest

In the situation described Company 1 is a company 100% owned and controlled by the trust. As such the ownership instrument is clear. In the event Company 1 ceases trading the trust is able to determine how to use any residual assets. This may indicate that Company 1 is a for-profit entity.

Nature of funding

Company 1 raises revenue through the sale and hire of bicycles. Company 1 also serves as a collection point for donations to the trust. Such donations are not the property of the shop and are banked into a separate trust account controlled by the trust.

Given the objective of Company 1 is to maximise return, the sale and hire of bicycles must be at market rates. This would indicate that the entity is a for-profit entity.

Scenario 3: Private Education Organisation

Entity Q is a private organisation dedicated to providing low-cost high quality education to children who immigrated to New Zealand from poverty stricken countries. Entity Q was established as a trust with an initial endowment of $5M from the estate of a wealthy businessperson.

In order to supplement its income Entity Q accepts a limited number of fee paying students. The fees for such students were determined after market research into the pricing of such services. All fee revenue is applied by Entity Q to its objective of providing high quality education to children who immigrated to New Zealand from poverty stricken countries. The revenue from fee paying students has enabled Entity Q to expand the range of services it offers and to expand its roll of immigrant children.

Founding documents

The trust deed establishing Entity Q states that the purpose of Entity Q is to provide high quality education to children who immigrated to New Zealand from poverty stricken countries. The trust deed also provides Trustees with broad powers as to how best to achieve this objective.

The trust deed also requires that, in the event the trust is wound up, any residual assets are to be applied to an organisation with similar objectives.

Nature of the benefits

The nature of the benefits provided by Entity Q are the educational services delivered to the recipient children. The equity provided to Entity Q was for the benefit of immigrant children and not for the generation of a financial return. This would indicate that the entity is a public benefit entity.

The fact that Entity Q also sells education services to fee paying students at market rates does not necessarily change the objective of the entity.

If Entity Q established a subsidiary entity through which it ran its commercial education operations, that subsidiary may be a for-profit entity. In this case it would also be necessary to consider whether the group reporting entity is a public benefit entity in its own right.

Quantum of the expected financial surplus

The trustees carefully manage the resources of Entity Q in order to maximise the number of immigrant children it can accept and to maintain a high quality educational service. The trustees have a clear operational plan and have established clear financial targets in order to achieve its objectives.

The financial targets are not expressed in terms of return on equity, but rather in terms of meeting the development targets set out in the operational plan. This may indicate that the entity is a public benefit entity.

Nature of equity interest

The trust deed requires that in the event Entity Q ceases operating any residual assets are to be applied to another entity with a similar purpose. The use of the assets is restricted and no individual can benefit privately from the assets.

This may indicate that the entity is a public benefit entity.

Nature of funding

Entity Q receives funding from a number of sources:

(i) investment income from the initial endowment;

(ii) fee income from fee paying students; and

(iii) donations from other fund raising activities.

The relative levels of funding from each of these sources may indicate whether Entity Q is a for-profit entity or a public benefit entity. If the majority of funding is raised from investment income or donations and applied to the provision of the education services, then the entity may be a public benefit entity. If the majority of the funding is raised through the sale of education services, it may indicate that the entity is a for-profit entity.

Scenario 4: Sports Club

Club AFC is a football club established in a suburb of a large city. Club AFC is part of a regional group of clubs that co-operate together to organise competitions, coaching and training for a wide range of age-groups, from 5 year-olds through to senior grade football and representative grades.

Founding documents – *Constitution*

Club AFC is established as a charitable trust. Its constitution states that it is a non-profit entity established to foster participation and to promote football in its suburb.

This indicates that Club AFC is likely to be a public benefit entity.

Nature of the benefits

The benefits provided by Club AFC arise from the coordination of football competitions and the provision of football coaching, training and other facilities to the community. Hence, Club AFC provides benefits directly to a particular section of the public, and society as a whole may benefit indirectly. No individual person has a right to the equity or to any net surplus generated by the Club. This may indicate that Club AFC is a public benefit entity.

On the other hand, if Club AFC were to sell its coaching and training services (eg to schools, other football clubs, or individuals) at normal market rates, this may indicate that Club AFC is a for-profit entity.

Quantum of the expected financial surplus

The Club manages its finances carefully. Its financial targets are driven by its plans to develop its facilities and the services it offers. This may indicate that Club AFC is a public benefit entity.

If the Club sets financial targets with the objective of generating a commercial rate of return, this may indicate that Club AFC is a for-profit entity.

Nature of equity interest

There is no clear equity instrument. The Constitution states that in the event the Club is wound up or ceases operating, any residual assets are to be applied to an organisation with a similar purpose as Club AFC. This may indicate that the Club is a public benefit entity.

Nature of funding

Club AFC receives funding from various sources:

(i) membership fees;

(ii) sponsorship;

(iii) bar and food sales; and

(iv) community grants.

Membership fees are set at a level to cover the Club's costs, after taking into account the funding expected to be received from other sources. This may indicate that Club AFC is a public benefit entity.

If Club AFC received the majority of its funding from the sale of football coaching or training services, or from ticket sales at football matches, this may indicate that Club AFC is a for-profit entity.

APPENDIX B

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 1 AND TIER 2 FOR-PROFIT ENTITIES

This appendix forms an integral part of XRB A1 Accounting Standards Framework (For-Profit Entities Update).

This appendix lists the NZ IFRS and other New Zealand standards and Authoritative Notices for Tier 1 and Tier 2 for-profit entities.

Standards

NZ IFRS 1	*First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*
NZ IFRS 2	*Share-based Payment*
NZ IFRS 3	*Business Combinations*
NZ IFRS 4	*Insurance Contracts*
NZ IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*
NZ IFRS 6	*Exploration for and Evaluation of Mineral Resources*
NZ IFRS 7	*Financial Instruments: Disclosures*
NZ IFRS 8	*Operating Segments*
NZ IFRS 9 (2009)	*Financial Instruments*
NZ IFRS 9 (2010)	*Financial Instruments*
NZ IFRS 9 (2013)	*Financial Instruments (Hedge Accounting and amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39)*
NZ IFRS 10	*Consolidated Financial Statements*
NZ IFRS 11	*Joint Arrangements*
NZ IFRS 12	*Disclosure of Interests in Other Entities*
NZ IFRS 13	*Fair Value Measurement*
NZ IFRS 14	*Regulatory Deferral Accounts*
NZ IAS 1	*Presentation of Financial Statements (revised 2007)*
NZ IAS 2	*Inventories*
NZ IAS 7	*Statement of Cash Flows*
NZ IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
NZ IAS 10	*Events after the Reporting Period*
NZ IAS 11	*Construction Contracts*
NZ IAS 12	*Income Taxes*
NZ IAS 16	*Property, Plant and Equipment*
NZ IAS 17	*Leases*
NZ IAS 18	*Revenue*
NZ IAS 19	*Employee Benefits*
NZ IAS 19 (2011)	*Employee Benefits*
NZ IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*
NZ IAS 21	*The Effects of Changes in Foreign Exchange Rates*
NZ IAS 23	*Borrowing Costs (revised 2007)*
NZ IAS 24	*Related Party Disclosures*
NZ IAS 26	*Accounting and Reporting by Retirement Benefit Plans*

NZ IAS 27	*Consolidated and Separate Financial Statements*
NZ IAS 27 (2011)	*Separate Financial Statements*
NZ IAS 28	*Investments in Associates*
NZ IAS 28 (2011)	*Investments in Associates and Joint Ventures*
NZ IAS 29	*Financial Reporting in Hyperinflationary Economies*
NZ IAS 31	*Interests in Joint Ventures*
NZ IAS 32	*Financial Instruments: Presentation*
NZ IAS 33	*Earnings per Share*
NZ IAS 34	*Interim Financial Reporting*
NZ IAS 36	*Impairment of Assets*
NZ IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*
NZ IAS 38	*Intangible Assets*
NZ IAS 39	*Financial Instruments: Recognition and Measurement*
NZ IAS 40	*Investment Property*
NZ IAS 41	*Agriculture*
FRS-42	*Prospective Financial Statements*
FRS-43	*Summary Financial Statements*
FRS-44	*New Zealand Additional Disclosures*
NZ IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
NZ IFRIC 2	*Members' Shares in Co-operative Entities and Similar Instruments*
NZ IFRIC 4	*Determining whether an Arrangement contains a Lease*
NZ IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
NZ IFRIC 6	*Liabilities arising from Participation in a Specific Market—Waste Electrical and Electronic Equipment*
NZ IFRIC 7	*Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*
NZ IFRIC 9	*Reassessment of Embedded Derivatives* (superseded on adoption of NZ IFRS 9)
NZ IFRIC 10	*Interim Financial Reporting and Impairment*
NZ IFRIC 12	*Service Concession Arrangements*
NZ IFRIC 13	*Customer Loyalty Programmes*
NZ IFRIC 14	*NZ IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
NZ IFRIC 15	*Agreements for the Construction of Real Estate*
NZ IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
NZ IFRIC 17	*Distributions of Non-cash Assets to Owners*
NZ IFRIC 18	*Transfers of Assets from Customers*
NZ IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
NZ IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
NZ IFRIC 21	*Levies*
NZ SIC-7	*Introduction of the Euro*
NZ SIC-10	*Government Assistance—No Specific Relation to Operating Activities*
NZ SIC-12	*Consolidation—Special Purpose Entities* (superseded on adoption of NZ IFRS 10, Jan 2013)
NZ SIC-13	*Jointly Controlled Entities—Non-Monetary Contributions by Venturers* (superseded on adoption of NZ IFRS 11, Jan 2013)

NZ SIC-15	*Operating Leases—Incentives*
NZ SIC-25	*Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*
NZ SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
NZ SIC-29	*Disclosure—Service Concession Arrangements*
NZ SIC-31	*Revenue—Barter Transactions Involving Advertising Services*
NZ SIC-32	*Intangible Assets—Web Site Costs*

Authoritative Notice

New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010*

APPENDIX C

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 3 FOR-PROFIT ENTITIES

This appendix forms an integral part of XRB A1 Accounting Standards Framework (For-profit Entities Update).

This appendix lists the NZ IFRS Diff Rep and other New Zealand standards and pronouncements that have authoritative support within New Zealand to be applied by Tier 3 for-profit entities.

Standards

Various	*Annual Improvements 2009–2011 Cycle*
NZ IFRS 1 (Diff Rep)	*First-time Adoption of NZ IFRS Diff Rep*
	Government Loans (Amendments to NZ IFRS 1 (Diff Rep))
NZ IFRS 2 (Diff Rep)	*Share-based Payment*
NZ IFRS 3 (Diff Rep)	*Business Combinations*
NZ IFRS 4 (Diff Rep)	*Insurance Contracts*
NZ IFRS 5 (Diff Rep)	*Non-current Assets Held for Sale and Discontinued Operations*
NZ IFRS 6 (Diff Rep)	*Exploration for and Evaluation of Mineral Resources*
NZ IFRS 7 (Diff Rep)	*Financial Instruments: Disclosures*
	Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to NZ IFRS 7 (Diff Rep))
NZ IFRS 9 (2009) (Diff Rep)	*Financial Instruments*
NZ IFRS 9 (2010) (Diff Rep)	*Financial Instruments*
NZ IFRS 9 (2013) (Diff Rep)	*Financial Instruments (Hedge Accounting and amendments to NZ IFRS 9 (Diff Rep), NZ IFRS 7 (Diff Rep) and NZ IAS 39 (Diff Rep))* Optional application
NZ IFRS 10 (Diff Rep)	*Consolidated Financial Statements*
	Investment Entities (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))
NZ IFRS 11 (Diff Rep)	*Joint Arrangements*
NZ IFRS 12 (Diff Rep)	*Disclosure of Interests in Other Entities*
NZ IFRS 13 (Diff Rep)	*Fair Value Measurement*
NZ IAS 1 (Diff Rep)	*Presentation of Financial Statements (revised 2007)*
	Presentation of Items of Other Comprehensive Income (Amendments to NZ IAS 1 (Diff Rep))
NZ IAS 2 (Diff Rep)	*Inventories*
NZ IAS 7 (Diff Rep)	*Statement of Cash Flows*
NZ IAS 8 (Diff Rep)	*Accounting Policies, Changes in Accounting Estimates and Errors*
NZ IAS 10 (Diff Rep)	*Events after the Reporting Period*
NZ IAS 11 (Diff Rep)	*Construction Contracts*
NZ IAS 12 (Diff Rep)	*Income Taxes*
NZ IAS 16 (Diff Rep)	*Property, Plant and Equipment*
NZ IAS 17 (Diff Rep)	*Leases*
NZ IAS 18 (Diff Rep)	*Revenue*
NZ IAS 19 (Diff Rep)	*Employee Benefits*
NZ IAS 19 (2011) (Diff Rep)	*Employee Benefits*

NZ IAS 20 (Diff Rep)	*Accounting for Government Grants and Disclosure of Government Assistance*
NZ IAS 21 (Diff Rep)	*The Effects of Changes in Foreign Exchange Rates*
NZ IAS 23 (Diff Rep)	*Borrowing Costs (revised 2007)*
NZ IAS 24 (Diff Rep)	*Related Party Disclosures*
NZ IAS 26 (Diff Rep)	*Accounting and Reporting by Retirement Benefit Plans*
NZ IAS 27 (Diff Rep)	*Consolidated and Separate Financial Statements*
NZ IAS 27 (2011) (Diff Rep)	*Separate Financial Statements*
NZ IAS 28 (Diff Rep)	*Investments in Associates*
NZ IAS 28 (2011) (Diff Rep)	*Investments in Associates and Joint Ventures*
NZ IAS 29 (Diff Rep)	*Financial Reporting in Hyperinflationary Economies*
NZ IAS 31 (Diff Rep)	*Interests in Joint Ventures*
NZ IAS 32 (Diff Rep)	*Financial Instruments: Presentation*
	Offsetting Financial Assets and Financial Liabilities (Amendments to NZ IAS 32 (Diff Rep))
NZ IAS 34 (Diff Rep)	*Interim Financial Reporting*
NZ IAS 36 (Diff Rep)	*Impairment of Assets*
NZ IAS 37 (Diff Rep)	*Provisions, Contingent Liabilities and Contingent Assets*
NZ IAS 38 (Diff Rep)	*Intangible Assets*
NZ IAS 39 (Diff Rep)	*Financial Instruments: Recognition and Measurement*
NZ IAS 40 (Diff Rep)	*Investment Property*
NZ IAS 41 (Diff Rep)	*Agriculture*
FRS-42 (Diff Rep)	*Prospective Financial Statements*
FRS-43 (Diff Rep)	*Summary Financial Statements*
FRS-44 (Diff Rep)	*New Zealand Additional Disclosures*
NZ IFRIC 1 (Diff Rep)	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
NZ IFRIC 2 (Diff Rep)	*Members' Shares in Co-operative Entities and Similar Instruments*
NZ IFRIC 4 (Diff Rep)	*Determining whether an Arrangement contains a Lease*
NZ IFRIC 5 (Diff Rep)	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
NZ IFRIC 6 (Diff Rep)	*Liabilities arising from Participation in a Specific Market—Waste Electrical and Electronic Equipment*
NZ IFRIC 7 (Diff Rep)	*Applying the Restatement Approach under NZ IAS 29 (Diff Rep) Financial Reporting in Hyperinflationary Economies*
NZ IFRIC 9 (Diff Rep)	*Reassessment of Embedded Derivatives* (superseded on adoption of NZ IFRS 9 (Diff Rep))
NZ IFRIC 10 (Diff Rep)	*Interim Financial Reporting and Impairment*
NZ IFRIC 12 (Diff Rep)	*Service Concession Arrangements*
NZ IFRIC 13 (Diff Rep)	*Customer Loyalty Programmes*
NZ IFRIC 14 (Diff Rep)	*NZ IAS 19 (Diff Rep)—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
NZ IFRIC 15 (Diff Rep)	*Agreements for the Construction of Real Estate*
NZ IFRIC 16 (Diff Rep)	*Hedges of a Net Investment in a Foreign Operation*
NZ IFRIC 17 (Diff Rep)	*Distributions of Non-cash Assets to Owners*
NZ IFRIC 18 (Diff Rep)	*Transfers of Assets from Customers*
NZ IFRIC 19 (Diff Rep)	*Extinguishing Financial Liabilities with Equity Instruments*

NZ IFRIC 20 (Diff Rep)	*Stripping Costs in the Production Phase of a Surface Mine*
NZ IFRIC 21 (Diff Rep)	*Levies*
NZ SIC-7 (Diff Rep)	*Introduction of the Euro*
NZ SIC-10 (Diff Rep)	*Government Assistance—No Specific Relation to Operating Activities*
NZ SIC-12 (Diff Rep)	*Consolidation—Special Purpose Entities* (superseded on adoption of NZ IFRS 10 (Diff Rep), January 2013)
NZ SIC-13 (Diff Rep)	*Jointly Controlled Entities—Non-Monetary Contributions by Venturers* (superseded on adoption of NZ IFRS 11 (Diff Rep), January 2013)
NZ SIC-15 (Diff Rep)	*Operating Leases—Incentives*
NZ SIC-25 (Diff Rep)	*Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*
NZ SIC-27 (Diff Rep)	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
NZ SIC-29 (Diff Rep)	*Disclosure—Service Concession Arrangements*
NZ SIC-31 (Diff Rep)	*Revenue—Barter Transactions Involving Advertising Services*
NZ SIC-32 (Diff Rep)	*Intangible Assets—Web Site Costs*

Authoritative Notice

New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010* (Diff Rep)

APPENDIX D

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 4 FOR-PROFIT ENTITIES AND PBES ELIGIBLE TO APPLY OLD GAAP

This appendix forms an integral part of XRB A1 Accounting Standards Framework (For-profit Entities Update).

This appendix lists the Financial Reporting Standards and other pronouncements that have authoritative support within New Zealand to be applied by entities eligible to apply Old GAAP.

Standards

FRS-1	*Disclosure of Accounting Policies*
FRS-2	*Presentation of Financial Reports*
FRS-3	*Accounting for Property, Plant and Equipment*
FRS-4	*Accounting for Inventories*
FRS-5	*Events After Balance Date*
FRS-7	*Extraordinary Items and Fundamental Errors*
FRS-9	*Information to be Disclosed in Financial Statements*
FRS-10	*Statement of Cash Flows*
FRS-13	*Accounting for Research and Development Activities*
FRS-14	*Accounting for Construction Contracts*
FRS-15	*Provisions, Contingent Liabilities and Contingent Assets*
FRS-19	*Accounting for Goods and Services Tax*
FRS-20	*Accounting for Shares Issued under a Dividend Election Plan*
FRS-21	*Accounting for the Effects of Changes in Foreign Currency Exchange Rates*
FRS-24	*Interim Financial Statements*
FRS-26	*Accounting for Defeasance of Debt*
FRS-27	*Right of Set-off*
FRS-30	*Reporting Share Ownership Arrangements Including Employee Share Ownership Plans*
FRS-32	*Financial Reporting by Superannuation Schemes*
FRS-33	*Disclosure of Information by Financial Institutions*
FRS-34	*Life Insurance Business*
FRS-35	*Financial Reporting of Insurance Activities*
FRS-36	*Accounting for Acquisitions Resulting in Combinations of Entities or Operations*
FRS-37	*Consolidating Investments in Subsidiaries*
FRS-38	*Accounting for Investments in Associates*
FRS-39	*Summary Financial Reports*
FRS-40	*Transitional Arrangements for the Early Adoption of the New Zealand Equivalent to IAS 19 Employee Benefits*
FRS-41	*Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards*
FRS-42	*Prospective Financial Statements*

Statements of Standards Accounting Practice that have authoritative support in New Zealand as at 1 July 2011 for those entities permitted to apply Old GAAP.

SSAP-3	*Accounting for Depreciation*
SSAP-6	*Materiality in Financial Statements*
SSAP-12	*Accounting for Income Tax*
SSAP-17	*Accounting for Investment Properties and Properties Intended for Sale*
SSAP-18	*Accounting for Leases and Hire Purchase Contracts*
SSAP-21	*Accounting for the Effects of Changes in Foreign Currency Exchange Rates*
SSAP-22	*Related Party Disclosures*
SSAP-23	*Financial Reporting for Segments*
SSAP-25	*Accounting for Interests in Joint Ventures and Partnerships*
FRS-31	*Disclosure of Information about Financial Instruments*

Other pronouncements that have authoritative support within New Zealand

Framework for Differential Reporting

Differential reporting concessions for entities electing to apply Old GAAP with differential reporting

Financial Reporting Standards

Full Exemption

Any qualifying entity is granted full exemption from:

FRS-10	*Statement of Cash Flows*
FRS-31	*Disclosure of Information About Financial Instruments*

Partial Exemption

Qualifying entities are given partial exemption from the following standards.

FRS-3: *Accounting for Property, Plant and Equipment*: Qualifying entities may choose to adopt any of the following exemptions from the requirements of FRS-3:

(a) In respect of those items of property, plant and equipment accounted for under the historical cost system of accounting, the entity may adopt the rates of depreciation applicable for income tax purposes. If this exemption is taken, the entity is not required to comply with the requirements of paragraphs 8.16 and 8.19 of FRS-3.

(b) The entity is not required to comply with paragraph 5.24 of FRS-3. If this exemption is taken, the entity shall expense all borrowing costs as incurred.

(c) The entity is not required to disclose the information denoted with an asterisk in FRS-3.

FRS-4: *Accounting for Inventories*: Qualifying entities are not required to sub-classify inventory (into categories such as raw materials, work in progress and finished goods) as required by paragraph 5.29(b)(ii) of FRS-4.

FRS-9: *Information to be Disclosed in Financial Statements*: FRS-9 identifies the specific components that shall be disclosed separately. Qualifying entities are given several concessions. Each disclosure concession is identified by an asterisk in the standard.

FRS-13: *Accounting for Research and Development Activities*: Qualifying entities are required to comply with FRS-13 with the exception of section 5. Where this exemption is applied, all research and development costs shall be recognised as an expense in the period they are incurred.

FRS-14: *Accounting for Construction Contracts*: Qualifying entities may recognise profit on all construction contracts on a completed method as described in paragraph 4.1 of FRS-14 and need not comply with any other paragraphs of FRS-14.

FRS-15: *Provisions, Contingent Liabilities and Contingent Assets*: Qualifying entities are not required to make disclosures in their financial statements of the requirements in FRS-15 denoted with an asterisk.

FRS-19: *Accounting for Goods and Services Tax*: Qualifying entities may recognise revenue and expense items either with Goods and Services Tax (GST) included (gross) or with GST excluded (net), provided that:

(a) the method adopted by the reporting entity shall be:

  (i) applied consistently to all revenue and expense items; and

  (ii) disclosed in the statement of accounting policies in terms of 5.8 of FRS-19;

(b) where GST input tax is irrecoverable, paragraph 5.6 of FRS-19 shall apply.

FRS-21: *Accounting for the Effects of Changes in Foreign Currency Exchange Rates:* Qualifying entities are not required to:

(a) translate transactions measured in a foreign currency using the exchange rate in effect at the transaction date, or at a rate approximating this rate, as required by paragraph 5.1 of FRS-21. If transactions are not translated at the rate in effect at the transaction date, or a rate approximating this rate, then transactions settled in the accounting period shall be translated at the settlement rate, and transactions unsettled at balance date shall be translated at the closing rate in accordance with paragraph 5.3 of FRS-21; or

(b) separately disclose the net exchange difference included in the statement of financial performance for the period as required by paragraph 7.1(b) of FRS-21.

FRS-24: *Interim Financial Statements*: All entities that prepare general purpose interim financial statements shall comply with FRS-24 except that qualifying entities may apply differential reporting exemptions available under other specific accounting standards in addition to the specific disclosure exemptions identified in the Standard. Each specific exemption is identified by an asterisk in the Standard. FRS-24 does not apply to interim financial statements prepared for inclusion in a registered prospectus.

FRS-30: *Reporting Share Ownership Arrangements Including Employee Share Ownership Plans*: Qualifying entities are exempt from the requirements of paragraph 5.6 of FRS-30.

Full Compliance (No Differential Reporting Concessions)

Qualifying entities shall comply with all the provisions in the following standards:

FRS-1	*Disclosure of Accounting Policies*
FRS-2	*Presentation of Financial Reports*: FRS-2 shall be followed by all entities. While there are certain exemptions for qualifying entities within FRS-2 these all relate to exemptions provided by other standards. For example, FRS-2 notes that qualifying entities will not be required to prepare a statement of cash flows.
FRS-5	*Events After Balance Date*
FRS-7	*Extraordinary Items and Fundamental Errors*
FRS-20	*Accounting for Shares Issued Under a Dividend Election Plan:* All companies shall comply with FRS-20
FRS-26	*Accounting for Defeasance of Debt*
FRS-27	*Right of Set-Off*
FRS-32	*Financial Reporting by Superannuation Schemes*
FRS-33	*Disclosure of Information by Financial Institutions*
FRS-34	*Life Insurance Business*
FRS-35	*Financial Reporting of Insurance Activities*
FRS-36	*Accounting for Acquisitions Resulting in Combinations of Entities or Operations*
FRS-37	*Consolidating Investments in Subsidiaries*
FRS-38	*Accounting for Investments in Associates*

FRS-42 *Prospective Financial Statements*

Statements of Standard Accounting Practice

Full Exemption

Any qualifying entity is granted full exemption from:

SSAP-12 *Accounting for Income Tax*

SSAP-23 *Financial Reporting for Segments*

It should be noted that SSAP-12 contains recognition, measurement, and disclosure requirements. When the entity chooses to tax effect account, it shall do so in accordance with SSAP-12. Whether the entity accounts for income tax using the liability or the taxes payable method, it is not required to make any particular income tax note disclosures. However, when the entity voluntarily makes disclosures from which it is exempt, these disclosures shall be made in accordance with SSAP-12. In all instances, the entity shall disclose the accounting policy adopted for income tax, in accordance with FRS-1: *Disclosure of Accounting Policies*.

Partial Exemption

Qualifying entities are given partial exemption from the following.

SAAP-17: *Accounting for Investment Properties and Properties Intended for Sale*: Qualifying entities which recognise investment property revaluations or development margins shall comply with all provisions of SSAP-17. Other qualifying entities need not account for investment properties and properties intended for sale in terms of SSAP-17.

SSAP-18: *Accounting for Leases and Hire Purchase Contracts*: Qualifying entities are exempt from the requirements of paragraph 5.15(b) and may satisfy the requirements of paragraphs 5.15(c) and 5.17 by disclosing lease liabilities and commitments classified into current and non-current amounts only.

SSAP-22: *Related Party Disclosures*: Qualifying entities shall comply with SSAP-22, paragraphs 5.1(a) and (b). Qualifying entities are exempt from the requirements of other paragraphs of SSAP-22.

Full Compliance (No Differential Reporting Concessions)

Qualifying entities shall comply with all the provisions in the following standards:

SSAP-3 *Accounting for Depreciation*

SSAP-6 *Materiality in Financial Statements*

SSAP-21 *Accounting for the Effects of Changes in Foreign Currency Exchange Rates*

SSAP-25 *Accounting for Interests in Joint Ventures and Partnerships*

APPENDIX E

NZ IFRS PBE TO BE APPLIED BY PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 Accounting Standards Framework (For-profit Entities Update).

This appendix lists the NZ IFRS PBE and other New Zealand standards and pronouncements that have authoritative support within New Zealand to be applied by public benefit entities that apply NZ IFRS PBE.

Standards

NZ IFRS 1 (PBE)	*First-time Adoption of NZ IFRS PBE*
NZ IFRS 2 (PBE)	*Share-based Payment*
NZ IFRS 3 (PBE)	*Business Combinations*
NZ IFRS 4 (PBE)	*Insurance Contracts*
NZ IFRS 5 (PBE)	*Non-current Assets Held for Sale and Discontinued Operations*
NZ IFRS 6 (PBE)	*Exploration for and Evaluation of Mineral Resources*
NZ IFRS 7 (PBE)	*Financial Instruments: Disclosures*
NZ IFRS 9 (2009) (PBE)	*Financial Instruments*
NZ IFRS 9 (2010) (PBE)	*Financial Instruments*
NZ IAS 1 (PBE)	*Presentation of Financial Statements (revised 2007)*
NZ IAS 2 (PBE)	*Inventories*
NZ IAS 7 (PBE)	*Statement of Cash Flows*
NZ IAS 8 (PBE)	*Accounting Policies, Changes in Accounting Estimates and Errors*
NZ IAS 10 (PBE)	*Events after the Reporting Period*
NZ IAS 11 (PBE)	*Construction Contracts*
NZ IAS 12 (PBE)	*Income Taxes*
NZ IAS 16 (PBE)	*Property, Plant and Equipment*
NZ IAS 17 (PBE)	*Leases*
NZ IAS 18 (PBE)	*Revenue*
NZ IAS 19 (PBE)	*Employee Benefits*
NZ IAS 20 (PBE)	*Accounting for Government Grants and Disclosure of Government Assistance*
NZ IAS 21 (PBE)	*The Effects of Changes in Foreign Exchange Rates*
NZ IAS 23 (PBE)	*Borrowing Costs (revised 2007)*
NZ IAS 24 (PBE)	*Related Party Disclosures*
NZ IAS 26 (PBE)	*Accounting and Reporting by Retirement Benefit Plans*
NZ IAS 27 (PBE)	*Consolidated and Separate Financial Statements*
NZ IAS 28 (PBE)	*Investments in Associates*
NZ IAS 29 (PBE)	*Financial Reporting in Hyperinflationary Economies*
NZ IAS 31 (PBE)	*Interests in Joint Ventures*
NZ IAS 32 (PBE)	*Financial Instruments: Presentation*

NZ IAS 34 (PBE)	*Interim Financial Reporting*
NZ IAS 36 (PBE)	*Impairment of Assets*
NZ IAS 37 (PBE)	*Provisions, Contingent Liabilities and Contingent Assets*
NZ IAS 38 (PBE)	*Intangible Assets*
NZ IAS 39 (PBE)	*Financial Instruments: Recognition and Measurement*
NZ IAS 40 (PBE)	*Investment Property*
NZ IAS 41 (PBE)	*Agriculture*
FRS-42 (PBE)	*Prospective Financial Statements*
FRS-43 (PBE)	*Summary Financial Statements*
FRS-44 (PBE)	*New Zealand Additional Disclosures*
NZ IFRIC 1 (PBE)	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
NZ IFRIC 2 (PBE)	*Members' Shares in Co-operative Entities and Similar Instruments*
NZ IFRIC 4 (PBE)	*Determining whether an Arrangement contains a Lease*
NZ IFRIC 5 (PBE)	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
NZ IFRIC 6 (PBE)	*Liabilities arising from Participation in a Specific Market—Waste Electrical and Electronic Equipment*
NZ IFRIC 7 (PBE)	*Applying the Restatement Approach under NZ IAS 29 (PBE) Financial Reporting in Hyperinflationary Economies*
NZ IFRIC 9 (PBE)	*Reassessment of Embedded Derivatives* (superseded on adoption of NZ IFRS 9 (PBE)))
NZ IFRIC 10 (PBE)	*Interim Financial Reporting and Impairment*
NZ IFRIC 12 (PBE)	*Service Concession Arrangements*
NZ IFRIC 13 (PBE)	*Customer Loyalty Programmes*
NZ IFRIC 14 (PBE)	*NZ IAS 19 (PBE)—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
NZ IFRIC 15 (PBE)	*Agreements for the Construction of Real Estate*
NZ IFRIC 16 (PBE)	*Hedges of a Net Investment in a Foreign Operation*
NZ IFRIC 17 (PBE)	*Distributions of Non-cash Assets to Owners*
NZ IFRIC 18 (PBE)	*Transfers of Assets from Customers*
NZ IFRIC 19 (PBE)	*Extinguishing Financial Liabilities with Equity Instruments*
NZ SIC-7 (PBE)	*Introduction of the Euro*
NZ SIC-10 (PBE)	*Government Assistance—No Specific Relation to Operating Activities*
NZ SIC-12 (PBE)	*Consolidation—Special Purpose Entities*
NZ SIC-13 (PBE)	*Jointly Controlled Entities—Non-Monetary Contributions by Venturers*
NZ SIC-15 (PBE)	*Operating Leases—Incentives*
NZ SIC-25 (PBE)	*Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*
NZ SIC-27 (PBE)	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
NZ SIC-29 (PBE)	*Disclosure—Service Concession Arrangements*

NZ SIC-31 (PBE)	*Revenue—Barter Transactions Involving Advertising Services*
NZ SIC-32 (PBE)	*Intangible Assets—Web Site Costs*

Authoritative Notice

New Zealand *Conceptual Framework for Financial Reporting (PBE)*

BASIS FOR CONCLUSIONS ON STANDARD XRB A1 (FP ENTITIES UPDATE)

This Basis for Conclusions accompanies, but is not part of, XRB A1 (FP Entities Update).

Introduction

BC1 This Standard was issued by the External Reporting Board (XRB) as a first step in implementing the new Accounting Standards Framework, which has been subject to consultation through various documents since September 2009. The Accounting Standards Framework is available on the XRB website:

http://xrb.govt.nz/Site/Financial_Reporting_Strategy/Accounting_Standards_Framework.aspx

BC2 This revision recognises the introduction of the Reduced Disclosure Regime for for-profit entities. Further revisions to the Accounting Standards Framework as it applies to for-profit entities are dependent on changes to legislation. The XRB anticipates withdrawing Tier 3 For-profit Accounting Standards and Tier 4 For-profit Accounting Standards once the statutory obligation to prepare general purpose financial statements has been removed for certain small and medium-sized for-profit entities.

BC3 The accounting standards framework for public benefit entities remains unchanged at this time. Proposals for new standards for public benefit entities are being developed and proposals to amend this Standard will be released at that time.

HISTORY OF AMENDMENTS

Table of Pronouncements – XRB Standard A1 *Accounting Standards Framework (For-profit Entities Update)*

This table lists the pronouncements establishing and substantially amending XRB A1 (FP Entities Update). The table is based on amendments approved as at 24 February 2014.

Pronouncements	**Date approved**	**Effective date (annual reporting periods on or after …)**
External Reporting Board Standard A1 *Accounting Standards Framework (For-profit Entities Update)*	10 October 2012	1 December 2012
Investment Entities (Diff Rep) (Amendments to NZ IFRS 10 (Diff Rep), NZ IFRS 12 (Diff Rep) and NZ IAS 27 (Diff Rep))	December 2012	1 January 2014
Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)	February 2014	1 April 2014

Table of Amended Paragraphs in XRB A1		
Paragraph affected	**How affected**	**By … [date]**
Appendix C	Amended	*Investment Entities (Diff Rep)* [Dec 2012]
1	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
2	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
3	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
4	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
4A and preceding heading	Inserted	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
5	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
15	Deleted	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
15 and 15A	Inserted	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
27	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
28	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
47	Deleted and replaced	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
51	Deleted and replaced	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
56	Deleted and replaced	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
64	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
71	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
71A	Inserted	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]

Table of Amended Paragraphs in XRB A1		
Paragraph affected	**How affected**	**By … [date]**
74	Amended	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
85	Inserted	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
Appendix B	Amended as necessary	*Amendments to the XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* [Feb 2014]
Appendices B and C	Amended as necessary	*Consequential Amendments to XRB A1 Accounting Standards Framework (For-profit Entities Update), XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities Update) and XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update)* [March 2014]