

## 2016 OMNIBUS AMENDMENTS TO PBE STANDARDS

### Issued January 2017

This Standard was issued on 12 January 2017 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 February 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective dates, which are set out in Part G.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

- (a) Amendments arising from Chapters 1–4 of the *Public Benefit Entities' Conceptual Framework*;
- (b) Amendments arising from *Improvements to IPSASs 2015*;
- (c) Amendments arising from some IASB<sup>®</sup> amendments; and
- (d) Editorial changes.

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## Part A: Introduction

This Standard amends PBE Standards applied by Tier 1 and Tier 2 public benefit entities. The types of amendments and the standards amended are as follows:

(a) Amendments arising from Chapters 1–4 of the *Public Benefit Entities' Conceptual Framework*:

PBE IPSAS 1 *Presentation of Financial Statements*;

PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*;

PBE IPSAS 5 *Borrowing Costs*;

PBE IPSAS 6 (NFP) *Consolidated and Separate Financial Statements (Not-For-Profit)*;

PBE IPSAS 6 (PS) *Consolidated and Separate Financial Statements (Public Sector)*;

PBE IPSAS 7 *Investments in Associates*;

PBE IPSAS 8 *Interests in Joint Ventures*;

PBE IPSAS 9 *Revenue from Exchange Transactions*;

PBE IPSAS 11 *Construction Contracts*;

PBE IPSAS 12 *Inventories*;

PBE IPSAS 13 *Leases*;

PBE IPSAS 16 *Investment Property*;

PBE IPSAS 17 *Property, Plant and Equipment*;

PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*;

PBE IPSAS 20 *Related Party Disclosures*;

PBE IPSAS 21 *Impairment of Non-Cash Generating Assets*;

PBE IPSAS 22 *Disclosure of Information about the General Government Sector*;

PBE IPSAS 23 *Revenue from Non-Exchange Transactions*;

PBE IPSAS 25 *Employee Benefits*;

PBE IPSAS 26 *Impairment of Cash-Generating Assets*;

PBE IPSAS 27 *Agriculture*;

PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*;

PBE IPSAS 30 *Financial Instruments: Disclosures*;

PBE IPSAS 31 *Intangible Assets*;

PBE IPSAS 32 *Service Concession Arrangements: Grantor*;

PBE IFRS 3 *Business Combinations*;

PBE IFRS 4 *Insurance Contracts*;

PBE IAS 12 *Income Taxes*;

PBE IAS 34 *Interim Financial Reporting*;

PBE FRS 42 *Prospective Financial Statements*;

PBE FRS 43 *Summary Financial Statements*;

PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS*;

PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*; and

XRB A1 *Application of the Accounting Standards Framework*;

- (b) Amendments arising from *Improvements to IPSASs 2015*:
  - PBE IPSAS 12 *Inventories*;
  - PBE IPSAS 17 *Property, Plant and Equipment*;
  - PBE IPSAS 27 *Agriculture*; and
  - PBE IPSAS 32 *Service Concession Arrangements: Grantor*;
- (c) Amendments arising from IASB amendments:
  - PBE IAS 12 *Income Taxes*; and
  - PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (d) Editorial corrections:
  - All PBE Standards to refer to the NZASB's Basis for Conclusions and the Basis for Conclusions on the underlying international standard (where one exists) and update the reference to the *Public Benefit Entities' Conceptual Framework* in the rubric;
  - PBE IPSAS 2 *Cash Flow Statements*;
  - PBE IPSAS 13 *Leases*;
  - PBE IPSAS 23 *Revenue from Non-Exchange Transactions*;
  - PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* (Appendix C); and
  - PBE FRS 42 *Prospective Financial Statements*.

## Part B: Scope

This Standard applies to Tier 1 and Tier 2 public benefit entities.

## Part C: Amendments Arising from the PBE Conceptual Framework

### PBE IPSAS 1 *Presentation of Financial Statements*

Paragraphs 29, 44, 70, 73, 74, 109, and 116 are amended and paragraph 154.4 is added. Appendix A is deleted. New text is underlined and deleted text is struck through.

#### Overall Considerations

##### Fair Presentation and Compliance with PBE Standards

...

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable PBE Standards. A fair presentation also requires an entity:

- (a) To select and apply accounting policies in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*. PBE IPSAS 3 sets out a hierarchy of authoritative guidance that management considers, in the absence of a Standard that specifically applies to an item.
- (b) To present information, including accounting policies, in a manner that provides relevant, ~~reliable~~, faithfully representative, understandable, timely, comparable, and verifiable ~~understandable~~ information.
- (c) ...

...

##### Consistency of Presentation

...

44. An entity changes the presentation of its financial statements only if the changed presentation provides information that is ~~reliable~~ faithfully representative and is more relevant to users of the financial statements, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

...

##### Structure and Content

...

##### Statement of Financial Position

###### *Current/Non-current Distinction*

...

70. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with paragraphs 76–87, except when a presentation based on liquidity provides information that is ~~reliable~~ faithfully representative and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.**

...

73. For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is ~~reliable~~ faithfully representative and is more

relevant than a current/non-current presentation, because the entity does not supply goods or services within a clearly identifiable operating cycle.

74. In applying paragraph 70, an entity is permitted to present some of its assets and liabilities using a current/non-current classification, and others in order of liquidity, when this provides information that is ~~reliable~~ faithfully representative and is more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

...

### Statement of Comprehensive Revenue and Expense

...

*Information to be Presented either on the Face of the Statement of Comprehensive Revenue and Expense or in the Notes*

...

109. **An entity shall present, either on the face of the statement of comprehensive revenue and expense or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is ~~reliable~~ faithfully representative and more relevant.**

...

116. The choice between the function of expense method and the nature of expense method depends on historical and regulatory factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the outputs of the entity. Because each method of presentation has its merits for different types of entities, this Standard requires management to select the most relevant and ~~reliable~~ faithfully representative presentation. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 115, employee benefits has the same meaning as in PBE IPSAS 25 *Employee Benefits*.

...

### Effective Date

...

- 154.4 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 29, 44, 70, 73, 74, 109 and 116 and deleted Appendix A. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

...

## Appendix A

[Deleted by IPSASB]

### ~~Qualitative Characteristics of Financial Reporting~~

~~*This Appendix is an integral part of PBE IPSAS 1.*~~

~~Paragraphs 24 to 46 of the PBE Framework set out the qualitative characteristics of financial reporting for PBEs.~~

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 1.*

Paragraphs BC9 and BC10 and their related heading are added. Paragraph BC2 and its related heading are deleted. New text is underlined and deleted text is struck through.

### **Definition of Revenue**

BC2. ~~[Deleted]PBE IPSAS 1 contains a broad definition of the term “revenue” which encompasses gains. The NZASB agreed that it was appropriate to adopt the same definition of revenue in PBE Standards as that used in IPSASs. The NZASB noted that the Public Benefit Entities’ Framework (PBE Framework) will continue to use the term “income” as the overarching term given that the PBE Framework is intended to be a transitional framework, pending the development of a conceptual framework by the IPSASB.~~

...

### **2016 Omnibus Amendments to PBE Standards**

BC9. The NZASB issued the *Public Benefit Entities’ Conceptual Framework* (PBE Conceptual Framework) in May 2016. The PBE Conceptual Framework is based on the IPSASB’s *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the IPSASB’s Conceptual Framework). The NZASB noted that following the finalisation of its Conceptual Framework the IPSASB subsequently amended a number of IPSASs. *Improvement to IPSASs 2015* amended IPSASs to reflect the first four chapters of the IPSASB’s Conceptual Framework. Chapters 1–4 address the role and authority of a conceptual framework, the objectives of general purpose financial reporting, users of general purpose financial reports, the qualitative characteristics and the constraints on information in general purpose financial reports, and the key characteristics of a reporting entity. The NZASB agreed to make equivalent amendments to PBE Standards and did so in the *2016 Omnibus Amendments to PBE Standards*.

BC10. In making the changes to reflect Chapters 1–4 of the PBE Conceptual Framework the NZASB replaced references to the previous qualitative characteristic of “reliability” with references to the qualitative characteristic of “faithful representation”. The NZASB noted that, in some instances, the terms “reliable” and “reliably” are used as recognition criteria or related guidance on aspects of measurement. In such cases the IPSASB had added an explanatory footnote (to the first such use in a standard), pending the completion of a fuller review of recognition criteria and related guidance. The NZASB took the same approach as the IPSASB and added footnotes where appropriate. This footnote states that “information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent.” The NZASB did not change references to the terms “reliable” or “reliably” where they were being used with their ordinary meaning.

Paragraphs C4 and C5 and their related heading and paragraph C41 are amended. New text is underlined and deleted text is struck through.

## Appendix C

### Service Performance Reporting

*This guidance accompanies, but is not part of, PBE IPSAS 1.*

	Paragraph
Introduction .....	C1–C3
Service Performance Requirements in PBE Standards .....	C4–C7
PBE <u>Conceptual Framework</u> .....	C4–C5
PBE IPSAS 1 <i>Presentation of Financial Statements</i> .....	C6–C7

...



## Service Performance Requirements in PBE Standards

### PBE Conceptual Framework

- C4. The ~~PBE Public Benefit Entities' PBE Conceptual Framework (PBE Conceptual Framework)~~ acknowledges that an entity's financial report may include financial and non-financial statements and that an entity may use both financial and non-financial statements and information in demonstrating accountability for a range of obligations, including service performance obligations. ~~The PBE Framework notes that demonstrating accountability requires the identification of objectives and targets and the recognition, measurement and disclosure of actual achievement against those objectives and targets (both financial and non-financial).~~
- C5. ~~Information presented in a~~Non-financial information must have regard to the qualitative characteristics (and pervasive constraints on ~~information—those characteristics~~) discussed in the PBE Conceptual Framework. The qualitative characteristics are understandability, relevance, faithful representation, understandability, reliability, timeliness, and comparability and verifiability. The pervasive constraints on ~~relevant and reliable~~ information referred to in the PBE Conceptual Framework are materiality, ~~and the balance between costs and benefits~~ cost-benefit and achieving an appropriate balance between the qualitative characteristics.
- ...
- C41. The concept of appropriateness can be applied in deciding which performance measures to report. Appropriateness refers to the usefulness or suitability of various aspects of the non-financial performance report. In assessing whether performance measures are appropriate, consideration is given to the qualitative characteristics, particularly relevance, ~~whether the information is relevant to the interests of users, reliable (i.e. faithfully represented, supportable, neutral, complete, and balanced), understandable, and comparable~~. The subject matter should be sufficiently appropriate to allow for an informed assessment of the entity's service performance.

## **PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors**

The objective paragraph, paragraphs 7, 10, 12, 14, 15, 17 and 34 are amended. Paragraph 60.3 and a footnote to paragraph 38 are added. Paragraph 13 is deleted. New text is underlined and deleted text is struck through.

### **Objective**

The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the (a) accounting treatment and disclosure of changes in accounting policies, (b) changes in accounting estimates, and (c) the corrections of errors. This Standard is intended to enhance the relevance and ~~reliability~~ faithful representativeness of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

...

### **Definitions**

7. **The following terms are used in this Standard with the meanings specified:**

...

**Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, ~~reliable~~ faithfully representative information that:**

- (a) **Was available when financial statements for those periods were authorised for issue; and**

...

## Accounting Policies

### Selection and Application of Accounting Policies

...

10. PBE Standards set out accounting policies that the NZASB has concluded result in financial statements of public benefit entities containing relevant and ~~reliable~~ faithfully representative information about the transactions, other events, and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from PBE Standards to achieve a particular presentation of an entity's financial position, financial performance, or cash flows.

...

12. **In the absence of a PBE Standard that specifically applies to a transaction, other event, or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is relevant to the accountability and decision-making needs of users, faithfully represents the financial position, financial performance, and cash flows of the entity, meets the qualitative characteristics of understandability, timeliness, comparability, and verifiability and takes account of the constraints on information included in general purpose financial reports and the balance between the qualitative characteristics.**

(a) ~~Relevant to the decision-making needs of users; and~~

(b) ~~Reliable, in that the financial statements:~~

(i) ~~Represent faithfully the financial position, financial performance, and cash flows of the entity;~~

(ii) ~~Reflect the economic substance of transactions, other events, and conditions and not merely the legal form;~~

(iii) ~~Are neutral, i.e., free from bias;~~

(iv) ~~Are prudent; and~~

(v) ~~Are complete in all material respects.~~

13. ~~[Deleted by IPSASB] Paragraph 12 requires the development of accounting policies to ensure that the financial statements provide information that meets a number of qualitative characteristics. The PBE Framework summarises the qualitative characteristics of financial reporting.~~

14. **In making the judgement, described in paragraph 12, management shall refer to, and consider the applicability of, the following sources in ~~deseending~~ the following order:**

(a) **The requirements in PBE Standards dealing with similar and related issues; and**

(b) **The definitions, recognition and measurement criteria for assets, liabilities, revenue and expenses described in ~~other PBE Standards~~ the Public Benefit Entities' Conceptual Framework; ~~and~~**

(c) ~~The PBE Framework.~~

15. **In making the judgement described in paragraph 12, management may also consider (a) the most recent pronouncements of other standard-setting bodies, and (b) accepted practices for public benefit entities or in the absence of such practices accepted practices for for-profit entities, but only to the extent that these do not conflict with the sources in paragraph 14. Examples of such pronouncements include pronouncements of the IASB, including IFRSs, and Interpretations issued by the IASB's IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).**

...

### Changes in Accounting Policies

17. An entity shall change an accounting policy only if the change:
- (a) Is required by a PBE Standard; or
  - (b) Results in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events, and conditions on the entity's financial position, financial performance, or cash flows.

...

### Limitations on Retrospective Application

...

### Disclosure

...

34. When a voluntary change in accounting policy (a) has an effect on the current period or any prior period, (b) would have an effect on that period, except that it is impracticable to determine the amount of the adjustment, or (c) might have an effect on future periods, an entity shall disclose:
- (a) The nature of the change in accounting policy;
  - (b) The reasons why applying the new accounting policy provides ~~reliable~~ faithfully representative and more relevant information;
  - (c) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
  - (d) The amount of the adjustment relating to periods before those presented, to the extent practicable; and
  - (e) If retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

...

38. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability<sup>1</sup>.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

### Effective Date

...

- 60.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended the objective paragraph, paragraphs 7, 10, 12, 14, 15, 17 and 34, added a footnote to paragraph 38 and deleted paragraph 13. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 3.*

Paragraph BC5 and its related heading are added. New text is underlined.

### **2016 Omnibus Amendments to PBE Standards**

BC5. The NZASB issued the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework) in May 2016. The PBE Conceptual Framework is based on the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the IPSASB's Conceptual Framework). The NZASB noted that following the finalisation of its Conceptual Framework the IPSASB subsequently amended a number of IPSASs. *Improvement to IPSASs 2015* amended IPSASs to reflect the first four chapters of the IPSASB's Conceptual Framework. Chapters 1–4 address the role and authority of a conceptual framework, the objectives of general purpose financial reporting, users of general purpose financial reports, the qualitative characteristics and the constraints on information in general purpose financial reports, and the key characteristics of a reporting entity. The NZASB agreed to make equivalent amendments to PBE Standards and did so in the *2016 Omnibus Amendments to PBE Standards*.

## Implementation Guidance

*This guidance accompanies, but is not part of, PBE IPSAS 3.*

Paragraphs IG13 and IG17 are amended. New text is underlined and deleted text is struck through.

...

IG13. The entity had CU10,000 of reserves throughout, and no other components of net assets/equity except for accumulated comprehensive revenue and expense.

### **Entity B Statement of Comprehensive Revenue and Expense**

...

#### *Extracts from Notes to the Financial Statements*

1. During 20X2, the entity changed its accounting policy for the treatment of borrowing costs related to a hydro-electric power station. Previously, the entity capitalised such costs. They are now written off as expenses as incurred. Management judges that this policy provides ~~reliable~~ faithfully representative and more relevant information, because it results in a more transparent treatment of finance costs and is consistent with local industry practice, making the entity's financial statements more comparable.

...

IG17. Additional information:

...

#### *Extracts from Notes to the Financial Statements*

1. From the start of 20X2, the entity changed its accounting policy for depreciating property, plant and equipment, so as to apply much more fully a components approach, while at the same time adopting the revaluation model. Management takes the view that this policy provides ~~reliable~~ faithfully representative and more relevant information, because it deals more accurately with the components of property, plant, and equipment and is based on up-to-date values. The policy has been applied prospectively from the start of 20X2, because it was not practicable to estimate the effects of applying the policy either retrospectively or prospectively from any earlier date. Accordingly the adopting of the new policy has no effect on prior periods. The effect on the current year is to (a) increase the carrying amount of property, plant and equipment at the start of the year by CU6,000, (b) create a revaluation reserve at the start of the year of CU6,000, and (c) increase depreciation expense by CU500.

## PBE IPSAS 5 *Borrowing Costs*

A footnote is added to paragraph 19 and new paragraph 43.2 is added. New text is underlined.

### **Borrowing Costs—Allowed Alternative Treatment**

#### **Recognition**

...

19. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction, or production of an asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when (a) it is probable that they will result in future economic benefits or service potential to the entity, and (b) the costs can be measured reliably.<sup>1</sup> Other borrowing costs are recognised as an expense in the period in which they are incurred.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

#### **Effective Date**

...

- 43.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 19. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

## PBE IPSAS 6 (NFP) *Consolidated and Separate Financial Statements (Not-For-Profit)*

Paragraphs 48.1, B5, B6, B8 and B10 are amended. Paragraph 70.3 is added. Paragraph B7 is deleted. New text is underlined and deleted text is struck through.

### **Consolidation Procedures**

...

- 48.1 **The difference between the reporting dates of the controlled entity and that of the controlling entity shall be no more than three months except in the rare circumstances where:**
- (a) Statute fixes the reporting date of a controlled entity greater than three months from the reporting date of the controlling entity's own financial statements included in the consolidated financial statements; and
  - (b) **No ~~reliable~~ faithfully representative interim financial information for the controlled entity covering a period not more than three months different to that of the controlling entity is able to be obtained.**

#### **Effective Date**

...

- 70.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 48.1, B5, B6, B8 and B10 and deleted paragraph B7. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## Appendix B

### Mixed Groups

*This Appendix is an integral part of PBE IPSAS 6 (NFP).*

...

#### Reporting Entity

- B5. The *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework) identifies the objectives of ~~general purpose~~ financial reporting as being to “provide information about the ~~financial position, performance and changes in financial position of an entity that is useful to a wide range of users of general purpose financial reports (GPFs) for accountability purposes and for decision-making purposes~~” (paragraph 2.1) ~~in making economic decisions~~” (paragraph 12). It also notes that “users of financial statements of New Zealand entities may also be interested in how well an entity has demonstrated its accountability in relation to a range of obligations including the entity’s compliance with legislation, regulations, common law and contractual arrangements” (paragraph 14.1).
- B6. The PBE Conceptual Framework ~~Framework~~ defines a reporting entity as “an entity for which there are users who rely on the financial statements as their major source of financial information about the entity” (paragraph 8) ~~describes the key characteristics of a reporting entity as (i) an entity that raises resources from, or on behalf of, constituents and/or uses resources to undertake activities for the benefit of, or on behalf of, those constituents; and (ii) there are service recipients or resource providers dependent on GPFs of the entity for information for accountability or decision-making purposes.~~
- B7. ~~[Deleted] Although the PBE Framework is an interim document, pending consideration of the conceptual framework being developed by the International Public Sector Accounting Standards Board (IPSASB), the objectives noted above are similar to those being proposed by the IPSASB.~~
- B8. ~~Both the existing framework and current thinking consider that a~~ A reporting entity is not necessarily a separate legal entity: for example, it could be a group of legal entities, a partnership or an unincorporated trust. When the reporting entity prepares general purpose financial statements, it considers transactions and balances from the perspective of that specific reporting entity. This means that (i) the reporting entity determines whether it is a PBE or a for-profit entity and (ii) transactions, events and balances are reported from the perspective of the reporting entity. For example, the assets included in the statement of financial position are the assets controlled by that reporting entity, measured in accordance with the accounting policies of that entity.
- ...
- B10. In preparing consolidated financial statements, adjustments are made to the financial statements of the individual entities within the group so that the consolidated financial statements are prepared from the perspective of the group reporting entity using uniform accounting policies for like transactions and other events in similar circumstances. These adjustments are necessary to ensure that the resulting financial statements provide relevant and ~~reliable~~ faithfully representative information for the group entity that is reporting. Adjustments are necessary to:
- (a) Eliminate inter-entity transactions and balances. This leaves only transactions and balances with parties external to the group reporting entity in the consolidated financial statements;
  - (b) Apply uniform accounting policies for like transactions and events in similar circumstances. This is to ensure that the information is consistently and coherently presented; and
  - (c) Reflect the perspective of the entity reporting.

## PBE IPSAS 6 (PS) *Consolidated and Separate Financial Statements (Public Sector)*

Paragraphs 48.1, B5, B6, B8 and B10 are amended. Paragraph 70.3 is added. Paragraph B7 is deleted. New text is underlined and deleted text is struck through.

### Consolidation Procedures

...

- 48.1 **The difference between the reporting dates of the controlled entity and that of the controlling entity shall be no more than three months except in the rare circumstances where:**
- (a) **Statute fixes the reporting date of a controlled entity greater than three months from the reporting date of the controlling entity's own financial statements included in the consolidated financial statements; and**
  - (b) **No ~~reliable~~ faithfully representative interim financial information for the controlled entity covering a period not more than three months different to that of the controlling entity is able to be obtained.**

### Effective Date

...

**70.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 48.1, B5, B6, B8 and B10 and deleted paragraph B7. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## Appendix B

### Mixed Groups

*This Appendix is an integral part of PBE IPSAS 6 (NFP)*

...

### Reporting Entity

- B5. The *Public Benefit Entities' Conceptual Framework* (PBE ~~Framework~~ Conceptual Framework) identifies the objectives of ~~general purpose~~ financial reporting as being to "provide information about the ~~financial position, performance and changes in financial position of an entity that is useful to a wide range of users of general purpose financial reports (GPFRs) for accountability purposes and for decision-making purposes~~" (paragraph 2.1) in making economic decisions" (paragraph 12). It also notes that "users of financial statements of New Zealand entities may also be interested in how well an entity has demonstrated its accountability in relation to a range of obligations including the entity's compliance with legislation, regulations, common law and contractual arrangements" (paragraph 14.1).
- B6. The PBE Conceptual Framework ~~Framework~~ defines a reporting entity as "an entity for which there are users who rely on the financial statements as their major source of financial information about the entity" (paragraph 8) describes the key characteristics of a reporting entity as (i) an entity that raises resources from, or on behalf of, constituents and/or uses resources to undertake activities for the benefit of, or on behalf of, those constituents; and (ii) there are service recipients or resource providers dependent on GPFRs of the entity for information for accountability or decision-making purposes.
- B7. ~~[Deleted] Although the PBE Framework is an interim document, pending consideration of the conceptual framework being developed by the International Public Sector Accounting Standards Board (IPSASB), the objectives noted above are similar to those being proposed by the IPSASB.~~
- B8. ~~Both the existing framework and current thinking consider that a~~ A reporting entity is not necessarily a separate legal entity: for example, it could be a group of legal entities, a partnership or an unincorporated trust. When the reporting entity prepares general purpose financial statements, it considers transactions and balances from the perspective of that specific reporting entity. This means that (i) the reporting entity determines whether it is a PBE or a for-profit entity and (ii) transactions, events and balances are reported from the perspective of the reporting entity. For example, the assets included in the statement of financial

position are the assets controlled by that reporting entity, measured in accordance with the accounting policies of that entity.

...

- B10. In preparing consolidated financial statements, adjustments are made to the financial statements of the individual entities within the group so that the consolidated financial statements are prepared from the perspective of the group reporting entity using uniform accounting policies for like transactions and other events in similar circumstances. These adjustments are necessary to ensure that the resulting financial statements provide relevant and ~~reliable~~ faithfully representative information for the group entity that is reporting. Adjustments are necessary to:
- (a) Eliminate inter-entity transactions and balances. This leaves only transactions and balances with parties external to the group reporting entity in the consolidated financial statements;
  - (b) Apply uniform accounting policies for like transactions and events in similar circumstances. This is to ensure that the information is consistently and coherently presented; and
  - (c) Reflect the perspective of the entity reporting.

## **PBE IPSAS 7 *Investments in Associates***

Paragraph 31.1 is amended, a footnote is added to paragraph 3 and paragraph 48.2 is added. New text is underlined and deleted text is struck through.

### **Scope**

...

3. This Standard provides the basis for accounting for ownership interests in associates. That is, the investment in the other entity confers on the investor the risks and rewards incidental to an ownership interest. This Standard applies only to investments in the formal equity structure (or its equivalent) of an investee. A formal equity structure means share capital or an equivalent form of unitised capital, such as units in a property trust, but may also include other equity structures in which the investor's interest can be measured reliably.<sup>1</sup> Where the equity structure is poorly defined, it may not be possible to obtain a reliable measure of the ownership interest.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

### **Application of the Equity Method**

...

- 31.1 **The difference between the reporting date of the associate and that of the investor shall be no more than three months except in the rare circumstances where:**
- (a) **Statute fixes the reporting date of an associate greater than three months from the reporting date of the investor's own financial statements; and**
  - (b) **No ~~reliable~~ faithfully representative interim financial information for the associate covering a period not more than three months different to that of the investor is able to be obtained.**

...

### **Effective Date**

...

- 48.2 **2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 31.1 and added a footnote to paragraph 3. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**



## PBE IPSAS 8 *Interests in Joint Ventures*

Paragraph 70.2 is added and a footnote is added to paragraph AG5. New text is underlined.

...

### Effective Date

...

**70.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph AG5. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

...

### Application Guidance *Jointly Controlled Entities—Non-monetary Contributions by Venturers*

*This Application Guidance is an integral part of PBE IPSAS 8*

...

### Consensus

AG5. In applying PBE IPSAS 8 paragraph 54 to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer shall recognise in surplus or deficit for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

- (a) The significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the JCE;
- (b) The gain or loss on the non-monetary contribution cannot be measured reliably<sup>1</sup>; or
- (c) The contribution transaction lacks commercial substance, as that term is described in PBE IPSAS 17 *Property, Plant and Equipment*.

If exception (a), (b) or (c) applies, the gain or loss is regarded as unrealised and therefore is not recognised in surplus or deficit unless paragraph AG6 also applies.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## PBE IPSAS 9 *Revenue from Exchange Transactions*

A footnote is added to the objective and paragraph 42.2 is added. New text is underlined.

### Objective

...

The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that (a) future economic benefits or service potential will flow to the entity, and (b) these benefits can be measured reliably<sup>1</sup>. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

**42.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to the objective. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

**PBE IPSAS 11 Construction Contracts**

A footnote is added to paragraph 16 and paragraph 58.2 is added. New text is underlined.
--

...

**Contract Revenue**

**16. Contract revenue shall comprise:**

- (a) **The initial amount of revenue agreed in the contract; and**
- (b) **Variations in contract work, claims, and incentive payments to the extent that:**
  - (i) **It is probable that they will result in revenue; and**
  - (ii) **They are capable of being reliably<sup>1</sup> measured.**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

**58.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 16. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

**PBE IPSAS 12 Inventories**

A footnote is added to paragraph 16 and paragraph 52.3 is added. New text is underlined.
--

**16. Where inventories are acquired through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition, unless it is not practicable to measure reliably<sup>1</sup> the fair value of the inventories at the date of acquisition because the costs of recognising the inventories at the date of acquisition outweigh the benefits. In cases where reliably measuring inventories at the date of acquisition is not practicable, inventories are not recognised.**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

**52.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 16. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

## PBE IPSAS 13 Leases

Paragraph B6 is amended. A footnote is added to paragraph 21 and paragraph 86.2 is added. New text is underlined and deleted text is struck through.

### Classification of Leases

...

21. Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease. If the lease payments cannot be allocated reliably<sup>1</sup> between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

### Effective Date

...

- 86.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph B6 and added a footnote to paragraph 21. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## Appendix B

### Application Guidance *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

*This Appendix is an integral part of PBE IPSAS 13*

...

- B6. The definitions and guidance in the *Public Benefit Entities' PBE Conceptual Framework* shall be applied in determining whether, in substance, a separate investment account and lease payment obligations represent assets and liabilities of the entity. Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and shall not be recognised by the entity include:

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 13.*

A footnote is added to paragraph BC2. New text is underlined and deleted text is struck through.

...

- BC2. The NZASB has decided to replace the scope exclusion for social benefit obligations in IPSAS 19 (paragraph 1(a) and paragraphs 7–10 of IPSAS 19) with the scope exclusion for certain obligations of the Crown from NZ IAS 37 (PBE) (paragraphs NZ1.1 and NZ3.1–NZ3.3 of NZ IAS 37 (PBE)). The NZASB noted that, at the time of developing PBE IPSAS 19, the IPSASB had two projects which could lead to a review of the scope of IPSAS 19. The projects relate to social benefits and the development of a conceptual framework.<sup>1</sup> While these projects are in progress, the NZASB decided to retain the existing scope exclusion in relation to certain obligations of the Crown.

<sup>1</sup> The IPSAB issued *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in October 2014, and the NZASB issued the *Public Benefit Entities' Conceptual Framework* in May 2016.

## PBE IPSAS 16 *Investment Property*

Paragraph 40 is amended. A footnote is added to paragraph 20 and paragraph 102.3 is added. New text is underlined and deleted text is struck through.

### Recognition

20. **Investment property shall be recognised as an asset when, and only when:**
- (a) **It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and**
  - (b) **The cost or fair value of the investment property can be measured reliably.<sup>1</sup>**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

### Measurement After Recognition

#### Accounting Policy

...

40. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* states that a voluntary change in accounting policy shall be made only if the change results in the financial statements providing ~~reliable~~ faithfully representative and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. It is highly unlikely that a change from the fair value model to the cost model will result in a more relevant presentation.

...

### Effective Date

...

102.3 *2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 40 and added a footnote to paragraph 20. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.*

## PBE IPSAS 17 *Property, Plant, and Equipment*

A footnote is added to paragraph 14 and paragraph 108.3 is added. New text is underlined.

### Recognition

14. **The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:**
- (a) **It is probable that future economic benefits or service potential associated with the item will flow to the entity; and**
  - (b) **The cost or fair value of the item can be measured reliably.<sup>1</sup>**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

108.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 14. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

**PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets**

A footnote is added to paragraph 18 and paragraph 112.3 is added. New text is underlined.
---

**Definitions**

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

...

A **contingent liability** is:

- (a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) A present obligation that arises from past events, but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability<sup>1</sup>.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

112.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 18. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

**PBE IPSAS 20 Related Party Disclosures**

Paragraphs 27, 27.1 and 32 are amended. A footnote is added to paragraph 38 and paragraph 43.3 is added. New text is underlined and deleted text is struck through.
---

...

**Disclosure of Related Party Transactions**

27. A public sector reporting entity shall, in respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, disclose:
- (a) The nature of the related party relationships;
  - (b) The types of transactions that have occurred; and
  - (c) The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and

**reliable faithfully representative** information for decision making and accountability purposes.

27.1 A not-for-profit reporting entity shall, in respect of transactions between related parties (including transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances) disclose:

- (a) The nature of the related party relationships;
- (b) The types of transactions that have occurred; and
- (c) The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and **reliable faithfully representative** information for decision making and accountability purposes.

...

32. Items of a similar nature may be disclosed in aggregate, except when separate disclosure is necessary to provide relevant and **reliable faithfully representative** information for decision-making and accountability purposes.

...

38. Requirements on the measurement of employee benefits are found in PBE IPSAS 25 *Employee Benefits*. When non-monetary remuneration that is able to be reliably<sup>1</sup> measured has been included in the aggregate amount of remuneration of key management personnel disclosed for the period, disclosure would also be made in the notes to the financial statements of the basis of measurement of the non-monetary remuneration.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## Effective Date

...

**43.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 27, 27.1 and 32 and added a footnote to paragraph 38. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## PBE IPSAS 21 *Impairment of Non-Cash Generating Assets*

A footnote is added to paragraph 37 and paragraph 83.2 is added. New text is underlined.
--

### Measuring Recoverable Service Amount

...

37. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. Paragraph 42 sets out possible alternative bases for estimating fair value less costs to sell when an active market for the asset does not exist. However, sometimes it will not be possible to determine fair value less costs to sell, because there is no basis for making a reliable<sup>1</sup> estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable service amount.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Effective Date**

...

83.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 37. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

**PBE IPSAS 22 Disclosure of Information About the General Government Sector**

Paragraph 13 is amended and paragraph 47.2 is added. New text is underlined and deleted text is struck through.

...

**Accounting Policies**

...

13. This Standard requires that when disclosures about the GGS are made in financial statements, those disclosures are to be made in accordance with the requirements prescribed in this Standard. This will ensure that an appropriate representation of the GGS is made in the financial statements, and that disclosures about the GGS satisfy the qualitative characteristics of financial information, including which are ~~understandability~~, relevance, ~~reliability~~ faithful representation, ~~understandability~~, timeliness and comparability and verifiability.

...

**Effective Date**

...

47.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 13. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

**PBE IPSAS 23 Revenue from Non-Exchange Transactions**

A footnote is added to paragraph 31 and paragraph 125.3 is added. New text is underlined.

**Recognition of Assets**

...

31. **An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when, and only when:**
- (a) **It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and**
  - (b) **The fair value of the asset can be measured reliably.<sup>1</sup>**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

## Effective Date

...

**125.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 31. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 23.*

Paragraph BC3(a) is amended and a footnote is added to paragraph BC3(c). New text is underlined and deleted text is struck through.

BC3. The NZASB acknowledges specific proposals for amendments to PBE IPSAS 23 made by constituents, and comments on those proposals are detailed below.

- (a) “More guidance is required to clearly distinguish between exchange revenue and non-exchange revenue.” The NZASB acknowledges that the distinction may be difficult for those non-exchange transactions that have characteristics similar to those of exchange transactions. The NZASB has found that very little guidance exists at present. The NZASB noted that it would not be possible to develop sufficient guidance prior to the publication of the transition suite of PBE Standards. Until further research is performed, which may lead to the development of supplementary guidance, the NZASB acknowledged that professional judgement will be required in selecting accounting policies that will result in relevant and ~~reliable~~ faithfully representative presentation and disclosure of the transaction.

...

- (a) “PBE IPSAS 23 could be modified having regard to the IASB’s Revenue Project and the current AASB Project considering how the IASB’s Revenue Project can be applied by not-for-profit entities.” The NZASB noted that, at the time of developing the transitional suite of PBE Standards, the IPSASB’s Conceptual Framework Project was seeking feedback on a proposal to recognise, as elements, deferred inflows and deferred outflows. The NZASB considered that modifying the transitional PBE IPSAS 23 for an IASB project or an AASB project looking at modifying an IASB project would pre-empt any changes that the IPSASB Conceptual Framework project might lead to. Therefore the NZASB considered that it was more appropriate to wait for the completion of the IPSASB Conceptual Framework Project<sup>2</sup>.

<sup>2</sup> The IPSASB issued *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in October 2014 and the NZASB issued the *Public Benefit Entities’ Conceptual Framework* in May 2016. These Conceptual Frameworks allude to the possibility of standard setters requiring recognition of economic phenomena that are not captured by the elements defined in the frameworks when necessary to better achieve the objectives of financial reporting.

## PBE IPSAS 25 *Employee Benefits*

A footnote is added to paragraph 20 and paragraph 178.2 is added. New text is underlined.

### Recognition and Measurement

...

#### *Bonus Payments and Profit-Sharing Payments*

20. **An entity shall recognise the expected cost of bonus payments and profit-sharing payments under paragraph 13 when, and only when:**
- (a) **The entity has a present legal or constructive obligation to make such payments as a result of past events; and**
- (b) **A reliable<sup>1</sup> estimate of the obligation can be made.**



**A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

## **Effective Date**

...

**178.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 20. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

## **PBE IPSAS 26 Impairment of Cash-Generating Assets**

A footnote is added to paragraph 33 and paragraph 127.2 is added. New text is underlined.
---

### **Measuring Recoverable Amount**

...

33. It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. However, sometimes it will not be possible to determine fair value less costs to sell because there is no basis for making a reliable<sup>1</sup> estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity may use the asset's value in use as its recoverable amount.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

## **Effective Date**

...

**127.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 33. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

## **PBE IPSAS 27 Agriculture**

A footnote is added to paragraph 13 and paragraph 57.2 is added. New text is underlined.
--

### **Recognition and Measurement**

13. **An entity shall recognise a biological asset or agricultural produce when and only when:**
- (a) **The entity controls the asset as a result of past events;**
  - (b) **It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and**
  - (c) **The fair value or cost of the asset can be measured reliably.<sup>1</sup>**

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

## Effective Date

...

57.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 13. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

## PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*

A footnote is added to paragraph 10 and paragraph 126.3 is added. New text is underlined and deleted text is struck through.

...

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

...

### *Definitions of four categories of financial instruments*

A financial asset or financial liability at fair value through surplus or deficit is a financial asset or financial liability that meets any of the following conditions.

...

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably<sup>1</sup> measured (see paragraph 48(c) and Appendix A paragraphs AG113 and AG114), shall not be designated as at fair value through surplus or deficit.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## Effective Date

...

126.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph AG8 and added a footnote to paragraph 10. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.

...

## Application Guidance

*This Appendix is an integral part of PBE IPSAS 29.*

Paragraph AG8 is amended. New text is underlined and deleted text is struck through.

...

### Definitions (paragraphs 9 and 10)

*Designation as at Fair Value through Surplus or Deficit*

...

AG8. The decision of an entity to designate a financial asset or financial liability as at fair value through surplus or deficit is similar to an accounting policy choice (although, unlike an accounting policy choice, it is not required to be applied consistently to all similar transactions). When an entity has such a choice, paragraph 17(b) of PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the chosen policy to result in the financial statements providing reliable faithfully representative and more relevant information about the effects of transactions, other events and conditions on the entity's financial position, financial performance or cash flows. In the case of designation as at fair value through surplus or deficit, paragraph 10 sets out the two circumstances when

the requirement for more relevant information will be met. Accordingly, to choose such designation in accordance with paragraph 10, the entity needs to demonstrate that it falls within one (or both) of these two circumstances.

## **PBE IPSAS 30 *Financial Instruments: Disclosures***

A footnote is added to paragraph 35 and paragraph 53.3 is added. New text is underlined and deleted text is struck through.

...

35. Disclosures of fair value are not required:

- (a) When the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;
- (b) For an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with PBE IPSAS 29 because its fair value cannot be measured reliably<sup>1</sup>; and
- (c) For a contract containing a discretionary participation feature if the fair value of that feature cannot be measured reliably.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

### **Effective Date and Transition**

...

**53.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs AG7 and added a footnote to paragraph 35. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

...

### **Application Guidance**

*This Appendix is an integral part of PBE IPSAS 30*

Paragraph AG7 is amended. New text is underlined and deleted text is struck through.

...

### **Nature and Extent of Risks Arising from Financial Instruments (paragraphs 38–49)**

...

#### *Quantitative Disclosures (paragraph 41)*

- \*AG7. Paragraph 41(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and ~~reliable~~ faithfully representative information. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* discusses relevance and ~~reliability~~ faithful representation.

## PBE IPSAS 31 *Intangible Assets*

A footnote is added to paragraph 28 and paragraph 133.3 is added. New text is underlined.

### Recognition and Measurement

...

28. An intangible asset shall be recognised if, and only if:

- (a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- (b) The cost or fair value of the asset can be measured reliably.<sup>1</sup>

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

### Effective Date

...

133.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 28. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

## PBE IPSAS 32 *Service Concession Arrangements: Grantor*

Paragraph 37.2 is added and a footnote is added to paragraph AG20. New text is underlined.

...

### Effective Date

...

37.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph AG20. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

### Application Guidance

*This Appendix is an integral part of PBE IPSAS 32.*

### Recognition and Initial Measurement of a Service Concession Asset (see paragraphs 9–13)

...

#### Constructed or Developed Asset

AG20. Where a constructed or developed asset meets the conditions in paragraph 9 (or paragraph 10 for a whole-of-life asset) the grantor recognises and measures the asset in accordance with this Standard. PBE IPSAS 17 or PBE IPSAS 31, as appropriate, set out the criteria for when a service concession asset should be recognised. Both PBE IPSAS 17 and PBE IPSAS 31 require that an asset shall be recognised if, and only if:

- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) The cost or fair value of the item can be measured reliably.<sup>1</sup>

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## PBE IFRS 3 *Business Combinations*

Paragraphs 1 and 11 are amended. A footnote is added to paragraph 22 and paragraph 64.3 is added. New text is underlined and deleted text is struck through.

### Objective

1. The objective of this Standard is to improve the relevance, ~~reliability~~ faithful representation and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. To accomplish that, this Standard establishes principles and requirements for how the acquirer:

...

### Recognition Conditions

11. To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the *Public Benefit Entities' PBE Conceptual Framework* at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other PBE Standards.

...

### Exception to the Recognition Principle

#### *Contingent Liabilities*

22. PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* defines a contingent liability as:
- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
  - (b) A present obligation that arises from past events but is not recognised because:
    - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
    - (ii) The amount of the obligation cannot be measured with sufficient reliability<sup>1</sup>.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

### Effective Date

...

- 64.3 **2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 1, 11, and B46 and added a footnote to paragraph 22 An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

...

## Appendix B

**Application Guidance**

*This appendix is an integral part of PBE IFRS 3.*

Paragraph B46 is amended. New text is underlined and deleted text is struck through.

...

**Measuring Goodwill or a Gain from a Bargain Purchase**

*Measuring the Acquisition Date Fair Value of the Acquirer's Interest in the Acquiree Using Valuation Techniques (application of paragraph 33)*

B46. In a business combination achieved without the transfer of consideration, the acquirer must substitute the acquisition-date fair value of its interest in the acquiree for the acquisition-date fair value of the consideration transferred to measure goodwill or a gain on a bargain purchase (see paragraphs 32–34). The acquirer should measure the acquisition-date fair value of its interest in the acquiree using one or more valuation techniques that are appropriate in the circumstances and for which sufficient data are available. If more than one valuation technique is used, the acquirer should evaluate the results of the techniques, considering the relevance and ~~reliability~~ faithful representation of the inputs used and the extent of the available data.

**PBE IFRS 4 Insurance Contracts**

Paragraphs 22, 27, 28, C14.1.7 and D17.6.4 are amended, a footnote is added to paragraph 20 and paragraph 45.2 is added. New text is underlined and deleted text is struck through.

...

*Impairment of Reinsurance Assets*

20. If a cedant's reinsurance asset is impaired, the cedant shall reduce its carrying amount accordingly and recognise that impairment loss in surplus or deficit. A reinsurance asset is impaired if, and only if:
- (a) There is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
  - (b) That event has a reliably<sup>1</sup> measurable impact on the amounts that the cedant will receive from the reinsurer.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

**Changes in Accounting Policies**

21. [Not used.]
22. **An insurer may change its accounting policies for insurance contracts if, and only if, the change makes the financial statements more relevant to the economic decision-making needs of users and no less ~~reliable~~ faithfully representative, or more ~~reliable~~ faithfully representative and no less relevant to those needs.**
- An insurer shall judge relevance and ~~reliability~~ faithful representation by the criteria in PBE IPSAS 3.**

...

*Future Investment Margins*

27. An insurer need not change its accounting policies for insurance contracts to eliminate future investment margins. However, there is a rebuttable presumption that an insurer's financial statements will become less relevant and ~~reliable~~ faithfully representative if it introduces an accounting policy that reflects future investment margins in the measurement of insurance contracts, unless those margins affect the contractual payments. Two examples of accounting policies that reflect those margins are:
- (a) Using a discount rate that reflects the estimated return on the insurer's assets; or
  - (b) Projecting the returns on those assets at an estimated rate of return, discounting those projected returns at a different rate and including the result in the measurement of the liability.
28. An insurer may overcome the rebuttable presumption described in paragraph 27 if, and only if, the other components of a change in accounting policies increase the relevance and ~~reliability~~ faithful representation of its financial statements sufficiently to outweigh the decrease in relevance and ~~reliability~~ faithful representation caused by the inclusion of future investment margins. For example, suppose that an insurer's existing accounting policies for insurance contracts involve excessively prudent assumptions set at inception and a discount rate prescribed by a regulator without direct reference to market conditions, and ignore some embedded options and guarantees. The insurer might make its financial statements more relevant and no less ~~reliable~~ faithfully representative by switching to a comprehensive investor-oriented basis of accounting that is widely used and involves:

**Effective Date and Transition**

...

45.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 22, 27, 28, C14.1.7 and D17.6.4 and added a footnote to paragraph 20. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.

**Appendix C****Life Insurance Entities**

*This Appendix is an integral part of the Standard.*

...

**Life Insurance Contracts Disclosure – Explanation of Recognised Amounts**

...

C14.1.7 When a life insurer is presenting the disclosures required by paragraphs C14.1.1(c) and C14.1.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the *Public Benefit Entities' PBE Conceptual Framework* of understandability, relevance, ~~reliability~~ faithful representation and comparability.

## Appendix D

### Financial Reporting of Insurance Activities

*This Appendix is an integral part of the Standard.*

...

#### Insurance Contracts – Explanation of Recognised Amounts

...

D17.6.4 When an insurer is presenting the disclosures required by paragraphs D17.6.1(c) and D17.6.1(d) the insurer determines the level and extent of disclosure that is appropriate having regard to its circumstances and the qualitative characteristics of financial statements under the *Public Benefit Entities' PBE Conceptual Framework*, of understandability, relevance, ~~reliability~~ faithful representation and comparability.

### PBE IAS 12 *Income Taxes*

A footnote is added to paragraph 14 and paragraph 98.2 is added. New text is underlined.

#### Recognition of Current Tax Liabilities and Current Tax Assets

...

14. When a tax loss is used to recover current tax of a previous period, an entity recognises the benefit as an asset in the period in which the tax loss occurs because it is probable that the benefit will flow to the entity and the benefit can be reliably<sup>1</sup> measured.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

...

#### Effective Date

...

98.2 *2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph 14. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.*

### PBE IAS 34 *Interim Financial Reporting*

The objective paragraph, paragraphs 31, 33 and 41 are amended and paragraph 49.6 is added. New text is underlined and deleted text is struck through.

#### Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. Timely and ~~reliable~~ faithfully representative interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.



...

## Recognition and Measurement

### Same Accounting Policies as Annual

...

31. Under the *Public Benefit Entities' Conceptual PBE Framework (PBE Conceptual Framework)*, recognition is the “process of incorporating and including in amounts displayed on the face of the appropriate financial statement ~~balance sheet or income statement~~ an item that meets the definition of an element and can be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information included in GPFRs ~~satisfies the criteria for recognition~~”. The definitions of assets, liabilities, ~~income~~ revenue, and expenses in the PBE Conceptual Framework are fundamental to recognition, at the end of both annual and interim financial reporting periods.

...

33. An essential characteristic of revenue and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The PBE Conceptual Framework says that “expenses are recognised in the ~~income~~ financial statements when there is a decrease in the net financial position of the entity, other than decreases arising from ownership distributions and this decrease can be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs. ~~future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. ... [The] PBE Conceptual Framework generally<sup>1</sup> does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.”~~

<sup>1</sup> The IPSASB issued *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in October 2014 and the NZASB issued the *Public Benefit Entities' Conceptual Framework* in May 2016. While these Conceptual Frameworks allude to the possibility of standard setters requiring recognition of economic phenomena that are not captured by the elements defined in the frameworks, when necessary to better achieve the objectives of financial reporting, the recognition of such items is permitted only when specified in a PBE Standard.

...

### Use of Estimates

41. **The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable faithfully representative and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.**

### Effective Date

...

- 49.6 **2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended the objective paragraph and paragraphs 31, 33 and 41. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

## PBE FRS 42 *Prospective Financial Statements*

The Introduction and paragraphs 16, 17, 30 and 32 are amended and paragraph 73.1 is added. New text is underlined and deleted text is struck through.

### Introduction

#### Main Features of the Standard

...

The Standard requires that an entity use the best information that could reasonably be expected to be available in determining the assumptions and other information used in the preparation of general purpose prospective financial statements. It also requires that the prospective financial statements be understandable, relevant, ~~reliable~~ faithfully representative and comparable and that the information in the prospective financial statements be reasonable and supportable.

...

#### Qualitative Characteristics

16. **In order to meet the needs of users, prospective financial statements shall meet the qualitative characteristics outlined in the *Public Benefit Entities' PBE Conceptual Framework*. Accordingly, the statements shall be ~~understandable~~, relevant, ~~reliable~~ faithfully representative, ~~understandable~~, timely, ~~and comparable and verifiable~~.**
17. In giving effect to the principle in paragraph 16, for prospective financial statements to be:
  - (a) ~~Understandable~~—~~the information in the statements should be described, aggregated, classified and presented in a format and style that is able to be clearly understood by users. For prospective financial statements to be understandable, users will need sufficient information to be able to make judgements about the assumptions employed and the risks associated with those assumptions.~~
  - (ba) **Relevant**—the information in the statements should be capable of assisting users to make economic or other decisions by helping them evaluate present or future events or correct their past evaluations. For prospective financial statements to be relevant they must have predictive value and be able to be confirmed, or otherwise, in future periods.
  - (eb) **Reliable Faithfully Representative**—the information in the statements should be ~~free from material calculation error, and unbiased~~ complete, neutral, and free from material error. The extent to which reliability of prospective financial statements can be described as faithfully representative is affected by the appropriateness of the assumptions and the sources of uncertainty. Users should be able to assess the extent to which reliability of prospective financial statements are faithfully representative and identify the factors that make the statements more or less ~~reliable~~ faithfully representative.
  - (ac) **Understandable**—the information in the statements should be described, aggregated, classified and presented in a format and style that is able to be clearly understood by users. For prospective financial statements to be understandable, users will need sufficient information to be able to make judgements about the assumptions employed and the risks associated with those assumptions.
  - (b) **Timely**—the information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
  - (de) **Comparable**—the statements should measure and display like items, transactions and events in a consistent manner. Prospective financial statements should be capable of comparison with current and subsequent information about the actual financial performance of an entity based on consistent application of accounting policies, reporting periods and presentation.
  - (ef) **Verifiable**—the statements should be transparent about the assumptions that underlie the information disclosed, the methodologies adopted in compiling that information, and the factors and circumstances that support any opinions expressed or disclosures made.

30. All assets and liabilities shall be presented broadly in order of liquidity when a presentation based on liquidity provides information that is ~~reliable~~ faithfully representative and is more relevant and when the entity intends to present its assets and liabilities in order of liquidity in its historical financial statements.

...

32. In addition to the information required by paragraph 31, an entity shall present, either on the face of the statement of comprehensive revenue and expense or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is ~~reliable~~ faithfully representative and more relevant.

...

## Effective Date

...

- 73.1 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 16, 17, 30 and 32. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.**

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE FRS 42.*

A footnote is added to paragraph BC2 and paragraph BC5 and its related heading are added. New text is underlined.

- BC2. PBE FRS 42 establishes principles and specifies minimum disclosures for entities that present general purpose prospective financial statements. PBE FRS 42 adopts the requirements in FRS-42 in relation to public benefit entities with some changes to ensure that it is suitable for application by public benefit entities. The NZASB noted that the discussion of qualitative characteristics in PBE FRS 42 will need to be reviewed once the IPSASB's conceptual framework project has been completed<sup>1</sup>.

<sup>1</sup> The IPSASB issued *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in October 2014 and the NZASB issued the *Public Benefit Entities' Conceptual Framework* in May 2016. PBE FRS 42 was amended following the issue of the PBE Conceptual Framework.

...

## **2016 Omnibus Amendments to PBE Standards**

- BC5. The NZASB issued the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework) in May 2016. The PBE Conceptual Framework is based on the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the IPSASB's Conceptual Framework). The NZASB noted that following the finalisation of its Conceptual Framework the IPSASB subsequently amended a number of IPSASs. *Improvement to IPSASs 2015* amended IPSASs to reflect the first four chapters of the IPSASB's Conceptual Framework. Chapters 1–4 address the role and authority of a conceptual framework, the objectives of general purpose financial reporting, users of general purpose financial reports, the qualitative characteristics and the constraints on information in general purpose financial reports, and the key characteristics of a reporting entity. The NZASB agreed to make equivalent amendments to PBE Standards and did so in the *2016 Omnibus Amendments to PBE Standards*.**

## **PBE FRS 43 Summary Financial Statements**

Paragraph 14 is amended and paragraph 44.2 is added. New text is underlined.

...

14. To ensure that summary financial statements contain information which is ~~reliable~~ faithfully representative and unbiased, it is important that the financial information disclosed is drawn only from

information included in the full financial statements. It is also important that any additional information presented with summary financial statements is drawn only from information included in the full financial reports. However, the process of summarisation will inevitably mean that some information, especially narrative information, cannot be a duplicate of that expressed in the full financial statements or full financial reports. In such circumstances, such information shall, at a minimum, be consistent with that expressed in the full financial statements or annual report for the relevant period.

...

## Effective Date

...

**44.2 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 14. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

...

## **PBE FRS 46 First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS**

A footnote is added to paragraph 8 of Appendix A.
---

...

## Appendix A

### **Recognition and Measurement Differential Reporting Concessions Previously Available Under NZ IFRS PBE and NZ IFRS Diff Rep**

*This Appendix provides a description of differential reporting concessions (relating to recognition and measurement) which were previously available under NZ IFRS PBE that are not available under PBE Standards. Similar concessions are included in NZ IFRS Diff Rep. This Appendix accompanies, but is not part of, this Standard.*

...

#### **8. NZ IAS 41 (PBE) Agriculture**

Qualifying entities are not required to comply with paragraph 12 of NZ IAS 41 (PBE) which requires that biological assets be measured at fair value as at each reporting date. Qualifying entities are permitted to measure each class of biological assets at fair value in accordance with paragraph 12 of NZ IAS 41 (PBE) or at cost in accordance with paragraph 30 of NZ IAS 41 (PBE).

Qualifying entities with livestock are permitted to use national average market values issued by Inland Revenue Department as a proxy for the fair value of a class of livestock, provided that such values are applied consistently to a class of livestock. Qualifying entities with livestock are permitted to use national standard costs issued by Inland Revenue Department as a proxy for the cost of a class of livestock, provided that such costs are applied consistently to a class of livestock. This concession applies even when the fair value of biological assets is reliably<sup>1</sup> measurable.

Qualifying entities are not required to comply with paragraph 13 of NZ IAS 41 (PBE) which requires that agricultural produce harvested from an entity's biological assets be measured at its fair value less estimated point-of-sale costs at the point of harvest. Qualifying entities are permitted to measure each class of agricultural produce at fair value in accordance with paragraph 13 of NZ IAS 41 (PBE) or at cost. This concession applies even when the fair value of agricultural produce is reliably measurable.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## **PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS***

Paragraph 42.3 is added and a footnote is added to paragraph C4. New text is underlined.

### **Effective Date**

...

42.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, added a footnote to paragraph C4. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.

## **Appendix C**

### **Exemptions from other PBE Standards**

*This Appendix is an integral part of PBE FRS 47.*

...

C4. The elections in paragraphs C2 and C3 are also available for:

- (a) Investment property, if an entity elects to use the cost model in PBE IPSAS 16 *Investment Property*; and
- (b) Intangible assets that meet:
  - (i) The recognition criteria in PBE IPSAS 31 *Intangible Assets* (including reliable<sup>1</sup> measurement of original cost); and
  - (ii) The criteria in PBE IPSAS 31 for revaluation (including the existence of an active market).

An entity shall not use these elections for other assets or for liabilities.

<sup>1</sup> Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

## **XRBA1 *Application of the Accounting Standards Framework***

Paragraph 75 is added. New text is underlined.

...

### **D. EFFECTIVE DATE**

...

75 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended Appendix C. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017.

Appendix C is amended. New text is underlined and deleted text is struck through.

## **APPENDIX C**

### **TIER 1 PBE ACCOUNTING REQUIREMENTS AND TIER 2 PBE ACCOUNTING REQUIREMENTS TO BE APPLIED BY PUBLIC BENEFIT ENTITIES**

*This appendix forms an integral part of XRB A1 Application of the Accounting Standards Framework.*

...

#### **Authoritative Notice**

*Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework)*

## Part D: Amendments Arising from Improvements to IPSASs 2015

### PBE IPSAS 12 *Inventories*

Paragraph 12 is amended and paragraphs 14A and 52.4 are added. New text is underlined and deleted text is struck through.

#### **Inventories**

...

12. Inventories in the public sector may include:

- (a) ~~Ammunition~~ Military inventories;

...

14A. Military inventories consist of single-use items, such as ammunition, missiles, rockets and bombs delivered by weapons or weapons systems. However, some types of missiles may be accounted for in accordance with PBE IPSAS 17, *Property, Plant and Equipment*, if they satisfy the criteria to be classified in that Standard.

...

#### **Effective Date**

...

52.4 *2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 12 and added paragraph 14A. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.*

...

#### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 12.*

Paragraph BC5 and its related heading are added. New text is underlined.

...

#### **2016 Omnibus Amendments to PBE Standards**

BC5. In *Improvements to IPSASs 2015*, the IPSASB amended IPSAS 12 by replacing the term “ammunition” with the Government Finance Statistics (GFS) term “military inventories” and including a description of military inventories. The NZASB incorporated these amendments into PBE IPSAS 12 as part of the *2016 Omnibus Amendments to PBE Standards*.

### PBE IPSAS 17 *Property, Plant and Equipment*

Paragraphs 5, 6, 13, 20 and 52 are amended and paragraphs 36A, 108.4–108.7 are added. New text is underlined and deleted text is struck through.

#### **Scope**

...

5. This Standard applies to property, plant, and equipment including:

- (a) ~~Specialist military equipment~~ Weapons systems;

6. This Standard does not apply to:
- (a) Biological assets related to agricultural activity other than bearer plants (see PBE IPSAS 27 *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants; or
  - (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources).

However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in (a)–(c).

...

## Definitions

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

**A bearer plant is a living plant that:**

- (a) **Is used in the production or supply of agricultural produce:**
- (b) **Is expected to bear produce for more than one period: and**
- (c) **Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

**(Paragraphs 9A–9C of PBE IPSAS 27 elaborate on this definition of a bearer plant.)**

## Recognition

...

20. ~~Specialist military equipment~~ Weapons systems will normally meet the definition of property, plant, and equipment, and should be recognised as an asset in accordance with this Standard. Weapons systems include vehicles and other equipment, such as warships, submarines, military aircraft, tanks, missile carriers and launchers that are used continuously in the provision of defence services, even if their peacetime use is simply to provide deterrence. Some single-use items, such as certain types of ballistic missiles, may provide an ongoing service of deterrence against aggressors and, therefore, can be classified as weapons systems.

## Elements of cost

...

- 36A. Bearer plants are accounted for in the same way as self-constructed items of property, plant, and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Consequently, references to ‘construction’ in this Standard should be read as covering activities that are necessary to cultivate bearer plants before they are in the location and condition necessary to be capable of operating in the manner intended by management.

## Revaluation Model

...

52. A class of property, plant, and equipment is a grouping of assets of a similar nature or function in an entity’s operations. The following are examples of separate classes:

...

- (h) ~~Specialist military equipment~~ Weapons systems;
- (k) Office equipment; ~~and~~
- (l) Oil rigs; ~~and~~
- (m) Bearer plants.



...

**Effective Date**

...

- 108.4 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 5, 20 and 52. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.
- 108.5 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 6, 13 and 52 and added paragraph 36A. Those amendments relate to bearer plants and also resulted in amendments to PBE IPSAS 27. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for a period beginning before 1 January 2018, it shall disclose that fact. An entity shall apply those amendments retrospectively, in accordance with PBE IPSAS 3, except as specified in paragraph 108.6.
- 108.6 In the reporting period when the amendments to PBE IPSAS 17 and PBE IPSAS 27 from bearer plants are first applied an entity need not disclose the quantitative information required by paragraph 33(f) of PBE IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of PBE IPSAS 3 for each prior period presented.
- 108.7 An entity may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies the amendments to PBE IPSAS 17 and PBE IPSAS 27 from bearer plants and use that fair value as its deemed cost at that date. Any differences between the previous carrying amount and fair value shall be recognised in opening accumulated comprehensive revenue and expense at the beginning of the earliest period presented.

...

**Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 17.*

Paragraphs BC19 and BC20 and its related heading are added. New text is underlined.
---

**2016 Omnibus Amendments to PBE Standards**

- BC19. In *Improvements to IPSASs 2015*, the IPSASB amended IPSAS 17 by replacing the term “specialist military equipment” with the Government Finance Statistics (GFS) term “weapon systems” and including a description of weapons systems. The NZASB incorporated these amendments into PBE IPSAS 17 as part of the *2016 Omnibus Amendments to PBE Standards*.
- BC20. The IASB issued *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) in June 2014. The amendments required bearer plants to be accounted for as property, plant and equipment and included within the scope of IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture*. The produce growing on bearer plants remained within the scope of IAS 41. In *Improvements to IPSASs 2015* the IPSASB made equivalent amendments to IPSAS 17. The NZASB subsequently made equivalent amendments to PBE IPSAS 17 as part of the *2016 Omnibus Amendments to PBE Standards*.

## PBE IPSAS 27 Agriculture

Paragraphs 2, 3, 5, 6, 9, 28 and 40 are amended and paragraphs 9A, 9B, 9C, 57.3 and 57.4 are added. New text is underlined and deleted text is struck through.

### Scope

...

2. **An entity that prepares and presents financial statements shall apply this Standard for the following when they relate to agricultural activity:**

- (a) **Biological assets, except for bearer plants; and**
- (b) **Agricultural produce at the point of harvest.**

3. This Standard does not apply to:

- (a) Land related to agricultural activity (see PBE IPSAS 16 *Investment Property* and PBE IPSAS 17 *Property, Plant and Equipment*);
- (b) Bearer plants related to agricultural activity (see PBE IPSAS 17). However, this Standard applies to the produce on those bearer plants;
- ~~(b)~~(c) Intangible assets related to agricultural activity (see PBE IPSAS 31 *Intangible Assets*); and
- ~~(c)~~(d) Biological assets held for the provision or supply of services.

...

5. This Standard is applied to agricultural produce, which is the harvested ~~product~~ produce of the entity's biological assets, ~~only~~ at the point of harvest. Thereafter, PBE IPSAS 12, or another applicable Standard, is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

6. The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a <u>timber</u> plantation <del>forest</del>	Felled trees	Logs, lumber
Plants	<del>Cotton</del>	<del>Thread, clothing</del>
	<u>Harvested cane</u>	<u>Sugar</u>
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
<u>Cotton plants</u>	<u>Harvested cotton</u>	<u>Thread, clothing</u>
<u>Sugarcane</u>	<u>Harvested cane</u>	<u>Sugar</u>
<u>Tobacco plants</u> <del>Bushes</del>	<u>Picked leaves</u> <del>Leaf</del>	<u>Tea, C</u> <del>ured</del> tobacco
<u>Tea bushes</u>	<u>Picked leaves</u>	<u>Tea</u>
<u>Grape</u> <del>V</del> vines	<u>Picked</u> <del>G</del> grapes	Wine
Fruit trees	Picked fruit	Processed fruit
<u>Oil palms</u>	<u>Picked fruit</u>	<u>Palm oil</u>
<u>Rubber trees</u>	<u>Harvested latex</u>	<u>Rubber products</u>
<u>Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the</u>		

Biological assets	Agricultural produce	Products that are the result of processing after harvest
definition of a bearer plant and are within the scope of PBE IPSAS 17. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of PBE IPSAS 27.		

## Definitions

### Agriculture-related Definitions

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

**Agricultural produce** is the harvested ~~product~~ **produce** of the entity's biological assets.

**A bearer plant is a living plant that:**

- (a) **Is used in the production and supply of agricultural produce;**
- (b) **Is expected to bear produce for more than one period; and**
- (c) **Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

...

9A. The following are not bearer plants:

- (a) Plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
- (b) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated for their fruit and their lumber); and
- (c) Annual crops (for example, maize and wheat).

9B. When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

9C. Produce growing on bearer plants is a biological asset.

...

## Recognition and Measurement

...

28. Cost may sometimes approximate fair value, particularly when:

- (a) Little biological transformation has taken place since initial cost incurrence (for example, for ~~fruit tree~~ seedlings planted immediately prior to reporting date or newly acquired livestock); or
- (b) The impact of the biological transformation on price is not expected to be material (for example, for the initial growth in a 30-year pine plantation production cycle).

## Disclosure

### General

...

- \*40. Consumable biological assets are those that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets are animals and plants for one-time use, such as livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, produce on a bearer plant and trees being grown for lumber. Bearer biological assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. Bearer biological assets are not agricultural produce but, rather, are held to bear produce self-regenerating. Examples of types of animals that are bearer biological assets include breeding stocks (including fish and poultry), livestock from which

milk is produced, and sheep or other animals used for wool production. Examples of types of plants that are bearer biological assets include trees from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products ~~and trees from which firewood is harvested while the tree remains.~~

## Effective Date

...

**57.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 2, 3, 5, 6, 9, 28 and 40 and added paragraphs 9A, 9B and 9C. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

**57.4 In the reporting period when the amendments from 2016 Omnibus Amendments to PBE Standards are first applied an entity need not disclose the quantitative information required by paragraph 33(f) of PBE IPSAS 3 for the current period. However, an entity shall present the quantitative information required by paragraph 33(f) of PBE IPSAS 3 for each prior period presented.**

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 27.*

Paragraph BC3 and its related heading are added. New text is underlined.
--

### **2016 Omnibus Amendments to PBE Standards**

**BC3. The IASB issued *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41) in June 2014. The IASB's amendments required bearer plants to be accounted for as property, plant and equipment and included within the scope of IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture*. The produce growing on bearer plants remained within the scope of IAS 41. In *Improvements to IPSASs 2015* the IPSASB made equivalent amendments to IPSAS 27. The NZASB subsequently made equivalent amendments to PBE IPSAS 27 as part of the *2016 Omnibus Amendments to PBE Standards*.**

## Consequential amendments to other PBE Standards resulting from the amendments to PBE IPSAS 27

### **PBE IPSAS 13 Leases**

Paragraph 2 is amended and paragraph 86.3 is added. New text is underlined and deleted text is struck through.
--

### **Scope**

2. ...

**However, this Standard shall not be applied as the basis of measurement for:**

- (a) ...
- (b) **Biological assets within the scope of PBE IPSAS 27 Agriculture held by lessees under finance leases (see ~~PBE IPSAS 27, Agriculture~~); or**
- (c) **Biological assets within the scope of PBE IPSAS 27 provided by lessors under operating leases (see ~~PBE IPSAS 27~~).**

**Effective Date**

...

**86.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 2. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

**PBE IPSAS 16 *Investment Property***

Paragraph 6 is amended and paragraph 102.4 is added. New text is underlined and deleted text is struck through.

**Scope**

...

6. This Standard does not apply to:
- (a) Biological assets related to agricultural activity (see PBE IPSAS 27 *Agriculture and PBE IPSAS 17 Property, Plant, and Equipment*); and
  - (b) ...

**Effective Date**

...

**102.4 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 6. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

**PBE IPSAS 26 *Impairment of Cash-Generating Assets***

Paragraph 6 is amended and paragraph 127.3 is added. New text is underlined and deleted text is struck through.

**Scope**

2. An entity that prepares and presents financial statements shall apply this Standard in accounting for the impairment of cash-generating assets, except for:
- (a) ...
  - (j) Biological assets related to agricultural activity within the scope of PBE IPSAS 27 *Agriculture* that are measured at fair value less costs to sell (~~see PBE IPSAS 27 *Agriculture*~~);

**Effective Date**

...

**127.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 2. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

## PBE IPSAS 32 *Service Concession Arrangements: Grantor*

Paragraphs 13, 32, 33 and AG35 are amended. Paragraphs 35A, 35B and 37.3 are added. New text is underlined and deleted text is struck through.

### Recognition and Measurement of a Service Concession Asset (see paragraphs AG5–AG35)

...

13. ~~After initial recognition or reclassification, service concession assets shall be accounted for as a separate class of assets in~~ accordance with PBE IPSAS 17 or PBE IPSAS 31, as appropriate.

### Presentation and Disclosure (see paragraphs AG65–AG67)

...

32. All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. A grantor shall disclose the following information in respect of service concession arrangements in each reporting period:

...

- (c) The nature and extent (e.g., quantity, time period, or amount, as appropriate) of:
- (i) Rights to use specified assets;
  - (ii) Rights to expect the operator to provide specified services in relation to the service concession arrangement;
  - (iii) The carrying amount of service concession assets recognised as assets at during the end of the reporting period, including existing assets of the grantor reclassified as service concession assets;

...

33. The disclosures required in accordance with paragraph 32 are provided individually for each material service concession arrangement or in aggregate for ~~each class of service concession arrangements. A class is a grouping of~~ service concession arrangements involving services of a similar nature (e.g., toll collections, telecommunications or water treatment services). This disclosure ~~by class of service concession asset~~ is in addition to the disclosures required in PBE IPSAS 17 and/or PBE IPSAS 31 that required in paragraph 13 by class of assets. Service concession assets within service concession arrangements of a similar nature that are reported in aggregate may form a subset of a class of assets disclosed in accordance with PBE IPSAS 17 and/or PBE IPSAS 31 or may be included in more than one class of assets disclosed in accordance with PBE IPSAS 17 and/or PBE IPSAS 31. For example, for the purposes of PBE IPSAS 17 paragraph 13 a toll bridge may be grouped with included in the same class as other bridges. For the purposes of this paragraph, the toll bridge may be grouped with included with service concession arrangements reported in aggregate as toll roads.

...

### Transitional Provisions

34–~~35.6~~ [Not used]

35A. Paragraphs 13, 32, 33 and AG35 were amended by 2016 Omnibus Amendments to PBE Standards issued in January 2017. An entity that has previously applied PBE IPSAS 32 shall reassess the classification of service concession assets in accordance with paragraph 13. The entity shall present service concession assets in the revised classification retrospectively in accordance with PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors.

35B. Where service concessions assets are reclassified in accordance with paragraph 35A, an entity shall account for the service concession assets as follows:

- (a) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall continue to apply the cost model, the entity shall carry forward the cost of

the service concession assets, along with any accumulated depreciation or amortisation and any accumulated impairment losses.

- (b) If the service concession assets have previously been measured using the cost model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall either:
- (i) Revalue the service concession assets; or
  - (ii) Subject to the requirements in PBE IPSAS 3 dealing with changes in accounting policies, retrospectively apply the cost model to the remaining assets in the class of asset to which those service concession assets have been reclassified. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the assets as the deemed cost.
- (c) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the cost model, the entity shall either:
- (i) Retrospectively apply the cost model to the service concession assets. Where information regarding the cost of the assets is not available, the entity may use the carrying amount of the service concession assets as the deemed cost; or
  - (ii) Subject to the requirements in PBE IPSAS 3 dealing with changes in accounting policies, revalue the remaining assets in the class of asset to which those service concession assets have been reclassified.
- (d) If the service concession assets have previously been measured using the revaluation model, and the class of assets to which those service concession assets have been reclassified is measured using the revaluation model, the entity shall adjust the revaluation surplus in respect of each class of asset. Where previous revaluation decreases have been recognised in respect of either a service concession asset or one or more assets in the class to which the service concession asset is transferred, the entity shall consider whether transfers between revaluation surplus and accumulated comprehensive revenue and expense are required.

36. [Not used]

## Effective Date

...

**37.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraphs 13, 32, 33 and AG35 and added paragraphs 35A and 35B. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.**

...

## Application Guidance

*This Appendix is an integral part of PBE IPSAS 32.*

### *Subsequent Measurement*

AG35. After initial recognition, a grantor applies PBE IPSAS 17 and PBE IPSAS 31 to the subsequent measurement and derecognition of a service concession asset. ~~For the purposes of applying PBE IPSAS 17 and PBE IPSAS 31, service concession assets should be treated as a separate class of assets.~~ PBE IPSAS 21 and PBE IPSAS 26 are also applied in considering whether there is any indication that a service concession asset is impaired. These requirements in these Standards are applied to all assets recognised or classified as service concession assets in accordance with this Standard.

## **Basis for Conclusions on PBE IPSAS 32**

*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 32.*

Paragraph BC6 and its related heading are added. New text is underlined.

### **2016 Omnibus Amendments to PBE Standards**

**BC6.** In *Improvements to IPSASs 2015*, the IPSASB amended IPSAS 32 to eliminate the possibility that dissimilar assets might be accounted for as a class of assets under the requirements of IPSAS 32, IPSAS 17 and IPSAS 31. The NZASB incorporated these amendments into PBE IPSAS 32 as part of the *2016 Omnibus Amendments to PBE Standards*.



## Part E: Amendments Arising from IASB Amendments

### PBE IAS 12 *Income Taxes*

Paragraph 29 is amended and paragraphs 27A, 29A and 98.3 are added. An example is also added following paragraph 26. New text is underlined. Paragraphs 24, 26(d), 27 and 28 have not been amended but are included for ease of reference.

#### Deductible Temporary Differences

24. **A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:**

- (a) **Is not a business combination; and**
- (b) **At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).**

**However, for deductible temporary differences associated with investments in controlled entities, branches and associates, and interests in joint ventures, a deferred tax asset shall be recognised in accordance with paragraph 44.**

...

26. The following are examples of deductible temporary differences that result in deferred tax assets:

- (a) ...
- (d) Certain assets may be carried at fair value, or may be revalued, without an equivalent adjustment being made for tax purposes (see paragraph 20). A deductible temporary difference arises if the tax base of the asset exceeds its carrying amount.

#### **Example illustrating paragraph 26(d)**

Identification of a deductible temporary difference at the end of Year 2:

Entity A purchases for CU1,000, at the beginning of Year 1, a debt instrument with a nominal value of CU1,000 payable on maturity in 5 years with an interest rate of 2% payable at the end of each year. The effective interest rate is 2%. The debt instrument is measured at fair value.

At the end of Year 2, the fair value of the debt instrument has decreased to CU918 as a result of an increase in market interest rates to 5%. It is probable that Entity A will collect all the contractual cash flows if it continues to hold the debt instrument.

Any gains (losses) on the debt instrument are taxable (deductible) only when realised. The gains (losses) arising on the sale or maturity of the debt instrument are calculated for tax purposes as the difference between the amount collected and the original cost of the debt instrument.

Accordingly, the tax base of the debt instrument is its original cost.

The difference between the carrying amount of the debt instrument in Entity A's statement of financial position of CU918 and its tax base of CU1,000 gives rise to a deductible temporary difference of CU82 at the end of Year 2 (see paragraphs 20 and 26(d)), irrespective of whether Entity A expects to recover the carrying amount of the debt instrument by sale or by use, ie by holding it and collecting contractual cash flows, or a combination of both.

**Example illustrating paragraph 26(d)**

*This is because deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods, when the carrying amount of the asset or liability is recovered or settled (see paragraph 5). Entity A obtains a deduction equivalent to the tax base of the asset of CU1,000 in determining taxable profit (tax loss) either on sale or on maturity.*

27. The reversal of deductible temporary differences results in deductions in determining taxable profits of future periods. However, economic benefits in the form of reductions in tax payments will flow to the entity only if it earns sufficient taxable profits against which the deductions can be offset. Therefore, an entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.
- 27A. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.
28. It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:
- (a) In the same period as the expected reversal of the deductible temporary difference; or
  - (b) In periods into which a tax loss arising from the deferred tax asset can be carried back or forward.
- In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.
29. When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that:
- (a) It is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). In evaluating whether it will have sufficient taxable profit in future periods, an entity:
    - (i) Compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.
    - (ii) Ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from these deductible temporary differences will itself require future taxable profit in order to be utilised.
- 29A. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount. This may be the case, for example, when an entity expects to hold a fixed-rate debt instrument and collect the contractual cash flows.

...

## Effective Date

...

98.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 29 and added paragraphs 27A, 29A and the example following paragraph 26. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments retrospectively in accordance with PBE IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors. However, on initial application of the amendment, the change in the opening net assets/equity of the earliest comparative period may be recognised in opening accumulated comprehensive revenue and expense (or in another component of net assets/equity, as appropriate), without allocating the change between opening accumulated comprehensive revenue and expense and other components of net assets/equity. If an entity applies this relief, it shall disclose that fact.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IAS 12.*

Paragraph BC4 and its related heading are added. New text is underlined.

### 2016 Omnibus Amendments to PBE Standards

BC4. 2016 Omnibus Amendments to PBE Standards amended PBE IAS 12 by clarifying how to account for deferred tax assets related to debt instruments measured at fair value. These amendments were equivalent to the amendments set out in *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)* issued by the IASB in January 2016. The NZASB considered that these amendments would improve clarity in the PBE Standards and should be incorporated into PBE IAS 12.

## **PBE IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Paragraph 33 is amended and paragraph 44.3 is added. New text is underlined and deleted text is struck through.

### **Presenting Discontinued Operations**

...

33. An entity shall disclose:

- (a) A single amount in the statement of comprehensive income comprising the total of:
  - (i) The post-tax profit or loss of discontinued operations; and
  - (ii) The post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
- \* (b) An analysis of the single amount in (a) into:
  - (i) The revenue, expenses and pre-tax profit or loss of discontinued operations;
  - (ii) The related income tax expense as required by paragraph 81(h) of PBE IAS 12.; ~~and~~
  - (iii) The gain or loss recognised on the measurement of fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.; ~~and~~
  - (iv) The related income tax expense as required by paragraph 81(h) of PBE IAS 12.

The analysis....

...

## Effective Date

...

44.3 2016 Omnibus Amendments to PBE Standards, issued in January 2017, amended paragraph 33. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted.

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, PBE IFRS 5.*

Paragraph BC8 and its related heading are added. New text is underlined.

### **2016 Omnibus Amendments to PBE Standards**

BC8. 2016 Omnibus Amendments to PBE Standards amended PBE IFRS 5 by adding paragraph 33(b)(iv). This amendment is equivalent to the amendment set out in the IASB's editorial corrections to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in September 2014. The amendment reinstates the original requirement in paragraph 33(b)(iv) which had been deleted because it appeared to be a duplicate requirement.

## Part F: Editorial Corrections

The following editorial corrections have been identified by the NZASB.

New text is underlined and deleted text is struck through.

Standard	Paragraph	Amendment
All PBE Standards based on IPSASs	Rubric	Amend the rubrics so that they consistently refer to both the NZASB's Basis for Conclusions and the Basis for Conclusions on the underlying international standard (where one exists).  Amend the rubrics by adding a reference to the <i>Public Benefit Entities' Conceptual Framework</i> .
PBE IPSAS 2 <i>Cash Flow Statements</i>	51	...The cash flow effects of disposals are not deducted from those <u>of</u> acquisitions.
PBE IPSAS 13 <i>Leases</i>	40(a)	For each class of assets...
	B7	Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination, shall be accounted for under this Standard, PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i> or PBE IFRS 4 <i>Insurance Contracts</i> .
	Title of appendix B	Application Guidance <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
PBE IPSAS 23 <i>Revenue from Non-Exchange Transactions</i>	40	Paragraph <del>117</del> <u>of PBE IPSAS 9</u> , defines exchange transactions and non-exchange transactions, and paragraph 10 <u>of this Standard</u> notes that a transaction may include two components, an exchange component and a non-exchange component.
	68(c)	Valuing non-monetary assets...[hyphen added]
PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i>	C1	...When translating the results and financial position of a foreign operation into a presentation currency, the entity is required to recognise foreign exchange differences <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del> until it disposes of the foreign operation.
	C3	...If there is a designated hedging relationship, in the case of a net investment hedge, the gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment is recognised <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del> and is included with the foreign exchange differences arising on translation of the results and financial position of the foreign operation.
	C5(c)	How an entity should determine what amount of the gain or loss recognised in net assets/equity should be recognised directly in surplus or deficit for both the hedging instrument and the hedged item as PBE IPSAS 4 and PBE IPSAS 29 require cumulative amounts recognised <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del> relating to both the foreign exchange differences arising on translation of the results and financial position of the foreign operation and the gain or loss on the hedging instrument that is determined to be an effective hedge of the net investment to be recognised directly when the controlling entity disposes of the foreign operation...

Standard	Paragraph	Amendment
	C11	<p>...Depending on where the hedging instrument is held, in the absence of hedge accounting the total change in value might be recognised in surplus or deficit, <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del>, or both. However, the assessment of effectiveness is not affected by whether the change in value of the hedging instrument is recognised in surplus or deficit or <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del>. As part of the application of hedge accounting, the total effective portion of the change is included <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del>...</p>
	C20	<p>In the absence of hedge accounting, the total USD/EUR foreign exchange difference on the US\$300 million external borrowing in Controlled Entity A would be recognised in Controlling Entity D's consolidated financial statements as follows:</p> <ul style="list-style-type: none"> <li>• ...</li> <li>• JPY/EUR spot foreign exchange rate change <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del>.</li> </ul> <p>...In this case, the total USD/EUR foreign exchange difference on the US\$300 million external borrowing in Entity A would instead be recognised in Controlled Entity D's consolidated financial statements as follows:</p> <ul style="list-style-type: none"> <li>• ...</li> <li>• JPY/EUR spot foreign exchange rate change <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del>.</li> </ul>
	C22	<p>As noted in paragraph C20, the total change in value in respect of foreign exchange risk of the US\$300 million external borrowing in Controlled Entity A would be recorded in both surplus or deficit (USD/JPY spot risk) and <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del> (EUR/JPY spot risk) in Controlling Entity D's consolidated financial statements in the absence of hedge accounting...</p>
	C23(a)	<p>...</p> <p>In respect of the US\$300 million external borrowing of Controlled Entity A, the amount that PBE IPSAS 29 requires to be identified, i.e., the total change in value in respect of foreign exchange risk that was recognised <u>in other comprehensive revenue and expense</u> <del>directly in net assets/equity</del> as the effective portion of the hedge; and</p> <p>...</p>
PBE FRS 42 <i>Prospective Financial Statements</i>	31	<p>.....</p> <p>(i) Share of the other comprehensive <u>revenue and expense</u> <del>income</del> of associates and joint ventures accounted for using the equity method; <del>and total comprehensive revenue and expense</del>; and</p> <p>(j) Total comprehensive revenue and expense.</p>

## **Part G: Effective Date**

The amendments in Part C are effective for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is not permitted.

The amendments in Part D, except for the amendments to PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 27 *Agriculture* for bearer plants, are effective for annual financial statements covering periods beginning on or after 1 January 2017. The amendments in Part D to PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 27 *Agriculture* for bearer plants are effective for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted for all amendments in Part D.

The amendments in Part E are effective for annual financial statements covering periods beginning on or after 1 January 2017. Earlier application is permitted.