



**EXTERNAL REPORTING BOARD**

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*Te Kāwai Ārahi Pūrongo Mōwaho*

## **Statement of Intent**

**For the period**

**1 July 2012 to 30 June 2015**

May 2012

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External Reporting Board  
PO Box 11250  
Manners St Central, Wellington 6142  
New Zealand  
<http://www.xrb.govt.nz>

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## Statement of Responsibility

This Statement of Intent has been prepared in accordance with the requirements of sections 138-149 of the Crown Entities Act 2004. The purpose of the Statement of Intent is to promote the public accountability of the External Reporting Board (XRB) by:

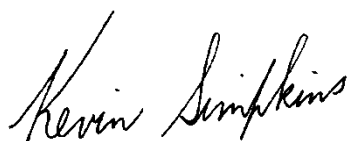
- enabling the Crown to participate in the process of setting the XRB's medium term intentions and undertakings;
- setting out for the House of Representatives those intentions and undertakings; and
- providing a base against which the XRB's actual performance can be assessed.

The Board is responsible for the content of this Statement of Intent, including the forecast financial statements and the assumptions on which they are based, the statement of forecast service performance, and for the judgements used in them.

The forecast financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand.

As the XRB is an Independent Crown Entity, the Minister may not direct the XRB to have regard to, or give effect to, a government policy relating to the XRB's standard setting functions and as a result no such matters are included in this Statement of Intent.

In accordance with section 145 of the Crown Entities Act 2004, the XRB has consulted with the Minister of Commerce in the preparation of this statement.



**Kevin Simpkins**  
Chairman

16 May 2012



**Graeme Mitchell**  
Board Member

16 May 2012



# Part 1: Introduction

## 1.1 Overview of the XRB

The External Reporting Board (XRB) is an Independent Crown Entity established under the Financial Reporting Act 1993 and subject to the Crown Entities Act 2004.

The XRB came into existence on 1 July 2011 when amendments to the Financial Reporting Act 1993 came into force. The XRB was reconstituted from the Accounting Standards Review Board.

The functions of the XRB are prescribed by the Financial Reporting Act 1993 and comprise:

- developing and implementing an overall strategy for financial reporting standards and auditing and assurance standards (including developing and implementing tiers of financial reporting and assurance);
- preparing and issuing accounting standards;
- preparing and issuing auditing and assurance standards, including the professional and ethical standards that will govern the professional conduct of auditors; and
- liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The Board itself comprises nine members appointed by the Governor General on the recommendation of the responsible Minister. Information about the current members of the XRB can be found at [www.xrb.govt.nz](http://www.xrb.govt.nz).

The Board has established two standard setting boards<sup>1</sup>, one that has responsibility for accounting standard setting (the New Zealand Accounting Standards Board) and the other with responsibility for auditing and assurance standard setting (the New Zealand Auditing and Assurance Standards Board). This structure is designed to not only ensure that the technical resources are available and that standard setting is undertaken in accordance with best practice, but also to enhance functional equivalence with Australia. These part-time, remunerated standards boards are appointed by the XRB Board, and comprise up to ten suitably qualified and experienced persons with a diversity of perspective. Information about the current members of the standard setting boards can be found at [www.xrb.govt.nz](http://www.xrb.govt.nz).

The XRB Board itself is responsible for general governance of the organisation, overall financial reporting strategy, standards strategy, and oversight of the standard setting boards.

A staff team based in Wellington and Auckland provides technical and logistical support to the three Boards.

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<sup>1</sup> In terms of the Crown Entities Act 2004, these are Committees of the Board.

## 1.2 Strategic Context

In the period since early 2009, the XRB and its predecessor the Accounting Standards Review Board has been developing a new Accounting Standards Framework. This involved an extensive consultation process and culminated in the preparation of a document entitled "*Proposals for the New Zealand Accounting Standards Framework*". In accordance with the requirements of the Financial Reporting Act 1993, this document was submitted to, and approved by, the Minister of Commerce in April 2012. The approved document is available at [www.xrb.govt.nz](http://www.xrb.govt.nz).

The new Accounting Standards Framework consists of a two-sector, four-tier structure with different accounting standards applying to each tier. The accounting standards for the for-profit sector will continue to be based on International Financial Reporting Standards (IFRS). The accounting standards for the public benefit entity sector will be called PBE Accounting Standards and, for larger entities, will be based on International Public Sector Accounting Standards (IPSAS) modified as appropriate for public sector and not-for-profit entities in New Zealand. Simple Format Reporting Standards will be developed for application by smaller public benefit entities.

The activities of the XRB during the period covered by this Statement of Intent will be heavily influenced by the implementation of the new Accounting Standards Framework.

The second key strategic driver will be the enhancement of auditing and assurance standards. The XRB assumed responsibility for setting auditing and assurance standards from 1 July 2011. A key strategic priority is to further develop the inherited suite of standards so that they are converged with international standards, and harmonised with Australian auditing and assurance standards. Work began on this in the 2011-12 financial year and will continue through the period covered by the Statement of Intent.



## Part 2: Medium Term Strategic Focus 2012-2015

### 2.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's strategic focus for the three year period 1 July 2012 to 30 June 2015. It contains key background information about the XRB, its outcomes and how it contributes to the Government's goals, how it intends to achieve those outcomes, and the environment in which it operates.

### 2.2 Outcome Goals

#### *Outcome Goal Specification and Rationale*

The Government has established the following as its priorities for the period covered by this Statement of Intent:

- *Responsibly managing the Government's finances;*
- *Building a more competitive and productive economy;*
- *Delivering better public services within tight financial constraints;*  
*and*
- *Rebuilding Christchurch.*

The activities of the XRB are related to the Government's objective to *build a more competitive and productive economy*. This is the overarching outcome goal.

A precondition for a competitive and productive economy is effective public accountability and good corporate governance. This applies in all sectors (for-profit, public sector and not-for-profit) and in this sense public accountability and good corporate governance needs to be viewed in a wide multi-sectoral context rather than in just a commercial context.

Good corporate governance requires, among other things, systems and processes that encourage the management of entities to behave in ways that are fully consistent with the interests of shareholders and other stakeholders. To that end, the purpose of financial reports is to promote the accountability of the management of an entity to those who own it, either directly (e.g. shareholders in the case of companies or members in the case of not-for-profit entities) or indirectly (e.g. taxpayers in the case of government entities). There is often accountability to a wider range of stakeholders as well, for example debt security holders in the case of issuers of securities, service recipients in the case of public sector entities, and donors in the case of charities.

High quality financial reporting (incorporating both financial and, where relevant, non-financial elements) that informs the decision-making of stakeholders is therefore important to achieving effective public accountability and good corporate governance, and through them building a more competitive and productive economy. To achieve this, financial reporting needs to be of a quality that engenders stakeholder confidence in the information received; assists entities to compete (particularly internationally, for example by reducing the cost of funds through the use of generally recognised accounting approaches); and enhances accountability (through the transparency provided).

High quality financial reporting can only be achieved if the rules on which it is based (accounting standards) are reliable and based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users; and the assurance provided on that information is similarly based on standards that require robust and independent examination by assurance providers. In other words, a necessary condition for high quality financial reporting is high quality accounting and assurance standards. It is through the issuing of such standards that the XRB contributes to the Government’s outcome goals.

Accordingly, the XRB’s outcome goal for the three-year period is:

*The establishment of accounting and assurance standards that:*

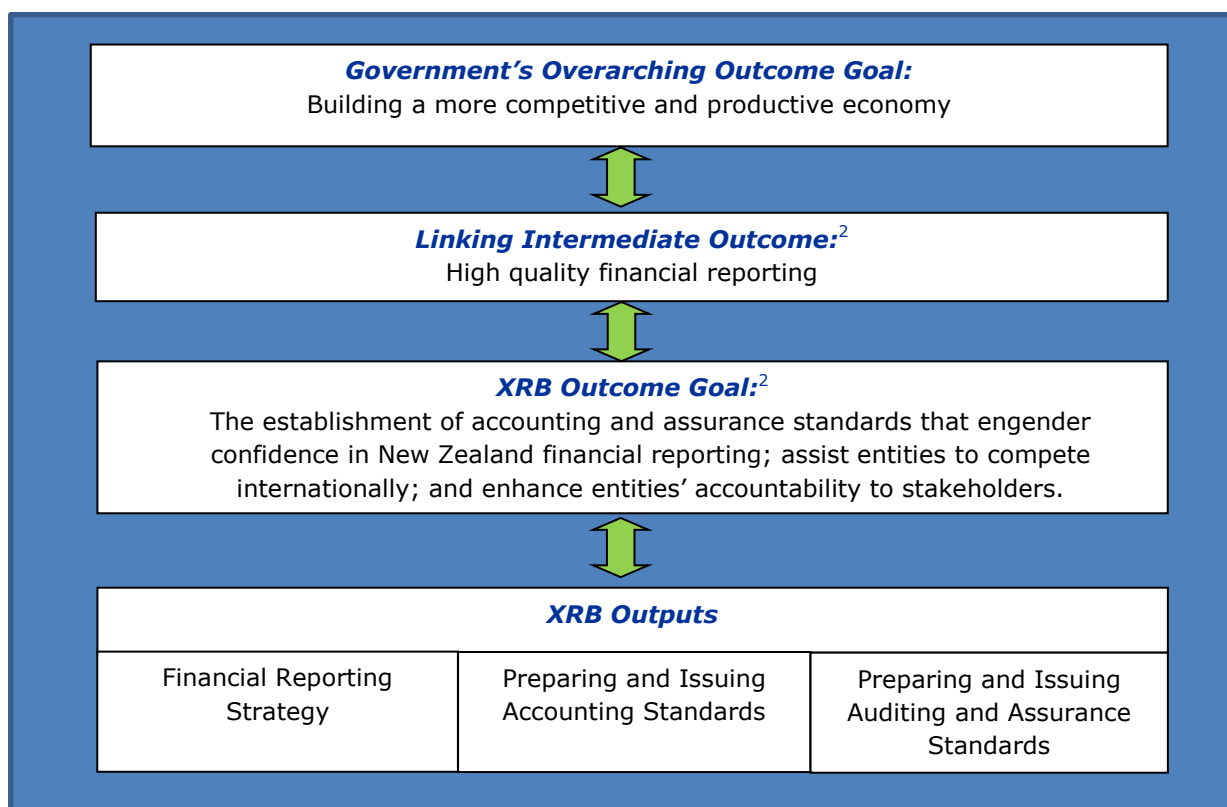
- *engender confidence in New Zealand financial reporting;*
- *assist entities to compete internationally; and*
- *enhance entities’ accountability to stakeholders.*

The XRB intends to impact its outcome goal over the three-year period through the delivery of three outputs:

- financial reporting strategy;
- preparing and issuing accounting standards; and
- preparing and issuing auditing and assurance standards.

This outcome/output framework is illustrated in Figure 1.

**Figure 1: XRB Outcome/Output Performance Framework**



<sup>2</sup> In terms of the requirements of section 141 of the Crown Entities Act, the intermediate outcome is the XRB’s “outcome” and the XRB outcome goal is the XRB’s “impact”.

## *Measuring and Monitoring Outcomes*

A large number of factors influence the achievement of the Government's Overarching Outcome Goal, the Linking Intermediate Outcome and the XRB Outcome Goal. Many of these are outside the control or influence of the XRB. Accordingly, the XRB has not sought to establish the specific causal link between these outcomes, or to establish measures, targets and benchmark information for them. The XRB considers the relationship between the Overarching Outcome Goal, the Intermediate Outcome and the XRB Outcome Goal is clear, as is the nature of its contribution to these outcomes through the issuing of standards.

In the XRB's view the cost of developing detailed outcome and impact performance measures would outweigh the accountability value of such information. Further such information would likely give a false indication of the degree of influence the XRB has over these outcomes.

However, the XRB is concerned with positively influencing the outcomes and significant focus and effort is applied to achieving this. This includes monitoring likely outcome contribution through cost effective means. Accordingly, during the period covered by this Statement of Intent the XRB will continue its practice of monitoring the state of financial reporting through information available through such bodies as the Companies Office, the Financial Markets Authority (FMA) and the Office of the Auditor-General, as well as information in the public domain. This monitoring, which includes the monitoring of qualified audit opinions referred to the Registrar of Companies, is designed to allow the XRB to assess in a general way the extent to which the strategies adopted and the standards issued by the XRB are consistent with the XRB's Outcome Goal.

## **2.3 Operating Intentions**

### *XRB's Outputs*

The XRB intends to deliver three outputs during the 2012-15 period:

*Output 1: Financial Reporting Strategy;*

*Output 2: Preparing and Issuing Accounting Standards; and*

*Output 3: Preparing and Issuing Auditing and Assurance Standards.*

A specification of these outputs for the 2012-13 year is provided in Appendix 1.

These outputs reflect three of the XRB's statutory responsibilities. The fourth responsibility (liaising with kindred national and international organisations) is undertaken as a core part of delivering these outputs.

A number of factors will influence the delivery of these outputs during the 2012-15 period. These are outlined below.

### *Implementation of the new Accounting Standards Framework*

The statutory obligation to implement the approved new Accounting Standards Framework is likely to dominate work undertaken as part of Output 1 and Output 2 during the majority of the three-year period. In order to implement the new Accounting

Standards Framework it is necessary to develop, consult and finalise several new sets of accounting standards and amend existing standards. This work began in the 2011-12 financial year and is expected to continue in the 2012-13 and 2013-14 financial years.

At the overall strategy level (Output 1) the XRB's focus will be on monitoring whether the new Accounting Standards Framework is achieving the desired result: ensuring that the specific needs of New Zealand users and entities in all sectors are met. If necessary, consideration will be given to "tweaking" the Accounting Standards Framework and seeking the Minister's approval accordingly.

### *Enhancement of Auditing and Assurance Standards*

In relation to auditing and assurance standards, the work to converge these standards with international standards and to harmonise them with Australian auditing and assurance standards will be a major aspect of the work undertaken as part of Output 3.

### *Adopting International Standards*

Under the new Accounting Standards Framework, the accounting standards for for-profit entities will continue to be based on IFRS. The adoption of IFRS by New Zealand for-profit reporting entities results in considerable benefits from improved comparability of financial statements, and removal of the need for interested parties and providers of capital to have to translate the New Zealand financial information into the more universally understood accounting practices adopted by New Zealand's major trading partners. Benefits also accrue in relation to the New Zealand subsidiaries of multinational organisations based in Australia and the European Union, as the IFRS based financial information prepared here can be incorporated directly into their IFRS based group reporting, without translation and amendment. The XRB is keen to ensure that the integrity of the IFRS 'brand' is not prejudiced by any actions in New Zealand which could be construed as departing from the internationally agreed agenda of seeking one set of high quality standards for for-profit entities across the world.

IFRS is developed by the International Accounting Standards Board (IASB) and the XRB's work undertaken as part of Output 2 will therefore be significantly influenced by the standards issued by the IASB. It is expected that there will be several new IFRS and amendments to existing IFRS (and/or Interpretations) from the IASB in the three years to 30 June 2015.

The accounting standards for public benefit entities will be based on International Public Sector Accounting Standards (IPSAS), modified as appropriate for New Zealand circumstances.

Output 2 will also be significantly influenced by the output of the International Public Sector Accounting Standards Board (IPSASB) which issues IPSAS. As the PBE Accounting Standards are based on IPSAS any standards issued or amended by the IPSASB will need to be reflected in the PBE Accounting Standards. It is expected that IPSASB will issue a number of such standards as well as a conceptual framework during the period covered by this Statement of Intent.

Similarly, the XRB's assurance standards work programme will be significantly influenced by the work of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). These two Boards

issue standards which are the basis for the New Zealand auditing and assurance standards.

The adoption of international standards as the basis for New Zealand standards reflects the XRB's view that this is in New Zealand's best interests given the globalised financial reporting environment that now exists. International events and pressures are reflected in the work of the international standard setting boards and, where appropriate, in the standards issued by those boards. In this way New Zealand standards are reflective of the international environment.

### *Harmonisation with Australia*

Another important factor influencing the work undertaken as part of the outputs is harmonisation with Australia. The Board considers harmonisation a particularly important factor in establishing accounting standards and auditing and assurance standards for for-profit entities, given both Government policy<sup>3</sup> and the number of for-profit entities with trans-Tasman reporting obligations. The XRB will therefore continue to work closely with Australian counterparts as appropriate over the three-year period.

### *Due Process and Stakeholder Communications*

The XRB has a statutory obligation to consult with the constituency before issuing accounting or auditing and assurance standards. The Board is fully committed to following appropriate due process and considers this an essential part of the standard setting process. It has established specific and deliberate consultation processes and these are a major factor in the way in which the XRB produces its outputs.

The Board plans to continue to develop both communication mechanisms and relationships with all of its key stakeholder groups over the three-year period, so that it can progress the advancement of New Zealand's financial reporting in a timely, efficient and objective manner. This includes the establishment of an External Reporting Advisory Panel (XRAP) as well as various formal and informal consultation and engagement processes.

Inherent in this consultation and engagement approach is the recognition that the XRB will discharge its own accountabilities to the Crown, and remain open to, and proactive in, its communication with affected groups such as preparers and users of financial statements as well as the New Zealand accounting profession, including the New Zealand Institute of Chartered Accountants and other professional accounting bodies operating in New Zealand.

## **2.4 Organisational Health and Capability**

The 2011-12 financial year was the first year of the XRB's operation. A key strategic focus during that year was the establishment of the organisation and ensuring that it was fulfilling its statutory functions effectively and efficiently.

The Board's strategic objective is now to ensure that the organisation is operating in a focused steady-state mode.

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<sup>3</sup> The Single Economic Market Outcomes Framework agreed by the New Zealand and Australian Governments in August 2009 includes a specific section on financial reporting.

A key issue continues to be staffing, which is the XRB's key resource. Standard setters throughout the world find recruiting suitably qualified and experienced personnel challenging, and the situation is no different in New Zealand. The XRB will continue to address staffing issues during the period covered by this Statement of Intent. It will also ensure that an on-going staff development programme is operating effectively.

The XRB's physical resources (premises, furniture and equipment etc.) have all been acquired over the last 12 months as the organisation has been established. The Board does not envisage any significant capital expenditure over the 2012-15 period.

The XRB will continue to operate appropriate risk management strategies.

## Part 3: Forecast 2012-13 Annual Performance

### 3.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's projected (forecast) financial and non-financial performance for the twelve months ended 30 June 2013.

### 3.2 Outcome Goal

The XRB's outcome goal for the year is:

*The establishment of accounting and assurance standards that engender confidence in New Zealand financial reporting; assist entities to compete internationally; and enhance entities' accountability to stakeholders.*

### 3.3 Outputs and Measures

The XRB's outputs for the year are:

*Output 1: Financial Reporting Strategy;*

*Output 2: Preparing and Issuing Accounting Standards; and*

*Output 3: Preparing and Issuing Auditing and Assurance Standards.*

Measures and standards for each of these outputs are provided in the Statement of Forecast Service Performance in Appendix 1.

### 3.4 Scope of Business

The XRB's scope of business for the year is:

*Accounting and assurance standard setting, and associated strategy setting functions.*

### 3.5 Financial Targets

The XRB's financial targets for the year are:

Financial Measure	2012-13 Forecast (\$000)
Revenue	4,453
Expenses	4,410
Operating Surplus	43
Equity	778
Net Cash Flows from Operating	275
Net Increase in Cash	-410

Forecast financial statements, including the assumptions on which they are based, are provided in Appendix 2.

### 3.6 Organisational Capability

The XRB's key capability initiatives for the year are:

- Establishing and retaining a near full complement of suitably qualified staff; and
- Maintaining full operational capability in the Wellington and Auckland offices.

### 3.7 Management of Organisational Risks

The XRB's key risk management initiatives planned for the year are:

<b>Risk</b>	<b>2012-13 Action</b>
Loss of property and equipment	Insurance of property, plant and equipment
Loss of key staff	Cross training
Loss of key data and records	Offsite backup



## **Part 4: Other Matters**

### **4.1 Reporting to the Responsible Minister**

There is a formal Output Agreement between the XRB and the Responsible Minister which is negotiated annually. This agreement sets out the expectations of the Minister in terms of the specific outputs to be delivered (in accordance with Part 3 of this SOI) and also requires two formal reports, at the half year and year end.

In addition, at appropriate intervals during the year the XRB will meet with the Minister or his advisors to discuss matters concerning progress toward achieving the XRB's projected performance for the year, and also any other matters which may be relevant to the environment in which both the Minister and the XRB operate.

The XRB also recognises that from time to time it might be appropriate for it to make a formal submission on a proposed piece of legislation. The XRB understands that, should it be invited to, or wish to, make a submission to a Select Committee on any matter, it will alert the Minister to this first.

The Board will at all times endeavour to maintain a "no surprises" policy with the Minister, and inform him and/or his advisors well in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest.

### **4.2 Consultations with the Responsible Minister**

As an Independent Crown Entity the XRB is not required to consult with the Responsible Minister over standard setting matters.

However, there are two matters where the Minister's approval is required by statute. These are approval of the tier framework; and approval of the issuing of auditing and assurance standards other than for statutory assurance.

In April 2012, the Minister approved the new Tier Strategy as part of a new Accounting Standards Framework in accordance with the requirements of the Financial Reporting Act 1993. It is possible that the XRB will seek the Minister's approval to amendments to that Tier Strategy during the period covered by this Statement of Intent.

During the 2011-12 financial year the XRB obtained the approval of the Minister to issue auditing and assurance standards other than for statutory assurance. Given this, the Board does not expect to need to seek the Minister's approval in relation to this matter during the period covered by this Statement of Intent.

The XRB will consult the Minister in the course of preparing the annual Statement of Intent each year, and in relation to any other matters on which the XRB is required by legislation to consult the Minister.

### **4.3 Process to be followed for Acquisitions**

The XRB does not expect to acquire shares or interests in companies, trusts or partnerships or joint ventures during the three-year period. No process is therefore required to be specified in accordance with section 100 of the Crown Entities Act 2004.

## 4.4 Exemptions

The XRB does not have any outputs that are exempted from inclusion in the SOI pursuant to section 143 of the Crown Entities Act 2004.

## Appendix 1 - Statement of Forecast Service Performance for the year ended 30 June 2013

Output Class	2011/12 Estimate	2012/13 Forecast
<b>Description</b>		
Financial reporting and assurance standard setting and associated strategy setting functions	All activities are within this description	All activities are within this description
<b>Cost (\$000)</b>	3,772	4,410
<b>Revenue from the Crown (\$000)</b>	4,410	4,410
<b>Revenue from Others (\$000)</b>	39	43

<b>Output 1: Financial Reporting Strategy</b>	<b>2011/12 Estimate</b>	<b>2012/13 Forecast</b>
<b>Quantity</b>		
Finalised financial reporting framework	1 issued	Measure not used in this year
Finalised reporting tiers structure	1 submitted for Ministerial approval	Measure not used in this year
Number of accounting standards frameworks being implemented	Measure not used in this year	1 for-profit 1 public sector 1 not-for-profit
Number of amendments to accounting standards Tier Strategy submitted to Minister for approval	Measure not used in this year	As required; expected to be 1-2
Number of auditing and assurance standards frameworks being implemented	Measure not used in this year	1
<b>Quality</b>		
Financial reporting framework is consistent with the Government's trans-Tasman outcome goals	100% consistent	Measure not used in this year
Tier structure is established in accordance with statutory requirements	100% consistent	Measure not used in this year
Accounting standards frameworks implemented in accordance with approved Tier Strategy	Measure not used in this year	100% compliance
Amendments to Tier Strategy consistent with statutory requirements and consistent with the Government's trans-Tasman outcome goals (degree of consistency determined by XRB Board)	Measure not used in this year	100% consistent
<b>Timeliness</b>		
Financial reporting framework	22 March 2012	Measure not used in this year
Tier structure	22 March 2012	Measure not used in this year
Implementation of standards frameworks	Measure not used in this year	On-going throughout the year
Amendments to Tier Strategy	Measure not used in this year	As required

<b>Output 2: Preparing and Issuing Accounting Standards</b>	<b>2011/12 Estimate</b>	<b>2012/13 Forecast</b>
<b>Quantity</b>		
Number of exposure drafts and other due process documents issued relating to implementing the new accounting standards frameworks	Measure not used in this year	30-40
Number of standards and related documents issued relating to implementing the new accounting standards frameworks	Measure not used in this year	100-120
Number of exposure drafts and other due process documents relating to existing accounting standards suites issued	Measure not used in this year	8-12 (depending on output of International Boards)
Number of standards and related documents relating to existing accounting standards suites issued	10	3-6 (depending on output of International Boards)
Number of projects undertaken on behalf of international accounting standard setters	Measure not used in this year	1
<b>Quality</b>		
Due process documents and Standards reflect approved Tier Strategy (degree of compliance determined by NZASB)	Measure not used in this year	100% compliance
Statutory due process requirements followed	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZASB)	100% compliance	100% compliance
For-profit standards harmonised with Australia where appropriate	Measure not used in this year	100% compliance
<b>Timeliness</b>		
Due process documents and standards relating to the new accounting standards framework issued in accordance with timeline established by the Board	Measure not used in this year	100% compliance
Due process documents and Standards relating to existing accounting standards suites issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance

<b>Output 3: Preparing and Issuing Auditing and Assurance Standards</b>	<b>2011/12 Estimate</b>	<b>2012/13 Forecast</b>
<b>Quantity</b>		
Number of exposure drafts and other due process documents relating to auditing and assurance standards issued	Measure not used in this year	Expected to be 5-8 (depending on output of International Boards)
Number of initial standards issued on establishment	41	Measure not used in this year
Number of auditing and assurance standards and related documents issued	3	Expected to be 12-16 (depending on output of International Boards)
<b>Quality</b>		
Statutory due process requirements followed	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZAuASB)	100% compliance	100% compliance
Standards harmonised with Australia where appropriate	Measure not used in this year	100% compliance
<b>Timeliness</b>		
Due process documents and Standards issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance

# Appendix 2 - Forecast Financial Statements for the year ended 30 June 2013

## 1. Introduction

These forecast financial statements have been prepared in accordance with generally accepted accounting practice for public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the External Reporting Board. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material.

These forecast financial statements have been prepared on the basis of assumptions as to future events that the XRB reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated.

## 2. Assumptions

The following assumptions have been used in preparing these forecast financial statements:

- The XRB will continue to operate in its current structure and form.
- Revenue from the Crown of \$4,410,000 will be available to the XRB for the 2012/13 year.
- There will be no change to premises occupancy.

## 3. Statement of Accounting Policies

### (a) Reporting Entity

The financial statements are prepared for the External Reporting Board pursuant to the Crown Entities Act 2004.

### (b) Measurement System

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been applied.

### (c) Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised when earned and is reported in the financial period to which it relates.

### (d) Revenue from the Crown

The Board is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation.

### (e) Interest

Interest income is recognised using the effective interest method.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks

**(g) Receivables**

Receivables are stated at expected realisable value.

**(h) Goods and Services Tax**

The financial statements have been prepared on a GST exclusive basis with the exception of receivables and payables which are stated GST inclusive.

**(i) Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

**(j) Financial Instruments**

The XRB is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Income.

**(k) Property, plant and equipment**

Purchases of property, plant and equipment are initially recorded at cost. Depreciation is calculated so as to write off the cost over the expected useful lives of the assets.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may overstate fair value.

**(l) Operating Leases**

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the Statement of Comprehensive Income in equal instalments over the lease term when the leased items are in use.

**(m) Income Tax**

The Board is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

**(n) Changes in Accounting Policies**

There have been no changes in accounting policies during the year.



## External Reporting Board

### Statement of Forecast Comprehensive Income For the year ending 30 June 2013

	<b>2012</b> <b>Estimated</b> \$	<b>2013</b> <b>Forecast</b> \$
Revenue from the Crown	4,410,000	4,410,000
Interest	38,529	43,105
<b>Total Revenue</b>	<b>4,448,529</b>	<b>4,453,105</b>
Personnel Costs	1,882,788	2,241,387
Board Members' Fees	583,193	726,950
Travel	362,400	451,250
General Operating Costs	382,929	412,725
Contributions to IASB and IPSASB	275,000	300,000
Premises Expenses	157,581	163,232
Depreciation	77,823	84,456
Miscellaneous Expenses	50,967	30,000
<b>Total Expenses</b>	<b>3,772,681</b>	<b>4,410,000</b>
<b>Net Surplus/ (Deficit)</b>	<b>675,848</b>	<b>43,105</b>

*The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Comprehensive Income.*

## External Reporting Board

### Statement of Forecast Financial Position As at 30 June 2013

	<b>2012</b> <b>Estimated</b> \$	<b>2013</b> <b>Forecast</b> \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash at Bank	1,325,667	915,638
Prepayments	7,014	-
	<u>1,332,681</u>	<u>915,638</u>
<b>Non-Current Assets</b>		
Property, Plant and Equipment	392,034	317,379
	<u>392,034</u>	<u>317,379</u>
<b>Total Assets</b>	<b><u>1,724,715</u></b>	<b><u>1,233,017</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	170,000	283,414
Rent Accruals	61,801	47,339
	<u>231,801</u>	<u>330,753</u>
<b>Non-Current Liabilities</b>		
Holiday Pay Accrual	81,758	123,851
	<u>81,758</u>	<u>123,851</u>
<b>Total Liabilities</b>	<b><u>313,559</u></b>	<b><u>454,604</u></b>
<b>NET ASSETS</b>	<b><u>1,411,156</u></b>	<b><u>778,413</u></b>
<b>EQUITY</b>		
Capital Contribution from the Crown	725,000	725,000
Retained Earnings	686,156	53,413
<b>TOTAL EQUITY</b>	<b><u>1,411,156</u></b>	<b><u>778,413</u></b>

*The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Financial Position.*

## External Reporting Board

### Statement of Forecast Movements in Equity For the year ending 30 June 2013

	<b>2012 Estimated \$</b>	<b>2013 Forecast \$</b>
Equity as at 1 July	835,308	1,411,156
Total Recognised Revenues and Expenses	675,848	43,105
Net return of Capital to the Crown	(100,000)	0
Return of Retained Earnings to Crown	0	(675,848)
<b>Equity as at 30 June</b>	<b>1,411,156</b>	<b>778,413</b>

*The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Movements in Equity.*

## External Reporting Board

### Statement of Forecast Cash Flows For the year ended 30 June 2013

	2012 Estimated \$	2013 Forecast \$
<b>Cash Flows from Operating Activities</b>		
Cash was provided from:		
Revenue from the Crown	4,410,000	4,410,000
Interest	38,529	43,105
	<u>4,448,529</u>	<u>4,453,105</u>
Cash was distributed to:		
Employee costs	1,810,646	2,199,294
Suppliers	1,582,666	1,678,191
Contribution to IASB and IPSASB	275,000	300,000
	<u>3,668,312</u>	<u>4,177,485</u>
<b>Net Cash Flow from: Operating Activities</b>	<b>780,217</b>	<b>275,620</b>
<b>Cash Flows from Investing Activities</b>		
Cash was distributed to:		
Purchase of Property, Plant and Equipment	71,309	9,801
	<u>71,309</u>	<u>9,801</u>
<b>Net Cash Flow from: Investing Activities</b>	<b>(71,309)</b>	<b>(9,801)</b>
<b>Cash Flows from Financing Activities</b>		
Cash was provided from:		
Capital contribution from the Crown	370,000	0
	<u>370,000</u>	<u>0</u>
Cash was distributed to:		
Return of Capital to the Crown	(470,000)	0
Return of Retained Earnings to the Crown	0	(675,848)
	<u>(470,000)</u>	<u>(675,848)</u>
<b>Net Cash Flow from: Financing Activities</b>	<b>(100,000)</b>	<b>(675,848)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>608,908</b>	<b>(410,029)</b>
Add Opening Cash Balance	716,759	1,325,667
<b>Closing Cash Balance</b>	<b><u>1,325,667</u></b>	<b><u>915,638</u></b>

*The Statement of Accounting Policies forms part of and is to be read in conjunction with the Statement of Forecast Cash Flows.*

