

APPROVED BUDGET (AMENDMENTS TO PBE IPSAS 1)

Issued May 2017

This Standard was issued on 11 May 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 8 June 2017.

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

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 remove the reference to an approved budget in PBE IPSAS 1 *Presentation of Financial Statements*.

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Part A Introduction

This Standard amends PBE IPSAS 1 *Presentation of Financial Statements* applied by Tier 1 and Tier 2 public benefit entities. The amendments remove the reference to an approved budget because this term is not normally used by New Zealand public benefit entities.

Part B

Scope

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

Amendments to PBE IPSAS 1 *Presentation of Financial Statements*

Paragraph 21 is amended and paragraph 154.8 is added. New text is underlined and deleted text is struck through. Paragraphs 24.1 and 148.1 are shown for ease of reference.

Components of Financial Statements

21. A complete set of financial statements comprises:

- (a) ...
- (e) ~~When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements~~ When a public sector entity has published general purpose prospective financial statements, the information specified in paragraph 148.1 shall be presented on the face of the financial statements or as a separate statement. When a not-for-profit entity has published general purpose prospective financial statements, the information specified in paragraph 148.1 shall be presented on the face of the financial statements, as a separate statement or in the notes;

...

24.1 Where an entity presents a comparison, in the financial statements, of prospective financial information and actual financial information, such a comparison shall be in accordance with the requirements of this Standard.

...

148.1 Where an entity has published general purpose prospective financial statements for the period of the financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variances shall be given.

Effective Date

...

154.8 *Approved Budget (Amendments to PBE IPSAS 1)*, issued in May 2017, amended paragraph 21. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted.

Basis for Conclusions

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

Paragraphs BC11–BC12 and their related heading are added. New text is underlined.

Approved Budget (Amendments to PBE IPSAS 1)

BC11. *Approved Budget (Amendments to PBE IPSAS 1)* amended PBE IPSAS 1 by removing the reference to an approved budget in paragraph 21(e). The NZASB noted that the term was causing confusion in practice. The term approved budget is defined in IPSAS 24 *Presentation of Budget Information in Financial Statements*, but IPSAS 24 has not been included in the suite of PBE Standards. The NZASB noted that although many public sector entities in New Zealand may be required to make plans or budgets publicly available, these plans or budgets are not normally referred to as an approved budget. The NZASB therefore replaced the reference to an approved budget with a reference to paragraph 148.1 which establishes requirements regarding comparisons between general purpose prospective financial

statements and historical financial statements. The NZASB also removed references to approved budget in PBE IAS 34 *Interim Financial Reporting*.

BC12. ED NZASB 2016-9 *Approved Budget* (Proposed Amendments to PBE IPSAS 1) proposed that the comparison referred to in paragraph 148.1 could be presented either on the face of the financial statements or in the notes. Although most respondents agreed with the proposals in the ED, one respondent noted that this information underpins accountability and decision making in the public sector and expressed the view that permitting presentation of this comparison in the notes would diminish the importance of this information. The NZASB acknowledged the importance of such comparisons in the public sector and agreed that, in the case of public sector entities, such comparisons should be given prominence either on the face of the financial statements or as a separate statement. In the case of not-for-profit entities, the NZASB agreed that the comparison could also be presented in the notes.

Amendments to Other Standards

Amendment to PBE IAS 34 *Interim Financial Reporting*

Paragraphs 5 and 8 are amended and paragraph 49.9 is added. New text is underlined and deleted text is struck through.

Content of an Interim Financial Report

5. PBE IPSAS 1 defines a complete set of financial statements¹ [footnote omitted] as including the following components:
- (a) A statement of financial position;
 - (b) A statement of comprehensive revenue and expense;
 - (c) A statement of changes in net assets/equity;
 - (d) A cash flow statement;
 - (e) ~~When the entity makes publicly available its approved budget for an interim period, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements~~ When a public sector entity has published general purpose prospective financial statements for an interim period, the information specified in paragraph 148.1 of PBE IPSAS 1 shall be presented on the face of the financial statements or as a separate statement. When a not-for-profit entity has published general purpose prospective financial statements for an interim period, the information specified in paragraph 148.1 of PBE IPSAS 1 shall be presented on the face of the financial statements, as a separate statement or in the notes; and
 - (f) Notes, comprising significant accounting policies and other explanatory notes; and
 - (fa) Comparative information in respect of the preceding period as specified in paragraphs 53 and 53A of PBE IPSAS 1.

...

Minimum Components of an Interim Financial Report

8. **An interim financial report shall include, at a minimum, the following components:**
- (a) **A condensed statement of financial position;**
 - (b) **A condensed statement of comprehensive revenue and expense, presented as either:**
 - (i) **A condensed single statement; or**
 - (ii) **A condensed separate statement of financial performance and a condensed statement of other comprehensive revenue and expense;**
 - (c) **A condensed statement of changes in net assets/equity;**
 - (d) **A condensed cash flow statement;**
 - (e) ~~When the entity makes publicly available its approved budget for an interim period, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements~~ When a public sector entity has published general purpose prospective financial statements for an interim period, the information specified in paragraph 148.1 of PBE IPSAS 1 shall be presented on the face of the condensed financial statements or as a separate statement. When a not-for-profit entity has published general purpose prospective financial statements for an interim period, the information specified in paragraph 148.1 of PBE IPSAS 1 shall be presented on the face of the condensed financial statements, as a separate statement or in the notes; and
 - (f) **Selected explanatory notes.**

...

Effective Date

...

49.9. *Approved Budget (Amendments to PBE IPSAS 1), issued in May 2017, amended paragraphs 5 and 8. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted.*

Part C Effective Date

This Standard is effective for annual financial statements covering periods beginning on or after 1 January 2018. Earlier application is permitted.