

EXPOSURE DRAFT NZASB 2016-X

APPROVED BUDGET (PROPOSED AMENDMENTS TO PBE IPSAS 1)

(ED NZASB 2016-X)

Invitation to Comment

November 2016

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Information for Respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the *Approved Budget* (Proposed Amendments to PBE IPSAS 1).

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues that are relevant to you.

Submissions should be sent to:

Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington 6142
New Zealand

Email: submissions@xrb.govt.nz
(please refer to *Approved Budget* in the subject line)

We would appreciate receiving a copy of your submission in electronic form (preferably Microsoft Word format) as that helps us to efficiently collate and analyse comments.

Please note in your submission on whose behalf the submission is being made (for example, own behalf, a group of people, or an entity).

The closing date for submissions is **[Date]**.

Publication of Submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of Abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IPSASB	International Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
NZASB	New Zealand Accounting Standards Board of the External Reporting Board
PBE	Public Benefit Entity
PBE IPSAS	Public Benefit Entity International Public Sector Accounting Standard

Questions for Respondents

	Paragraphs
1. Do you agree with the proposal to remove references to an approved budget in PBE IPSAS 1 <i>Presentation of Financial Statements</i> (paragraph 21(e))? If you disagree, please provide reasons.	7
2. Do you agree that any comparisons between prospective general purpose financial statements and historical financial statements can be presented either on the face of the financial statements or in the notes? If you disagree, please provide reasons.	8
3. Do you have any other comments on ED NZASB 2016-X?	

1. Introduction

1.1 Background

1. PBE IPSAS 1 *Presentation of Financial Statements*, paragraph 21(e) refers to an approved budget. PBE IPSAS 1 does not define an approved budget. The term is defined in IPSAS 24 *Presentation of Budget Information in Financial Statements*, but there is no PBE Standard based on IPSAS 24.
2. Many public sector entities in New Zealand have a requirement to make plans or budgets publicly available and they may then be subject to various forms of public scrutiny. PBE IPSAS 1 already acknowledges that this occurs and establishes requirements for comparisons of prospective and historical financial statements in some situations. In New Zealand such plans or budgets are not normally referred to as approved budgets and the use of that term in PBE IPSAS 1 has caused some confusion.
3. The NZASB is proposing to amend PBE IPSAS 1 to eliminate this confusion.

1.2 Purpose of this Invitation to Comment

4. The purpose of this Invitation to Comment is to seek comments on the proposed amendments to PBE IPSAS 1. PBE IPSAS 1 applies to Tier 1 and Tier 2 public benefit entities.

1.3 Timeline and Next Steps

5. Submissions on ED NZASB 2016-X are due by **[Date]**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
6. After the consultation period ends we will consider the submissions received and, subject to the comments in those submissions, expect to finalise the amendments soon afterwards.

2. Overview of ED NZASB 2016-X

2.1 Summary of the Amendments

7. As noted in section 1 above, the NZASB is proposing to amend PBE IPSAS 1 paragraph 21(e) by removing the reference to the term approved budget and referring readers to the comparative requirements in paragraph 148.1.
8. The ED also proposes that if comparisons between prospective general purpose financial statements and historical financial statements are required, such comparisons can be presented either on the face of the financial statements or in the notes.

Questions for Respondents

1. Do you agree with the proposal to remove the reference to an approved budget in PBE IPSAS 1 *Presentation of Financial Statements* (paragraph 21(e))? If you disagree, please provide reasons.
2. Do you agree that any comparisons between prospective general purpose financial statements and historical financial statements can be presented either on the face of the financial statements or in the notes? If you disagree, please provide reasons.

2.2 Effective Date

9. The proposed effective date for the ED is annual financial statements covering periods beginning on or after 1 January 2018 with earlier application permitted. This date is tentative and would be reviewed prior to issuing the final standard.

EXPOSURE DRAFT ED NZASB 2016-X

APPROVED BUDGET (PROPOSED AMENDMENTS TO PBE IPSAS 1)

This [draft]² Standard was issued on [date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] 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 [date].

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 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*.

² References to “this Standard” throughout this Exposure Draft should be read as referring to “this draft Standard.”

APPROVED BUDGET (PROPOSED AMENDMENTS TO PBE IPSAS 1)

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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

[Draft] Amendments to PBE IPSAS 1 *Presentation of Financial Statements*

Scope

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

Paragraph 21 is amended and paragraph 154.5 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 has published general purpose prospective financial statements, the information specified in paragraph 148.1 shall be presented ~~makes publicly available its approved budget, a comparison of budget and actual amounts~~ either as a separate additional on the face of the financial statements or in the notes ~~as a budget column in the financial statements;~~

...

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

...

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

Basis for Conclusions

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

Paragraphs BC11 and BC12 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 was defined in IPSAS 24 *Presentation of Budget Information in Financial Statements* but that IPSAS 24 had not been included in the suite of PBE Standards.

BC12. 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. Paragraph 21(e) permits this comparison to be presented either on the face of the financial statements or in the notes.

Part C

Effective Date

This Standard is effective for annual financial statements covering periods beginning on or after [date]. Earlier application is permitted.