

EXPOSURE DRAFT NZASB 2015-7

PBE CONCEPTUAL FRAMEWORK

(ED NZASB 2015-7)

Invitation to Comment

September 2015

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

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

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 include the title of the Exposure Draft 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 15 February 2016.

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

We intend publishing all submissions on the XRB website (www.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 (for example, 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.

GPFRs	General Purpose Financial Reports
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 Framework	Public Benefit Entities' Framework
PBE Conceptual Framework	Public Benefit Entities' Conceptual Framework
PBE IPSAS	Public Benefit Entity International Public Sector Accounting Standard
PBE Standards	Public Benefit Entity Standards
RPG	Recommended Practice Guide

Questions for Respondents

	Paragraphs
1. Do you agree that the proposed PBE Conceptual Framework is suitable for application by all public benefit entities (both public sector and not-for-profit entities) in New Zealand? If you disagree, please provide reasons and indicate the nature of any modifications that you consider to be appropriate. Please organise comments by chapter.	<i>Refer to the proposed modifications for each chapter.</i>
2. Do you agree with the NZASB's proposal to retain the IPSASB's reference to other resources and other obligations in Chapter 5, but to carefully consider any requirements to recognise other resources or other obligations in new or revised IPSASs? If you disagree, please explain why and propose an alternative approach.	38-39
3. Do you agree with the proposed definition of equity? If you propose any modifications to the definition, please explain why and outline your suggested changes.	40-41
4. Do you agree with the NZASB's proposal to retain the IPSASB's references to the statement of financial performance (even though PBE Standards refer to the statement of comprehensive revenue and expense)? If you disagree, please explain why and propose an alternative approach.	43
5. Do you have any other comments on ED NZASB 2015-7?	

1. Introduction

1.1 Background

1. A conceptual framework sets out the concepts that underpin general purpose financial reporting. It defines elements, such as assets and liabilities, and contains guidance on matters such as recognition and measurement. Conceptual frameworks are used by standard setters with the aim of developing consistent standards and they assist standard setters in thinking about new issues. Conceptual frameworks may also be used by preparers to support the development of consistent accounting policies (for example, when an issue is not covered by a standard). The development of a new conceptual framework does not automatically lead to changes in standards. The impact of a new conceptual framework occurs more gradually as it influences the development of new and revised standards within specific projects.
2. The current *Public Benefit Entities' Framework* (PBE Framework), issued in 2013 and revised to incorporate not-for-profit enhancements in 2014, is based on the International Accounting Standards Board's *Framework for the Preparation and Presentation of Financial Statements* (1989).² It was intended to be a transitional framework pending the development of a conceptual framework by the International Public Sector Accounting Standards Board (IPSASB).
3. The IPSASB has now developed and issued *The Conceptual Framework For General Purpose Financial Reporting By Public Sector Entities* (IPSASB's Conceptual Framework). The New Zealand Accounting Standards Board (NZASB) has considered the suitability of the IPSASB's Conceptual Framework for public benefit entities in New Zealand and is proposing that it be adopted, with some modifications, as the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). Because the IPSASB's Conceptual Framework was developed for application by public sector entities, the NZASB is proposing some modifications to make it suitable for both public sector and not-for-profit public benefit entities in New Zealand. In other respects, the NZASB broadly concurs with the IPSASB's Conceptual Framework, except as discussed in the NZASB's Basis for Conclusions on the PBE Conceptual Framework

1.2 Purpose of this Invitation to Comment

4. The purpose of this Invitation to Comment and Exposure Draft is to seek comments on the proposed PBE Conceptual Framework. This Framework would be applicable to public benefit entities applying Tier 1 and Tier 2 Accounting Requirements (that is, Public Benefit Entity Standards (PBE Standards)) and public benefit entities applying Tier 3 Accounting Requirements (that is, Public Benefit Entity Simple Format Reporting – Accrual).

1.3 Timeline and Next Steps

5. Submissions on ED NZASB 2015-7 are due by 15 February 2016. Information on how to make submissions is provided on page 4 of this Invitation to Comment.

² A more recent version of the IASB's Conceptual Framework has been adopted for for-profit entities. The IASB is currently in the process of revising its Conceptual Framework. It issued ED/2015/3 *Conceptual Framework for Financial Reporting* in May 2015.

6. After the consultation period ends, we will consider the submissions received and, subject to the comments in those submissions, expect to finalise and issue the PBE Conceptual Framework.
7. The NZASB is aware that there will need to be some changes to PBE Standards (and the Tier 3 Simple Format Reporting – Accrual Standards) following the issue of the PBE Conceptual Framework (for example, certain references to the PBE Framework will need to be updated). The NZASB plans to consult on consequential amendments to PBE Standards separately once the PBE Conceptual Framework has been finalised.
8. More significant reviews of standards for consistency with the PBE Conceptual Framework are expected to occur over time and in the context of projects on specific topics. The timing of such projects will be influenced by the timing of the IPSASB’s projects on various topics.

2. Overview of ED NZASB 2015-7

2.1 Summary of the Content

9. The content of ED NZASB 2015-7 *PBE Conceptual Framework* (ED NZASB 2015-7) is set out in the following chapters:
 - (a) Preface;
 - (b) Chapter 1 Role and Authority of the PBE Conceptual Framework;
 - (c) Chapter 2 Objectives and Users of General Purpose Financial Reporting;
 - (d) Chapter 3 Qualitative Characteristics;
 - (e) Chapter 4 Reporting Entity;
 - (f) Chapter 5 Elements in General Purpose Financial Reports;
 - (g) Chapter 6 Recognition in Financial Statements;
 - (h) Chapter 7 Measurement of Assets and Liabilities in Financial Statements; and
 - (i) Chapter 8 Presentation of General Purpose Financial Reports.
10. The NZASB considered the *Policy Approach to Developing the Suite of PBE Standards* (the PBE Policy Approach) in deciding whether to use the IPSASB's Conceptual Framework as the basis of a new conceptual framework for public benefit entities. The NZASB considers that it is desirable to closely base the new PBE Conceptual Framework on the IPSASB's Conceptual Framework for the following reasons:
 - (a) The IPSASB's Conceptual Framework will guide the IPSASB in developing new International Public Sector Accounting Standards (IPSASs) and revising IPSASs. Using the IPSASB's Conceptual Framework will assist the NZASB to maintain consistency between PBE Standards and IPSASs.
 - (b) The concepts of service potential and accountability are an integral part of the IPSASB's Conceptual Framework. Both of these concepts are fundamental to public benefit entities. Although the IPSASB has discussed these concepts in relation to public sector entities, the changes required to make the IPSASB's Conceptual Framework more appropriate for not-for-profit public benefit entities are relatively minor.
11. Any significant changes proposed to the IPSASB's Conceptual Framework by the NZASB are discussed in this Invitation to Comment. Most of the proposed changes relate to:
 - (a) explaining the role of the NZASB and referring to the impact of the PBE Conceptual Framework on the development of PBE Standards;
 - (b) not-for-profit enhancements to ensure that the proposed PBE Conceptual Framework is appropriate for not-for-profit entities as well as public sector entities. Some of the enhancements involve generalising references to governments or public sector entities and some involve the addition of not-for-profit explanations;

- (c) modifying the discussion of some matters (for example, the plans and budgets of public sector entities) and terminology (for example, using “service performance” rather than “service delivery”) to reflect New Zealand circumstances; and
- (d) the addition of an NZASB Basis for Conclusions which outlines matters considered by the NZASB in developing the proposed PBE Conceptual Framework. For example, the Basis for Conclusions outlines the NZASB’s reservations about the potential recognition of items that do not meet the definition of elements. This is discussed in more detail in section 2.7.

2.2 Preface

Introduction

12. The Preface to the IPSASB’s Conceptual Framework highlights characteristics of the public sector that the IPSASB considered in developing the IPSASB Conceptual Framework. These include the:
 - (a) volume and financial significance of non-exchange transactions;
 - (b) importance of the approved budget;
 - (c) nature of public sector programs and the longevity of the public sector;
 - (d) nature and purpose of assets and liabilities in the public sector;
 - (e) regulatory role of public sector entities; and
 - (f) relationship of financial reporting to statistical reporting.

Changes proposed

13. The NZASB considers that most of the matters discussed in the IPSASB’s Preface are relevant for public sector entities in New Zealand. However, a number of these characteristics are not relevant for not-for-profit entities or the discussion would need some modification to be appropriate for not-for-profit entities. The NZASB is therefore proposing that the Preface to the PBE Conceptual Framework have two sections: one discussing the key characteristics of the public sector, and one discussing the key characteristics of the not-for-profit sector.

Comparison with current PBE Framework

14. The current PBE Framework does not discuss the characteristics of public benefit entities.

2.3 Chapter 1 Role and Authority of the PBE Conceptual Framework

Introduction

15. The role of the IPSASB’s Conceptual Framework is to establish the concepts that underpin general purpose financial reporting and to assist the IPSASB in developing IPSASs and Recommended Practice Guides (RPG). It can also assist preparers when financial reporting issues are not dealt with by IPSASs or RPGs. The

IPSASB's Conceptual Framework does not override the requirements in IPSASs or RPGs.

16. The Conceptual Framework explains that general purpose financial reports (GPFRs) are financial reports intended to meet the information needs of users who are unable to require the preparation of financial reports tailored to meet their specific information needs. It also gives examples of the types of entities that may apply IPSASs.

Changes proposed

17. The NZASB is proposing to modify the IPSASB's Conceptual Framework by:
 - (a) expanding the role of the PBE Conceptual Framework to include assisting the NZASB in developing PBE Standards and in commenting on the development of IPSASs and assisting preparers of the financial statements;
 - (b) referring to PBE Standards rather than IPSASs and omitting references to RPGs. The NZASB has not referred to Explanatory Guides as they do not have legal status; and
 - (c) generalising the discussion so that it is appropriate for all public benefit entities, or where this is not appropriate, discussing public sector entities and not-for-profit entities separately.

Comparison with current PBE Framework

18. The current PBE Framework has a section entitled *Purpose and Status* which covers matters similar to Chapter 1 of the IPSASB's Conceptual Framework. Some of the New Zealand specific discussion in the current PBE Framework has been incorporated in Chapter 1 of the proposed PBE Conceptual Framework.

2.4 Chapter 2 Objectives and Users of General Purpose Financial Reporting

Introduction

19. The IPSASB's Conceptual Framework states that the objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes. It then discusses how a focus on providing services impacts on the information required for accountability and decision making.
20. It identifies two main groups of users:
 - (a) service recipients (and their representatives); and
 - (b) resource providers (and their representatives).
21. It explains that other users include analysts, media, financial advisors, public interest and lobby groups. The Conceptual Framework discusses the information needs of service recipients and resource providers. It also provides an overview of the types of information that may be provided by GPFRs.

Changes proposed

22. The NZASB is proposing changes, similar to those in the current PBE Framework, to reflect the fact that the NZASB develops PBE Standards for application by a wider range of entities than the IPSASB. Examples of these changes include:
 - (a) referring to “funders or financial supporters” rather than focussing on taxpayers;
 - (b) referring to “elected or appointed representatives” rather than “members of parliament”;
 - (c) referring to the primary objective of public benefit entities in Chapter 1 and including some examples of not-for-profit services; and
 - (d) revising the discussion of budgets to acknowledge that only some public benefit entities are required to make plans or budgets publicly available.

Comparison with current PBE Framework

23. The current PBE Framework identifies the following users: members, investors, employees, lenders, suppliers and trade creditors, customers including service recipients, governments and their agencies, the public, funders and financial supporters, and elected or appointed representatives.
24. The proposed PBE Conceptual Framework encompasses most of the users and types of user needs discussed in the current PBE Framework. However, the discussion of users is by reference to resource providers and service recipients.

2.5 Chapter 3 Qualitative Characteristics

Introduction

25. The qualitative characteristics of information included in GPFs are the attributes that make information useful to users and support the achievement of the objectives of financial reporting. The IPSASB’s Conceptual Framework states that the qualitative characteristics of information in GPFs are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. It also discusses three pervasive constraints on information included in GPFs. These pervasive constraints are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics.

Changes proposed

26. The NZASB is not proposing any substantive changes to Chapter 3. The changes proposed are mainly to generalise the discussion so that it is appropriate for all public benefit entities.

Comparison with current PBE Framework

27. The four principal qualitative characteristics in the current PBE Framework are understandability, relevance, reliability and comparability. Materiality is discussed as an aspect of relevance. The constraints on relevant and reliable information in the current PBE Framework are timeliness, balance between cost-benefit and balance between the qualitative characteristics.

28. Although there are some differences between the qualitative characteristics in the current PBE Framework and the proposed PBE Conceptual Framework, the proposed qualitative characteristics and pervasive constraints would result in the frameworks for public benefit entities and for-profit entities being more closely aligned both with each other, and with the relevant international frameworks.³

2.6 Chapter 4 Reporting Entity

Introduction

29. Chapter 4 of the IPSASB's Conceptual Framework identifies the key characteristics of a public sector reporting entity and acknowledges the existence of group reporting entities. It describes a public sector reporting entity as a government or other public sector organisation, programme or identifiable area of activity that prepares GPFRs.

Changes proposed

30. The NZASB is proposing to modify Chapter 4 to ensure that it also encompasses not-for-profit entities and includes examples of both public sector and not-for-profit reporting entities. The NZASB is proposing to include a cross-reference to the definition of a reporting entity in the Financial Reporting Act 2013 and also to XRB A1 *Application of the Accounting Standards Framework*. The NZASB does not propose to use the term programme in Chapter 4 as this term is not commonly used in New Zealand when reporting on an activity as a separate reporting entity.

Comparison with current PBE Framework

31. The current PBE Framework has a brief discussion of a reporting entity (refer paragraphs 8 to 8.3). It includes a cross-reference to the definition of a reporting entity in the Financial Reporting Act 2013.

2.7 Chapter 5 Elements in General Purpose Financial Reports

Introduction

32. The IPSASB's Conceptual Framework defines the following elements of financial statements:
- (a) Asset: A resource presently controlled by the entity as a result of a past event. (A resource is an item with service potential or the ability to generate economic benefits.)
 - (b) Liability: A present obligation of the entity for an outflow of resources that results from a past event.
 - (c) Revenue: Increases in the net financial position of the entity, other than increases arising from ownership contributions.

³ The IASB Conceptual Framework (2010) identifies relevance and faithful representation as fundamental qualitative characteristics and refers to the other four qualitative characteristics (understandability, timeliness, comparability, and verifiability) as "enhancing" qualitative characteristics. These qualitative characteristics are also in the most recent IASB proposals (as set out in IASB ED 2015/3).

- (d) Expense: Decreases in the net financial position of the entity, other than decreases arising from ownership distributions.
 - (e) Ownership contributions: Inflows of resources to an entity, contributed by external parties in their capacity as owners, which establish or increase an interest in the net financial position of the entity.
 - (f) Ownership distributions: Outflows of resources from the entity, distributed to external parties in their capacity as owners, which return or reduce an interest in the net financial position of the entity.
33. The discussion of liabilities considers both legal obligations and non-legally binding obligations.
34. During the development of its Conceptual Framework the IPSASB sought feedback from constituents about how best to represent the performance of an entity in certain circumstances, including:
- (a) the receipt of grants at the end of a financial year which are to be used to finance the activities of the entity in the following year; and
 - (b) the receipt or payment of multi-year unconditional grants (where the amounts received in advance or paid in advance do not meet the definitions of assets or liabilities).
35. The IPSASB considered various ways of dealing with this issue. The IPSASB's deliberations and a summary of the feedback the IPSASB received from constituents are set out in the IPSASB's Basis for Conclusions on Chapter 5. One option was to expand the definitions of assets and liabilities to encompass amounts that would not be recognised as assets or liabilities under the conceptual frameworks of most standard setters. The IPSASB decided not to expand the definitions of assets and liabilities, but it did decide to leave open the possibility of requiring, at standards-level, the recognition of a resource or obligation that does not satisfy the definition of an asset or liability. Chapter 5 of the IPSASB's Conceptual Framework refers to these items as "other resources" and "other obligations".
36. The IPSASB's Conceptual Framework does not identify the residual interest in an entity as an element. Instead it describes net financial position as the difference between assets and liabilities after adding other resources and deducting other obligations recognised in the statement of financial position.

Changes proposed

37. The NZASB is proposing to include the elements of service performance reporting (inputs, outputs and outcomes) in Chapter 5. As a result it is proposing to change the title of Chapter 5 from "Elements in Financial Statements" to "Elements in General Purpose Financial Reports". Although the IPSASB's Conceptual Framework contains a number of references to service performance, it does not define the elements of service performance reporting. This is because, at the time the IPSASB completed its Conceptual Framework project, it had not completed its project on service performance reporting and did not want to delay the completion of the Conceptual Framework. The IPSASB has since issued *RPG 3 Reporting Service Performance Information* which uses the terms inputs, outputs and outcomes. The NZASB has an active project to develop a financial reporting standard on service performance reporting.

38. The IPSASB has contemplated the recognition, in the financial statements, of items that do not meet the definition of an asset or a liability. Chapter 5, paragraph 5.4, of the IPSASB's Conceptual Framework states:

In some circumstances, to ensure that the financial statements provide information that is useful for a meaningful assessment of the financial performance and financial position of an entity, recognition of economic phenomena that are not captured by the elements as defined in this Chapter may be necessary. Consequently, the identification of the elements in this Chapter does not preclude IPSASs from requiring or allowing the recognition of resources or obligations that do not satisfy the definition of an element identified in this Chapter (hereafter referred to as "other resources" or "other obligations") when necessary to better achieve the objectives of financial reporting.

39. The NZASB has concerns about the potential recognition of other resources and other obligations. The NZASB considered modifying the IPSASB's Conceptual Framework by precluding the recognition of other resources or other obligations. However, the NZASB concluded that it was not appropriate to make this change without considering how the IPSASB intended to use this concept at a standards level. Therefore the NZASB agreed to retain the statement about other resources and other obligations in paragraph 5.4, but to carefully consider any future proposals to require or permit the recognition of other resources or other obligations within an IPSAS. The NZASB has noted its reservations about this aspect of the IPSASB's Conceptual Framework in the NZASB Basis for Conclusions on Chapter 5.
40. The NZASB is proposing to include a definition of equity because it considers that all elements in each of the financial statements should be defined. Many public benefit entities will, in substance, have an ownership interest, even though they may not have formal ownership instruments.
41. The proposed definition of equity is:
- Equity: The residual interest in the assets of the entity after deducting all its liabilities.
42. This has led to changes in the definitions of ownership contributions and ownership distributions.
43. The IPSASB's Conceptual Framework refers to revenue and expense being reported in the statement of financial performance. The NZASB considered whether the PBE Conceptual Framework should instead refer to the statement of comprehensive revenue and expense, which is the title of the equivalent statement in PBE IPSAS 1 *Presentation of Financial Statements*. The NZASB decided not to change the titles of statements used in the IPSASB's Conceptual Framework on the grounds that it would be appropriate to wait until the IPSASB considers the presentation of revenues and expenses in the financial statements in the context of a review of IPSAS 1 *Presentation of Financial Statements*.
44. *Comparison with current PBE Framework*
45. The current PBE Framework:
- (a) contains definitions of financial statement elements that are broadly consistent with the proposed definitions;
 - (b) defines "income" rather than "revenue". The term "income" was used because that was the defined element in the International Accounting Standards Board Framework, the document on which the PBE Framework was

based. However, consistent with the IPSASB's use of the term revenue, the term revenue in PBE Standards includes gains;

- (c) does not discuss "other resources" or "other obligations"; and
- (d) refers to inputs, outputs and outcomes as elements of service performance reporting.

2.8 Chapter 6 Recognition in Financial Statements

Introduction

- 46. Chapter 6 of the IPSASB's Conceptual Framework identifies the criteria that must be satisfied in order for an element to be recognised in the financial statements. It describes recognition as the process of incorporating and including in amounts displayed on the face of the appropriate financial statement an item that meets the definition of an element and can be measured in such a way that achieves the qualitative characteristics and takes account of the constraints on information included in GPFs.
- 47. There are two recognition criteria:
 - (a) the item satisfies the definition of an element; and
 - (b) the item can be measured in a way that achieves the qualitative characteristics and takes account of the constraints.
- 48. Chapter 6 also explains that recognition involves an assessment of uncertainty related to the existence and measurement of the element. It notes that, in rare circumstances, the level of uncertainty associated with a point estimate might be so great that an item would not be recognised. It also discusses derecognition.

Changes proposed

- 49. The NZASB is not proposing any changes to Chapter 6 of the IPSASB's Conceptual Framework.

Comparison with current PBE Framework

- 50. The current PBE Framework (paragraph 83) requires that an item that meets the definition of an element should be recognised if:
 - (a) it is probable that any future economic benefit or service potential associated with the item will flow to or from the entity; and
 - (b) the item has a cost or value that can be measured with reliability.
- 51. In contrast, the IPSASB's Conceptual Framework does not require that an inflow of future economic benefits or service potential be probable for an item to qualify for recognition. The IPSASB considered whether, in dealing with uncertainty over the existence of an element, probability should continue to be part of the recognition criteria, or whether all available evidence should be used to make neutral judgements about an element's existence. The IPSASB concluded that, on balance, an approach that is based on an assessment of all available evidence in determining whether an element exists and takes account of uncertainty about the flows of service potential or the ability to generate economic benefits in

measurement is a more appropriate response to the uncertainty faced by preparers of financial statements.

52. However there may continue to be specific recognition requirements for certain items in specific standards.

2.9 Chapter 7 Measurement of Assets and Liabilities in Financial Statements

Introduction

53. Chapter 7 of the IPSASB's Conceptual Framework contains a measurement objective. That objective is to "select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes".
54. It identifies the following possible measurement bases for assets and liabilities:

Assets

Historical cost

Current value measurements:

- Market value in open, active and orderly market
- Market value in inactive market
- Replacement cost
- Net selling price
- Value in use

Liabilities

Historical cost

Cost of fulfilment

Market value

Cost of release

Assumption price

55. It discusses each measurement basis in the light of the information that would be provided about costs of services, operational capacity, financial capacity and application of the qualitative characteristics of information.
56. It considers the characteristics of measurement bases. These include whether measurement bases are entry or exit value, observable or unobservable in an open, active and orderly market and entity-specific or non-entity specific.
57. The IPSASB has not proposed any immediate changes to the measurement requirements in IPSASs as a consequence of developing Chapter 7 of the Conceptual Framework. The IPSASB intends to consider the implications of the measurement discussion in the Conceptual Framework for IPSASs as part of a separate project on Public Sector Measurement.

Changes proposed

58. The NZASB is not proposing any substantive changes to Chapter 7 of the IPSASB's Conceptual Framework. Some minor changes are required to make the discussion appropriate for all public benefit entities.

Comparison with current PBE Framework

59. The current PBE Framework contains a brief discussion of four possible measurement bases. These are:

Historical cost

Current cost

Realisable (settlement) value

Present value

2.10 Chapter 8 Presentation of General Purpose Financial Reports

Introduction

60. Chapter 8 of the IPSASB's Conceptual Framework discusses display and disclosure of information within financial statements and other GPFRs. It uses presentation as the overarching term for the selection, location and organisation of information and display and disclosure as the more detailed terms describing the location of information within a GPFR. Information selected for display communicates key messages in a GPFR, while information selected for disclosure makes displayed information more useful by providing detail that will help users to understand the displayed information.
61. In the context of the financial statements:
- (a) display refers to the communication of key messages on the face of the financial statements; and
 - (b) disclosure refers to the provision of detail in the notes to help users to understand the displayed information.
62. In the context of other GPFRs, displayed information may either be located separately from disclosed information or located in the same area, but distinguished from disclosed information and given prominence through the use of another presentation technique.

Changes proposed

63. The NZASB is not proposing any substantive changes to Chapter 8 of the IPSASB's Conceptual Framework. The NZASB proposes to modify the discussion of compliance with budgets and adherence to legislation to reflect the fact that, in New Zealand, it is typically only public sector public benefit entities that are required to make plans and budgets publicly available.

Comparison with current PBE Framework

64. The current PBE Framework does not address presentation.