

**PUBLIC BENEFIT ENTITY FINANCIAL REPORTING STANDARD 46
FIRST-TIME ADOPTION OF PBE STANDARDS BY ENTITIES PREVIOUSLY
APPLYING NZ IFRS (PBE FRS 46)**

Issued September 2014 and incorporates amendments to 31 January 2017

This Standard was issued on 11 September 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 October 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in paragraphs 43 to 43.1.

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 Tier 1 and Tier 2 PBE Standard has been issued as part of a revised full set of PBE Standards that incorporate enhancements for not-for-profit public benefit entities.

This Standard, when applied, supersedes PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS* issued in May 2013.

PBE FRS 46 FIRST-TIME ADOPTION OF PBE STANDARDS BY ENTITIES PREVIOUSLY APPLYING NZ IFRS

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ISBN 978-1-927292-58-7

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**PBE FRS 46 FIRST-TIME ADOPTION OF PBE STANDARDS BY ENTITIES
PREVIOUSLY APPLYING NZ IFRS**

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Public Benefit Entity Financial Reporting Standard 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS* is set out in paragraphs 1–44. All the paragraphs have equal authority. PBE FRS 46 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE FRS 46, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to set out the transitional provisions for the first-time application of Public Benefit Entity Standards (PBE Standards) by a Tier 1 or Tier 2 public benefit entity that previously applied NZ IFRS PBE, NZ IFRS, NZ IFRS Diff Rep or NZ IFRS RDR.

Scope

2. **This Standard applies only in the first application of PBE Standards by Tier 1 and Tier 2 public benefit entities.**
3. **This Standard applies where an entity previously presented general purpose financial statements that complied with NZ IFRS PBE, NZ IFRS, NZ IFRS Diff Rep or NZ IFRS RDR in the immediately preceding period.**
4. **This Standard applies to an entity's first set of annual general purpose financial statements presented in accordance with PBE Standards.**
5. **An entity that previously applied this Standard or previously presented general purpose financial statements that complied with NZ IFRS PBE, NZ IFRS, NZ IFRS Diff Rep or NZ IFRS RDR but not in the immediately preceding period and is transitioning again to Tier 1 PBE Standards or Tier 2 PBE Standards shall apply PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*.**
6. **This Standard applies to each interim financial report presented in accordance with PBE IAS 34 *Interim Financial Statements* for part of the period covered by an entity's first set of annual general purpose financial statements presented in accordance with PBE Standards.**
7. **This Standard applies to prospective financial statements presented in accordance with PBE FRS 42 *Prospective Financial Statements* where an entity presents such statements prior to presenting its first set of financial statements under PBE Standards.**
8. [Deleted]

Definitions

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

Date of transition to PBE Standards is the beginning of the earliest period for which an entity presents full comparative information in its first set of financial statements under PBE Standards.

Deemed cost is an amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

First reporting period under PBE Standards is the latest reporting period covered by an entity's first set of financial statements under PBE Standards.

First set of financial statements under PBE Standards is the first annual financial statements in which an entity applies PBE Standards.

First-time adopter is an entity that presents its financial statements under PBE Standards for the first time.

NZ IFRS are Standards and Interpretations issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB comprising:

- (a) New Zealand equivalents to:
 - (i) International Financial Reporting Standards;
 - (ii) International Accounting Standards;
 - (iii) IFRIC Interpretations; and
 - (iv) SIC Interpretations; and

(b) Domestic Financial Reporting Standards.

NZ IFRS Diff Rep comprises NZ IFRS with differential reporting recognition, measurement and disclosure concessions.

NZ IFRS PBE comprises NZ IFRS with PBE modifications.

NZ IFRS RDR comprises NZ IFRS with disclosure concessions for Tier 2 public benefit entities.

Opening statement of financial position is an entity's statement of financial position at the date of transition to PBE Standards.

PBE Standards Reduced Disclosure Regime (PBE Standards RDR) comprises PBE Standards with disclosure concessions for Tier 2 public benefit entities.

Public benefit entities are reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

Public Benefit Entity Standards (PBE Standards) are standards issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB for public benefit entities comprising:

- (a) Public Benefit Entity International Public Sector Accounting Standards;
- (b) Public Benefit Entity International Financial Reporting Standards, including Public Benefit Entity International Accounting Standards; and
- (c) Public Benefit Entity Financial Reporting Standards.

General Principles and Exceptions

10. Except where otherwise required by PBE Standards, and subject to the provisions in paragraph 13, paragraph 17 and paragraphs 22–29 of this Standard, an entity that previously presented general purpose financial statements in accordance with NZ IFRS shall apply the same recognition and measurement policies for those transactions and events in its first set of financial statements under PBE Standards.
11. Except where otherwise required by PBE Standards, and subject to the provisions in paragraph 13, paragraph 17 and paragraphs 22–39 of this Standard, an entity that previously qualified for and applied differential reporting concessions under NZ IFRS shall apply the same recognition and measurement policies for those transactions and events in its first set of financial statements under PBE Standards.
12. Except where otherwise required by PBE Standards, and subject to the provisions in paragraphs 22-39 of this Standard, an entity shall not revise an accounting estimate of a previously recognised item when applying PBE Standards at the date of transition to PBE Standards.
13. An entity shall not apply PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* in preparing its first set of financial statements in accordance with PBE Standards, unless:
 - (a) A prior period error is identified, in which case PBE IPSAS 3 (paragraphs 46–54) applies; or
 - (b) There is a voluntary change in an accounting policy, including a change to apply a different option permitted under PBE Standards, in which case PBE IPSAS 3 (paragraphs 17–34) applies; or
 - (c) Otherwise specified by this Standard.

Opening Statement of Financial Position

14. A first-time adopter of PBE Standards shall prepare an opening statement of financial position at the date of transition to PBE Standards. Subject to the disclosure requirements in paragraphs 40–42 of this Standard, the entity is not required to disclose this opening statement of financial position.

15. **Subject to the requirements of this Standard, in preparing the opening statement of financial position:**
- (a) **An entity shall apply those PBE Standards that are effective at the end of its first reporting period under PBE Standards;**
 - (b) **The accounting policies used in the opening statement of financial position shall be used consistently throughout all the periods presented in the financial statements;**
 - (c) **An entity shall recognise all assets and liabilities required to be recognised by PBE Standards;**
 - (d) **An entity shall derecognise previously recognised assets and liabilities that are not permitted to be recognised by PBE Standards; and**
 - (e) **Any adjustments to the carrying amounts of assets and liabilities shall be recognised in opening net assets/equity.**
16. Except for assets and liabilities recognised in accordance with paragraphs 22–39 of this Standard, where an entity recognises a previously unrecognised asset or liability, the entity may:
- (a) Apply the retrospective approach in PBE IPSAS 3 (paragraphs 28–33); or
 - (b) Recognise the asset or liability at fair value as at the date of transition to PBE Standards; or
 - (c) Use a fair value measure as deemed cost as at the date of transition to PBE Standards.
17. **Where an entity elects to use a fair value measure as deemed cost in accordance with paragraph 16(c) of this Standard, the fair value measure shall:**
- (a) **Be a value determined in accordance with PBE Standards, NZ IFRS or an event-driven fair value measure; and**
 - (b) **Be a value determined at or before the date of transition to PBE Standards.**

Comparative Information and Historical Summaries

18. **Where the presentation or classification of an item in the financial statements changes as a result of the first time application of PBE Standards, the comparative information requirements in PBE IPSAS 1 *Presentation of Financial Statements* (paragraphs 55–57) shall apply.**
19. An entity is required to present all comparative information in accordance with PBE Standards. This includes the presentation of a comparative cash flow statement in accordance with PBE IPSAS 2 *Cash Flow Statements* where an entity had previously qualified for, and applied, the differential reporting concession in NZ IAS 7 *Statement of Cash Flows* not to present such a statement.
20. **In any financial statements containing historical summaries, or comparative information additional to that required by PBE IPSAS 1, prepared in accordance with both NZ IFRS and PBE Standards, an entity shall:**
- (a) **Identify the NZ IFRS information prominently as not being prepared in accordance with PBE Standards; and**
 - (b) **Disclose the nature of the main adjustments that would be necessary to make that information comply with PBE Standards. An entity need not quantify those adjustments.**
21. An entity may present historical summaries of selected data for periods before the first period for which it presents full comparative information in accordance with PBE Standards. This Standard does not require the historical information in those summaries to comply with the recognition and measurement requirements of PBE Standards and an entity may present additional comparative information in accordance with NZ IFRS as well as the comparative information required by PBE IPSAS 1.

Specific Transitional Provisions

PBE IPSAS 23 *Revenue from Non-Exchange Transactions*

22. **On first-time adoption of PBE Standards, assets and liabilities arising from revenue from non-exchange transactions that occurred before the date of transition to PBE Standards are recognised**

and measured in accordance with PBE Standards as required by paragraph 15 of this Standard. The entity shall recognise any resulting change by adjusting net assets/equity.

PBE IPSAS 32 Service Concession Arrangements: Grantor

23. Where a grantor entity had previously accounted for service concession arrangements in accordance with IPSAS 32 *Service Concession Arrangements: Grantor*, the entity shall retain that accounting policy on transition to the PBE Standards.
24. Where a grantor entity had not previously recognised service concession assets and related liabilities, revenues or expenses in accordance with IPSAS 32, the entity shall either:
 - (a) Apply the requirements in PBE IPSAS 32 retrospectively in accordance with PBE IPSAS 3; or
 - (b) Recognise and measure service concession assets and related liabilities at deemed cost at the date of transition to PBE Standards in accordance with paragraphs 25–29 of this Standard.
25. A grantor entity may elect under paragraph 24(b) of this Standard to recognise and measure service concession assets and related liabilities in accordance with PBE IPSAS 32 using deemed cost. Deemed cost is determined at the date of transition to PBE Standards.
26. Deemed cost for service concession assets shall be determined using the following measurement bases:
 - (a) For property, plant, and equipment – fair value including depreciated replacement cost as a means of estimating fair value in the circumstances permitted by PBE IPSAS 17 *Property, Plant and Equipment* (see PBE IPSAS 17, paragraphs 46–48); and
 - (b) For intangible assets – fair value.
27. Depreciation or amortisation shall be based on the deemed cost determined under paragraph 26 and commence from the date of transition to PBE Standards.

Use of Deemed Cost under the Financial Liability Model

28. Where the grantor uses deemed cost under the financial liability model, the grantor shall measure:
 - (a) The service concession asset in accordance with paragraph 26 of this Standard; and
 - (b) The financial liability using the remaining contractual cash flows specified in the binding arrangement and the rate described in PBE IPSAS 32 (paragraphs AG41–AG46) at the beginning of the date of transition to PBE Standards. Any difference between the value of the asset and the financial liability is recognised directly in net assets/equity. If the entity chooses as its accounting policy the revaluation model in PBE IPSAS 17 or PBE IPSAS 31 *Intangible Assets*, this difference is included in any revaluation surplus.

Use of Deemed Cost under the Grant of a Right to the Operator Model

29. Where the grantor uses deemed cost under the grant of a right to the operator model, the grantor shall measure:
 - (a) The service concession asset in accordance with paragraph 26 of this Standard; and
 - (b) The liability representing the unearned portion of any revenue arising from the receipt of the service concession asset as the fair value of the asset less any financial liabilities, adjusted to reflect the remaining period of the service concession arrangement.

Specific Transitional Provisions – Entities Previously Applying Differential Reporting Concessions

30. On first-time adoption of PBE Standards, an entity that previously qualified for, and applied, any of the recognition and measurement differential reporting concessions available under NZ IFRS PBE or NZ IFRS Diff Rep shall change its accounting policies to comply with PBE Standards. The entity shall disclose the accounting policy previously applied under NZ IFRS PBE or NZ IFRS Diff Rep and restate the comparative information in accordance with paragraph 18 of this Standard.

31. Appendix A of this Standard sets out the recognition and measurement differential reporting concessions previously available under NZ IFRS PBE and NZ IFRS Diff Rep but which are not available under PBE Standards.
32. **An entity previously applying recognition and measurement differential reporting concessions permitted by NZ IAS 16 (PBE) *Property, Plant and Equipment*, NZ IAS 21 (PBE) *The Effects of Changes in Foreign Exchange Rates*, NZ IAS 38 (PBE) *Intangible Assets* and NZ IAS 41 (PBE) *Agriculture* shall either:**
- (a) **Apply the requirements of the relevant Standards retrospectively in accordance with PBE IPSAS 3; or**
 - (b) **Apply the transitional provisions in paragraphs 33–39 of this Standard when it first applies PBE Standards.**

NZ IAS 16 (PBE) *Property, Plant and Equipment*

33. **An entity that previously applied the differential reporting concession permitted by NZ IAS 16 (PBE) *Property, Plant and Equipment* to use income tax rates of depreciation for property, plant and equipment for financial reporting purposes shall treat the change in depreciation rate for property, plant and equipment as a change in accounting estimate as at the date of transition to PBE Standards in accordance with PBE IPSAS 3 (paragraphs 37–45).**

NZ IAS 21 (PBE) *The Effects of Changes in Foreign Exchange Rates*

34. An entity that previously applied the differential reporting concession permitted by NZ IAS 21 (PBE) *The Effects of Changes in Foreign Exchange Rates* to translate a transaction measured in a foreign currency using an exchange rate at settlement date rather than an exchange rate at transaction date need not restate the transactions recognised in the periods prior to the date of transition to PBE Standards to comply with PBE IPSAS 4 *The Effects of Changes in Foreign Exchange Rates*. An entity may apply PBE IPSAS 4 prospectively from the date of transition to PBE Standards.

NZ IAS 38 (PBE) *Intangible Assets*

35. An entity that previously applied the differential reporting concession permitted by NZ IAS 38 (PBE) *Intangible Assets* to expense all development costs in the period in which they were incurred need not apply PBE IPSAS 31 *Intangible Assets* to those expenses recognised in the periods prior to the date of transition to PBE Standards. An entity may apply PBE IPSAS 31 prospectively from the date of transition to PBE Standards.
36. **An entity that previously applied the differential reporting concession permitted by NZ IAS 38 (PBE) in relation to the amortisation of software (that is, to amortise software using the rates adopted for income tax purposes in allocating the depreciable amount of software over its useful life) shall treat the change in amortisation rate for software as a change in accounting estimate as at the date of transition to PBE Standards in accordance with PBE IPSAS 3 (paragraphs 37–45).**

NZ IAS 41 (PBE) *Agriculture*

37. **An entity that previously applied the differential reporting concessions permitted by NZ IAS 41 (PBE) *Agriculture* for the measurement of biological assets and/or the measurement of agricultural produce:**
- (a) **Shall, on adoption of PBE IPSAS 27 *Agriculture*, measure biological assets in accordance with PBE IPSAS 27 at the date of transition to PBE Standards; and**
 - (b) **May, on adoption of PBE IPSAS 27 and in any subsequent reporting period, measure the cost of agricultural produce harvested from the entity's biological assets prior to the date of transition to PBE Standards using the previously determined amount for the purposes of PBE IPSAS 12 *Inventories* (rather than measuring the cost of inventories at fair value less estimated point-of-sale costs at the point of harvest).**
38. The provision in paragraph 37(b) is available only in respect of agricultural produce that had been previously recognised and measured in accordance with the differential reporting concessions in NZ IAS 41 (PBE). It does not apply to agricultural produce harvested subsequent to the date of transition to PBE Standards.

39. Where previously recognised agricultural produce is measured using cost in accordance with paragraph 37(b) of this Standard, the entity shall apply PBE IPSAS 12 (paragraphs 38–42) to that agricultural produce in each subsequent reporting period to ensure that the inventory is measured at the lower of cost and net realisable value.

Disclosure

40. **A first-time adopter shall, in:**
- (a) **Its first set of annual financial statements presented in accordance with PBE Standards or PBE Standards RDR; and**
 - (b) **Its first interim financial report for part of the period covered by an entity's first set of annual financial statements presented in accordance with PBE Standards or PBE Standards RDR (if any)**
- include a statement that the interim or annual financial statements presented are its first set of financial statements presented in accordance with PBE Standards or PBE Standards RDR, as appropriate.**
41. **An entity's first set of prospective financial statements presented in accordance with PBE Standards (where such financial statements are presented prior to the entity's first set of interim or annual financial statements presented under PBE Standards) shall include a statement that the financial statements presented are its first set of prospective financial statements presented in accordance with PBE Standards or PBE Standards RDR, as appropriate.**
42. **An entity shall disclose the nature and amount of the adjustment for each financial statement line item that is materially affected at the date of adoption of PBE Standards, distinguishing separately corrections of errors and voluntary changes in accounting policies from changes resulting from transition to PBE Standards.**

Effective Date

43. **A public benefit entity shall apply this Standard for its first set of annual financial statements, and any interim financial statements within that annual period, covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**
- 43.1 ***Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments*, issued in December 2015, amended terminology for consistency with terminology used in XRB A1 and paragraphs 1, 9, 40 and 41 and deleted paragraph 8. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted.**

Withdrawal and Replacement of PBE FRS 46 (May 2013)

44. This Standard, when applied, supersedes PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS* issued in May 2013.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE FRS 46.

Reason for Issuing this PBE Standard

- BC1. In developing Tier 1 and Tier 2 PBE Standards for public sector entities, the New Zealand Accounting Standards Board (NZASB) noted that there is no single International Public Sector Accounting Standard (IPSAS) that addresses issues arising from first-time application of IPSASs. Some IPSASs contain transitional provisions which provide temporary relief from certain requirements in individual IPSASs and some provide guidance on how to deal with changes in reported figures, such as accumulated balances and comparative amounts, resulting from the first-time application of that IPSAS.
- BC2. The NZASB therefore determined that it would be useful for public sector entities if all transitional provisions for an entity applying PBE Standards for the first time were set out in a single standard. A separate standard on first-time adoption of PBE Standards would also make it easier to deal with the possibility that different first-time transitional provisions might be appropriate depending on the basis of accounting an entity was using prior to applying PBE Standards.

Basis for the General Principles

- BC3. The NZASB considered that a change from one basis of accounting to another basis of accounting (for example, from NZ IFRS to PBE Standards) is not a change in accounting policy to which PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* applies. As such, the NZASB decided that, in general, PBE IPSAS 3 would not apply when an entity first applies PBE Standards.
- BC4. The NZASB did not anticipate that the adoption of PBE Standards, by those entities previously applying standards in the NZ IFRS suites of standards¹ would result in many changes to accounting policies because most IPSASs are based on International Financial Reporting Standards (IFRSs). The NZASB decided to restrict an entity from changing its accounting policies from that previously used under the NZ IFRS suites of standards at the point of transition to PBE Standards where no change in accounting policy was required. The NZASB also decided that the first-time adoption requirements should be as simple as possible and that the detailed reconciliations that were required when entities first adopted NZ IFRS were not necessary. Unlike the situation when entities first adopted NZ IFRS where entities had been applying a variety of accounting bases, all entities applying this Standard have applied standards under the NZ IFRS suites of standards.
- BC5. However, the NZASB considered that the relevant requirements of PBE IPSAS 3 would continue to apply where, in applying PBE Standards for the first time, an entity (a) identifies a prior period error or (b) voluntarily changes an accounting policy (including changing to a different option within a PBE Standard). In these cases, PBE IPSAS 3 is to be applied because the NZASB considered that these are not matters arising from the adoption of PBE Standards.

Basis for the Specific Transitional Provisions

- BC6. As noted above, there are likely to be few changes in accounting policies for those entities previously applying NZ IFRS PBE without differential reporting concessions or NZ IFRS. With the introduction of standards addressing revenue from non-exchange transactions and grantor accounting for service concession arrangements, the NZASB considered it appropriate to provide transitional provisions relating to the first-time adoption of these standards.
- BC7. For those qualifying entities previously applying differential reporting concessions in NZ IFRS PBE or NZ IFRS Diff Rep, the first-time adoption provisions set out in this Standard relate only to certain recognition and measurement differences to assist in the transition to PBE Standards. There are no transitional provisions in respect of disclosure concessions.

¹ The NZ IFRS suites of standards include the various sets of standards based on IFRS that will exist at the time of transition, including NZ IFRS PBE, NZ IFRS, NZ IFRS Diff Rep and NZ IFRS RDR.

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

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

1. NZ IAS 11 (PBE) *Construction Contracts*

Qualifying entities may recognise profit on all construction contracts on a “completed contract method” and need not comply with any other paragraphs of NZ IAS 11 (PBE). The completed contract method is a method of accounting by which the profit on a construction contract is recognised only when the contract is completed or substantially completed, subject always to the requirements of paragraph 36 of NZ IAS 11 (PBE) to recognise any loss as soon as it is foreseen.

2. NZ IAS 12 (PBE) *Income Taxes*

Qualifying entities are not required to account for income tax in accordance with NZ IAS 12 (PBE). A qualifying entity may elect to account for income tax in accordance with NZ IAS 12 (PBE) or it may use the taxes payable method.

3. NZ IAS 16 (PBE) *Property, Plant and Equipment*

Qualifying entities are permitted to adopt the same rates of depreciation for financial reporting as for income tax purposes except when assets have been revalued in accordance with the revaluation model in NZ IAS 16 (PBE). If this exemption is taken, the entity is not required to comply with the requirements of paragraphs 51 and 61 of NZ IAS 16 (PBE).

4. NZ IAS 18 (PBE) *Revenue*

Qualifying entities are exempt from accounting for Goods and Services Tax (GST) in accordance with NZ IAS 18 (PBE). Qualifying entities may recognise revenue and expense items either with GST included (gross) or with GST excluded (net).

5. NZ IAS 21 (PBE) *The Effects of Changes in Foreign Exchange Rates*

Qualifying entities are not required to translate transactions measured in a foreign currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction as required by paragraph 21 of NZ IAS 21 (PBE). If transactions are not translated at the rate in effect at the date of the transaction then transactions settled in the accounting period shall be translated at the settlement rate, and transactions unsettled at the end of the reporting period shall be translated using the closing rate in accordance with paragraph 23 of NZ IAS 21 (PBE).

6. NZ IAS 36 (PBE) *Impairment of Assets*

Qualifying entities are not required to comply with: paragraph 10 of NZ IAS 36 (PBE) which requires an entity to undertake an annual assessment of impairment of an intangible asset with an indefinite useful life or an intangible asset not yet available for use or goodwill acquired by a business combination. Qualifying entities are required to test for impairment the assets identified in paragraph 10 of NZ IAS 36 (PBE) only when there is an indication that the assets identified may be impaired at the end of the reporting period, in accordance with the requirement in paragraph 9 of NZ IAS 36 (PBE).

7. NZ IAS 38 (PBE) *Intangible Assets*

Qualifying entities are permitted to expense all research and development costs in the period they are incurred. If an entity applies this concession it is not required to comply with paragraph 57 of NZ IAS 38 (PBE). When amortising software in accordance with paragraph 97 of NZ IAS 38 (PBE), qualifying entities are permitted to use the rates adopted for income tax purposes in allocating the depreciable amount of the software over its useful life.

8. NZ IAS 41 (PBE) Agriculture

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

Qualifying entities with livestock are permitted to use national average market values issued by Inland Revenue Department as a proxy for the fair value of a class of livestock, provided that such values are applied consistently to a class of livestock. Qualifying entities with livestock are permitted to use national standard costs issued by Inland Revenue Department as a proxy for the cost of a class of livestock, provided that such costs are applied consistently to a class of livestock. This concession applies even when the fair value of biological assets is reliably² measurable.

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

² Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Statements* discusses the transitional approach to the explanation of reliability.

History of Amendments

PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS* was issued in September 2014.

This table lists the pronouncements establishing and substantially amending PBE FRS 46. The table is based on amendments issued as at 31 January 2017.

Pronouncements	Date issued	Early operative date	Effective date (annual financial statements ... on or after ...)
PBE FRS 46 <i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS</i>	Sept 2014	Early application is permitted for not-for-profit public benefit entities	1 April 2015
<i>2015 Omnibus Amendments to PBE Standards</i>	July 2015	Early application is permitted	1 Jan 2016
<i>Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments</i>	Dec 2015	Early application is permitted	1 Jan 2016

Table of Amended Paragraphs in PBE FRS 46		
Paragraph affected	How affected	By ... [date]
Paragraph 1	Amended	<i>Amendments to PBE Standards</i> [Dec 2015]
Paragraph 8	Deleted	<i>Amendments to PBE Standards</i> [Dec 2015]
Paragraph 9	Amended	<i>Amendments to PBE Standards</i> [Dec 2015]
Paragraph 39	Amended	<i>2015 Omnibus Amendments to PBE Standards</i> [July 2015]
Paragraph 40	Amended	<i>Amendments to PBE Standards</i> [Dec 2015]
Paragraph 41	Amended	<i>Amendments to PBE Standards</i> [Dec 2015]
Paragraph 43.1	Added	<i>Amendments to PBE Standards</i> [Dec 2015]