

EXPOSURE DRAFT NZASB 2018-2

2018 OMNIBUS AMENDMENTS TO TIER 3 AND TIER 4 PBE ACCOUNTING REQUIREMENTS

(ED NZASB 2018-2)

Invitation to Comment

February 2018

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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 *2018 Omnibus Amendments to Tier 3 and Tier 4 PBE Accounting Requirements*.

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 **30 May 2018**.

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	
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	
Tier 3 NFP Standard	PBE SFR-A (NFP) <i>Public Benefit Entity Simple Format Reporting-Accrual (Not-For-Profit)</i>	Tier 3 standards
Tier 3 PS Standard	PBE SFR-A (PS) <i>Public Benefit Entity Simple Format Reporting-Accrual (Public Sector)</i>	
Tier 4 NFP Standard	PBE SFR-C (NFP) <i>Public Benefit Entity Simple Format Reporting-Cash (Not-For-Profit)</i>	Tier 4 standards
Tier 4 PS Standard	PBE SFR-C (PS) <i>Public Benefit Entity Simple Format Reporting-Cash (Public Sector)</i>	

Questions for Respondents

	Paragraphs
1. Do you agree with the proposed amendments to the Tier 3 standards to align terminology and concepts with the PBE Conceptual Framework? If you disagree, please provide reasons.	15–17
2. Do you agree with the proposed amendments to the Tier 3 standards to clarify the accounting treatment for the reversal of impairment charges for assets? If you disagree, please provide reasons.	20–23
3. Do you agree with the proposed amendments to the Tier 3 standards to clarify the opting up requirements? If you disagree, please provide reasons.	24–27
4. Do you agree with the proposed amendments to the Tier 3 and Tier 4 standards to require disclosure of the date of approval and authorisation of the performance report? If you disagree, please provide reasons.	28–30
5. Do you agree with the proposed amendment to the Tier 4 standards arising from the 2017 Amendments to XRB A1? If you disagree, please provide reasons.	31–33
6. Do you have any other comments on ED NZASB 2018-2?	

1. Introduction

1.1 Background

1. In this Omnibus ED, the NZASB is proposing limited amendments to the Tier 3 and Tier 4 PBE Accounting Requirements.
2. The Tier 3 PBE Accounting Requirements comprise two standards and the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). The standards are:
 - (a) PBE SFR-A (NFP) *Public Benefit Entity Simple Format Reporting-Accrual (Not-For-Profit)*; and
 - (b) PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting-Accrual (Public Sector)*.
3. The Tier 4 PBE Accounting Requirements comprise two standards. They are:
 - (a) PBE SFR-C (NFP) *Public Benefit Entity Simple Format Reporting-Cash (Not-For-Profit)*; and
 - (b) PBE SFR-C (PS) *Public Benefit Entity Simple Format Reporting-Cash (Public Sector)*.
4. Sitting alongside each of these four standards is an optional template and associated guidance notes. Once the proposed amendments to the standards have been finalised the NZASB will make any necessary changes to the templates and guidance notes.
5. The Tier 3 and Tier 4 standards were required to be applied by public sector PBEs for periods beginning on or after 1 July 2014 and not-for-profit PBEs for periods beginning on or after 1 April 2015.

Limited scope of amendments

6. The Tier 3 and Tier 4 standards were developed by the NZASB. The NZASB has made very few changes to these standards since they were first issued in order to establish a stable platform for Tier 3 and Tier 4 PBEs. The NZASB wanted to allow entities, particularly charities, time to become familiar with the new reporting requirements before any changes were made. The NZASB is aware that any changes to the standards could impose undue costs on these smaller entities.
7. The scope of the amendments contained in this Omnibus ED are limited to amendments to align with other pronouncements such as the PBE Conceptual Framework, clarifications of existing requirements and minor editorials. The only new requirement that has been added is the requirement to date and sign the performance report. This has been added as a direct result of feedback received from a range of stakeholders. The NZASB notes that many entities already sign and date their performance reports.
8. Any other possible changes to the standards will be considered later. In particular, although there was extensive consultation during the development of these standards, the NZASB has become aware of a few implementation issues faced by Tier 3 and Tier 4 PBEs and will consider these as part of the post-implementation review of the Tier 3 and Tier 4 standards.

9. The NZASB is committed to undertaking a post-implementation review once the Tier 3 and Tier 4 standards have been in use for some time. This will involve the NZASB looking at a number of things, including whether the objective of the standards has been achieved, whether the requirements are appropriate, and whether any issues which need to be addressed have emerged since the standards were issued.
10. The post-implementation review, which is planned for 2019-2020, will give entities the opportunity to provide feedback on any issues or concerns with the Tier 3 and Tier 4 standards.

1.2 Purpose of this Invitation to Comment

11. The purpose of this Invitation to Comment and associated Omnibus ED is to seek comments on the proposals to clarify some requirements and to address some minor issues in the Tier 3 and Tier 4 standards. Feedback on other possible amendments will be sought as part of a separate post-implementation review.

1.3 Timeline and next steps

12. Submissions on ED NZASB 2018-2 are due by **30 May 2018**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
13. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise these amendments soon afterwards.

2. Overview of ED NZASB 2018-2

2.1 Summary of the content

14. The proposed amendments in this ITC have been grouped as follows:
 - (a) amendments to align terminology and concepts with the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). These amendments are to the Tier 3 standards;
 - (b) clarification of existing requirements;
 - (c) adding a requirement to sign and date the performance report;
 - (d) amendments arising from the *2017 Amendments to XRB A1 Application of the Accounting Standards Framework (2017 Amendments to XRB A1)*. These amendments are to the Tier 4 standards; and
 - (e) minor editorial amendments.

2.2 Amendments to align terminology and concepts with the PBE Conceptual Framework

15. The NZASB issued the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework) in May 2016. It forms part of the Tier 3 PBE Accounting Requirements and supersedes the *Public Benefit Entities' Framework* issued in September 2014.
16. As a result of issuing this new conceptual framework a number of references to the previous PBE *Framework* and the qualitative characteristics need to be updated in the Tier 3 standards. For example, the qualitative characteristic of "reliability" is replaced by "faithful representation". The terms "reliability" and "faithful representation" describe what is substantially the same concept.
17. These amendments are made to the following paragraphs in the Tier 3 standards.

Tier 3 NFP Standard	Tier 3 PS Standard
Paragraphs 6, A10, A12, A182 and Table 3 after paragraph A107	Paragraphs 6, A11, A13, A184 and Table 3 after paragraph A109

Question for Respondents

1. Do you agree with the proposed amendments to the Tier 3 standards to align terminology and concepts with the PBE Conceptual Framework? If you disagree, please provide reasons.

2.3 Clarification of existing requirements

18. The NZASB has become aware of the need to clarify some existing requirements in the Tier 3 and Tier 4 standards. As explained earlier, at this time the NZASB's intention is to clarify existing requirements and to address some minor issues. Implementation issues will be considered as part of the post-implementation review of the Tier 3 and Tier 4 standards, which is planned for 2019–2020.

19. The NZASB's proposals are set out below.

Reversal of impairment charges

20. *Table 3: Recording of Specific Types of Asset* of the Tier 3 standards sets out when an entity records an expense for an impairment of specific types of assets. However, the Tier 3 standards do not explain what an entity should do to reverse a prior period impairment (should the need arise).
21. The NZASB has received feedback that it would be helpful if the Tier 3 standards explicitly addressed this issue. The NZASB is proposing to amend the Tier 3 standards to specify when and how to reverse prior period impairments.
22. The amendments are based on the wording used in the relevant Tier 2 PBE Standards.
23. These amendments are made to the following paragraphs in the Tier 3 standards.

Tier 3 NFP Standard	Tier 3 PS Standard
Table 2: <i>Recording of Specific Types of Expenses</i> Paragraphs A107.1 and A107.2	Table 2: <i>Recording of Specific Types of Expenses</i> Paragraphs A109.1 and A109.2

Question for Respondents

2. Do you agree with the proposed amendments to the Tier 3 standards to clarify the accounting treatment for the reversal of impairment charges for assets? If you disagree, please provide reasons.

Opting up to apply PBE Standards

24. In certain circumstances, the Tier 3 standards allow entities to opt up and apply the requirements in a Tier 2 PBE Standard for a specific type of transaction. For example, an entity that wishes to revalue land and buildings can opt up and apply the requirements in PBE IPSAS 17 *Property, Plant and Equipment*.
25. The NZASB has heard that Tier 3 NFP entities tend to opt up to the Tier 2 PBE Standards to (i) revalue property or (ii) measure investments in shares at fair value.
26. The NZASB is proposing to clarify what is meant by "to a specific type of transaction" when opting up.
27. These amendments are made to the following paragraphs in the Tier 3 standards.

Tier 3 NFP Standard	Tier 3 PS Standard
Paragraphs 7, 8, 9, A113, A114, A115 and A180.	Paragraphs 7, 8, 9, A115, A116, A117 and A182.

Question for Respondents

3. Do you agree with the proposed amendments to the Tier 3 standards to clarify the opting up requirements? If you disagree, please provide reasons.

2.4 Requirement to sign and date the performance report

28. The NZASB has received feedback that it is important for users to know when the performance report was authorised for issue as the performance report does not reflect events after this date. The NZASB notes that many entities already sign and date their performance reports.
29. The NZASB is therefore proposing to add a requirement to the Tier 3 and Tier 4 standards to require disclosure of the date of finalisation and the individual or body who authorised the performance report for issue. The NZASB also proposes to amend the Tier 3 and Tier 4 templates to reflect this change.
30. These amendments are made to the following paragraphs in the Tier 3 and Tier 4 standards.

Tier 3 NFP Standard	Tier 3 PS Standard	Tier 4 NFP Standard	Tier 4 PS Standard
Paragraphs A148.1 and A148.2	Paragraphs A150.1 and A150.2	Paragraphs A69.1 and A69.2	Paragraphs A72.1 and A72.2

Question for Respondents

4. Do you agree with the proposed amendments to the Tier 3 and Tier 4 standards to require disclosure of the date of approval and authorisation of the performance report? If you disagree, please provide reasons.

2.5 Amendments arising from the 2017 Amendments to XRB A1

31. In October 2017, the XRB Board issued *2017 Amendments to XRB A1*. Paragraph 42A of XRB A1 now requires that a PBE determine its eligibility to report in accordance with the Tier 4 standards based on the total combined operating payments of the entity and any entities that it controls (that is, on a group basis). Where the total operating payments of the group are less than \$125,000 in each of the two preceding accounting periods, all the entities would be eligible to report under the Tier 4 standards and the controlling entity would not be required to prepare consolidated financial statements.
32. The NZASB is therefore proposing to amend the scope of the Tier 4 standards to align the scope of the standards with the amended criteria in XRB A1. The proposals clarify that where an entity controls another entity (or entities) and the total combined operating payments of the group are within the statutory threshold to apply the Tier 4 standards, the controlling entity is not required to prepare consolidated financial statements.
33. Paragraph 2.1 has been added to the Tier 4 standards.

Question for Respondents

5. Do you agree with the proposed amendment to the Tier 4 standards arising from the 2017 Amendments to XRB A1? If you disagree, please provide reasons.

2.6 Minor editorial amendments

34. The proposed amendments also include the following minor editorial corrections:
- (a) paragraph A202 of the Tier 3 NFP Standard is amended to be consistent with paragraph A206 with regard to transactions below market price with a related party.
 - (b) paragraph A109 of the Tier 4 NFP Standard is amended in line with the proposed amendment to paragraph A202 of the Tier 3 NFP Standard.
 - (c) Table 1: *Recording Specific Types of Revenue* (under paragraph A62) of the Tier 3 NFP Standard is amended to be consistent with paragraph A55 regarding the categorisation of revenue from providing goods or services.

2.7 Effective date

35. The proposed effective date for the proposed amendments to the Tier 3 and Tier 4 PBE Accounting Requirements is periods beginning on or after 1 January 2019, with early application permitted.

Question for Respondents

6. Do you have any other comments on ED NZASB 2018-2?

2018 OMNIBUS AMENDMENTS TO TIER 3 AND TIER 4 PBE ACCOUNTING REQUIREMENTS

This [draft] 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 [draft] Standard are required to apply it in accordance with the effective date, which is set out in Part D.

In finalising this [draft] 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 [draft] Standard has been issued to amend the Tier 3 and Tier 4 PBE Accounting Requirements for the following:

- (a) To align terminology and concepts with the *Public Benefit Entities' Conceptual Framework*;
- (b) To make limited changes to clarify existing requirements;
- (c) To add a requirement to sign and date the performance report;
- (d) To reflect amendments arising from the *2017 Amendments to XRB A1 Application of the Accounting Standards Framework*; and
- (e) Minor editorial amendments.

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Part A: Introduction

This [draft] Standard includes amendments for the following:

- (a) Amendments to align terminology and concepts with the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). These amendments are to the Tier 3 standards only;
- (b) Clarification of existing requirements;
- (c) Adding a requirement to sign and date the performance report;
- (d) Amendments arising from the *2017 Amendments to XRB A1 Application of the Accounting Standards Framework (2017 Amendments to XRB A1)*. These amendments are to the Tier 4 standards only; and
- (e) Minor editorial amendments.

Part B: Scope

This Standard applies to Tier 3 and Tier 4 public benefit entities.

Part C: Amendments to simple format reporting standards

PBE SFR–A (NFP) Public Benefit Entity Simple Format Reporting–Accrual (Not-For-Profit)

Paragraphs 6, 7, 8, 9, A10, A113, A114, A115, A180, A182, A202 and Table 1: *Recording of Specific Types of Revenues*, Table 2: *Recording of Specific Types of Expenses* and Table 3: *Recording of Specific Types of Asset* are amended, paragraphs 14, A107.1, A107.2, A148.1 and A148.2 are added and paragraph A12 is deleted. Paragraphs A62, A80, A107, A116 and A206 have not been amended but are shown for ease of reference. New text is underlined and deleted text is struck through.

Standard

...

6. Where this Standard does not provide guidance on a specific type of transaction or event, the entity shall use its judgement to determine an appropriate method of accounting for that transaction type that results in the performance report providing relevant and ~~reliable~~ faithfully representative information. The entity shall refer to, and consider the applicability of, the following in descending order:
- (a) The principles and requirements in this Standard dealing with similar and related transactions or events; and
 - (b) The definitions and concepts in the PBE Conceptual Framework ~~Framework~~ to the extent that they do not conflict with this Standard.

In making the judgement described above, the entity might also consider (but is not required to apply) the relevant requirements in the Tier 2 PBE Accounting Requirements dealing with the same, similar or related transactions or events.

Application of PBE Standards

7. An entity that is eligible to apply this Standard, and elects to do so, may elect to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements to a specific type of transaction, as long as it applies that option to all transactions of that type. For example, an entity may decide to opt up to PBE IPSAS 17 *Property, Plant and Equipment* for a class of assets, such as buildings, so that it can revalue ~~a that class of assets, or an entity may decide to opt up to the financial instruments standards (PBE IPSAS 28 *Financial Instruments: Presentation*, PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* (or PBE IFRS 9 *Financial Instruments*), and PBE IPSAS 30 *Financial Instruments: Disclosures*) for a class¹ of financial instruments, such as investments in shares, so that it can measure that class of financial instruments at fair value (in which case it must apply the whole standard to that class).~~
- ¹ PBE IPSAS 30 (paragraphs 9, AG1 and AG2) provides guidance on determining classes of financial instruments.
8. If, for a ~~particular~~ specific type of transaction, an entity elects to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements instead of applying the requirements in this Standard, the entity shall disclose this in the statement of accounting policies.
9. If, for a ~~particular~~ specific type of transaction, an entity elects to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements instead of applying the requirements in this Standard, the entity cannot then choose to return to applying this Standard for that type of transaction

unless the entity complies with the requirements of this Standard for changes in accounting policies (see paragraph A180).

...

Effective Date

...

14. 2018 Omnibus Amendments to Tier 3 and Tier 4 PBE Accounting Requirements, issued in [Date], amended paragraphs 6, 7, 8, 9, A10, A113, A114, A115, A180, A182, A202 and Table 1: Recording of Specific Types of Revenues, Table 2: Recording of Specific Types of Expenses and Table 3: Recording of Specific Types of Asset, added paragraphs A107.1, A107.2, A148.1, A148.2 and deleted paragraph A12. An entity shall apply those amendments for periods beginning on or after [Date]. Earlier application is permitted.

...

Appendix A: Specific Requirements

This Appendix contains the requirements for Public Benefit Entity Simple Format Reporting–Accrual (Not-For-Profit). It is an integral part of the Standard.

...

Presentation of the Entity’s Performance

A10. The performance report shall present fairly (or “provide a true and fair view” of) the entity’s service performance, financial performance and cash flows over the financial year, and its position at balance date, in accordance with this Standard. Fair presentation is achieved by compliance with this Standard, and also requires an entity to:

- (a) Select and apply appropriate accounting policies (section 8);
- (b) Present information in the best way to achieve the following goals:
 - (i) Relevance: the information can be used to assess the entity’s performance.
 - (ii) Reliability Faithful representation: the information represents what has happened in a way that most users would see as a fair representation of the situation, with no bias. Information is complete, neutral and free from material error.
 - (iii) Understandability: information is presented so that users can identify the main points of the entity’s performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this.
 - (iv) Timeliness: The performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. For some not-for-profit PBEs legislation² defines the period by which the annual performance report must be completed.
 - (v) Comparability: users are able to compare what the entity did this year with what the entity did last year. Users might also want to see how the entity performed compared to similar entities in the same sector this year.
 - (vi) ~~Understandability: information is presented so that users can identify the main points of the entity’s performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this.~~
 - (vi) Verifiability: the information reported is capable of being supported by independent means. Verifiability helps assure users with different levels of knowledge that the information in the performance report is without material error or bias.

...

² The Charities Act 2005 requires that the financial statements must accompany the annual return that must be filed within 6 months of the end of the financial year.

A12. ~~Timeliness of reporting is important. The performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. For some not for profit PBEs legislation defines the period by which the annual performance report must be completed. [Deleted]~~

...

Accounting for Revenue

A62. Revenue shall be recorded on the occurrence of a recognition event. This is when there is a legal right to receive cash either now or sometime in the future. The timing of the recording of specific revenue types is provided in Table 1.

Table 1: Recording of Specific Types of Revenues

Source	When to Record	Comments
Donations, fundraising and other similar revenue		
...		
Grants that are service contracts which have a "use or return" condition attached	On receipt of grant record asset received (generally cash) and a liability. As the conditions are met (i.e. services provided) the liability is reduced and revenue is recorded.	The liability as at balance date reflects the extent to which obligations under the service contract have not been satisfied.
...		
Revenue from providing goods or services		
...		
Grants that are service contracts which have a "use or return" condition attached	On receipt of grant record asset received (generally cash) and a liability. As the conditions are met (i.e. services provided) the liability is reduced and revenue is recorded.	The liability as at balance date reflects the extent to which obligations under the service contract have not been satisfied.
...		

...

Accounting for Expenses

A80. Expenses shall be recorded on the occurrence of a recognition event. This is where there is a legal obligation to pay cash either now or sometime in the future (this is normally referred to as the point at which an expense is "incurred"). The timing of the recording of specific expense types is provided in Table 2.

Table 2: Recording of Specific Types of Expenses

Source	When to Record	Comments
...		
Other expenses		
...		

Source	When to Record	Comments
Impairment charges (changes in the value of assets) <u>Reversal of an impairment charge recorded in a prior period</u>	Record the expense when it is apparent that an asset is recorded at an amount that is greater than its net realisable value. <u>Reverse the expense when there is an indication that an impairment charge recorded in a prior period may no longer exist or may have decreased.</u> (see paragraphs A107.1 and A107.2)	The impairment expense is the amount by which the asset's recorded amount is reduced. Impairment charges relate mostly to property, plant and equipment, inventory, and receivables (which become bad debts). See also Table 3 for further discussion on impairment.

...

Accounting for Assets

A107. Assets shall be recorded on the occurrence of a recognition event and reported using the measurement basis appropriate for the asset type. Details for recording and measuring specific asset types are provided in Table 3.

Table 3: Recording of Specific Types of Asset

...	
Other Assets	
When to record	When: (a) The asset is acquired; and (b) The asset has a cost or value that can be measured reliably. ^(a)
...	
^(a) 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.	

Reversal of Impairment Charges

A107.1 If there is any indication that an impairment charge recognised in prior periods for an asset may no longer exist or may have decreased (i.e. if it is apparent that an asset is recorded at an amount that is less than its net realisable value), an entity shall reverse all or part of that impairment charge.

A107.2 The reversal of the impairment charge shall:

- (a) In the case of inventories, be limited to the amount of the original write-down;
- (b) In the case of investments, not result in the carrying amount of the asset being recorded at more than its original cost; and
- (c) In the case of property, plant and equipment, not result in the carrying amount of the asset (net of depreciation) being recorded at more than it would have been had the impairment not been recorded.

...

Revaluation of Property, Plant and Equipment

A113. As specified in Table 3, purchased property, plant and equipment is to be measured on the cost basis. However, an entity may elect to revalue a class of property, plant and equipment. Entities are more likely to make such an election when the value of an asset has increased significantly over that asset's life (such as land or a building).

A114. If an entity wishes to revalue an class of assets, it shall apply the relevant requirements of PBE IPSAS 17 *Property, Plant and Equipment*, except that the entity may use the current rateable or government valuation (rather than fair value as required by PBE IPSAS 17) when revaluing. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the performance report.

A115. It is important to note that once property, plant and equipment is revalued, the requirements of ~~Tier 2 PBE Accounting Standards~~ mean that it is likely that the entity will need to continue measuring ~~those assets that class of assets~~ at revalued amounts thereafter (rather than reverting back to asset cost).

A116. If the entity chooses not to revalue property, plant and equipment but considers that a current value of some assets is useful information for users of the performance report, the entity may choose to disclose that current value, and the basis (such as the, rateable or government valuation) and date of that valuation in the notes to the performance report.

...

Other Information

Date of Finalisation

A148.1 It is important for users to know when the performance report was authorised for issue, as the performance report does not reflect events after this date

Required Information

A148.2 An entity shall disclose at the bottom of the statement of financial position the date the performance report was approved and authorised for issue and who gave that authorisation.

...

Specific Accounting Policies

...

A180. Where an entity has elected to apply the requirements of a PBE Standard that is part a provision of the Tier 2 PBE Accounting ~~Standards~~ Requirements in place of a requirement of this Standard (see paragraphs 7–9), the ~~Tier 2 PBE Accounting~~ Standard applied shall be disclosed.

...

A182. An entity shall change an accounting policy only if the change:

- (a) Is required by this Standard; or
- (b) Is in accordance with this Standard and results in the statements providing more ~~reliable~~ faithfully representative or more relevant information about the effects of transactions or other events and conditions on the entity's service performance, financial performance, financial position, or cash flows.

...

Related Party Transactions

Explanation

A202 A related party transaction is a transfer of money or other resource between the reporting entity and a person or other entity that is closely associated with the reporting entity that has the ability to influence the reporting entity. This includes ~~significant~~ normal business transactions as well as ~~significant~~ transactions below market price (including the provision of free goods or services).

...

Requirements

A206. An entity shall disclose in the notes to the performance report, transactions with a related party that have occurred during the financial year if:

- (a) The transaction is significant to the entity (individually or in aggregate with similar transactions); or
- (b) The transaction (either significant or insignificant) is on terms and conditions that are likely to be different from the terms and conditions of transactions in similar circumstances between parties that are not related.

PBE SFR–A (PS) Public Benefit Entity Simple Format Reporting –Accrual (Public Sector)

Paragraphs 6, 7, 8, 9, A11, A115, A116, A117, A182 and A184 and Table 2 *Recording of Specific Types of Expenses* and Table 3: *Recording of Specific Types of Asset* are amended, Paragraphs 14, A109.1, A109.2, A150.1, A150.2 are added and paragraph A13 is deleted. Paragraphs A83, A109 and A118 have not been amended but are shown for ease of reference. New text is underlined and deleted text is struck through.

Standard

6. Where this Standard does not provide guidance on a specific type of transaction or event, the entity shall use its judgement to determine an appropriate method of accounting for that transaction type that results in the performance report providing relevant and ~~reliable~~ faithfully representative information. The entity shall refer to, and consider the applicability of, the following in descending order:
- (a) The principles and requirements in this Standard dealing with similar and related transactions or events; and
 - (b) The definitions and concepts in the PBE Conceptual Framework ~~Framework~~ to the extent that they do not conflict with this Standard.

In making the judgement described above, the entity might also consider (but is not required to apply) the relevant requirements in the Tier 2 PBE Accounting Requirements dealing with the same, similar or related transactions or events.

7. An entity that is eligible to apply this Standard, and elects to do so, may elect to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements to a specific type of transaction, as long as it applies that option to all transactions of that type. For example, an entity may decide to opt up to PBE IPSAS 17 *Property, Plant and Equipment* for a class of asset, such as buildings, so that it can revalue ~~a that class of assets, or an entity may decide to opt up to the financial instruments standards~~ (PBE IPSAS 28 *Financial Instruments: Presentation*, PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* (or PBE IFRS 9 *Financial Instruments*), and PBE IPSAS 30 *Financial Instruments: Disclosures*) for a class¹ of financial instruments, such as, investments in shares, so that it can measure that class of financial instruments at fair value (in which case it must apply the whole standard to that class).

¹ PBE IPSAS 30 (paragraphs 9, AG1 and AG2) provides guidance on determining classes of financial instruments.

8. If, for a ~~particular~~ specific type of transaction, an entity elects to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements instead of applying the requirements in this Standard, the entity shall disclose this in the statement of accounting policies.
9. If, for a ~~particular~~ specific type of transaction, an entity elects to apply the requirements of a PBE Standard that is part of the Tier 2 PBE Accounting Requirements instead of applying the requirements in this Standard, the entity cannot then choose to return to applying this Standard for that type of transaction unless the entity complies with the requirements of this Standard for changes in accounting policies (see paragraph A1802).

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Effective Date

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14. 2018 Omnibus Amendments to Tier 3 and Tier 4 PBE Accounting Requirements, issued in [Date], amended paragraphs 6, 7, 8, 9, A11, A115, A116, A117, A182, A184 and Table 2 *Recording of Specific Types of Expenses* and Table 3: *Recording of Specific Types of Asset*, added paragraphs A109.1, A109.2, A150.1, 150.2 and deleted paragraph A13. An entity shall apply those amendments for periods beginning on or after [Date]. Earlier application is permitted.

Appendix A: Specific Requirements

This Appendix contains the requirements for Public Benefit Entity Simple Format Reporting–Accrual (Public Sector). It is an integral part of the Standard.

...

Presentation of the Entity's Performance

A11. The performance report shall “fairly present” (the entity’s service performance, financial performance and cash flows over the financial year, and its position at balance date, in accordance with this Standard. Fair presentation is achieved by compliance with this Standard, and also requires an entity to:

- (a) Select and apply appropriate accounting policies (section 8);
- (b) Present information in the best way to achieve the following goals:
 - (i) Relevance: the information can be used to assess the entity’s performance.
 - (ii) Reliability Faithful representation: the information represents what has happened in a way that most users would see as a fair representation of the situation, ~~with no bias~~. Information is complete, neutral and free from material error.
 - (iii) Understandability: information is presented so that users can identify the main points of the entity’s performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this
 - (iv) Timeliness: the performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. For some public sector PBEs legislation defines the period by which the annual performance report must be completed.
 - (v) Comparability: users are able to compare what the entity did this year with what the entity did last year. Users might also want to see how the entity performed compared to similar entities in the same sector this year.
 - (vi) Verifiability: the information reported is capable of being supported by independent means. Verifiability helps assure users with different levels of knowledge that the information in the performance report is without material error or bias.
 - ~~(vi) Understandability: information is presented so that users can identify the main points of the entity’s performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this.~~

...

~~A13. Timeliness of reporting is important. The performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. For some public sector PBEs legislation defines the period by which the annual performance report must be completed. [Deleted]~~

...

Accounting for Expenses

A83. Expenses shall be recorded on the occurrence of a recognition event. This is where there is a legal obligation to pay cash either now or sometime in the future (this is normally referred to as the point at which an expense is “incurred”). The timing of the recording of specific expense types is provided in Table 2.

Table 2: Recording of Specific Types of Expenses

Source	When to Record	Comments
Impairment charges (changes in the value of assets) <u>Reversal of an impairment charge recorded in a prior period</u>	Record the expense when it is apparent that an asset is recorded at an amount that is greater than its net realisable value. <u>Reverse the expense when there is an indication that an impairment charge recorded in a prior period may no longer exist or may have decreased.</u> (see paragraphs A109.1 and A109.2)	The impairment expense is the amount by which the asset's recorded amount is reduced. Impairment charges relate mostly to property, plant and equipment, inventory, and receivables (which become bad debts). See also Table 3 for further discussion on impairment.

...

Accounting for Assets

A109. Assets shall be recorded on the occurrence of a recognition event and reported using the measurement basis appropriate for the asset type. Details for recording and measuring specific asset types are provided in Table 3.

Table 3: Recording of Specific Types of Asset

...	
Other Assets	
When to record	When: (a) The asset is acquired; and (b) The asset has a cost or value that can be measured reliably. ^(a)
...	
(a) <u>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.</u>	

Reversal of Impairment Charges

A109.1 If there is any indication that an impairment charge recognised in prior periods for an asset may no longer exist or may have decreased (i.e. if it is apparent that an asset is recorded at an amount that is less than its net realisable value), an entity shall reverse all or part of that impairment charge.

A109.2 The reversal of the impairment charge shall:

- (a) In the case of inventories, be limited to the amount of the original write-down;
- (b) In the case of investments, not result in the carrying amount of the asset being recorded at more than its original cost; and
- (c) In the case of property, plant and equipment, not result in the carrying amount of the asset (net of depreciation) being recorded at more than it would have been had the impairment not been recorded.

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Revaluation of Property, Plant and Equipment

A115. As specified in Table 3, purchased property, plant and equipment is to be measured on the cost basis. However, an entity may elect to revalue a class of property, plant and equipment. Entities are more likely to make such an election when the value of an asset has increased significantly over that asset's life (such as land or a building).

A116. If an entity wishes to revalue a class of assets, it shall apply the relevant requirements of PBE IPSAS 17 *Property, Plant and Equipment*, except that the entity may use the current rateable or government valuation

(rather than fair value as required by PBE IPSAS 17) when revaluing. Where this is the case, the entity shall disclose the source and date of the valuation in the notes to the performance report.

A117. It is important to note that once property, plant and equipment is revalued, the requirements of ~~Tier 2 PBE Accounting Standards~~ mean that it is likely that the entity will need to continue measuring ~~those assets that class of assets~~ at revalued amounts thereafter (rather than reverting back to asset cost).

A118. If the entity chooses not to revalue property, plant and equipment but considers that a current value of some assets is useful information for users of the performance report, the entity may choose to disclose that current value, and the basis (such as the, rateable or government valuation) and date of that valuation in the notes to the performance report.

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Other Information

Date of Finalisation

A150.1 It is important for users to know when the performance report was authorised for issue, as the performance report does not reflect events after this date

Required Information

A150.2 An entity shall disclose at the bottom of the statement of financial position the date the performance report was approved and authorised for issue and who gave that authorisation.

...

Specific Accounting Policies

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A182. Where an entity has elected to apply the requirements of a PBE Standard that is part a provision of the Tier 2 PBE Accounting ~~Standards~~ Requirements in place of a requirement of this Standard (see paragraphs 7–9), the ~~Tier 2 PBE Accounting Standard~~ applied shall be disclosed.

Changes in Accounting Policies

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A184. An entity shall change an accounting policy only if the change:

- (a) Is required by this Standard; or
- (b) Is in accordance with this Standard and results in the statements providing more reliable faithfully representative or more relevant information about the effects of transactions or other events and conditions on the entity's service performance, financial performance, financial position, or cash flows.

PBE SFR–C (NFP) Public Benefit Entity Simple Format Reporting–Cash (Not-For-Profit)

Paragraphs 2.1, 7, A69.1 and A69.2 are added and paragraph A109 is amended. New text is underlined and deleted text is struck through.

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Scope

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2.1 Where an entity controls¹ one or more entities and the total combined operating payments² of the entity and all its controlled entities do not exceed the legislative size threshold to report in accordance with this Standard, the controlling entity is not required to prepare consolidated financial statements.

¹ An entity determines whether it controls another entity in accordance with generally accepted accounting practice (GAAP). Explanatory Guide A9 *Financial Reporting by Not-for-profit Entities: Identifying Relationships for Financial Reporting Purposes* provides guidance for not-for-profit entities in determining whether an entity has a relationship with another entity for financial reporting purposes and, if so, the nature of that relationship.

² The combined operating payments of the entity and all its controlled entities excludes any payments between the entity and the controlled entities and/or between the controlled entities.

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Effective Date

...

7. 2018 Omnibus Amendments to Tier 3 and Tier 4 PBE Accounting Requirements, issued in [Date], added paragraphs 2.1, A69.1 and A69.2 and amended paragraph A109. An entity shall apply those amendments for periods beginning on or after [Date]. Earlier application is permitted.

Appendix A: Specific Requirements

This Appendix contains the requirements for Public Benefit Entity Simple Format Reporting–Cash (Not-For-Profit). It is an integral part of the Standard.

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Other Information

Date of Finalisation

A69.1 It is important for users to know when the performance report was authorised for issue, as the performance report does not reflect events after this date.

Required Information

A69.2 An entity shall disclose at the bottom of the statement of receipts and payments the date the performance report was approved and authorised for issue and who gave that authorisation.

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Related Party Transactions

Explanation

A109. A related party transaction is a transfer of money or other resource between the reporting entity and a person or other entity that is closely associated with the reporting entity that has the ability to influence the reporting entity. This includes ~~significant~~ normal business transactions as well as transactions below the market price (including the provision of free goods or services).

PBE SFR–C (PS) Public Benefit Entity Simple Format Reporting–Cash (Public Sector)

Paragraphs 2.1, 7, A72.1 and A72.2 are added.

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Scope

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2.1 Where an entity controls one or more entities and the total combined operating payments¹ of the entity and all its controlled entities do not exceed the legislative size threshold to report in accordance with this Standard, the controlling entity is not required to prepare consolidated financial statements.

¹ The combined operating payments of the entity and all its controlled entities excludes any payments between the entity and the controlled entities and/or between the controlled entities.

...

7. 2018 Omnibus Amendments to Tier 3 and Tier 4 PBE Accounting Requirements, issued in [Date], added paragraphs 2.1, A72.1 and A72.2. An entity shall apply those amendments for periods beginning on or after [Date]. Earlier application is permitted.

Appendix A: Specific Requirements

This Appendix contains the requirements for Public Benefit Entity Simple Format Reporting–Cash (Not-For-Profit). It is an integral part of the Standard.

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Other Information

Date of Finalisation

A72.1 It is important for users to know when the performance report was authorised for issue, as the performance report does not reflect events after this date.

Required Information

A72.2 An entity shall disclose at the bottom of the statement of receipts and payments the date the performance report was approved and authorised for issue and who gave that authorisation.

Part D: Effective date

The amendments are effective for periods beginning on or after [date]. Earlier application is permitted.