

NZASB Exposure Draft 2019-4

Withdrawal of PBE FRS 46 **(Proposed amendments to PBE FRS 47)**

(NZASB ED 2019-4)

Invitation to Comment

September 2019

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

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NZASB ED 2019-4 <i>Withdrawal of PBE FRS 46 (Proposed amendments to PBE FRS 47)</i>	

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 proposal to withdraw PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS* and amend PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*.

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 comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: <https://www.xrb.govt.nz/accounting-standards/standards-in-development/open-for-comment/>.

Please include *Withdrawal of PBE FRS 46* in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **31 January 2020**.

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
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZ IFRS RDR	NZ IFRS Reduced Disclosure Regime, with disclosure concessions for Tier 2 for-profit entities
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity
PBE FRS	Public Benefit Entity Financial Reporting Standard, a domestic PBE Standard
PBE Standards	Public Benefit Entity Standards
PBE Standards RDR	Public Benefit Entity Standards Reduced Disclosure Regime, with disclosure concessions for Tier 2 PBEs
RDR	Reduced Disclosure Regime

Questions for respondents

		Paragraphs
1	Do you agree with the proposal to withdraw PBE FRS 46? If you disagree, please explain why.	6–10
2	Do you agree with the proposed amendments to PBE FRS 47 and other PBE Standards? If you disagree, please explain why.	11
3	Do you agree with the proposed effective dates (1 January 2021 for most of the amendments)? If you disagree, please explain why.	12–13
4	Do you have any other comments on the ED?	

1. Introduction

1.1 Background

1. There are currently two standards dealing with first-time adoption of PBE Standards.
 - (a) PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS*; and
 - (b) PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*.
2. These two standards were developed to address the needs of the first wave of entities adopting PBE Standards following the introduction of the Accounting Standards Framework. Since then two things have changed. There are now few entities that fall within the scope of PBE FRS 46 and the increasing differences between NZ IFRS and PBE Standards mean that the approach taken in PBE FRS 46 is no longer the most appropriate approach for entities moving from NZ IFRS to PBE Standards. The New Zealand Accounting Standards Board (NZASB) is therefore proposing to withdraw PBE FRS 46 and to amend PBE FRS 47.

1.2 Purpose of this Invitation to Comment

3. The purpose of this Invitation to Comment and associated Exposure Draft (ED) is to seek comments on the proposals to:
 - (a) withdraw PBE FRS 46;
 - (b) amend the title of PBE FRS 47 to *First-time Adoption of PBE Standards*;
 - (c) amend PBE FRS 47 to remove references to PBE FRS 46 and the requirements in PBE FRS 46; and
 - (d) make editorial corrections to PBE FRS 47.

1.3 Timeline and next steps

4. Submissions on NZASB ED 2019-4 are due by 31 January 2020. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
5. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to withdraw PBE FRS 46 and finalise and issue the amendments to PBE FRS 47.

2. Overview of Invitation to Comment and ED

2.1 Withdrawal of PBE FRS 46

6. The NZASB is seeking feedback on its proposal to withdraw PBE FRS 46.
7. When PBE Standards were first introduced, PBE FRS 46 was developed to streamline the adoption of PBE Standards by entities that had been applying NZ IFRS (or one of the NZ IFRS suites of standards), the majority of which were public sector entities. The approach to first-time adoption in PBE FRS 46 relied on the close alignment between NZ IFRS and PBE Standards at that point in time. PBE FRS 46 required that entities continue to use the same accounting policies as before, except when PBE Standards required a change.
8. In contrast, PBE FRS 47 was developed for a wider range of entities and did not assume that an entity had applied any particular accounting policies. It was based on NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. PBE FRS 47 was thus better suited than PBE FRS 46 to be a long-term standard.
9. PBE FRS 46 has always had a limited life. The NZASB considers that it is appropriate to withdraw PBE FRS 46 now because of the increasing differences between NZ IFRS and PBE Standards. The ongoing changes to NZ IFRS, including new standards dealing with revenue, leases and insurance, mean that maintaining PBE FRS 46 as a separate standard is not a viable option.
10. The NZASB also notes that the number of entities applying PBE FRS 46 has fallen. NZ IFRS (PBE) and NZ IFRS (Diff Rep) were withdrawn in 2015,² leaving NZ IFRS and NZ IFRS RDR as the remaining NZ IFRS suites. An entity applying NZ IFRS or NZ IFRS RDR is required (by paragraph 7 of FRS-44 *New Zealand Additional Disclosures*) to disclose that, for the purposes of complying with GAAP, it is a for-profit entity. In order for a for-profit entity applying NZ IFRS or NZ IFRS RDR to subsequently adopt PBE Standards, it would have to decide that it is now a PBE for reporting purposes. Such changes in designation are unlikely to happen often.

Question for respondents

1. Do you agree with the proposal to withdraw PBE FRS 46? If you disagree, please explain why.

² *Revocation of Tier 3 and Tier 4 For-profit Accounting Standards* (issued March 2015) withdrew NZ IFRS Diff Rep, NZ IFRS PBE and Old GAAP.

2.2 Amendments to PBE FRS 47 (and other PBE Standards)

11. Table 1 below summarises the proposed amendments to PBE FRS 47 and other PBE Standards. The key change is to shorten the title of PBE FRS 47 to *First-time Adoption of PBE Standards*. The amendments reflect the revised title of PBE FRS 47 and remove references to PBE FRS 46.

Table 1 Proposed amendments

Proposed amendment	Reason
Title	To reflect the withdrawal of PBE FRS 46
Heading styles	Editorial correction to align the level of certain headings in PBE FRS 47 with the equivalent headings in NZ IFRS 1.
Scope	
Para 4	To reflect the withdrawal of PBE FRS 46 and the fact that NZ IFRS PBE and NZ IFRS Diff Rep were withdrawn some time ago.
Para 6	Editorial
Para RDR 8.1	To reflect the withdrawal of PBE FRS 46 and the fact that NZ IFRS PBE and NZ IFRS Diff Rep were withdrawn some time ago.
Para RDR 8.4	Editorial
Definitions (para 9)	
Date of transition to PBE Standards	The amendment to the definition is to reflect the withdrawal of PBE FRS 46.
NZ IFRS NZ IFRS Diff Rep NZ IFRS PBE NZ IFRS RDR	NZ IFRS PBE and NZ IFRS Diff Rep were withdrawn some time ago.
PBE Standards Reduced Disclosure Regime	Editorial – to refer in full to the Reduced Disclosure Regime
Previous GAAP	The amendment is to clarify that the reference to GAAP in this definition is broader than definitions of GAAP.
New sentence at end	Editorial. This generic sentence which refers to the <i>Glossary of Defined Terms</i> is used throughout PBE Standards.
Recognition and Measurement	
Para 13	Editorial
Para 14	Editorial
Para 16	Editorial
Para 22	Editorial
Para RDR 30.1	Editorial
Para 42.7	Editorial
Para 42.9	Editorial. Paragraphs E1 and E2 which were added to PBE FRS 47 by PBE IPSAS 41 should have been numbered D5 and D6.

Proposed amendment	Reason
Para 42.12	Effective date paragraph to record the amendments.
Para A8D	Editorial
D5	Editorial
D6	Editorial
BC3	To reflect the withdrawal of PBE FRS 46.
BC4	To reflect the withdrawal of PBE FRS 46.
BC5	To delete the outdated reference to Old GAAP.
BC7	To clarify that the concession in paragraph RDR 27.2 is available to entities moving from PBE Simple Format Reporting standards or special purpose reporting to PBE Standards.
BC13–BC15	New BC paragraphs to document the reasons for the proposals in this ED.
Amendments to other PBE Standards	
PBE IPSAS 3	To reflect the withdrawal of PBE FRS 46.
PBE IPSAS 39	To reflect the new title of PBE FRS 47.
PBE IPSAS 40	To reflect the new title of PBE FRS 47.
PBE IPSAS 41	Editorial. Paragraphs E1 and E2, which were added to PBE FRS 47 by PBE IPSAS 41, should have been numbered D5 and D6.
PBE FRS 42	To reflect the withdrawal of PBE FRS 46 and the new title of PBE FRS 47.
XRB A1	To reflect the withdrawal of PBE FRS 46 and the new title of PBE FRS 47.
EG A1	To reflect the new title of PBE FRS 47.

Question for respondents

- Do you agree with the proposed amendments to PBE FRS 47 and other PBE Standards? If you disagree, please explain why.

2.3 Effective date and other comments

- The proposed effective date for most of the amendments in the ED is 1 January 2021, with early adoption permitted.
- The effective date for the amendments that relate to PBE IPSAS 41 is when an entity applies PBE IPSAS 41.

Questions for respondents

- Do you agree with the proposed effective dates (1 January 2021 for most of the amendments)? If you disagree, please explain why.
- Do you have any other comments on the ED?