

NZASB Exposure Draft 2020-1

Proposed 2020 Amendments to PBE FRS 48

(NZASB ED 2020-1)

Invitation to Comment

May 2020

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Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals.

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 *Proposed 2020 Amendments to PBE FRS 48* 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 **10 August 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).

Questions for respondents

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2 Do you agree with the proposed clarification regarding explaining variances (see paragraphs 37 and 38A)? If you disagree, please explain why.	5
3 Do you agree with the proposed effective date of the amendments? If you disagree, please explain why.	5
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¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

1. Introduction

1.1 Proposed deferral of effective date

1. The purpose of this Invitation to Comment (ITC) and associated Exposure Draft (ED) is to seek comments on proposals to defer the effective date of PBE FRS 48 *Service Performance Reporting* by one year (from 1 January 2021 to 1 January 2022). The proposals are relevant for Tier 1 and 2 PBEs.
2. PBE FRS 48 was issued in November 2017 with an effective date of 1 January 2021. Comparative information is required.
3. Given the disruption to the operations of many entities during 2020 as a result of the COVID-19 pandemic, the New Zealand Accounting Standards Board (NZASB) has become aware that some PBEs may be unable to complete the steps required to implement PBE FRS 48 by its effective date. The NZASB is therefore proposing to defer the effective date of PBE FRS 48 by one year.
4. The NZASB considers that this proposal will provide short-term relief for entities that have experienced disruption to their operations during this period.

Question for respondents

1. Do you agree with the proposal to to defer the effective date of PBE FRS 48 *Service Performance Reporting* by one year (from 1 January 2021 to 1 January 2022)? If you disagree, please explain why.

1.2 Proposed clarification re variances

5. The ED also seeks feedback on a proposed clarification to paragraph 37 of the standard in relation to explanations of variances. As written, paragraph 37 requires an explanation of all variances between the current and previous period. This was not the intention. The intention was to require that entities reporting comparisons of actual versus prospective information explain variances between the two.

Question for respondents

2. Do you agree with the proposed clarification regarding explaining variances (see paragraphs 37 and 38A)? If you disagree, please explain why.

1.3 Effective date and other comments

6. The proposed effective date of the amendments is 1 January 2021, with early adoption permitted.

Questions for respondents

3. Do you agree with the proposed effective date of the amendments? If you disagree, please explain why.
4. Do you have any other comments on the ED?

1.4 Timeline and next steps

7. Submissions on NZASB ED 2020-1 are due by **10 August 2020**. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.



NZ ACCOUNTING
STANDARDS
BOARD

NZASB EXPOSURE DRAFT 2020-1

PROPOSED 2020 AMENDMENTS TO PBE FRS 48

Issued [Date]

This [draft]¹ New Zealand Tier 1 and Tier 2 Standard was issued on [Date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

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

Reporting entities that are subject to this [draft] Standard are required to apply the [draft] Standard in accordance with the effective date which is set out in Part E.

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] Tier 1 and Tier 2 PBE Standard has been issued to defer the effective date of PBE FRS 48 *Service Performance Reporting* by one year. The relief has been granted because, as a result of the disruption caused by the COVID-19 pandemic in 2020, some entities may experience difficulty in collecting the information required to report in accordance with PBE FRS 48.

¹ References to “this Standard” throughout this Exposure Draft should be read as referring to “this draft Standard”.

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Part A – Introduction

This Standard sets out amendments to PBE FRS 48 *Service Performance Reporting*. It defers the effective date by one year, from 1 January 2021 to 1 January 2022. It also clarifies that explanations of variances are required only when an entity presents comparisons of actual versus prospective information.

Tier 2 public benefit entities are required to comply with all the requirements in this Standard.

Part B – Scope

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

Part C – Amendments to PBE FRS 48 *Service Performance Reporting*

Paragraphs 19, 37 and 48 are amended. Paragraphs 38A and 49 are added. New text is underlined and deleted text is struck through. Paragraphs 36 and 38–39 are shown for context.

19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.
- (a) ...
 - (b) *What it intended to achieve during the reporting period.* ... Public sector entities are often required to publish information about planned performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph ~~37~~38A).

Comparative Information and Consistency of Reporting

36. Service performance information should provide users with a basis and context to compare an entity's service performance over time, and where appropriate, against planned performance or the performance of other entities. Consistency of reporting aids comparability and this Standard establishes requirements for consistent reporting. However, an entity's service performance activities and performance measures and/or descriptions may change over time. This Standard requires that an entity provide information about those changes.
37. **An entity shall report comparative information in respect of the preceding period. ~~An entity may also be required by legislation, or may elect, to report comparative information in respect of previously published prospective service performance information.~~ An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. ~~Explanations for major variances shall be given.~~**
38. Comparative information shall be included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. Judgement is required in deciding when to provide comparative narrative and descriptive information.
- 38A. An entity may also be required by legislation, or may elect, to report comparisons of previously published prospective service performance information and current period service performance information (also referred to as budget versus actual). In such cases an entity shall report comparisons of previously published prospective information and current period information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. Explanations for major variances shall be given.**
39. An entity reporting against previously published prospective service performance information shall consider whether original levels of planned activity or revised plans provide the most relevant and useful information. Information about revisions to plans during the period may help explain variances between original plans and actual results.

...

Effective Date

48. A public benefit entity shall apply this Standard for annual financial reports covering periods beginning on or after 1 January ~~2022~~ 2021. Earlier application is permitted.
49. 2020 Amendments to PBE FRS 48, issued in [Date], amended paragraphs 19, 37 and 48 and added paragraph 38A. If an entity applies PBE FRS 48 before the revised effective date of PBE FRS 48 (as set out in paragraph 48) it shall apply those amendments.

In the Basis for Conclusions, paragraph BC39 is amended and paragraphs BC46 and BC47 are added.

Effective Date

...

- BC39. The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted.*

* 2020 Amendments to PBE FRS 48, issued in [Date], subsequently deferred the effective date by one year. See paragraphs BC46 and BC47.

2020 Amendments

- BC46. In May 2020 the NZASB issued ED 2020-1 *Proposed 2020 Amendments to PBE FRS 48*. The [proposed] amendments defer the effective date of PBE FRS 48 by one year (from 1 January 2021 to 1 January 2022). The NZASB acknowledged that the disruption caused by the COVID-19 pandemic in 2020 would have resulted in some PBEs being unable to complete the steps required to implement PBE FRS 48 by its original effective date.
- BC47. The [proposed] amendments also clarified that explanations of variances are required only when an entity presents comparisons of actual versus prospective information.

PART D – AMENDMENTS TO OTHER STANDARDS

AMENDMENTS TO PBE FRS 47 *FIRST-TIME ADOPTION OF PBE STANDARDS*

Paragraphs RDR 27.2 and RDR 27.3 are amended. Paragraph 42.13 is added. New text is underlined and deleted text is struck through. Paragraphs 25 to RDR 27.1 are shown for context.

Comparative Information

25. **An entity's first set of financial statements under PBE Standards shall include at least three statements of financial position, two statements of comprehensive revenue and expense, two separate statements of financial performance (if presented), two cash flow statements and two statements of changes in net assets/equity, and related notes, including comparative information for all statements presented.**
26. An entity's opening statement of financial position may be presented in the notes.
27. An entity is required to present all comparative information in accordance with PBE Standards, including the presentation of a comparative cash flow statement in accordance with PBE IPSAS 2 *Cash Flow Statements*.
- RDR 27.1 A Tier 2 entity is not required to provide a statement of financial position as at the beginning of the earliest comparative period in accordance with paragraphs 25 and 26.
- RDR 27.2 A Tier 2 not-for-profit entity is not required to present comparative information in its first set of financial statements under PBE Standards, but is required to present the opening statement of financial position. A Tier 2 not-for-profit entity is not required to present comparative service performance information in its first financial report under PBE Standards.

RDR 27.3 A Tier 2 not-for-profit entity which applies RDR 27.2 ~~to its first set of financial statements under PBE Standards~~ shall attach a copy of the previous year's financial statements, and explain in the notes the significant differences in accounting policies applied between the two sets of financial statements.

...

Effective Date

...

42.13 2020 Amendments to PBE FRS 48, issued in [Date], amended paragraphs RDR 27.2 and RDR 27.3. An entity shall apply those amendments when it applies 2020 Amendments to PBE FRS 48. [Proposed effective date of those amendments is 1 January 2021].

Paragraph BC17 and the preceding heading are added. New text is underlined.

Basis for Conclusions

2020 Amendments to PBE FRS 48

BC17. In 2020 the NZASB acknowledged that the disruption caused by the COVID-19 pandemic could result in some entities experiencing difficulty in collecting the information required to report in accordance with PBE FRS 48 *Service Performance Reporting* from the original effective date of 1 January 2021. 2020 Amendments to PBE FRS 48 deferred the effective date of PBE FRS 48 by one year. The amendment also clarified that the RDR not-for-profit concession (in paragraph RDR 27.2) also applies to comparative service performance information.

Part E – Effective Date

This Standard shall be applied for annual financial reports covering periods beginning on or after 1 January 2021. Earlier application is permitted.