



External Reporting Board Standard A1

Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update) (XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update))

This Standard was issued on 5 March 2015 by 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 2 April 2015.

Reporting entities that are subject to this Standard are required to apply the Standard in accordance with the effective date set out in Part E of this Standard.

In finalising this Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to reflect the requirements of the Accounting Standards Framework as it applies to the entities that are required (or opt under an enactment) to prepare general purpose financial reports in the for-profit and public benefit entities sectors.

This Standard will supersede XRB A1 *Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update)* (XRB A1 (FP Entities + PS PBEs + NFPs Update)) for reporting periods beginning on or after 1 April 2015.

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External Reporting Board Standard A1 *Accounting Standards Framework* (For-profit Entities plus Public Sector PBEs plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update) (XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update)) is set out in paragraphs 1–127 and Appendices A–E. All the paragraphs have equal authority.

A. INTRODUCTION

Objective

- 1 The objectives of this Standard are to:
 - (a) establish the accounting standards framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare general purpose financial reports;
 - (b) in doing so, establish
 - (i) the tiers of financial reporting for all entities that are required to report;
 - (ii) the criteria for each tier of financial reporting;
 - (iii) the accounting standards and authoritative notices that are applicable to each tier of financial reporting; and
 - (iv) the requirements for an entity to move from one tier of financial reporting to another tier of financial reporting; and
 - (c) define what comprises generally accepted accounting practice and what comprises a “non-GAAP standard” issued by the External Reporting Board.

Scope

- 2 An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, general purpose financial reports in accordance with statutory requirements.
- 3 An entity that has a statutory requirement to prepare, or opts under an enactment to prepare, general purpose financial reports shall:
 - (a) determine:
 - (i) whether it is a for-profit entity or a public benefit entity in accordance with the definitions in this Standard and the integral guidance in Appendix A; and
 - (ii) if it is a public benefit entity determine whether it is a public sector public benefit entity or a not-for-profit public benefit entity in accordance with the definitions in this Standard; and
 - (b) if it is a for-profit entity, report in accordance with Tier 1 For-profit Accounting Standards specified in this Standard unless:
 - (i) the entity meets the criteria to report in accordance with Tier 2 For-profit Accounting Standards; and
 - (ii) the entity elects to report in accordance with Tier 2 For-profit Accounting Standards; and
 - (c) if it is a public sector public benefit entity, report in accordance with Tier 1 PBE Accounting Standards specified in this Standard unless:
 - (i) the entity meets the criteria to report in accordance with Tier 2 PBE Accounting Standards or Tier 3 PBE Accounting Standards or Tier 4 PBE Accounting Standards; and
 - (ii) the entity elects to report in accordance with a Tier that it is eligible to apply; and
 - (d) if it is a not-for-profit public benefit entity, report in accordance with Tier 1 PBE Accounting Standards specified in this Standard unless:
 - (i) the entity meets the criteria to report in accordance with Tier 2 PBE Accounting Standards or Tier 3 PBE Accounting Standards or Tier 4 PBE Accounting Standards; and
 - (ii) the entity elects to report in accordance with a Tier that it is eligible to apply.

Generally accepted accounting practice

- 4 The financial statements of various reporting entities are required by legislation to comply with ‘generally accepted accounting practice’ (GAAP). GAAP comprises:
- (a) accounting standards issued by the External Reporting Board (XRB), or its sub-Board the New Zealand Accounting Standards Board (NZASB), pursuant to section 12(a) of the Financial Reporting Act 2013; and
 - (b) authoritative notices issued by the XRB or the NZASB, pursuant to section 12(c) of the Financial Reporting Act 2013.

Non-GAAP standard

- 5 Certain Acts permit an entity that does not meet the size threshold to be a “specified not-for-profit entity”¹ to prepare its financial statements in accordance with a “non-GAAP standard”. A “non-GAAP standard” is a standard issued by the XRB or NZASB pursuant to section 12(a) of the Financial Reporting Act 2013 that is stated to be a non-GAAP standard. Non-GAAP standards may be applied by Tier 4 public benefit entities.

Definitions

- 6 The following terms are used in this Standard with the meanings specified:
- Accounting standard (for the purposes of this Standard) has the same meaning as “financial reporting standard” and includes “applicable financial reporting standard” as defined in the Financial Reporting Act 2013.
- For-profit Accounting Standards is the set of accounting standards applied by for-profit entities.
- For-profit entities are reporting entities that are not public benefit entities.
- For-profit public sector entities are for-profit entities that are public entities as defined in the Public Audit Act 2001.
- General purpose financial reports means financial reports that are intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.
- NZ IFRS means New Zealand equivalents to International Financial Reporting Standards (including standards and interpretations) issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board.
- NZ IFRS RDR means NZ IFRS with disclosure concessions.
- Not-for-profit public benefit entities (NFP PBEs) are reporting entities that are public benefit entities but that are not public sector public benefit entities.
- PBE Accounting Standards is the set of accounting standards applied by public benefit entities.
- PBE Standards means Public Benefit Entity Standards issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB.
- PBE Standards RDR means PBE Standards with disclosure concessions.
- PBE SFR–A (NFP) means public benefit entity simple format reporting standards for accrual accounting by not-for-profit public benefit entities issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB.
- PBE SFR–A (PS) means public benefit entity simple format reporting standards for accrual accounting by public sector public benefit entities issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB.

¹ Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

PBE SFR–C (NFP) means public benefit entity simple format reporting standards for cash accounting by not-for-profit public benefit entities issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB.

PBE SFR–C (PS) means public benefit entity simple format reporting standards for cash accounting by public sector public benefit entities issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB

Public benefit entities (PBEs) 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 sector public benefit entities (Public Sector PBEs) are public benefit entities that are public entities as defined in the Public Audit Act 2001, and all Offices of Parliament.

Reporting period means a period covered by an entity’s general purpose financial report, which could be an annual or interim reporting period.

Tier 1 For-profit Accounting Standards means NZ IFRS, other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

Tier 1 for-profit entity means a reporting entity that is required to apply Tier 1 For-profit Accounting Standards.

Tier 1 NFP PBE means a not-for-profit reporting entity that is required to apply Tier 1 PBE Accounting Standards.

Tier 1 PBE Accounting Standards means PBE Standards and authoritative notices that are applicable to entities that apply PBE Standards, as listed in Appendix C.

Tier 1 Public Sector PBE means a public sector reporting entity that is required to apply Tier 1 PBE Accounting Standards.

Tier 2 For-profit Accounting Standards means NZ IFRS RDR, other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

Tier 2 for-profit entity means a reporting entity that qualifies for and elects to apply Tier 2 For-profit Accounting Standards.

Tier 2 NFP PBE means a not-for-profit reporting entity that qualifies for and elects to apply Tier 2 PBE Accounting Standards.

Tier 2 PBE Accounting Standards means PBE Standards RDR and authoritative notices that are applicable to entities that apply PBE Standards, as listed in Appendix C.

Tier 2 Public Sector PBE means a public sector reporting entity that qualifies for and elects to apply Tier 2 PBE Accounting Standards.

Tier 3 NFP PBE means a not-for-profit reporting entity that qualifies for and elects to apply Tier 3 PBE Accounting Standards.

Tier 3 PBE Accounting Standards means PBE SFR–A and authoritative notices that are applicable to entities that apply PBE SFR–A, as listed in Appendix D.

Tier 3 Public Sector PBE means a public sector reporting entity that qualifies for and elects to apply Tier 3 PBE Accounting Standards.

Tier 4 NFP PBE means a not-for-profit reporting entity that qualifies for and elects to apply Tier 4 PBE Accounting Standards.

Tier 4 PBE Accounting Standards means PBE SFR–C and authoritative notices that are applicable to entities that apply PBE SFR–C, as listed in Appendix E. These are non-GAAP Standards.

Tier 4 Public Sector PBE means a public sector reporting entity that qualifies for and elects to apply Tier 4 PBE Accounting Standards.

B. FOR-PROFIT ENTITIES

TIER STRUCTURE

- 7 The tier structure for for-profit entities consists of two tiers. The tier criteria in paragraphs 8 to 18 are subject to paragraphs 24 to 29 on moving between the tiers.
- 8 A for-profit entity shall report in accordance with Tier 1 For-profit Accounting Standards if it meets the following criteria:
- (a) (i) it has public accountability as defined in paragraph 10 at any time during the reporting period; or
 - (ii) it is a large for-profit public sector entity as defined in paragraph 16; or
 - (b) the entity is eligible to report in accordance with Tier 2 For-profit Accounting Standards but does not elect to report in accordance with that other tier.
- 9 A for-profit entity that does not meet the criteria specified in paragraph 8(a) may elect to report in accordance with Tier 2 For-profit Accounting Standards.

Tier 1 Criteria

Public accountability

- 10 Subject to paragraph 15, an entity has public accountability if:
- (a) it meets the IASB definition of public accountability as specified in paragraphs 11 and 12; or
 - (b) it is deemed to be publicly accountable in New Zealand in accordance with paragraph 13.
- 11 In accordance with the IASB definition, an entity has public accountability if:
- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks.
- 12 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business (as, for example, may be the case for travel or real estate agents, schools, charitable organisations, co-operative enterprises requiring a nominal membership deposit and sellers that receive payment in advance of delivery of the goods or services such as utility companies), that does not make them publicly accountable.
- 13 An entity is deemed to be publicly accountable in the New Zealand context if:
- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
 - (b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
 - (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.
- 14 An FMC reporting entity is not considered to be publicly accountable for the purposes of paragraphs 10(a) and 13 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

- 15 Where the entity is a group in New Zealand, and the parent of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a subsidiary having public accountability.

Size

- 16 A for-profit public sector entity is large for the purposes of paragraph 8 if it has total expenses over \$30 million.
- 17 For the purpose of the application of the size criteria in paragraph 16, total expenses means the total expenses (including income tax expense) recognised by an entity in accordance with NZ IFRS in its profit or loss, where profit or loss is defined as the total of income less expenses, excluding the components of other comprehensive income. Where income and expenses are offset as required or permitted by a relevant standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses is applied to the group comprising the parent/controlling entity and all its subsidiaries/controlled entities.

Tier 2 Criteria

- 18 A for-profit entity may elect to report in accordance with Tier 2 For-profit Accounting Standards when the entity:
- (a) does not have public accountability as defined in paragraph 10; and
 - (b) is not a large for-profit public sector entity as defined in paragraph 16.

ACCOUNTING STANDARDS

Tier 1

- 19 A Tier 1 for-profit entity shall apply Tier 1 For-profit Accounting Standards and may not use any RDR concessions in the For-Profit Accounting Standards.

Tier 2

- 20 A Tier 2 for-profit entity may elect to apply any or all of the concessions in Tier 2 For-profit Accounting Standards. The concessions are indicated by an asterisk (*) next to the paragraph or an additional RDR paragraph in standards and pronouncements listed in Appendix B. Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.
- 21 If a Tier 2 for-profit entity makes any disclosure that is not required under Tier 2 For-profit Accounting Standards, the entity shall make that disclosure in accordance with the relevant standard.
- 22 A Tier 2 for-profit entity shall disclose:
- (a) that it has elected to report in accordance with Tier 2 For-profit Accounting Standards and has applied disclosure concessions; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 2 For-profit Accounting Standards.
- 23 Where a Tier 2 for-profit entity has taken advantage of RDR concessions and subsequently ceases to apply one or more of those concessions, the entity shall disclose comparative information in respect of those previously applied disclosure concessions in accordance with NZ IAS 1 *Presentation of Financial Statements* unless the NZ IFRS requirement does not require comparatives to be presented.

MOVING BETWEEN TIERS

Moving into Tier 1

Tier 2 to Tier 1

- 24 A Tier 2 for-profit entity that subsequently becomes publicly accountable as defined in paragraph 10 shall apply Tier 1 For-profit Accounting Standards in the reporting period in which it becomes publicly accountable.
- 25 A Tier 2 for-profit public sector entity that becomes large may continue reporting under Tier 2 For-profit Accounting Standards for the reporting period in which it becomes large unless that entity was reporting under Tier 1 For-profit Accounting Standards in the annual reporting period immediately preceding the reporting period in which it becomes large.
- 26 A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.
- 27 Where a Tier 2 for-profit entity subsequently applies Tier 1 For-profit Accounting Standards, the entity's recognition and measurement accounting policies are not necessarily changed as a result of moving from Tier 2 For-profit Accounting Standards to Tier 1 For-profit Accounting Standards. The recognition and measurement requirements in Tier 1 For-profit Accounting Standards and Tier 2 For-profit Accounting Standards are identical². It follows that a move between the accounting standards for these two for-profit tiers (whether voluntary or mandatory) does not trigger any changes in the entity's recognition and measurement accounting policies other than as may be required by NZ IFRS 1 or other NZ IFRSs. Voluntary changes in accounting policies shall be made only when such changes comply with the requirements in paragraphs 14–27 of NZ IAS 8.

Moving into Tier 2

Tier 1 to Tier 2

- 28 A Tier 1 for-profit entity that is eligible to apply Tier 2 For-profit Accounting Standards may elect to apply Tier 2 For-profit Accounting Standards for any reporting period commencing on, before or after the date this Standard is first applied; provided that the entity must report in accordance with Tier 1 For-profit Accounting Standards for any reporting period in which the entity meets the Tier 1 criteria during that period.
- 29 Where a Tier 1 for-profit entity has been applying Tier 1 For-profit Accounting Standards and the entity subsequently applies Tier 2 For-profit Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 1 For-profit Accounting Standards to Tier 2 For-profit Accounting Standards, except as permitted by Tier 2 For-profit Accounting Standards.

² The only difference is an exemption for Tier 2 entities in NZ IAS 27 in relation to intermediate parent reporting.

C. PUBLIC SECTOR PUBLIC BENEFIT ENTITIES

TIER STRUCTURE

- 30 The tier structure for public sector public benefit entities (Public Sector PBEs) consists of four tiers. The tier criteria in paragraphs 31 to 47 are subject to paragraphs 55 to 76 on moving between the tiers.
- 31 A Public Sector PBE shall report in accordance with Tier 1 PBE Accounting Standards if it meets the following criteria:
- (a) (i) it has public accountability³ as defined in paragraph 36 at any time during the reporting period; or
 - (ii) it is large as defined in paragraph 42; or
 - (b) the entity is eligible to report in accordance with another tier but does not elect to report in accordance with that other tier.
- 32 A Public Sector PBE that meets the criteria specified in paragraph 44 may elect to report in accordance with Tier 2 PBE Accounting Standards.
- 33 A Public Sector PBE that meets the criteria specified in paragraph 45 may elect to report in accordance with Tier 3 PBE Accounting Standards.
- 34 A Public Sector PBE that meets the criteria specified in paragraph 47 may elect to report in accordance with Tier 4 PBE Accounting Standards.
- 35 If an entity is eligible to report in accordance with more than one tier, the entity may elect to report under any of those tiers.

Tier 1 Criteria

Public accountability

- 36 Subject to paragraph 41, a Public Sector PBE has public accountability if:
- (a) it meets the IASB definition of public accountability as specified in paragraphs 37 and 38; or
 - (b) it is deemed to be publicly accountable in New Zealand in accordance with paragraph 39.
- 37 In accordance with the IASB definition, an entity has public accountability if:
- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks.
- 38 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business that does not make them publicly accountable. For example, a government department whose primary business is the provision of state housing to tenants is not publicly accountable if it also manages trust money (rental bonds) on behalf of those tenants as an incidental activity to its primary business.
- 39 An entity is deemed to be publicly accountable in the New Zealand context if:

³ The term “public accountability” is used here in a particular technical way. This technical meaning is quite different from the way in which “publicly accountable” is normally used in the public sector context and in which it was used prior to 2011 in the Accounting Standards Framework.

- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
 - (b) it is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
 - (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.
- 40 An FMC reporting entity is not considered to be publicly accountable for the purposes of paragraphs 36(a) and 39 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).
- 41 Where the entity is a group in New Zealand, and the controlling entity of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a controlled entity having public accountability.

Size

- 42 A Public Sector PBE is large if it has total expenses over \$30 million.
- 43 For the purpose of the application of the size criteria in paragraph 42, total expenses means the total expenses (including losses and grant expenses), recognised by an entity in accordance with Tier 1 PBE Accounting Standards in its surplus or deficit, where surplus or deficit is defined as the total of revenue less expenses, excluding the components of other comprehensive revenue and expense. Where revenue and expense are offset as required or permitted by a relevant standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses is applied to the group comprising the controlling entity and all its controlled entities.

Tier 2 Criteria

- 44 A Public Sector PBE may elect to report in accordance with Tier 2 PBE Accounting Standards when the entity:
- (a) does not have public accountability as defined in paragraph 36; and
 - (b) is not large as defined in paragraph 42.

Tier 3 Criteria

- 45 A Public Sector PBE may elect to report in accordance with Tier 3 PBE Accounting Standards when the entity:
- (a) does not have public accountability as defined in paragraph 36; and
 - (b) has total expenses less than or equal to \$2 million.
- 46 For the purpose of the application of the size criteria in paragraph 45, total expenses means total expenses (including losses and grant expenses) recognised in accordance with Tier 3 PBE Accounting Standards in the Statement of Financial Performance. Where revenue and expense are offset as required or permitted, any net expense is included in total expenses. Where the entity reporting is a group, total expenses are applied to the group comprising the controlling entity and all its controlled entities.

Tier 4 Criteria

- 47 A Public Sector PBE may elect to report in accordance with Tier 4 PBE Accounting Standards where it is permitted by an Act to report in accordance with non-GAAP standards (i.e., the cash

basis of accounting) because it does not have public accountability (as defined) and does not meet the size threshold to be a “specified not-for-profit entity”⁴.

ACCOUNTING STANDARDS

Tier 1

- 48 A Tier 1 Public Sector PBE shall apply Tier 1 PBE Accounting Standards and may not apply any RDR concessions in the PBE Standards.

Tier 2

- 49 A Tier 2 Public Sector PBE may elect to apply any or all of the concessions in Tier 2 PBE Accounting Standards. The concessions are indicated by an asterisk (*) next to the paragraph or an additional RDR paragraph in standards listed in Appendix C. Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.
- 50 If a Tier 2 Public Sector PBE makes any disclosure that is not required under Tier 2 PBE Accounting Standards, the entity shall make that disclosure in accordance with the relevant Tier 1 PBE Accounting Standard.
- 51 A Tier 2 Public Sector PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 2 PBE Accounting Standards and has applied disclosure concessions; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 2 PBE Accounting Standards.
- 52 Where a Tier 2 Public Sector PBE has taken advantage of RDR concessions and subsequently ceases to apply one or more of those concessions, the entity shall disclose comparative information in respect of those previously applied disclosure concessions in accordance with PBE IPSAS 1 *Presentation of Financial Statements* unless the PBE Standard requirement does not require comparatives to be presented.

Tier 3

- 53 A Tier 3 Public Sector PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 3 PBE Accounting Standards; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 3 PBE Accounting Standards.

Tier 4

- 54 A Tier 4 Public Sector PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 4 PBE Accounting Standards; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 4 PBE Accounting Standards.

⁴ Standard XRB A2 *Meaning of Specified Statutory Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

MOVING BETWEEN TIERS

Moving into Tier 1

NZ IFRS to Tier 1

- 55 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep that subsequently applies Tier 1 PBE Accounting Standards, shall apply PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*.

Tier 2 to Tier 1

- 56 A Tier 2 Public Sector PBE that subsequently becomes publicly accountable as defined in paragraph 36 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 57 A Tier 2 Public Sector PBE entity that becomes large may continue to report in accordance with Tier 2 PBE Accounting Standards for the reporting period in which it becomes large unless that entity was reporting under Tier 1 PBE Accounting Standards in the annual reporting period immediately preceding the reporting period in which it becomes large.
- 58 Where a Tier 2 Public Sector PBE subsequently applies Tier 1 PBE Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 2 PBE Accounting Standards to Tier 1 PBE Accounting Standards. The recognition and measurement requirements in Tier 1 PBE Accounting Standards and Tier 2 PBE Accounting Standards are identical. It follows that a move between the accounting standards for these two PBE tiers (whether voluntary or mandatory) does not trigger any changes in the entity's recognition and measurement accounting policies. Voluntary changes in accounting policies are addressed in PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Tier 3 to Tier 1

- 59 A Tier 3 Public Sector PBE that subsequently becomes publicly accountable as defined in paragraph 36 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 60 A Tier 3 Public Sector PBE that no longer qualifies to apply Tier 3 PBE Accounting Standards because it fails to meet the size criterion specified in paragraph 45 but that meets the size criterion to report in accordance with Tier 1 PBE Accounting Standards, may continue to report in accordance with Tier 3 PBE Accounting Standards for the annual reporting period in which it fails to meet the criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 61 A Tier 3 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Tier 4 to Tier 1

- 62 A Tier 4 Public Sector PBE that subsequently becomes publicly accountable as defined in paragraph 36 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 63 A Tier 4 Public Sector PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 47 but that meets the size criterion to report in accordance with Tier 1 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 64 A Tier 4 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47.

Moving into Tier 2

NZ IFRS to Tier 2

- 65 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep that subsequently applies Tier 2 PBE Accounting Standards, shall apply PBE FRS 46.

Tier 1 to Tier 2

- 66 Where a Tier 1 Public Sector PBE has been applying Tier 1 PBE Accounting Standards and the entity subsequently applies Tier 2 PBE Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 1 PBE Accounting Standards to Tier 2 PBE Accounting Standards as discussed in paragraph 58.

Tier 3 to Tier 2

- 67 A Tier 3 Public Sector PBE that no longer qualifies to apply Tier 3 PBE Accounting Standards because it fails to meet the size criterion specified in paragraph 45 but that meets the size criterion to report in accordance with Tier 2 PBE Accounting Standards, may continue to report in accordance with Tier 3 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 68 A Tier 3 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply PBE FRS 47.

Tier 4 to Tier 2

- 69 A Tier 4 Public Sector PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 47 but that meets the criteria to report in accordance with Tier 2 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 70 A Tier 4 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply PBE FRS 47.

Moving into Tier 3

NZ IFRS or Other Accounting Policies to Tier 3

- 71 A Public Sector PBE that has been applying NZ IFRS, NZ IFRS Diff Rep or other accounting policies applicable to that entity type, and subsequently applies Tier 3 PBE Accounting Standards, shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Tier 1 or Tier 2 to Tier 3

- 72 A Tier 1 Public Sector PBE or a Tier 2 Public Sector PBE that subsequently applies Tier 3 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Tier 4 to Tier 3

- 73 A Tier 4 Public Sector PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 47 but that meets the criteria to report in accordance with Tier 3 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 74 A Tier 4 Public Sector PBE that subsequently applies Tier 3 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Moving into Tier 4

NZ IFRS or Other Accounting Policies to Tier 4

- 75 A Public Sector PBE that has been applying NZ IFRS, NZ IFRS Diff Rep or other accounting policies applicable to that entity type, and subsequently applies Tier 4 PBE Accounting Standards, shall account for the change in accounting policies in accordance with Tier 4 PBE Accounting Standards.

Tier 1, Tier 2 or Tier 3 to Tier 4

- 76 A Tier 1 Public Sector PBE, Tier 2 Public Sector PBE, or Tier 3 Public Sector PBE that subsequently applies Tier 4 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 4 PBE Accounting Standards.

D. NOT-FOR-PROFIT PUBLIC BENEFIT ENTITIES

TIER STRUCTURE

- 77 The tier structure for not-for-profit public benefit entities (NFP PBEs) consists of four tiers. The tier criteria in paragraphs 78 to 94 are subject to paragraphs 102 to 125 on moving between the tiers.
- 78 A NFP PBE shall report in accordance with Tier 1 PBE Accounting Standards if it meets the following criteria:
- (a) (i) it has public accountability⁵ as defined in paragraph 83 at any time during the annual reporting period; or
 - (ii) it is large as defined in paragraph 89; or
 - (b) the entity is eligible to report in accordance with another tier but does not elect to report in accordance with that other tier.
- 79 A NFP PBE that meets the criteria specified in paragraph 91 may elect to report in accordance with Tier 2 PBE Accounting Standards.
- 80 A NFP PBE that meets the criteria specified in paragraph 92 may elect to report in accordance with Tier 3 PBE Accounting Standards.
- 81 A NFP PBE that meets the criteria specified in paragraph 94 may elect to report in accordance with Tier 4 PBE Accounting Standards.
- 82 If an entity is eligible to report in accordance with more than one tier, the entity may elect to report under any of those tiers.

Tier 1 Criteria

Public accountability

- 83 Subject to paragraph 88, a NFP PBE has public accountability if:
- (a) it meets the IASB definition of public accountability as specified in paragraphs 84 and 85; or
 - (b) it is deemed to be publicly accountable in New Zealand in accordance with paragraph 86.
- 84 In accordance with the IASB definition, an entity has public accountability if:
- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks.
- 85 Some entities may also hold assets in a fiduciary capacity for a broad group of outsiders because they hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity. However, if they do so for reasons incidental to a primary business, that does not make them publicly accountable. For example, a not-for-profit entity that provides a wide range of welfare services to beneficiaries as its primary activity does not have public accountability merely because it holds welfare benefits on behalf of some of those beneficiaries to assist them with budgeting. While the entity is holding assets in a “fiduciary capacity for a broad group of outsiders” it is not holding them “as one of its primary businesses”. This is because providing the budgeting services is an incidental activity to its primary activity of providing a range of welfare services to beneficiaries.

⁵ The term “public accountability” is used here in a particular technical way. This technical meaning is quite different from the way in which “publicly accountable” is normally used in the not-for-profit context and in which it was used prior to 2011 in the Accounting Standards Framework.

- 86 An entity is deemed to be publicly accountable in the New Zealand context if:
- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
 - (b) it is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
 - (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.
- 87 An FMC reporting entity is not considered to be publicly accountable for the purposes of paragraphs 83(a) and 86 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).
- 88 Where the entity is a group in New Zealand, and the controlling entity of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a controlled entity having public accountability.

Size

- 89 A NFP PBE is large if it has total expenses over \$30 million.
- 90 For the purpose of the application of the size criteria in paragraph 89, total expenses means the total expenses (including losses and grant expenses), recognised by an entity in accordance with Tier 1 PBE Accounting Standards in its surplus or deficit, where surplus or deficit is defined as the total of revenue less expenses, excluding the components of other comprehensive revenue and expense. Where revenue and expenses are offset as required or permitted by a relevant standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses is applied to the group comprising the controlling entity and all its controlled entities.

Tier 2 Criteria

- 91 A NFP PBE may elect to report in accordance with Tier 2 PBE Accounting Standards when the entity:
- (a) does not have public accountability as defined in paragraph 83; and
 - (b) is not large as defined in paragraph 89.

Tier 3 Criteria

- 92 A NFP PBE may elect to report in accordance with Tier 3 PBE Accounting Standards when the entity:
- (a) does not have public accountability as defined in paragraph 83; and
 - (b) has total expenses less than or equal to \$2 million.
- 93 For the purpose of the application of the size criteria in paragraph 92, total expenses means total expenses (including losses and grant expenses) recognised in accordance with Tier 3 PBE Accounting Standards in the Statement of Financial Performance. Where revenue and expense are offset as required or permitted, any net expense is included in total expenses. Where the entity reporting is a group, total expenses are applied to the group comprising the controlling entity and all its controlled entities.

Tier 4 Criteria

- 94 A NFP PBE may elect to report in accordance with Tier 4 PBE Accounting Standards where it is permitted by an Act to report in accordance with non-GAAP standards (i.e., the cash basis of

accounting) because it does not have public accountability (as defined) and does not meet the size threshold to be a “specified not-for-profit entity”⁶.

ACCOUNTING STANDARDS

Tier 1

- 95 A Tier 1 NFP PBE shall apply Tier 1 PBE Accounting Standards and may not apply any RDR concessions in the PBE Standards.

Tier 2

- 96 A Tier 2 NFP PBE may elect to apply any or all of the concessions in Tier 2 PBE Accounting Standards. The concessions are indicated by an asterisk (*) next to the paragraph or an additional RDR paragraph in standards listed in Appendix E. Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs requirements associated with that concession.
- 97 If a Tier 2 NFP PBE makes any disclosure that is not required under Tier 2 PBE Accounting Standards, the entity shall make that disclosure in accordance with the relevant Tier 1 PBE Accounting Standard.
- 98 A Tier 2 NFP PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 2 PBE Accounting Standards and has applied disclosure concessions; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 2 PBE Accounting Standards.
- 99 Where a Tier 2 NFP PBE has taken advantage of RDR concessions and subsequently ceases to apply one or more of those concessions, the entity shall disclose comparative information in respect of those previously applied disclosure concessions in accordance with PBE IPSAS 1 *Presentation of Financial Statements* unless the PBE Standard requirement does not require comparatives to be presented.

Tier 3

- 100 A Tier 3 NFP PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 3 PBE Accounting Standards; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 3 PBE Accounting Standards.

Tier 4

- 101 A Tier 4 NFP PBE shall disclose:
- (a) that it has elected to report in accordance with Tier 4 PBE Accounting Standards; and
 - (b) the criteria that establish the entity as eligible to report in accordance with Tier 4 PBE Accounting Standards.

⁶ Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

MOVING BETWEEN TIERS

Moving into Tier 1

Other Standards to Tier 1

- 102 A NFP PBE that has been applying NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep that subsequently applies Tier 1 PBE Accounting Standards, shall apply PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*.
- 103 A NFP PBE that has been applying standards other than NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Tier 2 to Tier 1

- 104 A Tier 2 NFP PBE that subsequently becomes publicly accountable as defined in paragraph 83 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 105 A Tier 2 NFP PBE entity that becomes large may continue to report in accordance with Tier 2 PBE Accounting Standards for the annual reporting period in which it becomes large unless that entity was reporting under Tier 1 PBE Accounting Standards in the reporting period immediately preceding the reporting period in which it becomes large.
- 106 Where a Tier 2 NFP PBE subsequently applies Tier 1 PBE Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 2 PBE Accounting Standards to Tier 1 PBE Accounting Standards. The recognition and measurement requirements in Tier 1 PBE Accounting Standards and Tier 2 PBE Accounting Standards are identical. It follows that a move between the accounting standards for these two PBE tiers (whether voluntary or mandatory) does not trigger any changes in the entity's recognition and measurement accounting policies. Voluntary changes in accounting policies are addressed in PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Tier 3 to Tier 1

- 107 A Tier 3 NFP PBE that subsequently becomes publicly accountable as defined in paragraph 83 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 108 A Tier 3 NFP PBE that no longer qualifies to apply Tier 3 PBE Accounting Standards because it fails to meet the size criterion specified in paragraph 92 but that meets the size criterion to report in accordance with Tier 1 PBE Accounting Standards, may continue to report in accordance with Tier 3 PBE Accounting Standards for the annual reporting period in which it fails to meet the criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 109 A Tier 3 NFP PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47.

Tier 4 to Tier 1

- 110 A Tier 4 NFP PBE that subsequently becomes publicly accountable as defined in paragraph 83 shall apply Tier 1 PBE Accounting Standards in the reporting period in which it becomes publicly accountable.
- 111 A Tier 4 NFP PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 94 but that meets the size criterion to report in accordance with Tier 1 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 112 A Tier 4 NFP PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47.

Moving into Tier 2

Other Standards to Tier 2

- 113 A NFP PBE that has been applying NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep that subsequently applies Tier 2 PBE Accounting Standards, shall apply PBE FRS 46.
- 114 A NFP PBE that has been applying standards other than NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep that subsequently applies Tier 2 PBE Accounting Standards shall apply PBE FRS 47.

Tier 1 to Tier 2

- 115 Where a Tier 1 NFP PBE has been applying Tier 1 PBE Accounting Standards and the entity subsequently applies Tier 2 PBE Accounting Standards, the entity's recognition and measurement accounting policies are not changed as a result of moving from Tier 1 PBE Accounting Standards to Tier 2 PBE Accounting Standards as discussed in paragraph 106.

Tier 3 to Tier 2

- 116 A Tier 3 NFP PBE that no longer qualifies to apply Tier 3 PBE Accounting Standards because it fails to meet the size criterion specified in paragraph 92 but that meets the size criterion to report in accordance with Tier 2 PBE Accounting Standards, may continue to report in accordance with Tier 3 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 117 A Tier 3 NFP PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply PBE FRS 47.

Tier 4 to Tier 2

- 118 A Tier 4 NFP PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 94 but that meets the criteria to report in accordance with Tier 2 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which it fails to meet that criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.
- 119 A Tier 4 NFP PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply PBE FRS 47.

Moving into Tier 3

Other Accounting Standards to Tier 3

- 120 A NFP PBE that has been applying NZ IFRS, NZ IFRS Diff Rep or other accounting policies applicable to that entity type, and subsequently applies Tier 3 PBE Accounting Standards, shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Tier 1 or Tier 2 to Tier 3

- 121 A Tier 1 NFP PBE or a Tier 2 NFP PBE that subsequently applies Tier 3 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Tier 4 to Tier 3

- 122 A Tier 4 NFP PBE that no longer qualifies to apply Tier 4 PBE Accounting Standards because it fails to meet the criterion specified in paragraph 94 but that meets the criteria to report in accordance with Tier 3 PBE Accounting Standards, may continue to report in accordance with Tier 4 PBE Accounting Standards for the annual reporting period in which fails to meet that

criterion and the following annual reporting period, and any interim reporting periods within those annual reporting periods.

- 123 A Tier 4 NFP PBE that subsequently applies Tier 3 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 3 PBE Accounting Standards.

Moving into Tier 4

Other Accounting Standards to Tier 4

- 124 A NFP PBE that has been applying NZ IFRS, NZ IFRS Diff Rep or other accounting policies applicable to that entity type, and subsequently applies Tier 4 PBE Accounting Standards, shall account for the change in accounting policies in accordance with Tier 4 PBE Accounting Standards.

Tier 1, Tier 2 or Tier 3 to Tier 4

- 125 A Tier 1 NFP PBE, Tier 2 NFP PBE, or Tier 3 NFP PBE that subsequently applies Tier 4 PBE Accounting Standards shall account for the change in accounting policies in accordance with Tier 4 PBE Accounting Standards.

E. EFFECTIVE DATE

- 126 This Standard is effective for reporting periods beginning on or after 1 April 2015. Earlier application is not permitted.
- 127 This Standard supersedes XRB A1 *Accounting Standards Framework (For-profit Entities plus Public Sector PBEs plus Not-for-profit Entities Update)* (XRB A1 (FP Entities + PS PBEs + NFPs Update)) when adopted.

APPENDIX A

WHEN IS AN ENTITY A PUBLIC BENEFIT ENTITY?

This appendix forms an integral part of XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

Introduction

- 1 Reporting entities designate themselves as either for-profit entities or public benefit entities (PBEs).
- 2 PBEs 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.
- 3 For-profit entities are not defined. Rather, the term for-profit entities encompasses all entities other than PBEs. An entity must assess whether it is a PBE or a for-profit entity, by considering whether or not it meets the definition of a PBE. Assessing whether an entity meets the definition of a PBE requires an entity to determine its primary objective.
- 4 The form of an entity is unlikely to be a conclusive factor in determining whether or not an entity is a PBE. PBEs are constituted in many different forms such as incorporated societies, trusts, statutory bodies and even companies. PBEs include a wide range of entity types, including charities, clubs, and non-commercial public sector entities. They exist in the private sector and in the public sector and may be small or large. In determining the designation of an entity which is a group, it is necessary to consider the characteristics of the group.
- 5 [Reserved]

Purpose

- 6 The purpose of this Appendix is to assist an entity preparing general purpose financial statements to determine whether or not it is a PBE.
- 7 The classification of an entity as a for-profit entity or a PBE is important because it determines which accounting standards are applied by an entity and may result in different accounting policies. Inappropriate classification may result in adoption of inappropriate accounting policies and failure to provide users with information appropriate to assessing the financial performance and position of an entity.

Determining the primary objective of an entity

- 8 Whether an entity is a PBE is determined by the primary objective of an entity. In identifying the primary objective of an entity it is necessary to consider the substance of the entity's purpose and whether the goods or services are provided for community or social benefit.
- 9 Although in general terms PBEs exist to provide goods and services for the community or social benefit, this does not necessarily imply that such entities exist for the benefit of the public as a whole. Many PBEs exist for the direct benefit of a particular group of people, although it is also possible that society as a whole benefits indirectly. For example, a football club exists to promote and encourage football for the direct benefit of its members. However, society as a whole may benefit through a healthier population and through the provision of organised activities for its youth.
- 10 In many cases it will be obvious whether an entity is a PBE or not. However, objectively determining the primary objective of an entity can be difficult where an entity has multiple objectives and such objectives are not ranked, or where the objectives are not clearly stated.

- 11 Paragraphs 12 to 26 discuss indicators that aim to focus on the substance of an entity’s purpose and which should be considered in determining whether an entity is a PBE. These indicators are:
- the entity’s founding documents;
 - the nature of the benefits;
 - the quantum of expected financial surplus;
 - the nature of the equity interest; and
 - the nature of an entity’s funding.

Founding documents

- 12 For many entities the governing legislation, a constitution, a trust deed, or other founding documents will specify the objectives of an entity, including for whom the benefits generated by the entity are intended. For example, the State-Owned Enterprises Act 1986 states that the principal objective of every State enterprise is to “operate as a successful business and to this end, to be:
- (a) As profitable and efficient as comparable businesses that are not owned by the Crown; and
 - (b) A good employer; and
 - (c) An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.”
- 13 The founding documents of an entity may also specify the objective of an entity in terms of the nature of the benefits the entity provides. For example, one of the objectives of District Health Boards is to improve, promote and protect the health of people and communities.
- 14 Many entities are established with multiple objectives. For example, Crown Research Institutes (CRIs) are required by the Crown Research Institutes Act 1992 (CRI Act) to:
- undertake research for the benefit of New Zealand;
 - comply with any applicable ethical standards;
 - promote and facilitate application of the results of research and technological developments;
 - be a good employer and exhibit a sense of social responsibility; and
 - operate in a financially responsible manner so that they maintain their financial viability.

- 15 Where an entity’s founding documents indicate that an entity has multiple objectives, determining which of these objectives is the primary objective will depend on an assessment of the substance of the purpose of the entity.

- 16 The founding documents may require an entity to be financially viable or to generate an adequate rate of return. However, being financially viable is not in itself conclusive in distinguishing a for-profit entity from a PBE. There exists a clear community expectation that PBEs be financially viable and operate to ensure that the limited resources at their disposal are used effectively.

Nature of the benefits

- 17 The nature of the benefits provided by an entity will usually indicate whether an entity is a PBE. For example, if the entity produces goods or services that are not provided at market prices, but are provided to consumers at no cost or for nominal consideration, the entity is likely to be a PBE.
- 18 PBEs do not exist to generate benefit in the form of a financial return to equity-holders. That is not to imply that PBEs never generate, or aim to generate, a financial surplus on the net assets

employed. However, where a PBE does generate a financial surplus, it may be required or expected to be used to support the entity's primary objective of providing goods or services for the community or for social benefit.

- 19 PBEs may establish controlled entities or discrete business units which operate to generate a return that can be used to support the primary activities of the controlling entity. Such entities or business units may be for-profit. This fact does not affect the classification of the controlling entity or economic entity¹.

Quantum of expected financial surplus

- 20 Many entities aim to generate revenues in excess of the expenses incurred. In order to continue operating all entities need to at least break even over the long term. The quantum of the expected surplus will provide a strong indication whether an entity is a PBE.
- 21 The objective of for-profit entities is to generate a commercial or market return—that is, to maximise the financial return commensurate with the relative risks of operating.
- 22 PBEs do not operate to maximise financial return in this way. PBEs may plan to generate a financial surplus. However, the quantum of the expected financial surplus is not expressed in relation to a market return or other measure of commercial success.
- 23 PBEs may not quantify the expected financial surplus, or may do so in qualitative or general terms only. For example, an entity may specify that it aims to generate an adequate rate of return, or a financial surplus sufficient to remain solvent, or generate a financial surplus sufficient to repay any debts within a certain time period.

Nature of equity interest

- 24 Where an entity is established to generate a financial return for the benefit of the equity holders the ownership instrument is usually clearly defined. This is important for for-profit entities because it determines the level of benefits such as dividends and rights to the residual net assets. If an entity does not have any clear equity holders or the nature of the equity instrument is unclear, the entity is likely to be a PBE.
- 25 The absence of clear equity holders may manifest itself in a number of ways, including:
- the absence of an individual or entity having a right to participate in any financial return or in the net assets of the entity were it to be wound up or otherwise cease to operate; or
 - a requirement that in the event the entity ceases operating any residual net assets are to be applied to another entity with a similar purpose or to revert to another PBE. That is, the use of the assets is effectively restricted to providing goods or services for the benefit of the community or part thereof.

Nature of funding

- 26 If an entity is funded wholly or primarily through the sale of goods and services it may not be a PBE. If an entity relies wholly or primarily on donations or other contributions that do not establish a financial interest in the entity, or which do not reflect a sale and purchase transaction, the entity is likely to be a PBE.

Conflicting indicators

- 27 In some cases the above indicators may conflict with each other in respect of a single entity and the primary purpose or objective of the entity may not be obvious. Some indicators may indicate that an entity should be classified as for-profit and others may indicate the entity should be classified as a public benefit entity. In this situation professional judgement is required.

¹ If a controlled entity or business unit is required to prepare general purpose financial reports its designation is determined by its own primary objective and not that of the controlling entity of the group reporting entity.

Changing classification

- 28 Changing circumstances may lead to a change in an entity’s classification. For example, a change in government policy may require that entities previously classified as public benefit entities are now to operate on a commercial basis, or vice versa.
- 29 Accounting for a change in classification depends on the applicable tier of the new classification. For example, if an entity’s classification changes from “public benefit entity” to “for-profit entity”, the entity would need to apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

ILLUSTRATIVE EXAMPLES: Determining the nature of an entity’s purpose

- 30 The following examples aim to illustrate application of this Appendix. The examples are illustrative only and do not establish requirements.
- 31 While specific types of entity are referred to in the examples, the circumstances in relation to individual entities may vary significantly, and therefore the examples do not conclude as to whether the entity in question is or is not a public benefit entity. Rather, the examples illustrate characteristics to be considered by preparers in reaching a conclusion regarding the nature of an entity’s purpose. In assessing the nature of an entity appropriate weighting needs to be given to each individual indicator. Depending on the circumstances some indicators will provide a stronger indication than others about the underlying nature of the entity. The entity will need to consider each indicator against the other indicators and make an overall assessment of whether or not the entity is a public benefit entity.

Scenario 1: Crown Research Institute (CRI)

Entity A is a company established under section 11 of the CRI Act.

Founding documents – *The Crown Research Institutes Act 1992*

The CRI Act states that the purpose of every CRI is to undertake research (section 4) and sets out the principles of operation CRIs are expected to follow in fulfilling this purpose. These principles are set out in section 5 of the Act and include, for example, that a CRI should undertake research for the benefit of New Zealand, operate in a financially responsible manner and be a good employer.

The CRI Act establishes a broad framework for the operation of CRIs. The primary objective (purpose) of CRIs is clearly stated in the CRI Act. The principles set out in section 5 are detailed, but they are not ranked and their implementation can be achieved in a number of ways. CRIs, therefore, appear to have discretion as to how they can achieve their purpose.

Nature of the benefits

The key benefit of establishing CRIs is the production of research that will benefit New Zealand. In one sense the CRIs undertake research for community or social benefit. The New Zealand economy and entities operating in New Zealand can benefit from the research undertaken.

However, there may be discretion as to how research findings are distributed and in determining the nature of the research to be undertaken. Whether or not Entity A is a public benefit entity may depend on whether Entity A distributes or undertakes research on a commercial fee-for-service basis, or whether it makes its research findings available free of charge or for a nominal charge.

Quantum of the expected financial surplus

The CRI Act requires CRIs to operate in a financially responsible manner so that they maintain their financial viability. On its own maintaining “financial viability” is a general requirement and allows discretion as to what the financial targets should be.

Entity A has in place an operating agreement with the Shareholding Minister. If the operating agreement specified that Entity A should aim to generate an expected financial surplus equivalent to a market return, this would indicate that Entity A is a for-profit entity. If the operating agreement

specified a target rate of return, it would be necessary to consider how that rate of return was determined. If, for example, it was determined after benchmarking against commercial entities, this would indicate that Entity A was profit-oriented. If the rate of return was determined based on ensuring that Entity A covered its variable costs only, this may indicate that it is a public benefit entity.

Nature of equity interest

Entity A is a company. The equity interest is in the form of shares owned by the Shareholding Minister. In the case of Entity A, the nature of the equity interest is clear. In addition, there is no restriction on the use of assets in the event a CRI is sold, wound up or ceases to operate. However, in this case, neither of these factors would appear to affect the nature of the purpose of the entity.

Nature of funding

Entity A competes for funding from government and private sources. Revenue is derived through selling research services in a competitive environment. This may indicate that Entity A is a for-profit entity.

If Entity A relied on donations and grants from government and other organisations and such funds were provided on a non-exchange basis, this may indicate that Entity A is a public benefit entity.

Scenario 2: Charity Shop

A charitable trust is established with the objective of providing health services to the homeless. The trust receives an annual grant from the Government. The grant is sufficient to cover operating costs necessary to provide basic health care services to a limited number of people. To meet the increasing demand for its services and to fund an expanded range of services, the trust establishes a charity shop (Company 1).

Company 1 sells second hand bicycles and runs a successful bicycle hire service. All profits from Company 1 are returned to the trust to support the primary objective of providing health services to the homeless.

Founding documents – Constitution

Company 1's constitution specifies that its objective is to raise funds to support the charitable trust.

Nature of the benefits

The benefits derived from Company 1 are the funds generated through the sale and hire of bicycles. This may indicate that the shop is a for-profit entity.

If on the other hand the shop is used primarily as a vehicle to promote and publicise the objective of the trust or to provide employment to homeless people, then Company 1 may, subject to consideration of other factors, be a public benefit entity.

Quantum of the expected financial surplus

The directors carefully manage Company 1 to ensure it meets its financial targets. The directors are experienced business people who donate their time to manage and guide the operation of Company 1. The directors aim to ensure that the return on the net assets invested in the shop is at least equivalent to a market return. If Company 1 does not generate an adequate return the directors may recommend that the trust invest its funds in another activity. This may indicate that Company 1 is by nature an investment and therefore profit oriented.

If Company 1 was operated with the objective of generating a positive financial return and the level of the return was not determined with reference to market returns, the shop may be a public benefit entity.

Nature of equity interest

In the situation described Company 1 is a company 100% owned and controlled by the trust. As such the ownership instrument is clear. In the event Company 1 ceases trading the trust is able to determine how to use any residual assets. This may indicate that Company 1 is a for-profit entity.

Nature of funding

Company 1 raises revenue through the sale and hire of bicycles. Company 1 also serves as a collection point for donations to the trust. Such donations are not the property of the shop and are banked into a separate trust account controlled by the trust.

Given the objective of Company 1 is to maximise return, the sale and hire of bicycles must be at market rates. This would indicate that the entity is a for-profit entity.

Scenario 3: Private Education Organisation

Entity Q is a private organisation dedicated to providing low-cost high quality education to children who immigrated to New Zealand from poverty stricken countries. Entity Q was established as a trust with an initial endowment of \$5M from the estate of a wealthy businessperson.

In order to supplement its income Entity Q accepts a limited number of fee paying students. The fees for such students were determined after market research into the pricing of such services. All fee revenue is applied by Entity Q to its objective of providing high quality education to children who immigrated to New Zealand from poverty stricken countries. The revenue from fee paying students has enabled Entity Q to expand the range of services it offers and to expand its roll of immigrant children.

Founding documents

The trust deed establishing Entity Q states that the purpose of Entity Q is to provide high quality education to children who immigrated to New Zealand from poverty stricken countries. The trust deed also provides Trustees with broad powers as to how best to achieve this objective.

The trust deed also requires that, in the event the trust is wound up, any residual assets are to be applied to an organisation with similar objectives.

Nature of the benefits

The nature of the benefits provided by Entity Q are the educational services delivered to the recipient children. The equity provided to Entity Q was for the benefit of immigrant children and not for the generation of a financial return. This would indicate that the entity is a public benefit entity.

The fact that Entity Q also sells education services to fee paying students at market rates does not necessarily change the objective of the entity.

If Entity Q established a subsidiary entity through which it ran its commercial education operations, that subsidiary may be a for-profit entity. In this case it would also be necessary to consider whether the group reporting entity is a public benefit entity in its own right.

Quantum of the expected financial surplus

The trustees carefully manage the resources of Entity Q in order to maximise the number of immigrant children it can accept and to maintain a high quality educational service. The trustees have a clear operational plan and have established clear financial targets in order to achieve its objectives.

The financial targets are not expressed in terms of return on equity, but rather in terms of meeting the development targets set out in the operational plan. This may indicate that the entity is a public benefit entity.

Nature of equity interest

The trust deed requires that in the event Entity Q ceases operating any residual assets are to be applied to another entity with a similar purpose. The use of the assets is restricted and no individual can benefit privately from the assets.

This may indicate that the entity is a public benefit entity.

Nature of funding

Entity Q receives funding from a number of sources:

- (i) investment income from the initial endowment;
- (ii) fee income from fee paying students; and
- (iii) donations from other fund raising activities.

The relative levels of funding from each of these sources may indicate whether Entity Q is a for-profit entity or a public benefit entity. If the majority of funding is raised from investment income or donations and applied to the provision of the education services, then the entity may be a public benefit entity. If the majority of the funding is raised through the sale of education services, it may indicate that the entity is a for-profit entity.

Scenario 4: Sports Club

Club AFC is a football club established in a suburb of a large city. Club AFC is part of a regional group of clubs that co-operate together to organise competitions, coaching and training for a wide range of age-groups, from 5 year-olds through to senior grade football and representative grades.

Founding documents – Constitution

Club AFC is established as a charitable trust. Its constitution states that it is a non-profit entity established to foster participation and to promote football in its suburb.

This indicates that Club AFC is likely to be a public benefit entity.

Nature of the benefits

The benefits provided by Club AFC arise from the coordination of football competitions and the provision of football coaching, training and other facilities to the community. Hence, Club AFC provides benefits directly to a particular section of the public, and society as a whole may benefit indirectly. No individual person has a right to the equity or to any net surplus generated by the Club. This may indicate that Club AFC is a public benefit entity.

On the other hand, if Club AFC were to sell its coaching and training services (eg to schools, other football clubs, or individuals) at normal market rates, this may indicate that Club AFC is a for-profit entity.

Quantum of the expected financial surplus

The Club manages its finances carefully. Its financial targets are driven by its plans to develop its facilities and the services it offers. This may indicate that Club AFC is a public benefit entity.

If the Club sets financial targets with the objective of generating a commercial rate of return, this may indicate that Club AFC is a for-profit entity.

Nature of equity interest

There is no clear equity instrument. The Constitution states that in the event the Club is wound up or ceases operating, any residual assets are to be applied to an organisation with a similar purpose as Club AFC. This may indicate that the Club is a public benefit entity.

Nature of funding

Club AFC receives funding from various sources:

- (i) membership fees;
- (ii) sponsorship;
- (iii) bar and food sales; and
- (iv) community grants.

Membership fees are set at a level to cover the Club's costs, after taking into account the funding expected to be received from other sources. This may indicate that Club AFC is a public benefit entity.

If Club AFC received the majority of its funding from the sale of football coaching or training services, or from ticket sales at football matches, this may indicate that Club AFC is a for-profit entity.

APPENDIX B**ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 1 AND TIER 2 FOR-PROFIT ENTITIES**

This appendix forms an integral part of XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

This appendix lists the NZ IFRS and other New Zealand standards and Authoritative Notices for Tier 1 and Tier 2 for-profit entities.

Standards

NZ IFRS 1	<i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i>
NZ IFRS 2	<i>Share-based Payment</i>
NZ IFRS 3	<i>Business Combinations</i>
NZ IFRS 4	<i>Insurance Contracts</i>
NZ IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
NZ IFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>
NZ IFRS 7	<i>Financial Instruments: Disclosures</i>
NZ IFRS 8	<i>Operating Segments</i>
NZ IFRS 9 (2009)	<i>Financial Instruments</i>
NZ IFRS 9 (2010)	<i>Financial Instruments</i>
NZ IFRS 9 (2013)	<i>Financial Instruments (Hedge Accounting and amendments to NZ IFRS 9, NZ IFRS 7 and NZ IAS 39)</i>
NZ IFRS 9	<i>Financial Instruments (2014)</i>
NZ IFRS 10	<i>Consolidated Financial Statements</i>
NZ IFRS 11	<i>Joint Arrangements</i>
NZ IFRS 12	<i>Disclosure of Interests in Other Entities</i>
NZ IFRS 13	<i>Fair Value Measurement</i>
NZ IFRS 14	<i>Regulatory Deferral Accounts</i>
NZ IFRS 15	<i>Revenue from Contracts with Customers</i>
NZ IAS 1	<i>Presentation of Financial Statements (revised 2007)</i>
NZ IAS 2	<i>Inventories</i>
NZ IAS 7	<i>Statement of Cash Flows</i>
NZ IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
NZ IAS 10	<i>Events after the Reporting Period</i>
NZ IAS 11	<i>Construction Contracts</i>
NZ IAS 12	<i>Income Taxes</i>
NZ IAS 16	<i>Property, Plant and Equipment</i>
NZ IAS 17	<i>Leases</i>
NZ IAS 18	<i>Revenue</i>
NZ IAS 19 (2011)	<i>Employee Benefits</i>
NZ IAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
NZ IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
NZ IAS 23	<i>Borrowing Costs (revised 2007)</i>
NZ IAS 24	<i>Related Party Disclosures</i>

NZ IAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>
NZ IAS 27 (2011)	<i>Separate Financial Statements</i>
NZ IAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
NZ IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>
NZ IAS 32	<i>Financial Instruments: Presentation</i>
NZ IAS 33	<i>Earnings per Share</i>
NZ IAS 34	<i>Interim Financial Reporting</i>
NZ IAS 36	<i>Impairment of Assets</i>
NZ IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
NZ IAS 38	<i>Intangible Assets</i>
NZ IAS 39	<i>Financial Instruments: Recognition and Measurement</i>
NZ IAS 40	<i>Investment Property</i>
NZ IAS 41	<i>Agriculture</i>
FRS-42	<i>Prospective Financial Statements</i>
FRS-43	<i>Summary Financial Statements</i>
FRS-44	<i>New Zealand Additional Disclosures</i>
NZ IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
NZ IFRIC 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
NZ IFRIC 4	<i>Determining whether an Arrangement contains a Lease</i>
NZ IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
NZ IFRIC 6	<i>Liabilities arising from Participation in a Specific Market—Waste Electrical and Electronic Equipment</i>
NZ IFRIC 7	<i>Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies</i>
NZ IFRIC 9	<i>Reassessment of Embedded Derivatives (superseded on adoption of NZ IFRS 9)</i>
NZ IFRIC 10	<i>Interim Financial Reporting and Impairment</i>
NZ IFRIC 12	<i>Service Concession Arrangements</i>
NZ IFRIC 13	<i>Customer Loyalty Programmes</i>
NZ IFRIC 14	<i>NZ IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
NZ IFRIC 15	<i>Agreements for the Construction of Real Estate</i>
NZ IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
NZ IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>
NZ IFRIC 18	<i>Transfers of Assets from Customers</i>
NZ IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
NZ IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
NZ IFRIC 21	<i>Levies</i>
NZ SIC-7	<i>Introduction of the Euro</i>
NZ SIC-10	<i>Government Assistance—No Specific Relation to Operating Activities</i>
NZ SIC-15	<i>Operating Leases—Incentives</i>
NZ SIC-25	<i>Income Taxes—Changes in the Tax Status of an Entity or its Shareholders</i>
NZ SIC-27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>
NZ SIC-29	<i>Disclosure—Service Concession Arrangements</i>
NZ SIC-31	<i>Revenue—Barter Transactions Involving Advertising Services</i>
NZ SIC-32	<i>Intangible Assets—Web Site Costs</i>

Authoritative Notice

New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010*

APPENDIX C

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 1 AND TIER 2 PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

This appendix lists the PBE Standards and Authoritative Notices to be applied by Tier 1 and 2 public sector public benefit entities and not-for-profit public benefit entities.

Standards

PBE IPSAS 1	<i>Presentation of Financial Statements</i>
PBE IPSAS 2	<i>Cash Flow Statements</i>
PBE IPSAS 3	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
PBE IPSAS 4	<i>The Effects of Changes in Foreign Exchange Rates</i>
PBE IPSAS 5	<i>Borrowing Costs</i>
PBE IPSAS 6 (PS)	<i>Consolidated and Separate Financial Statements (Public Sector)</i>
PBE IPSAS 6 (NFP)	<i>Consolidated and Separate Financial Statements (Not-for-profit)</i>
PBE IPSAS 7	<i>Investments in Associates</i>
PBE IPSAS 8	<i>Interests in Joint Ventures</i>
PBE IPSAS 9	<i>Revenue from Exchange Transactions</i>
PBE IPSAS 10	<i>Financial Reporting in Hyperinflationary Economies</i>
PBE IPSAS 11	<i>Construction Contracts</i>
PBE IPSAS 12	<i>Inventories</i>
PBE IPSAS 13	<i>Leases</i>
PBE IPSAS 14	<i>Events After the Reporting Date</i>
PBE IPSAS 16	<i>Investment Property</i>
PBE IPSAS 17	<i>Property, Plant and Equipment</i>
PBE IPSAS 19	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
PBE IPSAS 20	<i>Related Party Disclosures</i>
PBE IPSAS 21	<i>Impairment of Non-Cash-Generating Assets</i>
PBE IPSAS 22	<i>Disclosure of Information About the General Government Sector</i>
PBE IPSAS 23	<i>Revenue from Non-Exchange Transactions</i>
PBE IPSAS 25	<i>Employee Benefits</i>
PBE IPSAS 26	<i>Impairment of Cash-Generating Assets</i>
PBE IPSAS 27	<i>Agriculture</i>
PBE IPSAS 28	<i>Financial Instruments: Presentation</i>
PBE IPSAS 29	<i>Financial Instruments: Recognition and Measurement</i>
PBE IPSAS 30	<i>Financial Instruments: Disclosures</i>
PBE IPSAS 31	<i>Intangible Assets</i>
PBE IPSAS 32	<i>Service Concession Arrangements: Grantor</i>
PBE IFRS 3	<i>Business Combinations</i>

PBE IFRS 4	<i>Insurance Contracts</i>
PBE IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
PBE IAS 12	<i>Income Taxes</i>
PBE IAS 34	<i>Interim Financial Reporting</i>
PBE FRS 42	<i>Prospective Financial Statements</i>
PBE FRS 43	<i>Summary Financial Statements</i>
PBE FRS 45	<i>Service Concession Arrangements: Operator</i>
PBE FRS 46	<i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs</i>
PBE FRS 47	<i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs</i>

Authoritative Notice

Public Benefit Entities' Framework

APPENDIX D

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 3 PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

This appendix lists the Standards and Authoritative Notices to be applied by Tier 3 public benefit entities.

Accounting Standards and Other Pronouncements to be Applied by Tier 3 Public Sector Public Benefit Entities

Standards

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

Authoritative Notice

Public Benefit Entities' *Framework*

Accounting Standards and Other Pronouncements to be Applied by Tier 3 Not-For-Profit Public Benefit Entities

Standards

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

Authoritative Notice

Public Benefit Entities' *Framework*

APPENDIX E

ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS TO BE APPLIED BY TIER 4 PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

This appendix lists the Standards and Authoritative Notices to be applied by Tier 4 public benefit entities.

Accounting Standards and Other Pronouncements to be Applied by Tier 4 Public Sector Public Benefit Entities

Standard

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

Accounting Standards and Other Pronouncements to be Applied by Tier 4 Not-For-Profit Public Benefit Entities

Standard

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

BASIS FOR CONCLUSIONS ON STANDARD XRB A1 (FP ENTITIES + PS PBEs + NFPs – FP TIER 3 AND TIER 4 UPDATE)

This Basis for Conclusions accompanies, but is not part of, XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update).

Introduction

- BC1 This Standard was issued by the External Reporting Board (XRB) as a further step in implementing the new Accounting Standards Framework. The Accounting Standards Framework has been subject to consultation through various documents since September 2009.
- BC2 This revision removed the two interim tiers in the for-profit sector. Earlier versions of XRB A1 included two interim tiers in the for-profit sector – the for-profit Tier 3 and Tier 4. These tiers (and their associated accounting standards) were designed, under the old accounting standards framework, to cater to small and medium-sized companies (or other for-profit entities). Under the new statutory financial reporting framework, the majority of these small and medium entities are no longer required to prepare general purpose financial statements and therefore there is no need to specifically cater for for-profit small and medium sized entities in the Tier Structure. Accordingly, the standards in the previous for-profit Tier 3 and Tier 4 were revoked. The Accounting Standards Framework for Tier 1 and Tier 2 for-profit entities, public sector PBEs and not-for-profit PBEs are unchanged from that specified in XRB A1 (FP Entities + PS PBEs + NFPs Update).
- BC3 This revision also removed the interim set of standards, NZ IFRS PBE, that were applicable to PBEs under the old accounting standards framework. These standards were superceded when PBE Standards were issued for public sector PBEs (effective for reporting periods beginning on or after 1 July 2014) and NFPs effective for reporting periods beginning on or after 1 April 2015).
- BC4 The term “public accountability” has a specific meaning for the purposes of this Standard. It comprises entities that meet the International Accounting Standards Board (IASB) definition of public accountability or that are deemed to be publicly accountable in New Zealand. The same definition applies to both PBEs and for-profit entities. It should be noted that this specific meaning is narrower than the more generic term “publicly accountable” as it is commonly used in the public sector and/or the not-for-profit context.

HISTORY OF AMENDMENTS

Table of Pronouncements – XRB Standard A1 *Application of Accounting Standards (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update)*

This table lists the pronouncements establishing and substantially amending XRB A1 (FP Entities + PS PBEs + NFPs – FP Tier 3 and Tier 4 Update). The table is based on amendments approved as at February 2015.

Pronouncements	Date approved	Early operative date	Effective date (annual reporting periods... on or after ...)
External Reporting Board Standard A1 <i>Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities minus For-profit Tier 3 and Tier 4 Update)</i>	February 2015	-	1 April 2015