

Editorial Corrections: *Financial Reporting (Inflation Adjustments) Regulations 2021*

Date posted: December 2021

These editorial corrections reflect changes to statutory size thresholds set out in the *Financial Reporting (Inflation Adjustments) Regulations 2021*. The changes to the statutory size thresholds were issued in October 2021 and take effect from 1 January 2022. New text is underlined and deleted text is struck through.

Table 1: Editorial corrections to standards and guides issued by the XRB Board

Paragraph	Corrections to XRB A1 <i>Application of the Accounting Standards Framework</i>
XRB A1, paragraph 5, footnote 1	¹ Section 46 of the Financial Reporting Act 2013 provides that an entity is a “specified not-for-profit entity” if, in each of the preceding two accounting periods, its total operating payments are \$125,000 <u>\$140,000</u> or more. Standard XRB A2 <i>Meaning of Specified Statutory Size Thresholds</i> sets out the meaning for the size threshold of a specified not-for-profit entity.
XRB A1, paragraph BC31	The Board decided to use \$30 million and \$2 million as the size thresholds for Tier 2 and Tier 3 respectively after considering costs and benefits. The Board also noted that \$30 ¹ million revenue is used as the definition of large in legislation... ¹ <u>The reference to \$30 million revenue is to the definition of large in section 45 of the Financial Reporting Act 2013 which was in effect when XRB A1 was issued.</u>
Paragraph	Corrections to XRB A2 <i>Meaning of Specified Statutory Size Thresholds</i>
XRB A2, paragraph 5	Section 45(1) of the Financial Reporting Act 2013 provides that, for the purpose of an enactment that refers to section 45, an entity (other than an overseas company or a subsidiary of an overseas company) is “large” in respect of an accounting period if at least one of the following applies: (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$60 <u>\$66</u> million; or (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$30 <u>\$33</u> million.
XRB A2, paragraph 6	Section 45(2) of the Financial Reporting Act 2013 provides that, for the purpose of an enactment that refers to section 45, an overseas company or a subsidiary of an overseas company is “large” in respect of an accounting period if at least one of the following applies: (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$20 <u>\$22</u> million; or (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$10 <u>\$11</u> million.
XRB A2, paragraph 7	Section 204(3) of the Companies Act 1993 provides that an overseas company’s New Zealand business or the group’s New Zealand business is “large” in respect of an accounting period if at least one of the following applies (calculated as if that business were an entity): (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the business exceed \$20 <u>\$22</u> million; or (b) in each of the 2 preceding accounting periods, the total revenue of the business exceeds \$10 <u>\$11</u> million.
XRB A2, paragraph 14	Section 46 of the Financial Reporting Act 2013 sets out the meaning of a “specified not-for-profit entity”. For the purposes of an enactment that refers to section 46, an entity is a specified not-for-profit entity in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating payments of the entity are \$125,000 <u>\$140,000</u> or more.

XRB A2, paragraph 17	<p>Friendly Societies and Credit Unions Act 1982: “Large” and the determination of “total operating expenditure”</p> <p>Section 64 of the Friendly Societies and Credit Unions Act 1982 allows a registered society or branch to opt out of preparing financial statements in respect of a financial year. However, under section 64(2), a registered society or branch cannot opt out if, in each of the 2 preceding financial years, the total operating expenditure of the society or branch is \$30<u>\$33</u> million or more.</p>									
XRB A2, paragraph 23B	<p>For the purposes of section 42C, section 42D of the Charities Act 2005 provides that a charitable entity or a single entity is:</p> <p>(a) large in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is \$1 million <u>\$1.1 million</u> or more; and</p> <p>(b) medium size if it is not large and in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is \$500,000 <u>\$550,000</u> or more.</p>									
Paragraph	Corrections to EG A1 Guide to Application of the Accounting Standards Framework									
EG A1, paragraph 13	<p>Entities required to comply with GAAP include:</p> <p>...</p> <ul style="list-style-type: none"> • Large companies^{8,9} (with total assets of over \$60<u>\$66</u> million or total revenue of over \$30<u>\$33</u> million in the two preceding reporting periods) under the Companies Act 1993; • Large overseas companies,⁹ large subsidiaries of overseas companies and large New Zealand businesses of large overseas companies (with total assets of over \$20<u>\$22</u> million or total revenue of over \$10<u>\$11</u> million in the two preceding reporting periods) under the Companies Act 1993; • Large registered friendly societies, large registered industrial and provident societies, large partnerships and large limited partnerships (with total assets of over \$60<u>\$66</u> million or total revenue of over \$30<u>\$33</u> million in the two preceding reporting periods) under their respective governing legislation. 									
EG A1, paragraph 57, Table 2	<p>Table 2: Public Benefit Entity Tiers and Requirements</p> <table border="1" data-bbox="480 1305 1410 1653"> <thead> <tr> <th data-bbox="480 1305 587 1339">Tier</th> <th data-bbox="587 1305 1046 1339">Tier Criteria</th> <th data-bbox="1046 1305 1410 1339">Standards Set</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 1339 587 1373">...</td> <td data-bbox="587 1339 1046 1373">...</td> <td data-bbox="1046 1339 1410 1373">...</td> </tr> <tr> <td data-bbox="480 1373 587 1653">Tier 4</td> <td data-bbox="587 1373 1046 1653"> <ul style="list-style-type: none"> • Has no public accountability (as defined); and • Has total operating payments of less than \$125,000 <u>\$140,000</u> in each of the previous two reporting periods (i.e. not a specified not-for-profit entity); and • Is permitted by an enactment to comply with a non GAAP Standard <p><i>and elects to be in Tier 4.</i></p> </td> <td data-bbox="1046 1373 1410 1653">PBE SFR-C (PS) or PBE SFR-C (NFP)</td> </tr> </tbody> </table>	Tier	Tier Criteria	Standards Set	Tier 4	<ul style="list-style-type: none"> • Has no public accountability (as defined); and • Has total operating payments of less than \$125,000 <u>\$140,000</u> in each of the previous two reporting periods (i.e. not a specified not-for-profit entity); and • Is permitted by an enactment to comply with a non GAAP Standard <p><i>and elects to be in Tier 4.</i></p>	PBE SFR-C (PS) or PBE SFR-C (NFP)
Tier	Tier Criteria	Standards Set								
...								
Tier 4	<ul style="list-style-type: none"> • Has no public accountability (as defined); and • Has total operating payments of less than \$125,000 <u>\$140,000</u> in each of the previous two reporting periods (i.e. not a specified not-for-profit entity); and • Is permitted by an enactment to comply with a non GAAP Standard <p><i>and elects to be in Tier 4.</i></p>	PBE SFR-C (PS) or PBE SFR-C (NFP)								
EG A1, paragraph 66	<p>Any entity... However, a PBE can only report under Tier 4 if it is not a specified not-for-profit entity (that is, its total operating payments¹⁷ (excluding capital payments) for each of the two preceding accounting periods are \$125,000 <u>\$140,000</u> or less) and is permitted by its governing legislation to report in accordance with non-GAAP standards issued by the XRB.</p>									

Table 2: Editorial corrections to guides issued by the NZASB

Paragraph	EG A4 Optional Template and Associated Guidance Notes for Applying Public Benefit Entity Simple Format Reporting – Cash (Public Sector)											
EG A4, page 16	<p>Purpose of the templates</p> <p>...</p> <p>The law sets out which entities are eligible to apply the <i>Tier 4 public sector standard</i>. In simple terms, public sector entities that do not have “public accountability” (which in this context has a particular technical meaning i.e., the entity does not issue debt securities) and have total operating payments of less than \$125,000 <u>\$140,000</u> can elect to apply this Standard.</p>											
EG A4, page 27 (Table)	<table border="1"> <thead> <tr> <th data-bbox="414 568 520 658">Row</th> <th data-bbox="520 568 671 658">Category</th> <th data-bbox="671 568 788 658">PBE SFR-C PS Ref</th> <th data-bbox="788 568 1414 658">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="414 658 520 1016">R&P11</td> <td data-bbox="520 658 671 1016">Total operating payments*</td> <td data-bbox="671 658 788 1016"><u>2&2.1</u></td> <td data-bbox="788 658 1414 1016"> Total of rows R&P7 to R&P10. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 public sector standard</i>. If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 public sector Standard</i>. ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 public sector standard</i>. </td> </tr> </tbody> </table>	Row	Category	PBE SFR-C PS Ref	Explanation	R&P11	Total operating payments*	<u>2&2.1</u>	Total of rows R&P7 to R&P10. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 public sector standard</i> . If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 public sector Standard</i> . ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 public sector standard</i> .			
Row	Category	PBE SFR-C PS Ref	Explanation									
R&P11	Total operating payments*	<u>2&2.1</u>	Total of rows R&P7 to R&P10. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 public sector standard</i> . If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 public sector Standard</i> . ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 public sector standard</i> .									
Paragraph	EG A6 Optional Template and Associated Guidance Notes for Applying Public Benefit Entity Simple Format Reporting – Cash (Not-for-profit)											
EG A6, page 21	<p>Purpose of the templates</p> <p>The templates...</p> <p>The law sets out which entities are eligible to apply the <i>Tier 4 not-for-profit standard</i>. In simple terms, registered charities that do not have “public accountability” (which in this context has a particular technical meaning i.e., the entity does not issue debt or equity securities) and have total operating payments of less than \$125,000 <u>\$140,000</u> can elect to apply this Standard. Other not-for-profit entities that meet those criteria can do so voluntarily.</p>											
EG A6, page 35 (Table)	<table border="1"> <thead> <tr> <th data-bbox="414 1388 520 1500">Row</th> <th data-bbox="520 1388 671 1500">Category</th> <th data-bbox="671 1388 788 1500">PBE SFR-C (NFP) Ref</th> <th data-bbox="788 1388 1414 1500">Explanation</th> </tr> </thead> <tbody> <tr> <td data-bbox="414 1500 520 1863">R&P12</td> <td data-bbox="520 1500 671 1863">Total operating payments* ➢ Formula</td> <td data-bbox="671 1500 788 1863"><u>2&2.1</u></td> <td data-bbox="788 1500 1414 1863"> Total of rows R&P7 to R&P11. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 not-for-profit standard</i>. If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 not-for-profit Standard</i>. ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 not-for-profit standard</i>. </td> </tr> </tbody> </table>	Row	Category	PBE SFR-C (NFP) Ref	Explanation	R&P12	Total operating payments* ➢ Formula	<u>2&2.1</u>	Total of rows R&P7 to R&P11. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 not-for-profit standard</i> . If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 not-for-profit Standard</i> . ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 not-for-profit standard</i> .			
Row	Category	PBE SFR-C (NFP) Ref	Explanation									
R&P12	Total operating payments* ➢ Formula	<u>2&2.1</u>	Total of rows R&P7 to R&P11. ▲ This total determines whether the entity is eligible to and can elect to report in accordance with the <i>Tier 4 not-for-profit standard</i> . If the total operating payments are greater than \$125,000 <u>\$140,000</u> for two years in a row the entity will no longer be eligible to report under Tier 4 cash accounting and will have to report in accordance with the <i>Tier 3 not-for-profit Standard</i> . ▲ If the entity controls one or more entities the total combined operating payments of the entity and its controlled entities must be less than \$125,000 <u>\$140,000</u> for the entities to report under the <i>Tier 4 not-for-profit standard</i> .									

Paragraph	EG A8 Financial Reporting by Not-for-profit Entities: The Reporting Entity
EG A8, paragraph 29, footnote 9	<p>Section 41(2)(b) of the Charities Act 2005 requires the annual return of a charitable entity to be accompanied by a copy of the financial statements⁸ and section 42A requires those financial statements to comply with GAAP (for a specified NFP entity)⁹ or a non-GAAP standard (for entities other than a specified NFP entity).</p> <p>...</p> <p>⁹ A specified not-for-profit entity is an entity in respect of an accounting period if, in each of the two preceding accounting periods of the entity, the total operating payments of the entity are \$125,000 <u>\$140,000</u> or more (section 46 of the Financial Reporting Act 2013).</p>