



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

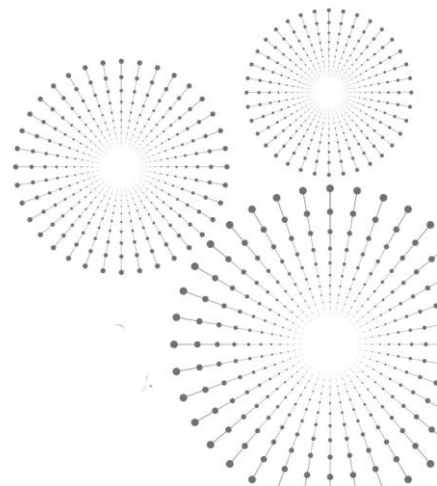
NZASB Exposure Draft 2022-2

2022 Omnibus Amendments to PBE Standards

(NZASB ED 2022-2)

Invitation to Comment

February 2022



© External Reporting Board 2022
PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

Permission to reproduce: The copyright owner authorises reproduction of this work, in whole or in part, so long as no charge is made for the supply of copies, and the integrity and attribution of the work as a publication of the External Reporting Board is not interfered with in any way.

Disclaimer: Readers are advised to seek specific advice from an appropriately qualified professional before undertaking any action relying on the contents of this document. The External Reporting Board does not accept any responsibility whether in contract, tort, equity or otherwise for any action taken, or reliance placed on, any part, or all, of the information in this document, or for any error or omission from this document.

Table of Contents

	Page
Information for respondents	4
List of abbreviations.....	5
Questions for respondents	6
1. Introduction	7
1.1 Background.....	7
1.2 Purpose of this Invitation to Comment	7
1.3 Timeline and next steps.....	7
2. Overview of Invitation to Comment and ED.....	8
2.1 Summary of the amendments	8
2.2 Amendments arising from <i>Improvements to IPSAS, 2018, Improvements to IPSAS, 2019 and Improvement to IPSAS, 2021</i>	8
2.3 Amendments arising from <i>Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance</i>	10
2.4 Amendments arising from IASB amendments	11
2.5 Other New Zealand amendments	12
2.6 Effective date and other comments	13

Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals for *2022 Omnibus Amendments to PBE Standards*.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions, or issues that are relevant to you.

Comments should be submitted electronically using our 'Accounting Standards open for consultation' page (under 'Domestic consultations') at:

<https://xrb.govt.nz/consultations/accounting-standards-open-for-consultation/>.

Please include *2022 Omnibus Amendments to PBE Standards* in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **27 May 2022**.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

ED	Exposure Draft
IAS®	International Accounting Standard
IASB	International Accounting Standards Board
IFRS® Standard	International Financial Reporting Standard
ITC	Invitation to Comment
IPSASB	International Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
PBE	Public benefit entity
PBE IAS	Public Benefit Entity International Accounting Standard
PBE IPSAS	Public Benefit Entity International Public Sector Accounting Standard

Questions for respondents

		Paragraphs
1	<p>Do you agree with the proposed amendments to PBE Standards in Part C of ED 2022-2? If you disagree, please provide reasons. Part C proposes to amend the following standards.</p> <p style="padding-left: 40px;">PBE IPSAS 16 <i>Investment Property</i></p> <p style="padding-left: 40px;">PBE IPSAS 30 <i>Financial Instruments: Disclosures</i></p> <p style="padding-left: 40px;">PBE IPSAS 13 <i>Leases</i></p> <p style="padding-left: 40px;">PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i></p> <p style="padding-left: 40px;">PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i></p> <p style="padding-left: 40px;">PBE IPSAS 22 <i>Disclosure of Information about the General Government Sector</i></p> <p style="padding-left: 40px;">PBE FRS 47 <i>First-time Adoption of PBE Standards</i></p> <p style="padding-left: 40px;">PBE IPSAS 41 <i>Financial Instruments</i></p> <p style="padding-left: 40px;">PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i></p> <p style="padding-left: 40px;">PBE IPSAS 17 <i>Property, Plant and Equipment</i></p>	9–14
2	<p>Do you agree with the proposed amendments to PBE IPSAS 5 <i>Borrowing Costs</i> in Part D of ED 2022-2? If you disagree, please provide reasons.</p>	15–17
3	<p>Do you agree with the proposed amendments arising from IASB amendments in Part E of ED 2022-2? If you disagree, please provide reasons. Part E proposes to amend the following standards.</p> <p style="padding-left: 40px;">PBE IAS 12 <i>Income Taxes</i></p> <p style="padding-left: 40px;">PBE FRS 47 <i>First-time Adoption of PBE Standards</i></p> <p style="padding-left: 40px;">PBE IPSAS 27 <i>Agriculture</i></p>	18
4	<p>Do you agree with the proposed amendments to PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> in Part F of ED 2022-2? If you disagree, please provide reasons.</p>	19–21
5	<p>Do you agree with the proposed effective date of 1 January 2023? If you disagree, please provide reasons.</p>	22
6	<p>Do you have any other comments on ED 2022-2?</p>	22

1. Introduction

1.1 Background

1. NZASB Exposure Draft 2022-2 *2022 Omnibus Amendments to PBE Standards* (subsequently referred to as ED 2022-2 or the ED) contains proposals to amend PBE Standards. The proposed amendments arise from recent improvements and other narrow-scope amendments issued by the IPSASB and the IASB, as well as comments from New Zealand constituents.
2. The NZASB regularly considers the improvements and narrow scope amendments made by the IASB and IPSASB to their standards and forms a view on whether those amendments should be incorporated in PBE Standards. In cases where amendments made by the IASB will subsequently be considered by the IPSASB, the NZASB generally waits until the IPSASB has completed its consideration of those amendments.
3. The NZASB also periodically considers other non-urgent matters for which amendments to standards are required.

1.2 Purpose of this Invitation to Comment

4. The purpose of this ITC is to seek comments on the proposed amendments set out in the ED.

1.3 Timeline and next steps

5. Submissions on NZASB ED 2022-2 are due by **27 May 2022**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
6. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

2. Overview of ED 2022-2

2.1 Summary of the amendments

8. The proposed amendments to PBE Standards have been grouped as follows:
- (a) amendments arising from *Improvements to IPSAS, 2018, Improvements to IPSAS, 2019 and Improvements to IPSAS, 2021*;
 - (b) amendments arising from *Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance*;
 - (c) amendments arising from IASB amendments; and
 - (d) other New Zealand amendments.

2.2 Amendments arising from *Improvements to IPSAS, 2018, Improvements to IPSAS, 2019 and Improvement to IPSAS, 2021*

9. The IPSASB periodically issues improvements to IPSAS, the standards on which many PBE Standards are based. The IPSASB's improvements include amendments based on the IASB's annual improvements and narrow scope amendments, and other amendments identified by the IPSASB.
10. In accordance with the NZASB's *Policy Approach to Developing the Suite of PBE Standards* the NZASB generally proposes to incorporate the IPSASB's improvements in PBE Standards. The NZASB seeks feedback on such amendments through its normal due process.

Improvements to IPSAS, 2018 (amendment not yet incorporated into PBE Standards)

11. The IPSASB issued *Improvements to IPSAS, 2018* in October 2018. The NZASB incorporated most of these improvements into PBE Standards in October 2018, by issuing *2018 Omnibus Amendments to PBE Standards*.
12. However, one of the amendments to IPSAS 16 *Investment Property* was not included in *2018 Omnibus Amendments to PBE Standards*. The IPSASB added that amendment into *Improvements to IPSAS, 2018* after the NZASB had already completed its public consultation on *2018 Omnibus Amendments to PBE Standards*. The NZASB has considered the amendment to IPSAS 16 and is proposing an equivalent amendment to PBE IPSAS 16 at this time. The amendment is described in Table 1 below.

Table 1: Amendments arising from *Improvements to IPSAS, 2018*

PBE Standard	Nature of the amendments
PBE IPSAS 16 <i>Investment Property</i>	Amendments to paragraph 76, to clarify that fair value measurement of self-constructed investment property could commence before the completion of construction. A heading is also added above paragraph 76. The new heading clarifies that paragraph 76 provides guidance on initially measuring self-constructed investment property at fair value, rather than guidance on the <i>transfer</i> of such assets upon completion of their construction. Investment property under construction is within the scope of IPSAS 16, and therefore is not transferred from another class of asset on completion of its construction.

Improvements to IPSAS, 2019 and Improvements to IPSAS, 2021

13. The IPSASB has also issued *Improvements to IPSAS, 2019* in January 2020, and *Improvements to IPSAS, 2021* in January 2022.
14. The NZASB has considered these amendments and is proposing equivalent amendments to PBE Standards where appropriate. Some of the amendments were already incorporated into PBE Standards ahead of the IPSASB (for example, PBE IBOR) or are not applicable in New Zealand. Tables 2–3 set out the amendments that are proposed in this ED. Table 2 includes amendments arising from *Improvements to IPSAS, 2019*, and Table 3 includes amendments arising from *Improvements to IPSAS, 2022*. The equivalent proposed amendments to PBE Standards are in Part C of ED 2022-2.

Table 2: Amendments arising from *Improvements to IPSAS, 2019*

PBE Standard	Nature of the amendments
<i>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</i>	
PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>	Amendments to examples on credit risk in the Implementation Guidance of PBE IPSAS 30, to include references to types of loans that are more common in the public sector. ²
PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>	Amendments to paragraph AG5(h) of PBE IPSAS 30, to update the guidance on disclosures for financial guarantee contracts issued through non-exchange transactions. The amendment specifically refers to disclosing the circumstances that result in fair value not being determinable, whereas the current disclosure requirement in paragraph AG5(h) of PBE IPSAS 30 is more generic. ³
<i>Other Improvements to IPSAS</i>	
PBE IPSAS 13 <i>Leases</i>	Amendments to paragraph 76, to include the appropriate references to the PBE Standards on impairment, in place of the current references to other international and/or national accounting frameworks. ⁴
PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> .	Amendments to clarify that the guidance on the impairment of revalued assets applies to assets revalued individually in the scope of IPSAS 31 <i>Intangible Assets</i> and to assets revalued by class in the scope of IPSAS 17 <i>Property, Plant, and Equipment</i> . ⁵

² The IPSASB’s amendments to IPSAS 30 also added new illustrative examples on hedging and credit risk, which were inadvertently omitted by the IPSASB when issuing IPSAS 41. However, the NZASB had already included similar amendments in PBE IPSAS 30 when issuing PBE IPSAS 41 in 2019 – albeit without the abovementioned public sector-specific references in the credit risk-related examples.

³ The main purpose of the IPSASB’s amendment is to replace the reference to measuring financial guarantee contracts issued in a non-exchange transaction under IPSAS 19 with a reference to measuring such contracts under IPSAS 41. The IPSASB inadvertently omitted this amendment when issuing IPSAS 41. The NZASB had made a similar amendment to PBE IPSAS 30 when issuing PBE IPSAS 41 in 2019. However, the wording used by the NZASB at the time was more generic compared to the IPSASB’s amendment.

⁴ The IPSASB’s amendment also amended paragraph 67 of IPSAS 13, but this amendment to paragraph 67 is already reflected in PBE IPSAS 13.

⁵ The main purpose of the IPSASB’s amendments to the guidance on the impairment of revalued assets is to clarify that this guidance relates not only to assets that are revalued on a class basis, but also to assets that are revalued individually. The equivalent guidance in PBE Standards already refers to both individually revalued assets and assets revalued by class. However, the NZASB considers that the wording of the IPSASB amendments is clearer.

Table 3: Amendments arising from *Improvements to IPSAS, 2021*

PBE Standard	Nature of the amendments
Part I – General Improvements to IPSAS	
PBE IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector.</i>	Amendments to refer to the latest edition of the <i>System of National Accounts, 2008</i> (2008 SNA).
Part II – IFRS Alignment amendments	
Annual Improvements to IFRS Standards 2018–2020 Cycle	
PBE FRS 47 <i>First-time adoption of PBE Standards</i>	Amendments to extend the exemption available to an entity transitioning to PBE Standards later than its controlling entity. The existing exemption relates to the measurement of assets and liabilities, and the amendments extend the exemption so that it also applies to cumulative foreign exchange translation differences in net assets/equity. ⁶
PBE IPSAS 41 <i>Financial Instruments</i>	Amendments to clarify which fees an entity includes when it applies the '10 percent' test for the derecognition of a financial liability.
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	
PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Amendments to clarify the costs of fulfilling a contract that an entity includes when assessing whether a contract will be loss-making or onerous (and therefore whether a provision needs to be recognised).
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)	
PBE IPSAS 17 <i>Property, Plant, and Equipment</i>	Amendments to prohibit proceeds from selling items produced before an asset is available for use to be deducted from the cost of property, plant, and equipment.

Question for respondents

1. Do you agree with the proposed amendments to PBE Standards in Part C of ED 2022-2? If you disagree, please explain why.

2.3 Amendments arising from *Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance*

15. In its 2019 Consultation Paper *Measurement*, the IPSASB asked constituents whether it should remove the option to capitalise borrowing costs in IPSAS 5. Feedback on this issue was mixed. The IPSASB decided to retain the existing accounting policy option in IPSAS 5 to either capitalise eligible borrowing costs or to treat them as an expense. Further information on the IPSASB's decision to retain this accounting policy choice can be found in the IPSASB's Basis for

⁶ The IPSASB's amendments amended IPSAS 33 *First-time Adoption of Accrual Basis IPSAS*. There is no PBE Standard based on IPSAS 33. However, this amendment is relevant to PBE FRS 47 *First-time adoption of PBE Standards*, which is largely based on NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. The amendments are based on the IASB's amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, and PBE FRS 47 contains similar requirements to those that are subject to this amendment.

Conclusions to [Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance](#) (paragraphs BC8–BC14), available on the IPSASB website.

16. However, given that some respondents to the Consultation Paper identified practical public sector challenges in capitalising borrowing costs, the IPSASB developed additional implementation guidance and illustrative examples to assist entities in determining the extent to which borrowing costs can be capitalised. In November 2021, the IPSASB issued *Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance*, to include the abovementioned guidance and examples in the non-authoritative material accompanying IPSAS 5.
17. The NZASB considered *Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance* and is proposing equivalent amendments to the non-authoritative material accompanying PBE IPSAS 5 *Borrowing Costs*. The proposed amendments are in part D of ED 2022-2.

Question for respondents

2. Do you agree with the proposed amendments to PBE IPSAS 5 *Borrowing Costs* in Part D of ED 2022-2? If you disagree, please explain why.

2.4 Amendments arising from IASB amendments

18. Table 3 summarises other proposed amendments to PBE Standards arising from recent IASB improvements and narrow scope amendments, and the reasons for proposing these amendments in ED 2022-2.

Table 4: Amendments arising from IASB amendments

PBE Standard	Nature of the amendments
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	
PBE IAS 12 <i>Income Taxes</i> and PBE FRS 47 <i>First-time Adoption of PBE Standards</i> (the latter is a consequential amendment)	<p>Amendment to narrow the scope of the recognition exemption for deferred tax assets and deferred tax liabilities, so that the recognition exemption would not apply to transactions that give rise to equal and offsetting temporary differences.</p> <p>The amendment is based on the IASB amendment <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>, which amended IAS 12 <i>Income Taxes</i>. The NZASB incorporated equivalent amendments into NZ IAS 12 <i>Income Taxes</i> by issuing <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> in July 2021.</p> <p>The IPSASB does not plan to consider these amendments, as there is no IPSAS equivalent to IAS 12. However, in New Zealand the amendments are relevant to PBE IAS 12 <i>Income Taxes</i>. Therefore, the NZASB proposes an equivalent amendment to PBE IAS 12. The proposed amendments are included in part E of ED 2022-2.</p>

Table 4: Amendments arising from IASB amendments (continued)

PBE Standard	Nature of the amendments
Annual Improvements to IFRS 2018-2020	
PBE IPSAS 27 <i>Agriculture</i>	<p>Amendments to remove the mandatory exclusion of taxation cash flows when measuring fair value in PBE IPSAS 27, given that PBE IPSAS 27 does not require the use of a pre-tax discount rate.</p> <p>This amendment is based on the IASB amendment to IAS 41 <i>Agriculture</i>, which the NZASB incorporated into NZ IAS 41 <i>Agriculture</i>. As noted in the IASB’s Basis for Conclusions relating the amendment, an entity applying a present value technique might measure fair value by discounting after-tax cash flows (using an after-tax discount rate) or pre-tax cash flows (at a rate consistent with those cash flows).</p> <p>In April 2021, the IPSASB included a similar amendment to IPSAS 27 within ED 77 <i>Measurement</i>. The IPSASB is expected to finalise the standard based on ED 77 in September 2022, and an equivalent PBE Standard would be proposed at a later date.</p> <p>The NZASB proposes to include the amendment in PBE Standards at this stage, rather than waiting for the IPSASB to issue a standard based on ED 77. Given the minor nature of the amendment, there would not be a risk in moving ahead of the IPSASB, and this will allow PBEs to benefit from the amendment and from closer alignment with NZ IFRS.</p>

Question for respondents

3. Do you agree with the proposed amendments in Part E of ED 2022-2? If you disagree, please explain why.

2.5 Other New Zealand amendments

19. PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* includes Appendix A: Application Guidance Changes in Existing Decommissioning, Restoration and Similar Liabilities. Appendix A is based on IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The IPSASB has not incorporated IFRIC 1 into IPSAS. However, in New Zealand PBEs had applied the guidance in IFRIC 1 before the introduction of PBE Standards. Therefore, when PBE Standards were introduced in New Zealand, the NZASB included the guidance from IFRIC 1 in PBE IPSAS 19 to allow the continuation of current practice in an area not covered by IPSAS.
20. Appendix A of PBE IPSAS 19 provides guidance on how to account for the effect of changes in the measurement of decommissioning, restoration and similar liabilities – including the effect on the related asset. In response to a matter raised by a constituent, the NZASB proposes to amend Appendix A of PBE IPSAS 19, to:
- clarify that the Appendix applies to related assets that are property, plant and equipment, and;
 - align the requirements for such assets measured using the revaluation model with the requirements in PBE IPSAS 17 *Property, Plant and Equipment* (in particular, with the requirement in PBE IPSAS 17 to revalue assets on a class-by-class basis, rather than on an asset-by-asset basis).

21. The proposed amendments are included in Part F of ED 2022-2.

Question for respondents

4. Do you agree with the proposed amendments to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* in Part F of ED 2022-2? If you disagree, please explain why.

2.6 Effective date and other comments

22. The ED proposes that the amendments be effective for annual financial statements covering periods beginning on or after 1 January 2023, with early adoption permitted. This date is tentative and would be reviewed prior to issuing the finalised amendments.

Questions for respondents

5. Do you agree with the proposed effective date of 1 January 2023, with early adoption permitted? If you disagree, please explain why.
6. Do you have any other comments on the ED?