Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

NZASB EXPOSURE DRAFT 2022-2

2022 Omnibus Amendments to PBE Standards

Issued [Date]

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

This [draft] Standard is a disallowable instrument for the purposes of the Legislation Act 2019, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on [Date].

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

In finalising this [draft] Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This [draft] Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

(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.

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

ISBN

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Part A – Introduction

This Standard [draft] includes amendments for the following.

(a) Amendments arising from *Improvements to IPSAS, 2018*, *Improvements to IPSAS, 2019* and *Improvements to IPSAS, 2021*.

  (i) The following Standards are amended as a result of *Improvements to IPSAS, 2018*:

  PBE IPSAS 16 *Investment Property*

  (ii) The following Standards are amended as a result of *Improvements to IPSAS, 2019*:

  PBE IPSAS 30 *Financial Instruments: Disclosures*

  PBE IPSAS 13 *Leases*

  PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets*

  PBE IPSAS 26 *Impairment of Cash-Generating Assets*

  (iii) The following Standards are amended as a result of *Improvements to IPSAS, 2021*:

  PBE IPSAS 22 *Disclosure of Information about the General Government Sector*

  PBE FRS 47 *First-time Adoption of PBE Standards*

  PBE IPSAS 41 *Financial Instruments*

  PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

  PBE IPSAS 17 *Property, Plant and Equipment*

(b) Amendments arising from *Amendments to IPSAS 5, Borrowing Costs – Non-authoritative Guidance*. The amendments relate to PBE IPSAS 5 *Borrowing Costs*.

(c) Amendments arising from IASB® amendments, relating to the following standards

  PBE IAS 12 *Income Taxes*

  PBE FRS 47 *First-time Adoption of PBE Standards*

  PBE IPSAS 27 *Agriculture*

(d) New Zealand amendment to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

Part B – Scope

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

Part C – Amendments arising from *Improvements to IPSAS, 2018*, *Improvements to IPSAS, 2019* and *Improvements to IPSAS, 2021*

C1 – Amendments arising from *Improvements to IPSAS, 2018*

PBE IPSAS 16 *Investment Property*

Paragraph 76 is amended and paragraph 102.9 is added. A new heading is inserted before paragraph 76. New text is underlined.

<u>Guidance on Initially Measuring Self-Constructed Investment Property at Fair Value</u>

76. **When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, <u>or when its fair value becomes reliably measurable (whichever is earlier),</u> any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in surplus or deficit.**

...

Effective Date

...

<u>102.9.</u> **<u>*2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph 76 and added the heading above paragraph 76. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.</u>**

...

Paragraph BC10 and the related heading are added. New text is underlined.

Basis for Conclusions

...

<u>2022 Omnibus Amendments to PBE Standards</u>

<u>BC10. In October 2018, the IPSASB issued *Improvements to IPSAS, 2018*, which amended paragraph 76 of IPSAS 16 *Investment Property*. The amendments to paragraph 76 clarify that fair value measurement of self-constructed investment property could commence before the completion of construction. A heading was 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 transfer 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. The NZASB amended PBE IPSAS 16 in *2022 Omnibus Amendments to PBE Standards*.</u>

C2 – Amendments arising from *Improvements to IPSAS, 2019*

PBE IPSAS 30 *Financial Instruments: Disclosures*

Paragraph 53.14 is added and paragraph AG5(h) is amended. New text is underlined and deleted text is struck through.

Effective Date

...

53.14. ***2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph AG5. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.**

...

Application Guidance

This Appendix is an integral part of PBE IPSAS 30.

Classes of Financial Instruments and Level of Disclosure (paragraph 9)

...

Other Disclosure—Accounting Policies (paragraph 25)

AG5. Paragraph 25 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

…

(h) ~~The nature of~~ For financial guarantee contracts issued through a non-exchange transaction, where no fair value could be determined and on initial recognition the financial guarantee contract is measured at the amount of the loss allowance in accordance with paragraph AG136 of PBE IPSAS 41, disclosure of the circumstances that result in fair value not being determinable.

Paragraphs BC6 and BC7 and the related headings are added. New text is underlined

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC6. In August 2020 the IPSASB issued *Improvements to IPSAS, 2019*, which amended IPSAS 30 *Financial Instruments: Disclosures*. The amendments updated the guidance in paragraph AG5(h) on disclosure for financial guarantee contracts issued in non-exchange transactions. These amendments were inadvertently omitted by the IPSASB when issuing IPSAS 41 *Financial Instruments*. The NZASB included similar amendments in paragraph AG5(h) of PBE IPSAS 30 when issuing PBE IPSAS 41 *Financial Instruments* in 2019. However, the IPSASB's amendment specifically refers to disclosing the circumstances that result in fair value not being determinable, whereas the wording that the NZASB had used was more generic. In *2022 Omnibus Amendments to PBE Standards*, the NZASB amended paragraph AG5(h) in PBE IPSAS 30 to align with the wording used in *Improvements to IPSAS, 2019*.

BC7. *Improvements to IPSAS, 2019* also amended the Implementation Guidance of IPSAS 30 by adding and amending illustrative examples relating to hedging and credit risk. These amendments were inadvertently omitted by the IPSASB when issuing IPSAS 41. The NZASB included similar amendments to the Implementation Guidance of PBE IPSAS 30 when issuing PBE IPSAS 41 in 2019. The only difference was that the IPSASB's amendments in relation to the credit risk-related examples contained references to types of loans that are more common in the public sector, whereas the equivalent examples in PBE IPSAS 30 did not, as they were developed based on IFRS 9 *Financial Instruments*. In 2022 *Omnibus Amendments to PBE Standards*, the NZASB amended the relevant credit risk-related examples Implementation Guidance of PBE IPSAS 30 to align with the wording used in *Improvements to IPSAS, 2019*.

Implementation Guidance paragraphs IG22B–IG22D and IG23 are amended. New text is underlined and deleted text is struck through.

Implementation Guidance

This guidance accompanies, but is not part of, PBE IPSAS 30.

...

Illustrating the Application of Paragraphs 42H and 42I

IG22B. The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance as required by paragraphs 42H–42I. This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.

...

Significant changes in the gross carrying amount of mortgage loans that contributed to changes in the loss allowance were:

- The acquisition of ~~the ABC~~ Region Y's prime mortgage portfolio increased the residential mortgage book by x percent, with a corresponding increase in the loss allowance measured on a 12-month basis.
- The write off of the CUXX ~~DEF~~ Region Z's mortgage portfolio following the collapse of the local market in the region reduced the loss allowance for financial assets with objective evidence of impairment by CUX.
- The expected increase in unemployment in Region X caused a net increase in financial assets whose loss allowance is equal to lifetime expected credit losses and caused a net increase of CUX in the lifetime expected credit losses allowance.

...

Illustrating the Application of Paragraphs 42M and 42N

IG22C. The following example illustrates some ways of providing information about an entity's credit risk exposure and significant credit risk concentrations in accordance with paragraph 42M of PBE IPSAS 30. The number of grades used to disclose the information in accordance with paragraph 42M of PBE IPSAS 30 shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition in accordance with paragraph 83 of PBE IPSAS 41, the entity shall provide an analysis by past due status for those financial assets.

~~Consumer loan~~ Loan credit risk exposure by internal rating grades				
20XX	**~~Consumer – credit card~~ Mortgage loans**		**~~Consumer – automotive~~ Agriculture loans**	
CU’000	**Gross carrying amount**		**Gross carrying amount**	
	Lifetime	**12-month**	**Lifetime**	**12-month**
Internal Grade 1–2	X	X	X	X
Internal Grade 3–4	X	X	X	X
Internal Grade 5–6	X	X	X	X
Internal Grade 7	X	X	X	X
Total	**X**	**X**	**X**	**X**

~~Corporate loan~~ Loan credit risk profile by external rating grades				
20XX	**~~Corporate – equipment~~ Mortgage loans**		**~~Corporate – construction~~ Agriculture loans**	
CU’000	**Gross carrying amount**		**Gross carrying amount**	
	Lifetime	**12-month**	**Lifetime**	**12-month**
AAA-AA	X	X	X	X
A	X	X	X	X
BBB-BB	X	X	X	X
B	X	X	X	X
CCC-CC	X	X	X	X
C	X	X	X	X
D	X	X	X	X
Total	**X**	**X**	**X**	**X**

~~Corporate loan~~ Loan risk profile by probability of default				
20XX	**~~Corporate – unsecured~~ Mortgage loans**		**~~Corporate – secured~~ Agriculture loans**	
CU’000	**Gross carrying amount**		**Gross carrying amount**	
	Lifetime	**12-month**	**Lifetime**	**12-month**
0.00 – 0.10	X	X	X	X
0.11 – 0.40	X	X	X	X
0.41 – 1.00	X	X	X	X
1.01 – 3.00	X	X	X	X
3.01 – 6.00	X	X	X	X
6.01 – 11.00	X	X	X	X
11.01 – 17.00	X	X	X	X
17.01 – 25.00	X	X	X	X
25.01 – 50.00	X	X	X	X
50.01+	X	X	X	X
Total	**X**	**X**	**X**	**X**

IG22D. ~~Entity A manufactures cars and~~ The Department of Agriculture provides short-term financing to both ~~dealers and end customers~~ small-scale and large-scale farmers. The purpose of the financing is to purchase inputs such as fertilizers, seeds and pesticides. ~~Entity A~~ The Department of Agriculture discloses its ~~dealer~~ small-scale farmers financing and ~~customer~~ large-scale farmers financing as separate classes of financial instruments and applies the simplified approach to its trade receivables so that the loss allowance is always measured at an amount equal to lifetime expected credit losses. The following table illustrates the use of a provision matrix as a risk profile disclosure under the simplified approach:

20XX CU’000	**Trade receivables days past due**				
~~Dealer~~ Small-scale farmer financing	**Current**	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
Expected credit loss rate	0.10%	2%	5%	13%	
Estimated total gross carrying amount at default	CU20,777	CU1,416	CU673	CU235	CU23,101
Lifetime expected credit losses—~~ dealer~~ small-scale farmer financing	CU21	CU28	CU34	CU31	CU114
~~Customer~~ Large-scale farmer financing					
Expected credit loss rate	0.20%	3%	8%	15%	
Estimated total gross carrying amount at default	CU19,222	CU2,010	CU301	CU154	CU21,687
Lifetime expected credit losses— ~~customer~~ large-scale farmer financing	CU38	CU60	CU24	CU23	CU145

IG23. Paragraph 43 requires an entity to disclose information about its exposure to credit risk by class of financial instrument. Financial instruments in the same class share economic characteristics with respect to the risk being disclosed (in this case, credit risk). For example, an entity might determine that residential mortgages, unsecured ~~consumer~~ agricultural loans, and ~~commercial~~ research and development loans each have different economic characteristics.

PBE IPSAS 13 *Leases*

Paragraph 76 is amended and paragraph 86.7 is added. New text is underlined and deleted text is struck through.

Sale and Leaseback Transactions

...

76. For finance leases, no such adjustment is necessary unless (a) there has been an impairment in value, and (b) that impairment is required to be recognised ~~by any international and/or national accounting standard on impairment that has been adopted by the entity~~ in accordance with PBE IPSAS 21 or PBE IPSAS 26, where appropriate.

...

Effective Date

...

86.7. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph 76. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.

Paragraph BC3 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC3. In January 2020, the IPSASB issued *Improvements to IPSAS, 2019*. Paragraph 76 of IPSAS 13 *Leases* was amended to include the appropriate references to the IPSASs on impairment in place of the references to other international and/or national accounting frameworks. The NZASB amended paragraph 76 of PBE IPSAS 13 in *2022 Omnibus Amendments to PBE Standards*.

PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets*

Paragraphs 54A and 69A are amended and paragraph 83.9 is added. New text is underlined and deleted text is struck through.

Recognising and Measuring an Impairment Loss

...

54A An impairment loss on a non-revalued asset is recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset in accordance with the relevant standard~~. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset~~.

...

Reversing an Impairment Loss

...

69A A reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset in accordance with the relevant standard~~. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets ~~class of revalued assets or asset~~ was previously recognised in surplus or deficit, a reversal of that impairment loss is also recognised in surplus or deficit in accordance with PBE IPSAS 31 or PBE IPSAS 17.

...

Effective Date

...

83.9. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraphs 54A and 69A. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.

Paragraph BC5 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC5. In January 2020, the IPSASB issued *Improvements to IPSAS, 2019*, which included amendments IPSAS 21 *Impairment of Non-Cash-Generating Assets*. The amendments clarified that the guidance on the impairment of revalued assets in paragraphs 54A and 69A applied not only to assets that are revalued on a class-by-class basis (i.e. assets in the scope of IPSAS 17), but also to assets that are revalued individually (i.e. assets in the scope of IPSAS 31). The NZASB had clarified that paragraphs 54A and 69A applied to both assets that are revalued individually and assets revalued by class, by issuing *Impairment of Revalued Assets* (Amendments to PBE IPSASs 21 and 26) in April 2017. However, the NZASB considered that the wording used by the IPSASB in *Improvements to IPSAS, 2019* is clearer. The NZASB therefore amended paragraphs 54A and 69A of PBE IPSAS 21 to align the wording with paragraphs 54A and 69A of IPSAS 21 in *2022 Omnibus Amendments to PBE Standards*.

PBE IPSAS 26 *Impairment of Cash-Generating Assets*

Paragraphs 73A and 108A and the related headings are amended and paragraph 127.11 is added. New text is underlined and deleted text is struck through.

Recognising and Measuring an Impairment Loss ~~of an Individual Asset~~

...

73A An impairment loss on a non-revalued asset is recognised in surplus or deficit. However, an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset in accordance with the relevant standard~~. Such an impairment loss on a revalued asset reduces the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset~~.

...

Reversing an Impairment Loss

...

Reversing an Impairment Loss for an Individual Asset or Class of Asset

...

108A. A reversal of an impairment loss on a revalued asset is recognised in other comprehensive revenue and expense and increases the revaluation surplus for that individual asset in accordance with PBE IPSAS 31 or class of assets in accordance with PBE IPSAS 17 ~~class of assets or asset in accordance with the relevant standard~~. However, to the extent that an impairment loss on the same individual revalued asset or class of revalued assets ~~class of revalued assets or asset~~ was previously recognised in surplus or deficit, a reversal of that impairment loss is also recognised in surplus or deficit in accordance with PBE IPSAS 31 or PBE IPSAS 17.

...

Effective Date

...

127.11. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraphs 73A and 108A. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.

Paragraph BC10 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC10. In January 2020, the IPSASB issued *Improvements to IPSAS, 2019*, which included amendments IPSAS 26 *Impairment of Cash-Generating Assets*. The amendments clarified that the guidance on the impairment of revalued assets in paragraphs 73A and 108A applied not only to assets that are revalued on a class-by-class basis (i.e. assets in the scope of IPSAS 17), but also to assets that are revalued individually (i.e. assets in the scope of IPSAS 31). The NZASB had already clarified that paragraphs 73A and 108A applied to both assets that are revalued individually and assets revalued by class, by issuing *Impairment of Revalued Assets* (Amendments to PBE IPSASs 21 and 26) in April 2017. However, the NZASB considered that the wording used by the IPSASB in *Improvements to IPSAS, 2019* is clearer. The NZASB therefore amended paragraphs 73A and 108A of PBE IPSAS 26 in *2022 Omnibus Amendments to PBE Standards*.

C3 – Amendments arising from *Improvements to IPSAS, 2021*

PBE IPSAS 22 *Disclosure of Financial Information about the General Government Sector*

Paragraphs 5, 18 and 28 are amended and paragraph 47.5 is added. New text is underlined and deleted text is struck through.

Scope

...

5. In some jurisdictions, financial statements and budgets for the government, or sectors thereof, may also be issued in accordance with statistical bases of financial reporting. These bases reflect requirements consistent with, and derived from, the ~~System of National Accounts 1993 (SNA 93)~~ *System of National Accounts, 2008* (2008 SNA) prepared by the United Nations and other international organisations. ...

...

Definitions

...

General Government Sector

...

18. The GGS is defined in the ~~SNA 93 (and updates)~~ 2008 SNA as consisting of (a) all resident central, state, and local government units, (b) social security funds at each level of government, and (c) non-market non-profit institutions controlled by government units. …

...

Accounting Policies

...

28. Financial statements prepared consistent with statistical bases of financial reporting portray the impact of the GGS on the public sector as a whole and, in the context of the ~~SNA 93 (and updates)~~ 2008 SNA, on a national economy. …

...

Effective Date

...

47.5. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraphs 5, 18 and 28. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.

> Paragraph BC5 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC5. *Improvements to IPSAS, 2021* amended paragraphs 5, 18 and 28 of IPSAS 22 *Disclosure of Financial Information about the General Government Sector* to refer to the latest edition of the System of National Accounts, 2008 (2008 SNA). The NZASB amended PBE IPSAS 22 in *2022 Omnibus Amendments to PBE Standards*.

PBE FRS 47 *First-time Adoption of PBE Standards*

> Paragraphs 42.14 and C10A are added and paragraph C1 is amended. New text is underlined and deleted text is struck through.

Effective Date

...

42.14. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph C1 and added paragraph C10A. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.

...

Appendix C

Exemptions from other PBE Standards

This Appendix is an integral part of PBE FRS 47.

C1. An entity may elect to use one or more of the following exemptions:

...

(d) Cumulative translation differences (paragraphs C9–C10A ~~and C10~~)

...

C10A. Instead of applying paragraph C9 or C10, a controlled entity that uses the exemption in paragraph C13(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the controlling entity’s consolidated financial statements, based on the controlling entity’s date of transition to PBE Standards, if no adjustments were made for consolidation procedures and for the effects of the public sector PBE combination in which the controlling entity acquired the controlled entity. A similar election is available to an associate or joint venture that uses the exemption in paragraph C13(a).

Paragraph BC18 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC18. *Annual Improvements to IFRS® Standards* (2018-2020), issued by the IASB in May 2010, amended IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendments to IFRS 1 extended the exemption available to an entity transitioning to IFRS Standards later than its controlling entity. The exemption previously related 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. The IPSASB subsequently amended IPSAS 33 *First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)*, by issuing *Improvements to IPSAS, 2021* in January 2022. The amendments are relevant to PBE FRS 47. The NZASB amended PBE FRS 47 in *2022 Omnibus Amendments to PBE Standards*.

PBE IPSAS 41 *Financial Instruments*

Paragraphs 136.5, 184B and AG46A are added and paragraph AG46 is amended. A new heading is inserted above paragraph 184B. New text is underlined and deleted text is struck through.

Effective Date

...

136.5. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], added paragraphs 184B and AG46A and amended paragraph AG46. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

...

Transition for *2022 Omnibus Amendments to PBE Standards*

184B. An entity shall apply the amendments in *2022 Omnibus Amendments to PBE Standards* to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

...

Appendix A

Application Guidance

This Appendix is an integral part of PBE IPSAS 41.

...

Recognition and Derecognition

...

Derecognition of Financial Liabilities

...

AG46. For the purpose of paragraph 36, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. ~~If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.~~ In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

AG46A. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability

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

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC17. *Annual Improvements to IFRS® Standards (2018-2020)*, issued by the IASB in May 2020, amended IFRS 9 *Financial Instruments*. The amendments clarify which fees an entity includes when it applies the '10 percent' test for the derecognition of a financial liability. The IPSASB subsequently amended IPSAS 41 *Financial Instruments*, by issuing *Improvements to IPSAS, 2021* in January 2022. The NZASB amended PBE IPSAS 41 in 2022 *Omnibus Amendments to PBE Standards*.

PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 79A ,110A and 112.10 are added and paragraph 80 is amended. Paragraph 79 has been included for ease of reference but is not amended. New text is underlined and deleted text is struck through.

Application of the Recognition and Measurement Rules

...

Onerous Contracts

...

79. This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it, which includes amounts recoverable. Therefore, it is the present obligation net of recoveries that is recognised as a provision under paragraph 76. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

79A. The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

(a) The incremental costs of fulfilling that contract—for example, direct labour and materials; and

(b) An allocation of other costs that relate directly to fulfilling contracts—for example, an allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling that contract among others.

80. Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets ~~dedicated to that~~ used in fulfilling the contract (see IPSAS 21 and IPSAS 26).

...

Transitional Provisions

...

110A. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], added paragraph 79A and amended paragraph 80. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated comprehensive revenue and expense or other component of net assets/equity, as appropriate, at the date of initial application.

...

Effective Date

...

112.10. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], added paragraphs 79A and 110A and amended paragraph 80. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

> Paragraph BC6 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC6. *Onerous Contracts—Cost of Fulfilling a Contract*, issued by the IASB in May 2020, amended IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments 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). The IPSASB subsequently amended IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, by issuing *Improvements to IPSAS, 2021* in January 2022. The NZASB subsequently amended PBE IPSAS 19 in 2022 *Omnibus Amendments to PBE Standards.*

PBE IPSAS 17 *Property, Plant and Equipment*

> Paragraphs 31 and 89 are amended and paragraphs 34A, 89A, 106B and 108.13 are added. New text is underlined and deleted text is struck through.

Measurement at Recognition

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Elements of Cost

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31. Examples of directly attributable costs are:

    (a) Costs of employee benefits (as defined in PBE IPSAS 39 *Employee Benefits*) arising directly from the construction or acquisition of the item of property, plant and equipment;

    (b) Costs of site preparation;

(c) Initial delivery and handling costs;

(d) Installation and assembly costs;

(e) Costs of testing whether the asset is functioning properly (i.e., assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes)~~, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment)~~; and

(f) Professional fees.

...

34A. Items may be produced while bringing an item of property, plant, and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly). An entity recognises the proceeds from selling any such items, and the cost of those items, in surplus or deficit in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of PBE IPSAS 12.

...

Disclosure

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89. **The financial statements shall also disclose for each class of property, plant and equipment recognised in the financial statements:**

(a) **The existence and amounts of restrictions on title, and property, plant and equipment pledged as securities for liabilities;**

*(b) **The amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction; and**

(c) **The amount of contractual commitments for the acquisition of property, plant and equipment~~; and~~.**

~~*(d) **If it is not disclosed separately on the face of the statement of comprehensive revenue and expense, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in surplus or deficit.**~~ [Deleted by IPSASB]

89A. **If not presented separately in the statement of comprehensive revenue and expense, the financial statements shall also disclose:**

*(a) **The amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in surplus or deficit; and**

(b) **The amounts of proceeds and cost included in surplus or deficit in accordance with paragraph 34A that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive revenue and expense include(s) such proceeds and cost.**

...

Transitional Provisions

...

106B. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraphs 31 and 89 and added paragraphs 34A and 89A. An entity shall apply those amendments retrospectively, but only to items of property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated comprehensive revenue and expense (or other component of net assets/equity, as appropriate) at the beginning of that earliest period presented.

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Effective Date

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108.13. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amened paragraphs 31 and 89 and added paragraphs 34A, 89A and 106B. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

Paragraph BC22 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC22. *Property, Plant and Equipment—Proceeds before Intended Use*, issued by the IASB in May 2020, amended IAS 16 *Property, Plant and Equipment*. The amendments prohibit proceeds from selling items produced before an asset is available for use to be deducted from the cost of property, plant, and equipment. The IPSASB subsequently amended IPSAS 17 *Property, Plant and Equipment*, by issuing *Improvements to IPSAS, 2021* in January 2022. The NZASB subsequently amended PBE IPSAS 17 in 2022 *Omnibus Amendments to PBE Standards*.

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

PBE IPSAS 5 *Borrowing Costs*

Paragraph BC3 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC3. In November 2021 the IPSASB issued *Amendments to IPSAS 5, Borrowing Costs – Non-Authoritative Guidance*, which added non-authoritative guidance material to IPSAS 5. The guidance material includes implementation guidance and illustrative examples, to illustrate the extent to which borrowing costs can be capitalised. The NZASB amended PBE IPSAS 5 in *2022 Omnibus Amendments to PBE Standards*.

Implementation Guidance A.1 to A.6 is added. For ease of reading, new text is not underlined.

Implementation Guidance

This guidance accompanies, but is not part of, PBE IPSAS 5.

A.1 Period of Borrowing Cost Capitalisation

When applying the allowed alternative treatment, as described in paragraphs 17–18, when can an entity begin to include borrowing costs in the cost of the qualifying asset?

Where outlays and borrowings have been incurred specifically to fund a qualifying asset's acquisition, construction, or production, the costs of those borrowings should be capitalised when the activities necessary to prepare the asset for its intended use or sale begin. The activities necessary to get the asset ready for use encompass more than the asset's physical acquisition, construction, or production. The activities include technical and administrative work prior to the commencement of physical acquisition, construction, or production, but exclude holding the asset when no development that changes the asset's condition is being undertaken.

The activities (i.e., technical and administrative work) undertaken prior to commencement of the physical acquisition, construction, or production of a qualifying asset should contribute to the actual development or construction of that asset.

A.2 Limit on Capitalisation

When applying the allowed alternative treatment, as described in paragraphs 17–18, to specific borrowings, are borrowing costs included in the cost of the qualifying asset in that period limited to the borrowing costs incurred in that period?

Yes. If a borrowing can be specifically associated with outlays on acquisition, construction, or production of a qualifying asset, the amount of borrowing costs capitalised during that period is limited to the borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

A.3 Asset Funded through Transfers

In many jurisdictions, the acquisition, construction, or production of a qualifying asset is funded through a transfer from another public benefit entity. Does the entity acquiring, constructing, or producing the qualifying asset consider the transferor's underlying source of the funds, i.e., whether the funds are generated by tax revenues, general cash holdings or borrowings, when it determines the amount that can be included in the cost of the qualifying asset when applying the allowed alternative treatment, as described in paragraphs 17–18?

No. When the acquisition, construction, or production of a qualifying asset is fully funded through a transfer, there will be no directly attributable borrowing costs to capitalise. The entity may include in the cost of the qualifying asset only those borrowing costs which it has incurred.

A.4 Asset Funded through a Centralised Lending Programme – Interest Rates

A centralised lending agency may fund its activities by borrowings through several separate loan instruments. Each instrument may have a different interest rate. An entity may borrow funds from the centralised lending agency and use these funds for the acquisition, construction, or production of a qualifying asset. If the entity is using the allowed alternative treatment, as described in paragraphs 17–18, does the entity apply the weighted average interest rate incurred by the centralised lending agency when including borrowing costs in the cost of the qualifying asset?

No. The weighted average interest rate incurred by the centralised lending agency is not relevant in the preparation of the financial statements of the entity acquiring, constructing, or producing the qualifying asset. The entity can include in the cost of the qualifying asset only those borrowing costs which it itself has incurred.

The entity must consider all facts and circumstances when determining the borrowing costs incurred in its arrangement with the centralised lending agency. In some cases, the interest rate stated in the terms of the arrangement may not reflect the true borrowing costs associated with the funds received. When the entity identifies concessionary terms, the entity should apply the requirements in PBE IPSAS 41 *Financial Instruments* paragraphs

AG118–AG127[2] and capitalise borrowing costs based on a market related interest rate that the entity would have incurred on a similar loan (see PBE IPSAS 41 paragraphs IE153–IE172 for examples illustrating how to determine the interest rate in a concessionary loan). Interest expense calculated using the effective interest rate method is eligible for inclusion in the cost of the qualifying asset in accordance with this Standard.

If the centralised lending agency and the entity to which it lends funds are part of the same economic entity, in the financial statements of the consolidated entity, the borrowing costs incurred by the centralised lending agency can be capitalised to the qualifying asset, provided that appropriate consolidation adjustments have been made to eliminate those costs capitalised by the controlled entity.

A.5 Asset Funded through an Entity's Own General Borrowing – Borrowings are not Specific to Qualifying Asset

When an entity acquiring, constructing, or producing a qualifying asset manages its own borrowing programme, but borrowings are not specific to the qualifying asset, how does the entity determine the borrowing costs directly attributable to the qualifying asset? This may occur when an entity uses cash on hand to fund the cost of a qualifying asset. This cash on hand is funded from general borrowings, tax revenue and other fees and transfers.

The amount of borrowing costs eligible for inclusion in the cost of the qualifying asset is determined using the weighted average of the borrowing costs applicable to all borrowings of the entity outstanding during the period. The weighted average of borrowing costs is then applied to the outlays on the qualifying asset incurred during the period in determining the amount eligible for capitalisation.

The entity shall exclude from the weighted average calculation those borrowings that are made specifically for the purpose of obtaining another qualifying asset until substantially all the activities necessary to prepare that asset for its intended use are complete. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

A.6 Asset Funded through General Borrowings – Range of Debt Instruments

Does an entity apply a weighted average of borrowing costs when multiple debt instruments are used to fund the cost of a qualifying asset?

Yes. An entity may not be able to fund the cost of a qualifying asset with a single debt instrument. When multiple debt instruments are used (and the funds are general borrowings), the cost of borrowing is determined by calculating the weighted average of the borrowing costs applicable to all the debt instruments outstanding during the period, excluding borrowings that are made specifically for the purpose of obtaining another qualifying asset (until substantially all the activities necessary to prepare that asset for its intended use are complete).

Illustrative Examples IE1–IE16 and the related headings are added. For ease of reading, new text is not underlined.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 5.

The examples are not based on actual fact patterns and are provided to illustrate how the requirements of the Standard might be met.

Qualifying Asset Constructed Over a Period of Time

IE1. On 31 March 20X1, City Council A begins construction of a tunnel to accommodate transit between two commercial hubs. The construction period is 5 years and the project is budgeted to cost CU100 million (CU20 million is paid to the construction company on the date the construction begins and on 31 March of each subsequent year during the construction period). City Council A issues a 25-year CU100 million bond on 31 March 20X1 that yields a fixed coupon of 5 per cent per annum. This bond was issued specifically

[2] Where an entity has not yet adopted PBE IPSAS 41, the requirements in either PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* paragraphs AG84-AG90 or, if early adopted, PBE IFRS 9 *Financial Instruments* paragraphs B5.1.2A–B5.1.2G, are applied. Similar to the PBE IPSAS 41 requirements, an entity should capitalise borrowing costs based on a market related interest rate that the constructing entity would have incurred on a similar loan.

to finance the construction of this project. City Council A has a 31 December year-end and earns a rate of interest of 3 per cent on the temporary investment of any excess borrowings.

IE2. On 31 December 20X1, City Council A has accrued borrowing costs of CU3.75 million (CU100 million x 5 percent x 9/12 months).

IE3. In determining the borrowing costs that can be included in the cost of the tunnel, City Council A is limited to capitalising the borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

IE4. On 31 December 20X1, City Council A recognises its tunnel asset as a work in progress. The amount capitalised is CU21.95 million (CU20 million + [CU100 million x 5 percent x 9/12 months] – [CU80 million x 3 percent x 9/12 months]). This represents the funds transferred to the construction company and the borrowing costs incurred during the period less the investment income earned on the CU80 million invested.

Centralised Borrowing Programme – Eligible Borrowing Costs

IE5. The Department of Social Housing begins construction of a new social housing complex on 15 June 20X1. The project costs are budgeted to be CU500 million. All financing required by the Department of Social Housing, and certain other central government entities, is secured centrally by the Government Treasury.

IE6. The Government Treasury estimates its cash flow needs on an annual basis in order to determine the most appropriate source of funding to meet its internal lending needs. These sources include tax revenue, fee revenue, bonds issuances and loans.

IE7. The Department of Social Housing negotiates a 10-year loan from the Government Treasury. The Government Treasury requires the Department of Social Housing to pay borrowing costs of 3 per cent per annum. This is consistent with the market rate of interest the Department of Social Housing would incur if the arrangement was negotiated at arm’s length.

IE8. When the Department of Social Housing secures financing from the Government Treasury, the Department of Social Housing is aware that the borrowings comprise various sources, but has no visibility of how the Government Treasury sources the funds, nor of the weighted average borrowing costs the Government Treasury incurs.

IE9. In determining the borrowing costs eligible for inclusion in the cost of the social housing complex, the Department of Social Housing includes only those borrowing costs which it itself has incurred. Because the loan is at market terms, the Department of Social Housing concludes there are no concessionary elements and determines borrowing costs eligible for inclusion in the cost of the social housing complex are based on the interest rate of 3 percent stated in the contract.

General Borrowing – Weighted Average Cost of Borrowing

IE10. Government T has begun construction of a new airport. The cost of this airport is budgeted to be CU500 million. When Government T borrows funds, it does not borrow for specific projects. In determining its borrowing needs, Government T budgets its cash shortfall over a given period and ensures borrowings will cover its liquidity needs.

IE11. Over the construction period, Government T held three instruments that were open for the entire construction period:

- Government Bonds – CU1 billion, yielding an annual rate of 5 per cent;
- Loan with Financial Institution A – CU300 million, with an annual interest rate of 7 per cent; and
- Loan with Financial Institution B – CU600 million, with an annual interest rate of 9 per cent.

IE12. In determining the amount of borrowing costs eligible for inclusion in the cost of the airport, Government T calculates the weighted average of the borrowing costs applicable to all borrowings of the entity outstanding during the period.

	A **Principal**	**B** **Interest Rate**	**C** **Proportion of Debt**	**D = B x C** **Weighted Average**
Government Bonds	CU1,000 million	5 percent	1,000 / 1,900	2.63
Loan A	CU300 million	7 percent	300 / 1,900	1.11
Loan B	CU600 million	9 percent	600 / 1,900	2.84
Weighted Average Interest Rate				**6.58 percent**

IE13. Government T calculates the weighted average of the borrowing costs applicable to all borrowings of the entity outstanding during the period to be 6.58 per cent.

Specific Borrowing – Borrowing for Part of Qualifying Asset's Amount

IE14. A public sector transport authority ('the Authority') began construction of a new road network on 1 January 20X1. The cost of this road network is budgeted to be CU750 million. The Authority funds this project with amounts received on 1 January 20X1 from two sources:

- Government funding in the amount of CU500 million; and
- Loan from a financial institution of CU250 million, with an annual interest rate of 5 percent.

In order to receive the Government funding, the Authority was required to show it was able to secure financing. It is the Authority's policy to allocate borrowed funds to the construction of the qualifying asset first. The Authority earns a rate of interest of 3 per cent on the temporary investment of any excess borrowings.

IE15. As at 31 December 20X1, the Authority has incurred outlays of CU200 million as part of the construction of the asset. These outlays were transferred in one lump sum payment to the construction company at the commencement of construction on 1 January 20X1. In addition to the outlays of CU200 million, the Authority capitalises CU11 million ([CU250 million x 5 per cent] – [CU50 million x 3 per cent]) in borrowing costs, against the qualifying asset.

IE16. Because the Authority borrowed CU250 million for the purposes of obtaining the road network, but has only incurred outlays related to that qualifying asset in the amount of CU200 million, the Authority was able to earn interest revenue on the excess funds borrowed. The Authority capitalised borrowing costs incurred during the period of CU12.5 million less the investment income of CU1.5 million on the temporary investment of those borrowings.

Part E – Amendments arising from IASB amendments

PBE IAS 12 *Income Taxes*

Paragraphs 15, 22 and 24 are amended. Paragraphs 22A and 98.11–98.13 are added. New text is underlined and deleted text is struck through.

Recognition of Deferred Tax Liabilities and Deferred Tax Assets

...

Taxable Temporary Differences

15. **A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:**

    (a) **The initial recognition of goodwill; or**

(b) **The initial recognition of an asset or liability in a transaction which:**

  (i) **Is not a PBE combination; ~~and~~**

  (ii) **At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)~~.~~; and**

  (iii) **at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.**

...

Initial Recognition of an Asset or Liability

22. A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability:

  (a) In a PBE combination, an entity recognises any deferred tax liability or asset and this affects the amount of goodwill or bargain purchase gain it recognises (see paragraph 19);

  (b) If the transaction affects either accounting profit or taxable profit, or gives rise to equal taxable and deductible temporary differences, an entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in surplus or deficit (see paragraph 59);

  (c) If the transaction is not a PBE combination, ~~and~~ affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences, an entity would, in the absence of the exemption provided by paragraphs 15 and 24, recognise the resulting deferred tax liability or asset and adjust the carrying amount of the asset or liability by the same amount. Such adjustments would make the financial statements less transparent. Therefore, this Standard does not permit an entity to recognise the resulting deferred tax liability or asset, either on initial recognition or subsequently. Furthermore, an entity does not recognise subsequent changes in the unrecognised deferred tax liability or asset as the asset is depreciated.

...

22A A transaction that is not a PBE combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease classified as a finance lease, a lessee typically recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statements of financial position. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.

...

Deductible Temporary Differences

24. **A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:**

  (a) **Is not a PBE combination; ~~and~~**

  (b) **At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)~~.~~; and**

  (c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

...

Effective Date

...

98.11 *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraphs 15, 22 and 24 and added paragraph 22A. An entity shall apply these amendments in accordance with paragraphs 98.12–98.13 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

98.12 An entity shall apply *2022 Omnibus Amendments to PBE Standards* to transactions that occur on or after the beginning of the earliest comparative period presented.

98.13 An entity applying *2022 Omnibus Amendments to PBE Standards* shall also, at the beginning of the earliest comparative period presented:

(a) Recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:

(i) Assets acquired under finance leases and liability for the associated lease obligations; and

(ii) Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and

(b) Recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Paragraph BC10 and the related heading are added. New text is underlined.

Basis for Conclusions

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2022 Omnibus Amendments to PBE Standards

BC10. *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued by the IASB in May 2021, amended IAS 12 *Income Taxes*. This amendment narrowed 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. The NZASB subsequently amended NZ IAS 12 *Income Taxes* by issuing *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* in July 2021. PBE IAS 12 is based on NZ IAS 12. The NZASB therefore amended PBE IAS 12 in *2022 Omnibus Amendments to PBE Standards*.

PBE FRS 47 *First-time Adoption of PBE Standards*

Paragraphs 42.15 is added. In Appendix A, paragraph A1 is amended and paragraph A10 and its heading are added. New text is underlined and deleted text is struck through.

Effective Date

...

42.15. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph A1 and added paragraph A10. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

...

Appendix A

Exceptions to the Retrospective Application of other PBE Standards

This Appendix is an integral part of PBE FRS 47.

A1. An entity shall apply the following exceptions:

...

(e) Impairment of financial assets (paragraphs A8D–A8G); ~~and~~

(f) Embedded derivatives (paragraph A9); and~~.~~

(g) Deferred tax related to finance leases and decommissioning, restoration and similar liabilities (paragraph A10).

Deferred tax related to leases and decommissioning, restoration and similar liabilities

A10. Paragraphs 15 and 24 of PBE IAS 12 *Income Taxes* exempt an entity from recognising a deferred tax asset or liability in particular circumstances. Despite this exemption, at the date of transition to PBE Standards, a first-time adopter shall recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:

(a) Assets acquired under finance leases and liability for the associated lease obligations; and

(b) Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

Paragraph BC19 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC19. *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued by the IASB in May 2021, amended IAS 12 *Income Taxes*. This amendment narrowed 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. Consequential amendments were made to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The NZASB subsequently amended NZ IAS 12 *Income Taxes* and NZ IFRS *1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* by issuing *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* in July 2021. PBE IAS 12 is based on NZ IAS 12. The NZASB therefore amended PBE IAS 12, as well as PBE FRS 47 in relation to the consequential amendments, in *2022 Omnibus Amendments to PBE Standards*.

PBE IPSAS 27 *Agriculture*

Paragraphs 26 is amended and paragraph 57.6 is added. New text is underlined and deleted text is struck through.

Recognition and Measurement

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26. An entity does not include any cash flows for financing the assets~~, taxation,~~ or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).

...

Effective Date

...

57.6. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended paragraph 26. An entity shall apply these amendments for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

Paragraph BC4 and the related heading are added. New text is underlined.

Basis for Conclusions

...

2022 Omnibus Amendments to PBE Standards

BC4. *Annual Improvements to IFRS® Standards (2018-2020)*, issued by the IASB in May 2020, amended IAS 41 *Agriculture*. The amendments removed the exclusion of taxation cash flows when measuring fair value in IAS 41. The IASB noted in its Basis for Conclusions that before this amendment, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows. In 2021, the IPSASB had proposed to include a similar amendment in IPSAS 27 *Agriculture* as part of its project on *Measurement*. Given the minor nature of the abovementioned amendment, the NZASB amended PBE IPSAS 27 in *2022 Omnibus Amendments to PBE Standards*, ahead of the IPSASB completing its project on *Measurement*.

Part F – Other New Zealand amendments

PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 112.11 is added. In Appendix A, paragraphs A1–A6 are renumbered as paragraphs A3–A8, new paragraphs A1 and A2 are added, and re-numbered paragraph A6 (previously numbered as paragraph A4) is amended. New text is underlined and deleted text is struck through.

Effective Date

...

112.11. *2022 Omnibus Amendments to PBE Standards*, issued in [Date], amended Appendix A by adding paragraphs A1 and A2, amending paragraph A6 (originally numbered as paragraph A4). An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2023. Early application is permitted.

...

Appendix A

Application Guidance *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

This Appendix is an integral part of PBE IPSAS 19.

Introduction

A1. Many entities have obligations to dismantle, remove and restore items of property, plant and equipment. In this Appendix such obligations are referred to as 'decommissioning, restoration and similar liabilities'. Under PBE IPSAS 17 *Property, Plant and Equipment*, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. This Standard contains requirements on how to measure decommissioning, restoration and similar liabilities. This Appendix provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities.

Scope

A2. This Appendix applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:

(a) Recognised as part of the cost of an item of property, plant and equipment in accordance with PBE IPSAS 17 *Property, Plant and Equipment*; and

(b) Recognised as a liability in accordance with this Standard.

For example, a decommissioning, restoration or similar liability may exist for decommissioning a plant, rehabilitating environmental damage in extractive industries, or removing equipment.

Issue

A~~1~~3. This Appendix addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

(a) A change in the estimated outflow of resources embodying economic benefits (e.g., cash flows) required to settle the obligation;

(b) A change in the current market-based discount rate as defined in paragraph 56 of this Standard (this includes changes in the time value of money and the risks specific to the liability); and

(c) An increase that reflects the passage of time (also referred to as the unwinding of the discount).

Consensus

A~~2~~4. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with paragraphs A~~3~~5–A~~5~~7 below.

A~~3~~5. If the related asset is measured using the cost model:

(a) Subject to (b), changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.

(b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.

If the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss, in accordance with PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Cash-Generating Assets.*

A~~4~~6. If the related asset is measured using the revaluation model:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that ~~asset, so that:~~ class of assets.

~~(i) A decrease in the liability shall (subject to (b)) be recognised in other comprehensive revenue and expense and increase the revaluation surplus within net assets/equity, except that it shall be recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit;~~

~~(ii) An increase in the liability shall be recognised in surplus or deficit, except that it shall be recognised in other comprehensive revenue and expense and reduce the revaluation surplus within net assets/equity to the extent of any credit balance existing in the revaluation surplus in respect of that asset.~~

(i) If the carrying amount of a class of assets is increased as a result of changes in the liability, the increase shall be recognised in other comprehensive revenue and expense and accumulated in net assets/equity under the heading of revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus or deficit;

(ii) If the carrying amount of a class of assets is decreased as a result of changes in the liability, the decrease shall be recognised in surplus or deficit. However, the decrease shall be recognised in other comprehensive revenue and expense to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

(b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in surplus or deficit.

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation shall be taken into account in determining the amounts to be recognised in surplus or deficit or in other comprehensive revenue and expense under (a). If a revaluation is necessary, all assets of that class shall be revalued.

(d) PBE IPSAS 1 *Presentation of Financial Reports* requires disclosure in the statement of comprehensive revenue and expense of each item of other comprehensive revenue/expense. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability shall be separately identified and disclosed as such.

A~~5~~7. The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability shall be recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

A~~6~~8. The periodic unwinding of the discount shall be recognised in surplus or deficit as a finance cost as it occurs. Capitalisation under PBE IPSAS 5 *Borrowing Costs* is not permitted.

Paragraph BC7 and the related heading are added. New text is underlined.

Basis for Conclusions

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2022 Omnibus Amendments to PBE Standards

BC7. The NZASB decided to amend Appendix A *Changes in Existing Decommissioning, Restoration and Similar Liabilities* to clarify that the Appendix applies to related assets that are property, plant and equipment, and to align the requirements for such assets measured using the revaluation model with the requirements in PBE IPSAS 17.

Part G – Effective Date

This [draft] Standard shall be applied for annual financial statements covering periods beginning on or after 1 January 2023. Earlier application is permitted.