XRB | Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

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International Federation of Accountants
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CANADA

Submitted to: www.ifac.org

Dear Ross

ED 89 *Amendments to Consider IFRIC Interpretations*

Thank you for the opportunity to comment on ED 89 *Amendments to Consider IFRIC Interpretations*. ED 89 has been exposed for comment in New Zealand and some New Zealand constituents may comment directly to you.

We broadly support the ED proposals, except that we recommend that the International Public Sector Accounting Standards Board (IPSASB) considers the following matters in relation to two IFRIC Interpretations that the ED proposes to include in IPSAS.

IFRIC 21 *Levies*

In New Zealand, PBE Standards for public benefit entities (PBEs) in the public sector (and not-for-profit sector) are primarily based on IPSAS. However, PBE Standards also include certain requirements based on IFRS Accounting Standards, covering areas not specifically addressed by IPSAS. As such, the guidance from many IFRIC and SIC Interpretations – including IFRIC 1 and IFRIC 5, which are proposed for incorporation into IPSAS in ED 89 – is currently included in PBE Standards. Furthermore, we are aware that PBE preparers in the New Zealand public sector draw on IFRIC Interpretations as guidance regardless of whether an IFRIC Interpretations is included in PBE Standards.

IFRIC 21 is currently not included in PBE Standards. We understand that this is due to a timing matter – with IFRIC 21 being issued after the PBE Standards suite was first issued, and before we had developed our *Policy for Developing the Suite of PBE Standards*. We have not received feedback calling for the inclusion of IFRIC 21 into PBE Standards.

We also highlight that as part of the IASB's project *Provisions – Targeted Improvements*, the IASB has noted that IFRIC 21 has been criticised by stakeholders for not resulting in useful information and not being consistent with other IFRS Accounting Standards. At its April 2024 meeting, the IASB tentatively decided to withdraw IFRIC 21.

We recommend deferring the decision on whether to include the guidance from IFRIC 21 in IPSAS until the IASB has finalised its project on *Provisions – Targeted Improvements*, which may result in the final withdrawal of IFRIC 21.

IFRIC 1, *Changes in existing Decommissioning, Restoration and Similar Liabilities*

In New Zealand, the guidance from IFRIC 1 is included in PBE Standards – specifically, it is included as integral application guidance in PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*.

In 2022, the NZASB's Amending Standard *2022 Omnibus Amendments to PBE Standards* amended some of the IFRIC 1-based requirements in PBE IPSAS 19 – to better align the requirements that applies to assets measured using the revaluation model with the requirements in PBE IPSAS 17 *Property, Plant and Equipment*. In particular, the amendments reflected the requirement in PBE IPSAS 17 to revalue assets on a *class-by-class basis*, rather than on an *asset-by-asset basis*.

The amendments are shown in the box below. They relate to our equivalent to paragraph 6 of IFRIC 1. The equivalent paragraph in ED 89 is paragraph B6.

While the recently-issued IPSAS 45 *Property, Plant and Equipment* supersedes IPSAS 17, we understand that IPSAS 45 still requires revaluation of assets held under the 'current value model' on a *class-by-class basis*. Therefore, we recommend considering similar amendments to the IFRIC 1-based requirements proposed in ED 89.

Extract from PBE IPSAS 19, paragraph A6, as amended by *2022 Omnibus Amendments to PBE Standards*

[Equivalent paragraphs: IFRIC 1, paragraph 6; IPSASB ED 89, paragraph B6]

A6. 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.

If you have any queries or require clarification of any matters in this letter, please contact Michelle Lombaard (michelle.lombaard@xrb.govt.nz) or me.

Yours sincerely

Carolyn Cordery

Chair – New Zealand Accounting Standards Board