

## Editorial Corrections as a result of the Incorporated Societies Act 2022 and the Incorporated Societies Regulations 2023.

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These editorial corrections reflect the introduction of a statutory requirement for incorporated societies to produce annual financial statements applying XRB standards and the associated size and assurance thresholds set out in the *Incorporated Societies Act 2022 and the Incorporated Societies Regulations 2023*. The legislation uses terms in these thresholds that are already defined by XRB A2 but not yet specified within the context of the incorporated societies legislation. These editorial corrections provide for the required consequential amendments to XRB A2 because of the introduction of the legislation. New text is underlined and deleted text is struck through.

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

Paragraph	Corrections to XRB A2 <i>Meaning of Specified Statutory Size Thresholds</i>
XRB A2, paragraph 1	<p>1. The objective of this Standard is to set out the meaning of the following specified terms which are required under the Financial Reporting Act 2013, the Companies Act 1993, the Friendly Societies and Credit Unions Act 1982, <del>and the Charities Act 2005,</del> <u>the Incorporated Societies Act 2022, and the Incorporated Societies Regulations 2023</u> to be defined in a financial reporting standard issued by the External Reporting Board (XRB):</p> <ul style="list-style-type: none"> <li>(a) Total assets;</li> <li>(b) Total revenue;</li> <li>(c) Total operating payments;</li> <li>(d) Total operating expenditure; and</li> <li>(e) Control.</li> </ul>
XRB A2, paragraph 3	<p>3. The Financial Reporting Act 2013 and the Companies Act 1993 provide for specified terminology (“total assets”, “total revenue” and “total operating payments”) relating to the size threshold of an entity for reporting purposes to be defined in a financial reporting standard issued by the XRB. Similarly, the Friendly Societies and Credit Unions Act 1982 <u>and the Incorporated Societies Act 2022</u> <del>also provides</del> for the specified terms (“total operating expenditure” <u>and “total operating payments” respectively</u>) relating to the size thresholds <del>in that</del> <u>those Acts</u> to be defined in a financial reporting standard issued by the XRB. The Charities Act 2005 (as amended by the Charities Amendment Act 2014) <u>and the Incorporated Societies Regulations 2023</u> provides for specified terminology (“total operating expenditure” and “control”) relating to the size threshold of a charitable entity <u>or society</u> for assurance purposes to be defined in a financial reporting standard issued by the XRB. Relevant entities, in determining whether a particular provision of an Act applies, must apply the financial reporting standard that contains the meanings of those terms in assessing whether its particular size threshold has been met.</p>
XRB A2, paragraph 4	<p>4. This Standard applies to an entity that is required under an enactment to apply the following provisions, as applicable:</p> <ul style="list-style-type: none"> <li>(a) sections 45(1)(a) and 45(2)(a) of the Financial Reporting Act 2013 (to determine “total assets”);</li> </ul>

	<ul style="list-style-type: none"> <li>(b) sections 45(1)(b) and 45(2)(b) of the Financial Reporting Act 2013 (to determine “total revenue”);</li> <li>(c) section 46 of the Financial Reporting Act 2013 (to determine “total operating payments”);</li> <li>(d) section 204(3)(a) of the Companies Act 1993 (to determine “total assets”);</li> <li>(e) section 204(3)(b) of the Companies Act 1993 (to determine “total revenue”);</li> <li>(f) section 64(2) of the Friendly Societies and Credit Unions Act 1982 (to determine “total operating expenditure”);</li> <li>(g) section 42D of the Charities Act 2005 (to determine “total operating expenditure” and “control”);</li> <li>(h) <u>section 103(2)(b)(i) of the Incorporated Societies Act 2022 (to determine “total operating payments”); and</u></li> <li>(i) <u>section 16(2)(b) of the Incorporated Societies Regulations 2023 (to determine “total operating expenditure” and “control”).</u></li> </ul>
<p>XRB A2, paragraph 23I-23S and associated headings</p>	<p><b><u>Incorporated Societies Act 2022: The determination of “total operating payments”</u></b></p> <p><u>23I For the purpose of section 103(2)(b)(i) of the Incorporated Societies Act 2022, total operating payments means the total amount of any payment (including grant payments and income tax payments, where applicable), other than a capital payment, made by the entity during the accounting period.</u></p> <p><u>23J For the purpose of paragraph 23I, a capital payment is a payment during the accounting period for the purchase of a resource with an expected life greater than twelve months, to be owned or partly owned and used by the entity to support the entity’s activities or to provide services or products. Capital payments do not include payments for operating purposes or payments for resources to be passed to other entities.</u></p> <p><b><u>Incorporated Societies Regulations 2023: The determination of “total operating expenditure” and “control”</u></b></p> <p><u>23K Section 105(1) of the Incorporated Societies Act 2022 provides that:</u></p> <ul style="list-style-type: none"> <li>(a) <u>every society that is of a kind prescribed by the regulations must ensure that the financial statements that are required to be prepared under section 102 are audited by a qualified auditor.</u></li> </ul> <p><u>23L For the purposes of section 105 of the Incorporated Societies Act 2022, section 16(2)(b) of the Incorporated Societies Regulations 2023 provides that:</u></p> <ul style="list-style-type: none"> <li>(a) <u>the society is not a charitable entity; and</u></li> <li>(b) <u>in each of the 2 preceding accounting periods of the society, the total operating expenditure of the society and all entities it controls (if any) is \$3 million or more.</u></li> </ul> <p><u>23M For the purpose of section 16(2)(b) of the Incorporated Societies Regulations 2023, the amount of total operating expenditure is determined as follows:</u></p> <ul style="list-style-type: none"> <li>(a) <u>where financial statements are prepared in accordance with accounting standards issued by the XRB or its sub-board, the New Zealand Accounting Standards Board, total operating expenditure is the amount of total expenses recognised in the financial statements of the entity, prepared in accordance with the requirements of the Tier 1, Tier 2 or Tier 3 accounting standards as specified in External Reporting Board Standard</u></li> </ul>

	<p><u>A1 Application of the Accounting Standards Framework</u> that are in effect and that are applied by the entity as at each of the relevant accounting periods; and</p> <p>(b) where financial statements are not prepared, or where financial statements are not prepared as specified in paragraph (a), total operating expenditure is the amount of total expenses derived from the entity’s accounting records, determined in accordance with the requirements of the Tier 2 accounting standards for a for-profit entity or the Tier 3 accounting standard for a public-benefit entity as specified in External Reporting Board Standard <u>A1 Application of the Accounting Standards Framework</u> that would be relevant to the entity if it was reporting in accordance with those accounting standards.</p> <p><u>23N</u> For a for-profit entity applying paragraph 23M, total operating expenditure includes all expenses (including losses and income tax expense) that are required to be recognised in profit or loss and excludes the components of other comprehensive income.</p> <p><u>23O</u> For a public-benefit-entity applying paragraph 23M, total operating expenditure includes all expenses (including losses and income tax expense, where applicable) that are required to be recognised in revenue and expense and excludes the components of other comprehensive revenue and expense.</p> <p><u>23P</u> Total operating expenditure is the amount recognised in the financial statements of the entity, prepared in accordance with the accounting policies adopted by the entity (where financial statements are prepared in accordance with accounting standards issued by the XRB or the New Zealand Accounting Standards Board) or with accounting policies that the entity would adopt (where financial statements are not prepared, or where financial statements are not prepared in accordance with accounting standards issued by the XRB or the New Zealand Accounting Standards Board).</p> <p><u>23Q</u> Net amounts are to be included in determining total operating expenditure only where accounting standards require or permit items to be accounted for, and recognised, as net amounts in the financial statements.</p> <p><u>23R</u> As the calculation of the thresholds covers two balance dates/accounting periods, total operating expenditure would be the amount determined based on the entity’s accounting policies adopted and accounting standards effective at each of those balance dates/accounting periods. An entity is not required to adjust the amount taken from the first balance date/accounting period for any changes in its accounting policies or for standards that become effective in the second balance date/accounting period.</p> <p><u>23S</u> For the purposes of section 16(2) of the Incorporated Societies Regulations 2023, the meaning of the term “control” is set out in the relevant Standards issued by the New Zealand Accounting Standards Board as applicable to for-profit and public-benefit-entities.</p>
XRB A2, section C heading	<b><u>C. EFFECTIVE DATE COMMENCEMENT AND APPLICATION</u></b>
XRB A2, Basis for Conclusions, paragraph BC1A.	<u>BC1A.</u> This Standard also provides meaning to specified terminology in the Incorporated Societies Act 2022 and the Incorporated Societies Regulations 2023 relating to size thresholds for reporting and assurance purposes.
XRB A2, Basis for Conclusions, paragraph BC3B.	<u>BC3B.</u> The Incorporated Societies Act 2022 includes specified terminology relating to the size threshold of an entity for financial reporting purposes. The Incorporated Societies Regulations 2023 include a size threshold (total

	<p><u>operating expenditure) for the purposes of determining the entity’s assurance requirements. The Act provides for a financial reporting standard (or part of a standard) to define the terms used for the size thresholds. The financial reporting standard must then be applied by the entity in determining its financial reporting and assurance requirements.</u></p>
<p>XRB A2, Basis for Conclusions, paragraph BC4B. and associated heading</p>	<p><u><i>Size threshold for assurance purposes for incorporated societies</i></u></p> <p><u>BC4B. In the case of the Incorporated Societies Regulations 2023 where financial statements are prepared, the relevant GAAP is the requirements of the accounting standards in Tier 1, Tier 2 or Tier 3 as specified in External Reporting Board Standard A1 <i>Application of the Accounting Standards Framework</i> that were applied by the entity as at each of the relevant balance dates or in each of the relevant accounting periods. Where financial statements are not prepared, the relevant GAAP is the requirements in the Tier 2 accounting standards for a for-profit entity and the Tier 3 accounting standard for a public-benefit-entity as specified in External Reporting Board Standard A1 <i>Application of the Accounting Standards Framework</i> that would be relevant to the entity if it was reporting in accordance with those standards.</u></p>
<p>XRB A2, Basis for Conclusions, paragraph BC7B.</p>	<p><u>BC7B. In relation to the thresholds for assurance under the Incorporated Societies Regulations 2023, where financial statements are not prepared or where financial statements are not prepared in accordance with XRB’s standards, the XRB decided to link the measures for public-benefit-entities to Tier 3 rather than to Tier 2 because the thresholds for assurance fall within the Tier 3 size criteria in the Accounting Standards Framework and the recognition and measurement requirements between Tier 3 and Tier 2 are similar.</u></p>
<p>XRB A2, Basis for Conclusions, paragraph BC10A.</p>	<p><u>BC10A. The XRB decided that the term “control” for the purposes of the Incorporated Societies Regulations 2023 should have the same meaning as that set out in the relevant XRB Standards as applicable for for-profit entities or public-benefit-entities.</u></p>
<p>XRB A2, Basis for Conclusions, paragraph BC11. and associated heading</p>	<p><u><i>Extending XRB Standards to incorporated societies</i></u></p> <p><u>BC11. The introduction of the Incorporated Societies Act 2022 and Incorporated Societies Regulations 2023 has widened the scope of entities that are required to apply XRB Standards to include relevant incorporated societies. This legislation includes specified terms defined in XRB A2. The XRB considers that the additional paragraphs included in XRB A2 acknowledging these legislative references are consequential amendments arising from those legislative changes. Accordingly, the resulting amendments to XRB A2 were made for clarity and for completeness and therefore were not subject to separate consultation.</u></p>