



Amendments to XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)

Issued February 2014

Issued by the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

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EFFECTIVE DATE

Amendments to XRB A1 (FP Entities Update)

The following amendments are proposed for the relevant paragraphs of XRB A1 *Accounting Standards Framework (For-profit Entities Update)* (XRB A1 (FP Entities Update)).

A. INTRODUCTION

Amend paragraph 1. New text is underlined and deleted text is struck through.

- 1 The objectives of this Standard are to:
 - (a) establish the accounting standards framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare general purpose financial reports;
 - (b) in doing so, establish
 - (i) the tiers of financial reporting for all entities that are required to report;
 - (ii) the criteria for each tier of financial reporting;
 - (iii) the accounting standards and ~~other pronouncements that have authoritative support~~ authoritative notices that are applicable to each tier of financial reporting; and
 - (iv) the requirements for an entity to move from one tier of financial reporting to another tier of financial reporting; and
 - (c) define what comprises generally accepted accounting practice and what comprises a “non-GAAP standard” issued by the External Reporting Board.

Amend paragraphs 2 and 3. New text is underlined and deleted text is struck through.

- 2 An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, ~~preparing~~ general purpose financial reports in accordance with statutory requirements.
- 3 An entity that has a statutory requirement to prepare, or opts under an enactment to prepare, general purpose financial reports shall:
 - (a) determine...

Amend paragraph 4. New text is underlined and deleted text is struck through.

- 4 The financial statements of various reporting entities are required by legislation to comply with ‘generally accepted accounting practice’ (GAAP). GAAP comprises:
 - (a) accounting standards issued by the External Reporting Board (XRB), or its sub-Board the New Zealand Accounting Standards Board (NZASB), pursuant to section 12(a) ~~24(1)(a)~~ of the Financial Reporting Act 2013 ~~1993~~; and
 - (b) authoritative notices issued by the XRB or the NZASB, pursuant to section 12(c) of the Financial Reporting Act 2013, ~~pronouncements that have authoritative support under section 24(1)(d) of the Act as determined by the XRB or the NZASB.~~

Insert new heading and a new paragraph 4A after paragraph 4. New text is underlined.

Non-GAAP standard

- 4A Certain Acts permit an entity that does not meet the size threshold to be a “specified not-for-profit entity”¹ to prepare its financial statements in accordance with a “non-GAAP standard”. A “non-GAAP standard” is a standard issued by the XRB or NZASB pursuant to section 12(a) of the

Financial Reporting Act 2013 that is stated to be a non-GAAP standard. Non-GAAP standards may be applied by Tier 4 public benefit entities.

¹Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraph 5. New text is underlined and deleted text is struck through.

5 The following terms are used in this Standard with the meanings specified:

Accounting standard (for the purposes of this Standard) has the same meaning as “financial reporting standard” and includes “applicable financial reporting standard” as defined in the Financial Reporting Act 2013 ~~1993~~.

...

Tier 1 For-profit Accounting Standards means NZ IFRS, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support and~~ that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 2 For-profit Accounting Standards means NZ IFRS RDR, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support and~~ that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 3 For-profit Accounting Standards means NZ IFRS Diff Rep, ~~and~~ other New Zealand accounting standards and pronouncements that have authoritative support that are applicable to entities that apply NZ IFRS Diff Rep, as listed in Appendix C.

...

B. FOR-PROFIT ENTITIES

Replace paragraph 15 with new paragraphs 15 and 15A. New text is underlined and deleted text is struck through.

~~15~~ An entity is deemed to be publicly accountable in the New Zealand context if it is:

- (a) ~~an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
- (b) ~~a registered bank, as defined by the Reserve Bank Act 1989;~~
- (c) ~~a deposit taker, as defined by the Reserve Bank Act 1989; or~~
- (d) ~~a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989~~

~~unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~

15 An entity is deemed to be publicly accountable in the New Zealand context if:

- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
- (b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
- (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

15A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 12(a) and 15 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 27. New text is underlined and deleted text is struck through.

- 27 A for-profit company may elect to report in accordance with Tier 4 For-profit Accounting Standards when it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b) ...

Amend paragraph 28. New text is underlined and deleted text is struck through.

- 28 A for-profit entity other than a company may elect to report in accordance with Tier 4 For-profit Accounting Standards if it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b)

Replace paragraph 47 with a new paragraph 47. New text is underlined and deleted text is struck through.

- ~~47 A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply:~~
- ~~(a) NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*³; and~~
 - ~~(b) the requirements in paragraphs 14–27 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to the extent that those requirements do not conflict with NZ IFRS 1⁴.~~
- 47 A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Replace paragraph 51 with a new paragraph 51. New text is underlined and deleted text is struck through.

- ~~51 A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~
- ~~(a) NZ IFRS 1; and~~
 - ~~(b) the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁶.~~
- ~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1.~~
- 51 A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1.

Replace paragraph 56 with a new paragraph 56. New text is underlined and deleted text is struck through.

56 ~~A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~

(a) ~~NZ IFRS 1; and~~

(b) ~~the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁷.~~

~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1⁸.~~

56 A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall apply NZ IFRS 1.

C. PUBLIC BENEFIT ENTITIES

Amend paragraph 64. New text is underlined and deleted text is struck through.

64 Public sector PBEs that are established on or after between 1 July 2011 and 30 June 2014 and not-for-profit PBEs that are established between 1 July 2011 and 31 March 2015 that do not have public accountability as defined in paragraph 71, and are not large as defined in paragraph 65, are permitted to apply Old GAAP.

Amend paragraph 71 and insert new paragraph 71A. New text is underlined and deleted text is struck through.

71 A PBE has public accountability for the purposes of Part C of this Standard if:

(a) at any time during the current or the preceding reporting period, the entity: ~~was an issuer as defined in the Act; or~~

(i) was an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or

(ii) was an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or

(iii) was an issuer under the transitional provisions of the Financial Reporting Act 2013.

(b) ...

71A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraph 71 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 74. New text is underlined and deleted text is struck through.

74 Where the entity is a group in New Zealand, and the parent of the group has public accountability ~~is an issuer~~, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a subsidiary having public accountability ~~being an issuer~~.

Insert a new paragraph 85. New text is underlined.

- 85 Amendments to XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update) issued in February 2014 amended various paragraphs of XRB A1 (For-profit Update) to reflect legislative changes. Those amendments to this Standard shall be applied by:
- (a) a for-profit entity for annual periods beginning on or after 1 April 2014. Earlier application is not permitted;
 - (b) a Public Sector PBE for annual periods beginning on or after 1 July 2014. Earlier application is not permitted; and
 - (c) a NFP PBE for annual periods beginning on or after 1 April 2015. Earlier application is permitted from 1 April 2014. If an entity applies this Standard earlier, it shall disclose that fact.

APPENDICES

Amend Appendix B by replacing references to “pronouncements that have authoritative support” with “Authoritative Notices” in the sub-heading and text, as appropriate.

Amendments to XRB A1 (FP Entities + PS PBEs Update)

The following amendments are proposed for the relevant paragraphs of XRB A1 *Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities Update)* (XRB A1 (FP Entities + PS PBEs Update)).

A. INTRODUCTION

Amend paragraph 1. New text is underlined and deleted text is struck through.

- 1 The objectives of this Standard are to:
 - (a) establish the accounting standards framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare general purpose financial reports;
 - (b) in doing so, establish
 - (v) the tiers of financial reporting for all entities that are required to report;
 - (vi) the criteria for each tier of financial reporting;
 - (vii) the accounting standards and ~~other pronouncements that have authoritative support~~ authoritative notices that are applicable to each tier of financial reporting; and
 - (viii) the requirements for an entity to move from one tier of financial reporting to another tier of financial reporting; and
 - (c) define what comprises generally accepted accounting practice and what comprises a “non-GAAP standard” issued by the External Reporting Board.

Amend paragraphs 2 and 3. New text is underlined and deleted text is struck through.

- 2 An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, ~~preparing~~ general purpose financial reports in accordance with statutory requirements.
- 3 An entity that has a statutory requirement to prepare, or opts under an enactment to prepare, general purpose financial reports shall:
 - (a) determine...

Amend paragraph 4. New text is underlined and deleted text is struck through.

- 4 The financial statements of various reporting entities are required by legislation to comply with ‘generally accepted accounting practice’ (GAAP). GAAP comprises:
 - (a) accounting standards issued by the External Reporting Board (XRB), or its sub-Board the New Zealand Accounting Standards Board (NZASB), pursuant to section 12(a) 24(1)(a) of the Financial Reporting Act 2013 1993; and
 - (b) authoritative notices issued by the XRB or the NZASB, pursuant to section 12(c) of the Financial Reporting Act 2013. ~~pronouncements that have authoritative support under section 24(1)(d) of the Act as determined by the XRB or the NZASB.~~

Insert new heading and a new paragraph 4A after paragraph 4. New text is underlined.

Non-GAAP standard

4A Certain Acts permit an entity that does not meet the size threshold to be a “specified not-for-profit entity”¹ to prepare its financial statements in accordance with a “non-GAAP standard”. A “non-GAAP standard” is a standard issued by the XRB or NZASB pursuant to section 12(a) of the Financial Reporting Act 2013 that is stated to be a non-GAAP standard. Non-GAAP standards may be applied by Tier 4 public benefit entities.

¹Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraph 5. New text is underlined and deleted text is struck through.

5 The following terms are used in this Standard with the meanings specified:

Accounting standard (for the purposes of this Standard) has the same meaning as “financial reporting standard” and includes “applicable financial reporting standard” as defined in the Financial Reporting Act 2013 ~~1993~~.

...

Tier 1 For-profit Accounting Standards means NZ IFRS, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 1 PBE Accounting Standards means PBE Standards, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE Standards, as listed in Appendix E.

...

Tier 2 For-profit Accounting Standards means NZ IFRS RDR, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 2 PBE Accounting Standards means PBE Standards RDR, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE Standards, as listed in Appendix E.

...

Tier 3 For-profit Accounting Standards means NZ IFRS Diff Rep, ~~and~~ other New Zealand accounting standards and pronouncements that have authoritative support ~~and~~ that are applicable to entities that apply NZ IFRS Diff Rep, as listed in Appendix C.

...

Tier 3 PBE Accounting Standards means PBE SFR-A, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE SFR-A, as listed in Appendix F.

...

Tier 4 PBE Accounting Standards means PBE SFR-C, and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE SFR-C, as listed in Appendix G. These are non-GAAP standards.

B. FOR-PROFIT ENTITIES

Replace paragraph 15 with new paragraphs 15 and 15A. New text is underlined and deleted text is struck through.

- ~~15~~ An entity is deemed to be publicly accountable in the New Zealand context if it is:
- ~~(e) an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
 - ~~(f) a registered bank, as defined by the Reserve Bank Act 1989;~~
 - ~~(g) a deposit taker, as defined by the Reserve Bank Act 1989; or~~
 - ~~(h) a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989~~
- ~~unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~
- 15 An entity is deemed to be publicly accountable in the New Zealand context if:
- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
 - (b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
 - (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.
- 15A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 12(a) and 15 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 27. New text is underlined and deleted text is struck through.

- 27 A for-profit company may elect to report in accordance with Tier 4 For-profit Accounting Standards when it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b) ...

Amend paragraph 28. New text is underlined and deleted text is struck through.

- 28 A for-profit entity other than a company may elect to report in accordance with Tier 4 For-profit Accounting Standards if it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b) ...

Replace paragraph 47 with a new paragraph 47. New text is underlined and deleted text is struck through.

- ~~47~~ A Tier 2 for profit entity that subsequently applies Tier 1 For profit Accounting Standards, shall apply:

- ~~(a) — NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standard*⁵; and~~
- ~~(b) — the requirements in paragraphs 14–27 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to the extent that those requirements do not conflict with NZ IFRS 1⁴.~~

47 — A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Replace paragraph 51 with a new paragraph 51. New text is underlined and deleted text is struck through.

~~51 — A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~

- ~~(c) — NZ IFRS 1; and~~
- ~~(d) — the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁶.~~

~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1.~~

51 — A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1.

Replace paragraph 56 with a new paragraph 56. New text is underlined and deleted text is struck through.

~~56 — A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~

- ~~(a) — NZ IFRS 1; and~~
- ~~(b) — the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁷.~~

~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1⁸.~~

56 — A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall apply NZ IFRS 1.

C. PUBLIC SECTOR PUBLIC BENEFIT ENTITIES

Replace paragraph 70 with new paragraphs 70 and 70A. New text is underlined and deleted text is struck through.

~~70 — An entity is deemed to be publicly accountable in the New Zealand context if it is:~~

- ~~(a) — an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
- ~~(b) — a registered bank, as defined by the Reserve Bank Act 1989;~~
- ~~(c) — a deposit taker, as defined by the Reserve Bank Act 1989; or~~

~~(d) a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989; unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~

70 An entity is deemed to be publicly accountable in the New Zealand context if:

- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461KW of the Financial Markets Conduct Act 2013; or
- (b) it is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
- (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

70A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 67(a) and 70 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 71. New text is underlined and deleted text is struck through.

71 Where the entity is a group in New Zealand, and the ~~parent~~ controlling entity of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a controlled entity ~~or associate~~ having public accountability.

Replace paragraph 77 with a new paragraph 77. New text is underlined and deleted text is struck through.

~~77 The following Public Sector PBEs may elect to report in accordance with Tier 4 PBE Accounting Standards, including using the cash basis of accounting:~~

- ~~(a) Rural Education Activity Programmes (REAPs);~~
- ~~(b) Reserves Boards and Administrating Bodies;~~
- ~~(c) Trustees of Cemeteries;~~
- ~~(d) Provincial Patriotic Councils; and~~
- ~~(e) any other entity that is permitted by legislation or any other legal instrument or agreement to report on a basis other than in accordance with GAAP.~~

77 A Public Sector PBE may elect to report in accordance with Tier 4 PBE Accounting Standards where it is permitted by an Act to report in accordance with non-GAAP standards (i.e., the cash basis of accounting) because it does not have public accountability (as defined) and does not meet the size threshold to be a “specified not-for-profit entity”¹¹.

¹¹ Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraph 85. New text is underlined and deleted text is struck through.

85 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep ~~and other New Zealand accounting standards and pronouncements that have authoritative support and that are applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 1 PBE Accounting Standards, shall apply ~~account for the change in accounting policies in accordance with PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs.*~~

Replace paragraph 91 with a new paragraph 91. New text is underlined and deleted text is

struck through.

~~91 A Tier 3 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall account for the change in accounting policies in accordance with:~~

~~(a) PBE FRS 47 *First-time Adoption of PBE Standards by Entities other than those Previously Applying NZ IFRSs*; and~~

~~(b) PBE IPSAS 3 to the extent that PBE IPSAS 3 does not conflict with PBE FRS 47.~~

91 A Tier 3 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Amend paragraph 94. New text is underlined and deleted text is struck through.

94 A Tier 4 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

Amend paragraph 95. New text is underlined and deleted text is struck through.

95 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep ~~and other New Zealand accounting standards that have authoritative support and that are applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 2 PBE Accounting Standards, shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 46.

Amend paragraph 98. New text is underlined and deleted text is struck through.

98 A Tier 3 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

Amend paragraph 100. New text is underlined and deleted text is struck through.

100 A Tier 4 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

C. NOT-FOR-PROFIT PUBLIC BENEFIT ENTITIES

D. Amend paragraph 110. New text is underlined and deleted text is struck through.

110 NFP PBEs that are established ~~on or after~~ between 1 July 2011 and 31 March 2015 that do not have public accountability as defined in paragraph 115, and are not large as defined in paragraph 111, are permitted to apply Old GAAP.

Amend paragraph 115 and insert new paragraph 115A. New text is underlined and deleted text is struck through.

115 Subject to paragraph 116, a NFP PBE has public accountability for the purposes of Part D of this Standard if at any time during the current or the preceding reporting period, the entity: is an issuer as defined in the Financial Reporting Act 1993.

- (a) is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
- (b) is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
- (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

115A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraph 115 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 116. New text is underlined and deleted text is struck through.

116 Where the entity is a group in New Zealand, and the parent of the group has public accountability ~~is an issuer~~, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a subsidiary ~~or associate~~ having public accountability ~~being an issuer~~.

Insert a new paragraph 128. New text is underlined.

128 *Amendments to XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update)* issued in February 2014 amended various paragraphs of XRB A1 (For-profit Update) to reflect legislative changes. Those amendments to this Standard shall be applied by:

- (a) a for-profit entity for annual periods beginning on or after 1 April 2014. Earlier application is not permitted;
- (b) a Public Sector PBE for annual periods beginning on or after 1 July 2014. Earlier application is not permitted; and
- (c) a NFP PBE for annual periods beginning on or after 1 April 2015. Earlier application is permitted from 1 April 2014. If an entity applies this Standard earlier, it shall disclose that fact.

APPENDICES

Amend Appendices B, E, F and G by replacing references to “pronouncements that have authoritative support” with “Authoritative Notices” in the sub-heading and text, as appropriate.

Amendments to XRB A1 (FP Entities +PS PBEs + NFPs Update)

The following amendments are proposed for the relevant paragraphs of XRB A1 *Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update)* (XRB A1 (FP Entities +PS PBEs + NFPs Update)).

A. INTRODUCTION

Amend paragraph 1. New text is underlined and deleted text is struck through.

- 1 The objectives of this Standard are to:
 - (a) establish the accounting standards framework for those entities that have a statutory obligation, or that opt under an enactment, to prepare general purpose financial reports;
 - (b) in doing so, establish
 - (i) the tiers of financial reporting for all entities that are required to report;
 - (ii) the criteria for each tier of financial reporting;
 - (iii) the accounting standards and ~~other pronouncements that have authoritative support~~ authoritative notices that are applicable to each tier of financial reporting; and
 - (iv) the requirements for an entity to move from one tier of financial reporting to another tier of financial reporting; and
 - (c) define what comprises generally accepted accounting practice and what comprises a “non-GAAP standard” issued by the External Reporting Board.

Amend paragraphs 2 and 3. New text is underlined and deleted text is struck through.

- 2 An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, ~~preparing~~ general purpose financial reports in accordance with statutory requirements.
- 3 An entity that has a statutory requirement to prepare, or opts under an enactment to prepare, general purpose financial reports shall:
 - (a) determine...

Amend paragraph 4. New text is underlined and deleted text is struck through.

- 4 The financial statements of various reporting entities are required by legislation to comply with ‘generally accepted accounting practice’ (GAAP). GAAP comprises:
 - (a) accounting standards issued by the External Reporting Board (XRB), or its sub-Board the New Zealand Accounting Standards Board (NZASB), pursuant to section 12(a) 24(1)(a) of the Financial Reporting Act 2013 1993; and
 - (b) authoritative notices issued by the XRB or the NZASB, pursuant to section 12(c) of the Financial Reporting Act 2013, ~~pronouncements that have authoritative support under section 24(1)(d) of the Act as determined by the XRB or the NZASB~~.

Insert new heading and a new paragraph 4A after paragraph 4. New text is underlined.

Non-GAAP standard

4A Certain Acts permit an entity that does not meet the size threshold to be a “specified not-for-profit entity”¹ to prepare its financial statements in accordance with a “non-GAAP standard”. A “non-GAAP standard” is a standard issued by the XRB or NZASB pursuant to section 12(a) of the Financial Reporting Act 2013 that is stated to be a non-GAAP standard. Non-GAAP standards may be applied by Tier 4 public benefit entities.

¹Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraph 5. New text is underlined and deleted text is struck through.

5 The following terms are used in this Standard with the meanings specified:

Accounting standard (for the purposes of this Standard) has the same meaning as “financial reporting standard” and includes “applicable financial reporting standard” as defined in the Financial Reporting Act 2013 ~~1993~~.

...

Tier 1 For-profit Accounting Standards means NZ IFRS, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 1 PBE Accounting Standards means PBE Standards, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE Standards, as listed in Appendix E.

...

Tier 2 For-profit Accounting Standards means NZ IFRS RDR, ~~and~~ other New Zealand accounting standards and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply NZ IFRS, as listed in Appendix B.

...

Tier 2 PBE Accounting Standards means PBE Standards RDR, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE Standards, as listed in Appendix E.

...

Tier 3 For-profit Accounting Standards means NZ IFRS Diff Rep, ~~and~~ other New Zealand accounting standards and pronouncements that have authoritative support ~~and~~ that are applicable to entities that apply NZ IFRS Diff Rep, as listed in Appendix C.

...

Tier 3 PBE Accounting Standards means PBE SFR-A, and authoritative notices ~~other pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE SFR-A, as listed in Appendix F.

...

Tier 4 PBE Accounting Standards means PBE SFR-C, and authoritative notices ~~pronouncements that have authoritative support~~ and that are applicable to entities that apply PBE SFR-C, as listed in Appendix G. These are non-GAAP standards.

B. FOR-PROFIT ENTITIES

Replace paragraph 15 with new paragraphs 15 and 15A. New text is underlined and deleted text is struck through.

- ~~15~~ An entity is deemed to be publicly accountable in the New Zealand context if it is:
- ~~(i) an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
 - ~~(j) a registered bank, as defined by the Reserve Bank Act 1989;~~
 - ~~(k) a deposit taker, as defined by the Reserve Bank Act 1989; or~~
 - ~~(l) a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989~~
- ~~unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~
- 15 An entity is deemed to be publicly accountable in the New Zealand context if:
- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
 - (b) it is an FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
 - (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.
- 15A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 12(a) and 15 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 27. New text is underlined and deleted text is struck through.

- 27 A for-profit company may elect to report in accordance with Tier 4 For-profit Accounting Standards when it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b) ...

Amend paragraph 28. New text is underlined and deleted text is struck through.

- 28 A for-profit entity other than a company may elect to report in accordance with Tier 4 For-profit Accounting Standards if it:
- (a) was applying Old GAAP at 30 June 2011, or was established ~~on or after~~ between 1 July 2011 and 31 March 2014; and
 - (b) ...

Replace paragraph 47 with a new paragraph 47. New text is underlined and deleted text is struck through.

- ~~47~~ A Tier 2 for profit entity that subsequently applies Tier 1 For profit Accounting Standards, shall apply:

- ~~(a) NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standard*⁵; and~~
- ~~(b) the requirements in paragraphs 14–27 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to the extent that those requirements do not conflict with NZ IFRS 1⁴.~~

47 A Tier 2 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Replace paragraph 51 with a new paragraph 51. New text is underlined and deleted text is struck through.

~~51 A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~

- ~~(e) NZ IFRS 1; and~~
- ~~(f) the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁶.~~

~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1.~~

51 A Tier 3 for-profit entity that subsequently applies Tier 1 For-profit Accounting Standards, shall apply NZ IFRS 1.

Replace paragraph 56 with a new paragraph 56. New text is underlined and deleted text is struck through.

~~56 A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall account for the change in accounting policies in accordance with:~~

- ~~(a) NZ IFRS 1; and~~
- ~~(b) the requirements in paragraphs 14–27 of NZ IAS 8 to the extent that those requirements do not conflict with NZ IFRS 1⁷.~~

~~The requirement to apply the requirements of paragraphs 14–27 of NZ IAS 8 to any changes in accounting policies may mean that such entities are unable to apply some of the concessions available in NZ IFRS 1⁸.~~

56 A Tier 3 for-profit entity that subsequently applies Tier 2 For-profit Accounting Standards, shall apply NZ IFRS 1.

C. PUBLIC SECTOR PUBLIC BENEFIT ENTITIES

Replace paragraph 70 with new paragraphs 70 and 70A. New text is underlined and deleted text is struck through.

~~70 An entity is deemed to be publicly accountable in the New Zealand context if it is:~~

- ~~(e) an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
- ~~(f) a registered bank, as defined by the Reserve Bank Act 1989;~~
- ~~(g) a deposit taker, as defined by the Reserve Bank Act 1989; or~~

~~(h) a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989; unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~

70 An entity is deemed to be publicly accountable in the New Zealand context if:

- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
- (b) it is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
- (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

70A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 67(a) and 70 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Amend paragraph 71. New text is underlined and deleted text is struck through.

71 Where the entity is a group in New Zealand, and the ~~parent~~ controlling entity of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a controlled entity ~~or associate~~ having public accountability.

Replace paragraph 77 with a new paragraph 77. New text is underlined and deleted text is struck through.

~~77 The following Public Sector PBEs may elect to report in accordance with Tier 4 PBE Accounting Standards, including using the cash basis of accounting:~~

- ~~(f) Rural Education Activity Programmes (REAPs);~~
- ~~(g) Reserves Boards and Administrating Bodies;~~
- ~~(h) Trustees of Cemeteries;~~
- ~~(i) Provincial Patriotic Councils; and~~
- ~~(j) any other entity that is permitted by legislation or any other legal instrument or agreement to report on a basis other than in accordance with GAAP.~~

77 A Public Sector PBE may elect to report in accordance with Tier 4 PBE Accounting Standards where it is permitted by an Act to report in accordance with non-GAAP standards (i.e., the cash basis of accounting) because it does not have public accountability (as defined) and does not meet the size threshold to be a “specified not-for-profit entity”¹¹.

¹¹—Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraph 85. New text is underlined and deleted text is struck through.

NZ IFRS to Tier 1

85 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep ~~and other New Zealand accounting standards and pronouncements that have authoritative support and that are applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 1 PBE Accounting Standards, shall apply ~~account for the change in accounting policies in accordance with PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*.~~

Replace paragraph 91 with a new paragraph 91. New text is underlined and deleted text is struck through.

~~91 A Tier 3 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall account for the change in accounting policies in accordance with:~~

- ~~(a) PBE FRS 47 *First-time Adoption of PBE Standards by Entities other than those Previously Applying NZ IFRSs*; and~~
- ~~(b) PBE IPSAS 3 to the extent that PBE IPSAS 3 does not conflict with PBE FRS 47.~~

91 A Tier 3 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

Amend paragraph 94. New text is underlined and deleted text is struck through.

94 A Tier 4 Public Sector PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

Amend paragraph 95. New text is underlined and deleted text is struck through.

95 A Public Sector PBE that has been applying NZ IFRS PBE, NZ IFRS or NZ IFRS Diff Rep ~~and other New Zealand accounting standards that have authoritative support and that are applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 2 PBE Accounting Standards, shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 46.

Amend paragraph 98. New text is underlined and deleted text is struck through.

98 A Tier 3 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

Amend paragraph 100. New text is underlined and deleted text is struck through.

100 A Tier 4 Public Sector PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

D. NOT-FOR-PROFIT PUBLIC BENEFIT ENTITIES

Replace paragraph 116 with new paragraphs 116 and 116A. New text is underlined and deleted text is struck through.

~~116 An entity is deemed to be publicly accountable in the New Zealand context if it is:~~

- ~~(a) an issuer, as defined by the Securities Act 1978 or any other Act, irrespective of the size of the entity;~~
- ~~(b) a registered bank, as defined by the Reserve Bank Act 1989;~~
- ~~(c) a deposit taker, as defined by the Reserve Bank Act 1989; or~~
- ~~(d) a registered superannuation scheme, as defined by the Superannuation Schemes Act 1989;~~

~~unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with GAAP.~~

116 An entity is deemed to be publicly accountable in the New Zealand context if:

- (a) it is a FMC reporting entity or a class of FMC reporting entities that is considered to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013; or
- (b) it is an FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or
- (c) is an issuer under the transitional provisions of the Financial Reporting Act 2013.

116A An FMC reporting entity is deemed not to be publicly accountable for the purposes of paragraphs 113(a) and 116 if it is not considered to have a higher level of public accountability than other FMC reporting entities by a notice issued by the FMA under section 461L(1)(b).

Replace paragraph 123 with a new paragraph 123. New text is underlined and deleted text is struck through.

Tier 4 Criteria

~~123 A NFP PBE may elect to report in accordance with Tier 4 PBE Accounting Standards when the entity is permitted by legislation to report on a basis other than in accordance with GAAP, including using the cash basis of accounting.~~

123 A NFP PBE may elect to report in accordance with Tier 4 PBE Accounting Standards where it is permitted by an Act to report in accordance with non-GAAP standards (i.e., the cash basis of accounting) because it does not have public accountability (as defined) and does not meet the size threshold to be a “specified not-for-profit entity”¹⁴.

¹⁴—Standard XRB A2 *Meaning of Specified Statutory Size Thresholds* sets out the meaning for the size threshold of a “specified not-for-profit entity”.

Amend paragraphs 131, 132, 138, 141, 142, 143, 146 and 148. New text is underlined and deleted text is struck through.

131 A NFP PBE that has been applying NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep ~~and other New Zealand accounting standards and pronouncements that have authoritative support and that are applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 1 PBE Accounting Standards, shall apply ~~account~~ for the change in accounting policies in accordance with PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*.

132 A NFP PBE that has been applying standards other than NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep, ~~and that~~ subsequently applies Tier 1 PBE Accounting Standards shall apply ~~account~~ for the change in accounting policies in accordance with PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*.

...

138 A Tier 3 NFP PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply ~~account~~ for the change in accounting policies in accordance with PBE FRS 47.

...

141 A Tier 4 NFP PBE that subsequently applies Tier 1 PBE Accounting Standards shall apply ~~account~~ for the change in accounting policies in accordance with PBE FRS 47.

142 A NFP PBE that has been applying NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep ~~and other New Zealand accounting standards that have authoritative support and that are~~

~~applicable to entities that apply NZ IFRS, and that~~ subsequently applies Tier 2 PBE Accounting Standards, shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 46.

143 A NFP PBE that has been applying standards other than NZ IFRS PBE, NZ IFRS, NZ IFRS RDR or NZ IFRS Diff Rep,~~and that~~ subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

...

146 A Tier 3 NFP PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

...

148 A Tier 4 NFP PBE that subsequently applies Tier 2 PBE Accounting Standards shall apply ~~account for the change in accounting policies in accordance with~~ PBE FRS 47.

Insert a new paragraph 159. New text is underlined.

159 Amendments to XRB A1 Accounting Standards Framework: Omnibus Amendments (Legislative Update) issued in February 2014 amended various paragraphs of XRB A1 (For-profit Update) to reflect legislative changes. Those amendments to this Standard shall be applied by:

- (a) a for-profit entity for annual periods beginning on or after 1 April 2014. Earlier application is not permitted;
- (b) a Public Sector PBE for annual periods beginning on or after 1 July 2014. Earlier application is not permitted; and
- (c) a NFP PBE for annual periods beginning on or after 1 April 2015. Earlier application is permitted from 1 April 2014. If an entity applies this Standard earlier, it shall disclose that fact.

APPENDICES

Amend Appendices B, E, F and G by replacing references to “pronouncements that have authoritative support” with “Authoritative Notices” in the sub-heading and text, as appropriate.

Effective Date

A for-profit entity shall apply the amendments in this Standard for annual periods beginning on or after 1 April 2014. Earlier application is not permitted.

A Public Sector PBE shall apply the amendments in this Standard for periods beginning on or after 1 July 2014. Earlier application is not permitted.

A NFP PBE shall apply the amendments in this Standard for annual periods beginning on or after 1 April 2015. Earlier application is permitted from 1 April 2014. If an entity applies this Standard earlier, it shall disclose that fact.