

## **PUBLIC BENEFIT ENTITY SIMPLE FORMAT REPORTING – CASH (PUBLIC SECTOR) (PBE SFR-C (PS))**

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This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013. It is a non-GAAP Standard for the purposes of section 12 and section 18 of that Act.

This Standard applies for the purposes of the following enactments:

- Section 29A of the Burial and Cremation Act 1964;
- Section 6 of the Maori Purposes Fund Act 1934-35;
- Section 40A of the Patriotic and Canteen Funds Act 1947;
- Section 39B and section 88 of the Reserves Act 1977; and
- Section 10 of the Reserves and Other Lands Disposal Act 1995.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012.

# **PUBLIC BENEFIT ENTITY SIMPLE FORMAT REPORTING – CASH (PUBLIC SECTOR)**

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**PUBLIC BENEFIT ENTITY SIMPLE FORMAT REPORTING – CASH  
(PUBLIC SECTOR)**

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*Public Benefit Entity Simple Format Reporting – Cash (Public Sector) (PBE SFR-C (PS)) is set out in paragraphs 1–5 and Appendices A and B. All the paragraphs in the Standard and the Appendices have equal authority. PBE SFR-C (PS) should be read in the context of its objective, the Basis for Conclusions and Standard XRB A1 Accounting Standards Framework (FP Entities + PS PBEs Update).*

## Objective

1. The objective of this Standard is to facilitate financial reporting by public sector (PS) public benefit entities (PBEs) that are eligible for and elect to apply the Tier 4 PBE Accounting Standard for public sector entities, by improving the quality and consistency of the information disclosed in Tier 4 financial reports, and to facilitate comparability between entities, and between years for the reporting entity.

## Scope

2. This Standard applies to public sector public benefit entities that are eligible for, and elect to apply, the Tier 4 PBE Accounting Standard. *XRB A1 Accounting Standards Framework (FP Entities + PS PBEs Update)* prescribes the criteria that those entities must meet to be eligible to apply this Standard.

## Standard

3. Public sector public benefit entities that are eligible for, and elect to apply, the Tier 4 PBE Accounting Standard shall prepare a performance report in accordance with the requirements set out in Appendix A and the transitional provisions in Appendix B. The requirement to prepare a performance report exists regardless of the term used in any legislation that defines the reporting obligations of the entity, for example annual financial statements.
4. Accompanying this Standard is an explanatory guide containing an optional template and associated guidance notes that illustrate the requirements of this Standard (*Explanatory Guide A4 Optional Template and Associated Guidance Notes for Applying Public Benefit Entity Simple Format Reporting – Cash (Public Sector)*). It is not mandatory to apply the template or guidance notes and they have no legal status. However, when an entity applies the template in the specific circumstances of the entity, the performance report will comply with this Standard.

## Effective Date

5. A public sector public benefit entity that is eligible to apply this Standard, and elects to do so, shall apply this Standard for periods beginning on or after 1 July 2014. Earlier application is not permitted.

## **Appendix A: Specific Requirements**

*This Appendix contains the requirements for Public Benefit Entity Simple Format Reporting – Cash (Public Sector). It is an integral part of the Standard.*

### **Section 1: Introduction**

- A1. This part of the Standard<sup>1</sup> sets out the requirements for the preparation of a simple format report known as the “Performance Report” by Tier 4 public sector public benefit entities. The Standard may be applied by eligible public sector public benefit entities (PBEs) that elect to apply this Standard in accordance with the requirements of XRB A1 *Accounting Standards Framework (FP Entities + PS PBEs Update)*.
- A2. This Standard comprises a number of sections (as shown in the Table of Contents). These refer to specific aspects of reporting. Within each section information is presented in numbered paragraphs to enable cross-referencing within this Standard.
- A3. Terms are defined in the Glossary in section 9 to assist with the understanding of this Standard.

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<sup>1</sup> This Appendix is part of the Standard and so the term “Standard” is used throughout. “Standard” refers to Public Benefit Entity Simple Format Reporting – Cash (Public Sector) abbreviated as PBE SFR-C (PS).

## Section 2: Objective of Reporting and Overview of Reporting Requirements

### Users and Their Needs

- A4. The performance report for a public sector PBE is designed for those users who cannot require the entity to disclose the information needed for accountability and decision making. Most users fall into two groups:
- (a) Providers of resources to the entity; and
  - (b) Recipients of services from the entity.
- A5. Examples of these users are:
- (a) Taxpayers or ratepayers who provide funding to an entity, persons who pay fees and charges to an entity, and purchasers of goods or services provided by an entity (resource providers); and
  - (b) Service recipients who benefit from the services provided by the entity (such as users of a hall managed by a reserve board).

### Objective of Reporting

- A6. An entity should prepare a performance report that addresses the following questions:
- (a) “Who are we?” – an overview of the entity;
  - (b) “Why do we exist?” – why the entity was established and what it seeks to achieve (outcomes);
  - (c) “What did we do?” – what the entity did during the year in providing goods or services (outputs);
  - (d) “What did it cost?” – how much was paid to provide goods or services, and to run the entity;
  - (e) “How was it funded?” – the sources of cash used to pay for its activities in providing goods or services;
  - (f) “When did we do it?” – the period covered by the report, and a comparison of information with previous reporting periods;
  - (g) “How did we do our accounting?” – the accounting policies applied; and
  - (h) “What do we need to do to continue?” – the ability of the entity to continue achieving its objectives and operate in the foreseeable future. This question can be answered by looking at the performance report as a whole.
- A7. The performance report is usually prepared for a financial year (which ends on its “balance date”). The performance report shall identify and reflect the period to which it refers, and contain only those receipts and payments that occurred in this period. It may be prepared for a part year, but this is unusual and occurs only when the entity is formed or ceases to exist during a year, or changes its balance date.

### Required Components of the Performance Report

- A8. An entity shall prepare a performance report every financial year with, at a minimum, the following components:
- (a) Entity information which explains what the entity is and why it exists (section 3);
  - (b) A statement of receipts and payments showing the cash received and paid by the entity over the year so the net cash surplus or deficit can be calculated for that financial year (section 5); and
  - (c) Notes to the performance report explaining some of the amounts shown in the statement of receipts and payments, as well as explaining relevant events affecting the financial year (section 6).
- A9. In addition, a statement of service performance, which explains what the entity did (see section 4), shall be prepared by entities that are required by law to prepare this statement (by whatever name called). The statement of service performance is optional for other entities.

### Presentation of the Entity’s Performance

- A10. The performance report shall present the entity’s service performance, and receipts and payments over the financial year in accordance with this Standard.

- A11. Where the requirements of this Standard have been followed but more information about particular events during the year is needed in order to give users a full picture of what happened, additional relevant information shall be provided.
- A12. Timeliness of reporting is important. The performance report should be provided as soon as possible following the end of the financial year so that the information is useful and relatively current. For some public sector PBEs, legislation defines the period by which the annual performance report must be completed.
- A13. It is important that the performance report is internally consistent. This is done by cross-referencing each line of a statement to any other information that relates to that line item in the rest of the performance report. It is also important that any non-financial information, for example, information included within the statement of service performance, is consistent with financial information included elsewhere in the performance report.

### **General Information**

- A14. Each component in the performance report specified in paragraphs A8 and A9 shall be clearly identified.
- A15. An entity's performance report shall incorporate all the activities of the entity. The performance report shall include all branches or other operating units, if the entity is structured into more than one unit. This is done by collating information from all the branches or operating units and excluding all transactions between those units.
- A16. The following information shall be displayed prominently, and repeated at the top of each page of the performance report:
- (a) The name of the entity that is preparing the performance report;
  - (b) The date of the end of the financial year covered by the performance report, or the period to which the performance report applies, as appropriate; and
  - (c) The level of rounding used in the presentation of the performance report (as a general rule whole dollars – rather than dollars and cents – should always be used; rounding to the nearest hundred may be appropriate for larger entities).

### **Comparative Information**

- A17. Although the performance report focuses on this year's information, comparative information for the previous year shall be included in the statement of service performance, statement of receipts and payments, and any associated notes to the performance report unless this Standard specifically allows otherwise. Comparative information shall also be provided for the disclosures about related parties in the notes to the performance report. The performance report may contain further comparative information where it is considered useful for users of the report.
- A18. Entities required by law to publish their budgets are required to report budgeted information alongside their actual results as further comparative information. Other entities may choose to, but are not required to, report budgeted information (or plans) alongside their actual results.

### **Consistency of Presentation**

- A19. An entity may prepare its performance report on either a GST-inclusive or a GST-exclusive basis, provided that GST is reported in a consistent way throughout the performance report.
- A20. All amounts shall be presented in New Zealand dollars. If the entity has transactions that are not in New Zealand dollars, it shall translate those to New Zealand dollars using the exchange rate on the date of the receipt or payment.
- A21. An entity shall not change the way the information is presented or the categories of disclosure from one period to the next unless:
- (a) There has been a significant change in the entity's operations; or
  - (b) This Standard requires that the presentation or a category of disclosure is changed.
- A22. Any changes to presentation or categories of disclosure due to the application of paragraph A21 also require similar changes to the comparative amounts, unless it is impracticable to do so.



**No Offsetting of Amounts**

A23. Users of the performance report should be given as much relevant information as possible about the entity. Therefore, cash received and cash paid (even if for a similar purpose) shall not be netted off against each other. An example where gross reporting is required is a cemetery board which raises money through the sale of firewood and also has costs for cutting and delivering the firewood. The cash payments associated with the cutting and delivery of the firewood are reported separately from the receipts from sales of firewood. However, the entity may show the cash receipts, cash payments and net cash resulting from the firewood activity in the notes to the performance report if it considers that this provides useful information.

**Correction of Errors**

A24. Significant errors shall be corrected as soon as practicable. Errors arising during the reporting period shall be corrected before the performance report is finalised. Errors relating to past periods shall be corrected in the current performance report before the report is finalised. No adjustments to past periods are required (see paragraph A84).

### Section 3: Entity Information

#### Purpose and Value to Users

A25. The purpose of the entity information is to summarise for users what the entity does and how it is organised. This information will assist users in their understanding of the entity and help particularly with their interpretation of the performance report.

#### Required Information

A26. The entity information shall provide general descriptive information about the entity and its activities. This information shall comprise:

- (a) The entity's name, type of entity and legal basis (if any);
- (b) The entity's purpose or mission<sup>2</sup> (the key difference the entity is trying to make);
- (c) A description of the structure of the entity's operations (including governance arrangements);
- (d) The main sources of the entity's cash and resources;
- (e) The entity's reliance on volunteers and donated goods or services; and
- (f) Any additional information that is considered essential to users' overall understanding of the entity.

A27. The amount of detail will depend on the size of the entity and the complexity of its operations.

A28. If the entity does not prepare a statement of service performance (see paragraph A30) the entity shall include a general description of the outputs of the entity in the entity information.

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<sup>2</sup> Also called vision, strategic goals, or outcome goals.

## Section 4: Statement of Service Performance

### Purpose and Value to Users

A29. The purpose of the statement of service performance is to provide mainly non-financial information to help users understand what the entity did during the financial year.

### Requirement to Complete a Statement of Service Performance

A30. Public sector entities which are required by legislation to provide a statement of service performance (by whatever name called including “statement of performance”) shall prepare a statement of service performance in accordance with this Standard.

A31. This requirement is optional for all other public sector PBEs. However, given the usefulness of this information for users of simple format reports, all Tier 4 public sector PBEs are encouraged to prepare a statement of service performance.

### Required Information

A32. Service performance reporting is based around two elements:

- (a) Outcomes: what the entity is seeking to achieve in terms of its impact on society; and
- (b) Outputs: the goods or services that the entity delivered during the year.

A33. The statement of service performance shall report the entity’s outputs, but may also report the outcomes the entity is seeking to influence (see paragraph A36(a)).

A34. In reporting the entity’s outputs, the statement of service performance shall describe, and quantify to the extent practicable, the outputs (goods or services) the entity has delivered for the current year.

A35. The statement of service performance need include only the outputs that are significant to the performance of the entity. It is not expected to include a detailed account of everything the entity does.

### Optional Information

A36. An entity may wish to report additional information such as:

- (a) A description of the outcome(s) that the entity is seeking to achieve or influence through the delivery of its goods or services. The outcomes are likely to be closely related to the mission/purpose reported in the entity information section of the performance report. The main difference is that the mission/purpose is usually stated in broad or general terms and applies over the life of the entity. By contrast, the description of the outcomes in the statement of service performance should be more specific and focused on what the entity is seeking to achieve over the short to medium term.
- (b) Additional output measures:
  - (i) Appropriate quality measures of goods or services delivered;
  - (ii) A measure of the timeliness of delivery of the entity’s goods or services if this is important to the recipient;
  - (iii) An allocation of receipts and payments related to each category of the entity’s outputs; and
  - (iv) A quantification of the contributions from volunteers in terms of hours or full-time staff equivalents (this figure may be estimated, and shall be noted as such if this is the case).
- (c) Comments on those factors which affect the achievement of the outcomes. This might include the relationships between volunteers and employees, decisions to broaden or narrow the delivery of services, or the impact of factors external to the entity – such as economic, legal and geographical factors;
- (d) The entity’s plans for the financial year being reported on, and an explanation of actual performance achieved against the plans set by the entity; and
- (e) Any additional information that is considered to be relevant to users’ understanding of the entity’s outcome goals or delivery of goods or services.

- A37. The way in which the statement of service performance is presented can enhance users' understanding of the entity. Sometimes a pictorial representation of the entity's achievements during the financial year presents the story more clearly than words or figures only.

## Section 5: Statement of Receipts and Payments

### Purpose and Value to Users

A38. The purpose of the statement of receipts and payments is to report all the cash received by, and all the cash paid out by, the entity during the financial year. The statement provides users with information about the entity's financial performance, including its receipts, payments and the resulting cash surplus or deficit generated during the financial year.

### Format of Statement of Receipts and Payments

#### Required Information

A39. The statement of receipts and payments shall be presented as follows:

Operating receipts (by category)	xx
Less operating payments (by category)	<u>xx</u>
Operating surplus or (deficit)	xx
Add capital receipts (by category)	xx
Less capital payments (by category)	<u>xx</u>
Increase or (decrease) in cash	xx
Plus bank accounts and cash at the beginning of the financial year	<u>xx</u>
Total bank accounts and cash at the end of the financial year	<u><u>xx</u></u>
Represented by:	
Bank account(s)	xx
Term deposit(s)	xx
Cash on hand (includes petty cash)	<u>xx</u>
Total bank accounts and cash at the end of the financial year	<u><u>xx</u></u>

A40. Entities need include only applicable line items. A line item is not required if the entity does not have any entries for that line item.

#### Optional Information

A41. Additional line items, headings and subtotals may be presented in the statement of receipts and payments when this will help users to understand the entity's financial performance.

### Receipts

A42. Receipts comprise all money received during the financial year. This includes notes and coins, cheques and other funds deposited into the entity's bank accounts.

A43. Receipts can come from various sources, for example, funding from government (either as general funding or for the provision of goods or services), fees and charges (such as burial fees), and sales of goods or services (including trading receipts from commercial activities).

A44. Receipts can also vary in their nature. Most receipts will relate to the normal operating activities of the entity (for example, receipts from the provision of goods or services). However, some receipts might result from transactions of a capital nature (for example, receipts from the sale of a computer or from borrowings). In order to provide useful information to users, receipts are therefore categorised either as operating receipts or capital receipts.

**Required Information**

- A45. Receipts shall be recorded on the receipt of cash, either in a bank account or as physical money received by the entity. For example, a fee or charge shall be recorded on the date it is received, even if it is banked on a later date. Where cash received relates to a future period, relevant disclosures shall be included in the notes to the performance report if the amount is significant.
- A46. Transfers of principal amounts between the bank accounts of the entity, or from the maturity of term deposits, shall not be recorded as receipts as they involve only the movement of cash within the entity, not the generation of a receipt. However, any interest received shall be recorded as a receipt.
- A47. In order to make information understandable to users, receipts shall be aggregated and presented separately in categories. As a **minimum**, the following aggregated categories shall be reported separately:
- Operating receipts:
- (a) Funding from central or local government;
  - (b) Receipts from non-governmental sources for providing goods or services;
  - (c) Donations and other similar receipts; and
  - (d) Interest, dividends and other investment income receipts.
- Capital receipts:
- (e) Receipts from the sale of resources; and
  - (f) Receipts from borrowings.
- A48. Category (a) above includes all funding received from central or local government including both general funding and funding that is linked to the delivery of specific goods or services. Category (b) includes fees, charges and other receipts from other organisations and individuals that are (in substance) for the delivery of goods or services.
- A49. Category (e) above (the sale of resources) includes the sale of physical assets, and the sale of any investments such as shares or bonds.
- A50. Entities need report only the minimum categories specified in paragraph A47 separately when the category is applicable and significant to the entity.
- A51. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A47, provided that the separate categories are still maintained.
- A52. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.

**Optional Information**

- A53. The minimum categories specified in paragraph A47 may be disaggregated or additional categories may be presented in the statement of receipts and payments when such presentation will enhance users' understanding of the entity's financial performance. Possible disaggregated or additional categories are listed below.

## Operating receipts:

- (a) Donations or koha from the public;
- (b) General funding from central or local government;
- (c) Funding from central or local government for the delivery of goods or services;
- (d) Receipts from the sale of goods or services to the public;
- (e) Receipts from commercial activities;
- (f) Lease or rental receipts;
- (g) Interest and dividend income receipts; and

## (h) Other operating receipts.

- A54. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main sources of receipts by the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.
- A55. Breakdowns of the minimum categories, or the disaggregated or additional categories, may be provided in the notes to the performance report. For example, receipts from the sale of goods or services to the public may be further disaggregated by type of good or service. Where the entity receives significant donations and grants, the entity may also elect to include in the notes to the performance report a list of donors and grant providers, together with a summary of their contributions, if this is considered useful information. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

**Payments**

- A56. Payments comprise all money paid during the financial year by cash, cheque, bank transfer or other method.
- A57. Payments can be either operating payments (relating to day-to-day activities) or capital payments (relating to the purchase of resources or the repayment of borrowings).

**Required Information**

- A58. Payments shall be recorded on the date that the payment is made. For example, a payment shall be recorded when a cheque is passed to the recipient (such as by posting), rather than the later date when the cheque is presented and the money withdrawn from the bank account.
- A59. Transfers of principal amounts from one bank account to another, or for investment in term deposits, shall not be recorded as payments as they involve only the movement of cash not the disbursement of cash.
- A60. In order to make information understandable to users, payments shall be aggregated and presented in categories. As a **minimum**, the following aggregated categories shall be reported separately:

## Operating payments:

- (a) Employee related payments;
- (b) Payments related to providing goods or services; and
- (c) Grants paid.

## Capital Payments:

- (d) Purchase of resources; and
- (e) Repayment of borrowings.

- A61. Category (d) above (the purchase of resources) includes the purchase of physical assets, and the purchase of any investments such as shares or bonds.
- A62. Entities need report only the minimum categories specified in paragraph A60 separately when the category is applicable and significant to the entity.
- A63. The minimum categories may be described using terminology appropriate for the entity and need not use the titles used in paragraph A60, provided that the separate categories are still maintained.
- A64. If there is difficulty in determining the category that should be used for a particular transaction, the entity shall make its best estimate of the appropriate classification. This classification shall then be used consistently in future periods so that the information reported is comparable over time.
- A65. Reimbursements for expenses incurred by employees on behalf of the entity (for example, reimbursing an airfare for an employee) shall not be classified as employee payments but in the appropriate category of payments (for example, payments relating to providing goods or services if that was the reason the travel took place).

**Optional Information**

A66. The minimum categories specified in paragraph A60 may be disaggregated or additional categories may be presented in the statement of receipts and payments when such presentation will enhance users' understanding of the entity's financial performance. Possible disaggregated or additional categories are listed below:

Operating payments:

- (a) Administration and overhead payments;
- (b) Repairs and maintenance;
- (c) Interest payments; and
- (d) Other operating payments.

A67. Disaggregated or additional categories should be used only where doing so is necessary to provide users with an understanding of the main payment types of the entity. Too many categories can make it difficult for users to understand the overall picture. The number of disaggregated or additional categories used should therefore be limited to those that are really necessary.

A68. Breakdowns of the minimum categories, or the disaggregated or additional categories, may be provided in the notes to the performance report. For example, employee related payments could be disaggregated into salaries and wages, and other costs relating to employees, including superannuation contributions (for example, Kiwisaver) and ACC levies. The objective is to provide a breakdown that gives the most useful information to users of the performance report.

**Bank Accounts and Cash**

A69. Bank accounts and cash comprises petty cash, any other cash on hand at balance date, cheque accounts, deposits held at call with banks and other financial institutions, bank overdrafts and term deposits.

**Required Information**

A70. Bank accounts and cash shall be recorded at the amount actually held. However, bank account balances shall be adjusted to reflect amounts deposited but not yet shown on the bank statement, or cheques that have been issued but not yet presented to the bank (commonly referred to as unpresented cheques).

A71. As a **minimum**, the following aggregated categories shall be separately reported:

- (a) Bank accounts;
- (b) Term deposits; and
- (c) Cash on hand.

A72. Entities need report only these minimum categories separately when the category is applicable and significant to the entity.

**Other Information****Required Information**

A73. The statement of receipts and payments shall include any additional information that is considered necessary for users to understand the financial performance of the entity.

A74. An entity shall include the entity's budget (or plans) for the current financial year where this is required by legislation. Other entities may include this information if they wish and it is available.



## Section 6: Notes to the Performance Report

### Purpose and Value to Users

A75. The notes to the performance report contain information that expands on the information included in other parts of the performance report as well as providing additional relevant information. This is designed to provide users with a greater understanding of the information reported in the statements of service performance, and receipts and payments.

### Required Information

A76. The following matters shall be included in the notes to the performance report.

#### *Basis of Preparation*

A77. The notes to the performance report shall disclose that:

- (a) The entity is permitted by law to apply this Standard and has elected to do so; and
- (b) All transactions are reported in the statement of receipts and payments and related notes to the performance report on a cash basis.

#### *Goods and Services Tax (GST)*

A78. The notes to the performance report shall disclose:

- (a) Whether the entity is registered for GST ; and
- (b) Whether the performance report is prepared on a GST-inclusive or GST-exclusive basis.

#### *Significant Resources and Commitments*

A79. The notes to the performance report shall disclose the nature and amount of:

- (a) Any significant resources owned by the entity; and
- (b) Any significant commitments of the entity.

A80. Resources comprise items owned by the entity and available for the entity to use in the future (commonly referred to as assets). They may have been purchased or donated. They can take the form of bank accounts and cash, money owing to the entity, or physical assets such as buildings or computers.

A81. Commitments comprise amounts owed by the entity (commonly referred to as liabilities) and legal obligations to make payments at a future date.

#### *Unused Grants or Donations with Conditions*

A82. If the entity has received a grant or donation with conditions attached, and those conditions have not been fully met at balance date, the entity shall disclose in the notes to the performance report information about:

- (a) The amount of the grant or donation, and the amount for which conditions have not been fully met; and
- (b) The purpose and nature of the condition(s), and what portion of the condition(s) has not been met.

#### *Resources used as Security*

A83. If the entity has used any of its resources as security for borrowings, it shall disclose in the notes to the performance report information about:

- (a) The nature and amount of the borrowing that is secured; and
- (b) The nature and amount of the resource(s) used as security.

#### *Correction of Errors*

A84. The notes to the performance report shall disclose significant errors relating to past periods that have been corrected in the current performance report.

***Related Party Transactions****Explanation*

- A85. A related party transaction is a transfer of money or other resource between the reporting entity and a person or other entity that is closely associated with the reporting entity that has the ability to influence the reporting entity. For public sector entities related party transactions comprise transactions that are different from those conducted under normal terms and conditions (including the provision of free goods or services).
- A86. Related parties comprise:
- (a) People that have significant influence over the entity (such as members of the governing body, persons in key management roles, or others that are involved in the strategic management of the entity – whether employed or volunteer), and close members of their families; and
  - (b) Other entities that have significant influence over the entity.
- A87. Related party relationships exist throughout the public sector. Disclosure of related party relationships and related party transactions is necessary for accountability purposes, and to enable users to better understand the entity's performance report. This is because:
- (a) Related party relationships can influence the way in which an entity operates with other entities;
  - (b) Related party relationships might expose an entity to risks, or provide opportunities, that would not have existed in the absence of the relationship; and
  - (c) Related parties may enter into transactions that unrelated parties would not enter into, or may agree to transactions on terms and conditions that differ from those that would normally be available to unrelated parties.
- A88. Examples of transactions with a related party that would meet those criteria and therefore would be disclosed are:
- (a) The sale of a significant resource (such as a computer) to the chairperson of the governing body at less than market rates;
  - (b) The provision of preferential access to services provided by the entity to the dependant of a person in a key management role; and
  - (c) The provision of finance (including loans, grants and guarantees), for example, a low interest loan, to a related party.

*Requirements*

- A89. An entity shall disclose in the notes to the performance report, transactions with related parties that have occurred during the financial year if those transactions are significant to the entity (individually or in aggregate with similar transactions) and are on terms and conditions that are likely to be different from the terms and conditions of transactions in similar circumstances between parties that are not related.
- A90. For each transaction disclosed the following shall be reported:
- (a) A description of the related party relationship; and
  - (b) A description and the amount of any receipt or payment (and the value of free goods or services provided) related to the transaction during the financial year.

***Events After the Balance Date***

- A91. Events after the balance date are those significant events, both favourable and unfavourable, that occur between the balance date and the date when the performance report is finalised for approval.
- A92. An entity shall report the following for each significant event after balance date:
- (a) The nature of the event;
  - (b) An estimate of any associated receipts and payments; and
  - (c) How, if at all, the event is likely to affect the continuing viability of the entity.

- A93. An example of an event requiring disclosure is a fire which destroys the premises of the entity a week after balance date. The notes to the performance report would report the fact that the fire occurred, the extent of the damage that resulted, the extent to which the damage is covered by insurance, and the likely impact on the entity's activities in both the short and long term.

***Additional Information***

- A94. The notes to the performance report shall include any additional information that the entity considers necessary for users to understand the overall financial performance of the entity.

## Section 7: Illustrative Examples

The following are examples of the accounting treatment required in the performance report.

### 1. Receipts from Sale of Goods or Service

#### *Scenario 1*

A cemetery board (the reporting entity) receives \$1,000 from the sale of burial plots. It also receives \$500 in burial fees.

**Treatment:** The reporting entity records both amounts in the statement of receipts and payments as an operating receipt (receipts from providing goods or services) when the cash is physically received.

#### *Scenario 2*

A cemetery board (the reporting entity) sells two burial plots before the end of the financial year but does not receive the cash until the following financial year.

**Treatment:** The reporting entity does not record any amount in the statement of receipts and payments as no cash has been received. However, the reporting entity records the amount owing to it from the sale of the burial plots as part of “money owed to the entity” in the notes to the financial report if the amount is significant (that is, it is a “significant resource”).

### 2. Grant with Conditions

A grant of \$15,000 was made by the local council to a reserve board (the reporting entity) to fund the reroofing of the hall. Under the terms of the grant, the money must be spent for the specified purpose (the reroofing) or be returned to the Council. At the end of the financial year, the reroofing project is partially completed and only half of the grant has been spent.

**Treatment:** The reporting entity:

- (a) Records, in the statement of receipts and payments, the entire amount of the grant when received (as an operating receipt: funding from central or local government).
- (b) Records, in the statement of receipts and payments, the amount that has been spent on the reroofing project during the year (as a payments related to providing goods or services: repairs and maintenance).
- (c) Discloses, in the notes to the performance report: the total amount of the grant, the fact that a condition of the grant is that it only be used to reroof the hall, and a narrative description of how the reroofing of the hall is progressing.

### 3. Volunteer Services

The reporting entity relies on volunteers to undertake maintenance of its grounds and facilities.

**Treatment:** The entity information section reports that the entity is reliant on time of volunteers to maintain its ground and facilities (see paragraph A26(e)).

### 4. Receipts for a Future Activity

A reserve board has received \$500 for the hireage of its hall. The date on which the hall will be hired is in the next financial year.

**Treatment:** The reporting entity records the hireage fee in the statement of receipts and payments (as an operating receipt: receipts from providing goods or services).

### 5. Related Parties

#### *Scenario 1*

A reserve board (the reporting entity) provides the use of its hall to the chairperson for use for a child’s 21<sup>st</sup> birthday. The board agrees to make the hall available free of charge in recognition of the large amount of volunteer time put in by the chairperson.

**Scenario 2**

A reserve board (the reporting entity) provides the use of its hall to the chairperson for use for a child's 21<sup>st</sup> birthday. The board charges the chairperson the normal hireage rate.

**Treatment:** In both of the scenarios above the chairperson is a related party of the entity because the chairperson is a member of the governing body (see paragraph A86).

In scenario, 1 the transaction with the related party is not on normal terms and conditions (see paragraph A85) and therefore the reporting entity reports in the notes to the performance reports that the hall has been used by the chairperson for a private function for one day at no charge in recognition of the volunteer time put in by the chairperson (see paragraph A89).

In scenario 2 the transaction with the related party is on normal terms and conditions and consequently does not need to be reported in the notes to the performance report. However, the reporting entity may do so if it wishes.

## Section 8: Glossary

This Glossary contains terms used in this Standard.

<b>Balance date</b>	The date to which the performance report is prepared. It is usually an end of month date, for example, 31 March 201X.
<b>Capital payment</b>	A payment during the financial year for the repayment of borrowings, or the purchase of a resource with an expected life of greater than twelve months (such as the purchase of a computer by the entity) to be owned or partly owned and used by the entity to support the entity's activities or to provide goods or services. Capital payments do not include payments for operating purposes or payments for resources to be passed to other entities.
<b>Capital receipt</b>	A receipt during the financial year from borrowings or from cash received on the sale of a resource with an expected life of greater than twelve months.
<b>Commitments</b>	Commitments comprise amounts owed by the entity (commonly referred to as liabilities), and legal obligations to make payments at a future date.
<b>Entity</b>	An organisation which may take any of a number of forms, including but not limited to a public entity, company, incorporated association, unincorporated association or trust. Depending on organisational structure, this may be a legal entity, a unit within a wider organisation, or it may comprise one or more units.
<b>Financial year</b>	A period usually of twelve months ending on the entity's balance date.
<b>Honoraria</b>	Payments made for services provided where no fixed payment would normally be made. Volunteers and employees can receive honoraria.
<b>Notes to the performance report</b>	Notes that provide further information on items in the various financial statements, either by a further breakdown of figures or a narrative description.
<b>Operating payment</b>	Any payment, other than a capital payment, made by the entity during the financial year.
<b>Outcomes</b>	What the entity is seeking to achieve in terms of its impact on society.
<b>Outputs</b>	The goods or services that the entity delivered during the year.
<b>Payments</b>	Payments comprise all money paid during the financial year by cash, cheque, bank transfer or other method. Payments can be either operating payments (relating to day-to-day activities) or capital payments (relating to the purchase of resources or the repayment of borrowings).
<b>Performance report</b>	A set of statements which collectively tell the story of the reporting entity over the financial year. This includes the entity information, statement of service performance, statement of receipts and payments, and notes to the performance report.
<b>Public benefit entity (PBE)</b>	A reporting entity whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.
<b>Public sector public benefit entity (PS PBE)</b>	A public entity (as defined in the Public Audit Act 2001) that is a public benefit entity.
<b>Receipts</b>	Receipts comprise all money received during the financial year. This includes notes and coins, cheques and other funds deposited into the entity's bank accounts. Most receipts will relate to the normal operating activities of the entity (for example, receipts from a fundraising event). However, some receipts might result from transactions of a capital nature (for example, receipts from the sale of a computer or from borrowings).

<b>Related party</b>	People or entities that have significant influence over the entity, such as members of the governing body, persons in key management roles, or others that are involved in the strategic management of the entity (whether employed or volunteer) and close members of their families.
<b>Reporting entity</b>	An entity preparing a performance report in accordance with this Standard. In the New Zealand reporting environment it is a public entity that is required by law to apply standards issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB. For the purposes of applying this Standard, the entity is a public sector entity.
<b>Significant</b>	An item is significant if disclosure of the particular item, whether financial or non-financial, could influence a user’s understanding of the entity’s overall performance. For the purposes for this Standard, it has the same meaning as material.
<b>Statement of receipts and payments</b>	A summary of all the cash received by, and all the cash paid out by, the entity during the financial year.
<b>Statement of service performance</b>	Information on outputs delivered by the entity during the financial year and is particularly useful in the public sector when the focus is on achieving planned outputs and outcomes, rather than making a profit. The information in this statement is predominantly non-financial, but still involves measurement.

## **Appendix B: Transitional Arrangements**

*This Appendix contains the requirements for entities to transition to Public Benefit Entity Simple Format Reporting - Cash (Public Sector). It is an integral part of the Standard.*

### **Objective**

- B1. This part of the Standard<sup>3</sup> is designed to assist an entity in preparing its first performance report under this Standard. This Standard recognises that entities come from divergent reporting backgrounds and prescribes different transitional rules to meet different circumstances.

### **Transitional Groups**

- B2. There are two types of entities applying this standard for the first time:
- (a) Group 1: New Entities – entities that are established in the current financial year; and
  - (b) Group 2: Continuing Entities – entities that have not followed this Standard in the previous reporting period, but have been operating prior to the current financial year. This includes entities that have been applying other accounting standards in the previous financial year, for example, NZ IFRS PBE, Old GAAP or PBE SFR-A (PS).

#### ***Group 1: New Entities***

- B3. No comparative figures are required for this group. This overrides any requirement elsewhere in this Standard for comparatives to be reported. New entities shall disclose their date of commencement in the notes to the performance report.

#### ***Group 2: Continuing Entities***

- B4. These entities shall either:
- (a) Follow this Standard from the start of the current period. In this case comparative information is not required to be provided and this overrides any requirement elsewhere in this Standard for comparatives to be reported. However, the entity shall attach to the performance report its financial statements for the previous period and a list of the accounting policies applied in those financial statements; or
  - (b) Follow this Standard from the start of the previous period by restating the entity's previous financial statements (if any) in accordance with the requirements of this Standard. This means that the current year's figures and the prior year's comparative figures will be provided on the same basis.

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<sup>3</sup> This Appendix is part of the Standard and so the term "Standard" is used throughout. "Standard" refers to the Public Benefit Entity Simple Format Reporting – Cash (Public Sector) abbreviated as PBE SFR-C (PS)



## Basis for Conclusions

BC1. This Basis for Conclusions summarises the NZASB’s considerations in developing the Public Benefit Entity Simple Format Reporting – Cash (Public Sector) Standard (PBE SFR-C (PS)).

### Background

BC2. The Accounting Standards Framework includes four reporting Tiers for public sector public benefit entities. PBE SFR-C (PS) is the non-GAAP Tier 4 Standard and may be applied by public sector entities classified by law as not being “specified not-for-profit entities” (and therefore allowed to use cash accounting) and which elect to do so.

BC3. The XRB Board and the NZASB are aware that some eligible entities may prefer not to apply PBE SFR-C (PS). Therefore, under XRB A1 *Accounting Standards Framework (FP Entities + PS PBEs Update)* an eligible entity may elect not to apply PBE SFR-C (PS) and instead apply the standard(s) relating to a higher tier.

### Objective

BC4. PBE SFR-C (PS) is intended to improve the quality and consistency of financial reporting by entities eligible to apply PBE SFR-C (PS).

### Approach

BC5. In preparing PBE SFR-C (PS), the NZASB was cognisant of the fact that some Tier 4 public sector preparers, as well as users of their financial statements, may have limited access to professional accounting expertise. The NZASB was of the view that the standard should be able to be applied by persons who are managing the finances of an entity that is eligible to apply PBE SFR-C (PS).

BC6. The NZASB decided that PBE SFR-C (PS) should be a single, short and simple standard written in less technical language than is normally found in accounting standards. As a result, PBE SFR-C (PS) addresses only those transactions that are commonly undertaken by entities eligible to apply PBE SFR-C (PS). The NZASB relied heavily on information in public sector financial statements prepared under previous requirements to assist it in identifying which transactions needed to be addressed in the Standard.

BC7. PBE SFR-C (PS) has been prepared on a stand-alone cash basis. It is fundamentally different from the standards based on the accrual basis of accounting. Therefore, there is no ability for an entity to elect to use some of the accounting treatments that are applied by entities in the other Tiers.

### Non-Financial Information

BC8. To enhance financial reporting with non-financial information that explains the activities of the entity, PBE SFR-C (PS) requires:

- (a) Disclosure of information about the entity’s structure and objectives; and
- (b) The preparation of a statement of service performance for entities required by law to produce such a statement (by whatever name called).

BC9. The NZASB is of the view that the reporting of this non-financial information is necessary for users to gain a full understanding of the entity’s performance. It therefore encourages public sector entities not required by law to produce a statement of service performance to do so optionally.

### Financial Information

BC10. This Standard establishes minimum aggregated categories for the reporting of financial information. It also allows an entity to add additional categories applicable to that entity and to describe all categories using terminology appropriate to that entity. In doing so, the NZASB was seeking to achieve a balance between comparability and understandability on the one hand, and flexibility for entities to reflect their own circumstances on the other.

BC11. The NZASB, after considering both the nature and size of Tier 4 public sector entities and the nature and types of their transactions, decided not to require the preparation of a statement of resources and commitments. This is because the transactions that would be reported in such a statement are likely to be relatively uncommon or not significant in this tier for this sector. However, if an entity does have

significant resources, significant commitments and resources used as security for assets (the three key elements of the statement of resources and commitments), these are required to be disclosed in the notes to the performance report.

### **Related Parties**

BC12. The definition of related party in existing accounting practice includes both people (and close members of their families) and other entities that have significant influence over the entity. The NZASB considered whether to simplify that definition of related party for this Tier. After considering the importance of related party disclosures for accountability purposes, and the risks and opportunities inherent in these relationships, the NZASB decided to retain in the definition of related party both related people (and close members of their families) and other entities that have significant influence over the entity.

BC13. However, disclosure of related party transactions is required only if the transaction is significant to the entity (individually or in aggregate with similar transactions); and the transaction is on terms and conditions that are likely to be different from the terms and conditions of transactions in similar circumstances between parties that are not related.

### **Transition**

BC14. The NZASB was aware that a wide range of pre-existing accounting policies were applied by entities that are now eligible for, and elect to apply, PBE SFR-C (PS). The NZASB was also concerned that some of those entities might have difficulty in restating their comparative information as required by PBE SFR-C (PS). Rather than delay the application of the Standard, PBE SFR-C (PS) permits entities to either:

- (a) Apply PBE SFR-C (PS) in the first year without restating the comparative information. Entities taking this option are required to attach their prior period financial statements (including an explanation of the accounting policies applied) rather than having to restate the comparative financial information; or
- (b) Apply PBE SFR-C (PS) from the start of the previous period by restating the entity's previous financial statements (if any) in accordance with the requirements of PBE SFR-C (PS).

## History of Amendments

*Public Benefit Entity Simple Format Reporting – Cash (Public Sector)* (PBE SFR-C (PS)) was issued in December 2013.

This table lists the pronouncements establishing and substantially amending PBE SFR-C (PS). The table is based on amendments approved as at December 2013.

<b>Pronouncements</b>	<b>Date approved</b>	<b>Early operative date</b>	<b>Effective date (annual financial statements ... on or after ...)</b>
<i>Public Benefit Entity Simple Format Reporting – Cash (Public Sector)</i> (PBE SFR-C (PS))	December 2013	Early application is not permitted.	1 July 2014