



NZ ACCOUNTING  
STANDARDS  
BOARD

## **DISCLOSURE INITIATIVE (AMENDMENTS TO PBE IPSAS 1)**

This Standard was issued on 30 July 2015 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 27 August 2015.

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

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

This Standard has been issued to amend the relevant New Zealand Tier 1 and Tier 2 PBE Standards to clarify existing PBE IPSAS 1 requirements.

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## **Part A**

### **Introduction**

This Standard sets out amendments to PBE IPSAS 1 *Presentation of Financial Statements*, and consequential amendments to PBE IPSAS 30 *Financial Instruments: Disclosures* and PBE IAS 34 *Interim Financial Reporting*.

The amendments clarify existing PBE IPSAS 1 requirements that relate to materiality; order of the notes; subtotals; accounting policies and disaggregation.

## Part B

### Scope

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

### Amendments to PBE IPSAS 1 *Presentation of Financial Statements*

Paragraphs 21, 47, 88–89, 98.3, 99.1, 103.1, 128–129, 132, 134 and 137 are amended, paragraphs 46A, 89A, 98.3A, 98.3B and 154.2 are added and paragraphs 130 and 135 are deleted. Paragraphs 45–46, 127, 131, 133, 136 and 154.1 have not been amended but are included for context. Deleted text is struck through and new text is underlined.

### Components of Financial Statements

21. A complete set of financial statements comprises:

- (a) A statement of financial position;
  - (b) A statement of comprehensive revenue and expense;
  - (c) A statement of changes in net assets/equity;
  - (d) A cash flow statement;
  - (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and
  - (f) Notes, comprising ~~a summary~~ of significant accounting policies and other explanatory notes.
- ...

### Materiality and Aggregation

45. Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.
46. Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, and cash flow statement, or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of those statements may nevertheless be sufficiently material for it to be presented separately in the notes.
- 46A. When applying this and other PBE Standards an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
47. Applying the concept of materiality means that a specific disclosure requirement in a PBE Standard need not be satisfied if the information is not material. Some PBE Standards specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by a PBE Standard if the information resulting from that disclosure is not material. This is the case even if the PBE Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific

requirements in PBE Standards is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

...

*Information to be Presented on the Face of the Statement of Financial Position*

88. ~~As a minimum, the~~ **The face of the statement of financial position shall include line items that present the following amounts:**

(a) ...

89. **Additional line items (including disaggregating the line items listed in paragraph 88), headings, and sub-totals shall be presented on the face of the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.**

89A. When an entity presents subtotals in accordance with paragraph 89, those subtotals shall:

(a) Be comprised of line items made up of amounts recognised and measured in accordance with PBE Standards;

(b) Be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

(c) Be consistent from period to period, in accordance with paragraph 42; and

(d) Not be displayed with more prominence than the subtotals and totals required in PBE Standards for the statement of financial position.

...

**Statement of Comprehensive Revenue and Expense**

...

98.3 **Additional line items (including disaggregating the line items listed in paragraph 99.1), headings, and subtotals shall be presented on the face of the statement(s) of comprehensive revenue and expense when such presentation is relevant to an understanding of the entity's financial performance.**

98.3A When an entity presents subtotals in accordance with paragraph 98.3, those subtotals shall:

(a) Be comprised of line items made up of amounts recognised and measured in accordance with PBE Standards;

(b) Be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

(c) Be consistent from period to period, in accordance with paragraph 42; and

(d) Not be displayed with more prominence than the subtotals and totals required in PBE Standards for the statement of comprehensive revenue and expense.

98.3B An entity shall present the line items in the statement of comprehensive revenue and expense that reconcile any subtotals presented in accordance with paragraph 98.3 with the subtotals or totals required in PBE Standards for such statement.

...

99.1 ~~As a minimum, the~~ **The surplus or deficit section of the statement of comprehensive revenue and expense shall include line items that present the following amounts for the period:**

(a) ...

*Other Comprehensive Revenue and Expense for the Period*

103.1 **The other comprehensive revenue and expense section shall present line items for the amounts of other comprehensive revenue and expense in for the period of; classified by nature (including share of the other comprehensive revenue and expense of associates and joint ventures accounted for using the equity method).**

(a) Items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature; and

- (b) The share of other comprehensive income of associates and joint ventures accounted for using the equity method.

...

## Notes

### Structure

127. **The notes shall:**
- (a) **Present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 132–139;**
  - (b) **Disclose the information required by PBE Standards that is not presented on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, or cash flow statement; and**
  - (c) **Provide additional information that is not presented on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, or cash flow statement, but that is relevant to an understanding of any of them.**
128. **Notes shall, as far as practicable, be presented in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. Each item on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, and cash flow statement shall be cross-referenced to any related information in the notes.**
129. ~~Notes are normally presented in the following order, which assists users in understanding the financial statements and comparing them with financial statements of other entities. Examples of systematic ordering or grouping of the notes include:~~
- ~~(a)~~ Giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
  - ~~(b)~~ Grouping together information about items measured similarly such as assets measured at fair value; or
  - ~~(c)~~ Following the order of the line items in the statement of comprehensive revenue and expense and the statement of financial position, such as:
    - ~~(a)~~(i) A statement of compliance with PBE Standards (see paragraph 28);
    - ~~(b)~~(ii) ~~A summary of s~~Significant accounting policies applied (see paragraph 132);
    - ~~(c)~~(iii) Supporting information for items presented on the face of the statement of financial position, statement of comprehensive revenue and expense, statement of changes in net assets/equity, or cash flow statement, in the order in which each statement and each line item is presented; and
    - ~~(d)~~ (iv) Other disclosures, including:
      - ~~(i)~~(1) Contingent liabilities (see PBE IPSAS 19), and unrecognised contractual commitments; and
      - ~~(ii)~~(2) Non-financial disclosures, e.g., the entity’s financial risk management objectives and policies (see PBE IPSAS 30).
130. ~~[Deleted by NZASB]In some circumstances, it may be necessary or desirable to vary the ordering of specific items within the notes. For example, information on changes in fair value recognised in surplus or deficit may be combined with information on maturities of financial instruments, although the former disclosures relate to the statement of comprehensive revenue and expense and the latter relate to the statement of financial position. Nevertheless, a systematic structure for the notes is retained as far as practicable.~~
131. Notes providing information about the basis of preparation of the financial statements and specific accounting policies may be presented as a separate component of the financial statements.

*Disclosure of Accounting Policies*

132. **An entity shall disclose ~~in the summary of~~ its significant accounting policies comprising:**
- (a) **The measurement basis (or bases) used in preparing the financial statements;**
  - (b) **The extent to which the entity has applied any transitional provisions in any PBE Standard; and**
  - (c) **The other accounting policies used that are relevant to an understanding of the financial statements.**
133. It is important for users to be informed of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value, recoverable amount, or recoverable service amount), because the basis on which the financial statements are prepared significantly affects their analysis. When more than one measurement basis is used in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.
134. In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events, and conditions are reflected in the reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in PBE Standards. An example is disclosure of whether a venturer recognises its interest in a jointly controlled entity using proportionate consolidation or the equity method (see PBE IPSAS 8 *Interests in Joint Ventures*). Some PBE Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies allowed in those Standards. For example, PBE IPSAS 17 requires disclosure of the measurement bases used for classes of property, plant, and equipment. PBE IPSAS 5 *Borrowing Costs* requires disclosure of whether borrowing costs are recognised immediately as an expense, or capitalised as part of the cost of qualifying assets.
135. ~~[Deleted by NZASB] Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, entities would be expected to disclose the accounting policies for recognition of taxes, donations, and other forms of non-exchange revenue. When an entity has significant foreign operations or transactions in foreign currencies, disclosure of accounting policies for the recognition of foreign exchange gains and losses would be expected. When entity combinations have occurred, the policies used for measuring goodwill and minority interest are disclosed.~~
136. An accounting policy may be significant because of the nature of the entity's operation, even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by PBE Standards, but is selected and applied in accordance with PBE IPSAS 3.
137. **An entity shall disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 140), management<sup>1</sup> has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.**

...

**Effective Date**

...

**154.1 A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**

154.2 Disclosure Initiative (Amendments to PBE IPSAS 1), issued in July 2015, amended paragraphs 21, 47, 88–89, 98.3, 99.1, 103.1, 128–129, 132, 134 and 137, added paragraphs 46A, 89A, 98.3A, and 98.3B, and

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<sup>1</sup> In this context, management is the person/committee responsible for the financial statements.



DISCLOSURE INITIATIVE (AMENDMENTS TO PBE IPSAS 1)

deleted paragraphs 130 and 135. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application is permitted, subject to paragraph 154.1. Entities are not required to disclose the information required by paragraphs 33–35 of PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

## Consequential Amendments to other Standards

### PBE IPSAS 30 *Financial Instruments: Disclosures*

Paragraph 25 is amended and paragraph 53.2 is added. Paragraph 53.1 has not been amended but is included for context. Deleted text is struck through and new text is underlined.

#### Other Disclosures

##### *Accounting Policies*

25. In accordance with paragraph 132 of PBE IPSAS 1 *Presentation of Financial Statements*, an entity discloses, ~~in the summary of its~~ significant accounting policies, comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

...

#### Effective Date and Transition

...

- 53.1 **A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**
- 53.2 Disclosure Initiative (Amendments to PBE IPSAS 1), issued in July 2015, amended paragraphs 25 and AG5. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application of those amendments is permitted, subject to paragraph 53.1.

In the Appendix, paragraph AG5 is amended. Deleted text is struck through and new text is underlined.

##### *Other Disclosure – Accounting Policies (paragraph 25)*

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

(a) ...

Paragraph 137 of PBE IPSAS 1 also requires entities to disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

## **PBE IAS 34 *Interim Financial Reporting***

Paragraph 5 is amended and paragraph 49.2 is added. Paragraph 49.1 has not been amended but is included for context. Deleted text is struck through and new text is underlined.

### **Content of an Interim Financial Report**

5 PBE IPSAS 1 defines a complete set of financial statements as including the following components:

- (a) ...
- (e) Notes, comprising ~~a summary~~ of significant accounting policies and other explanatory notes;
- ...

### **Effective Date**

...

**49.1 A public benefit entity shall apply this Standard for an entity's interim financial statements where the interim period forms part of an annual accounting period beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**

49.2 Disclosure Initiative (Amendments to PBE IPSAS 1), issued in July 2015, amended paragraph 5. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application of that amendment is permitted, subject to paragraph 49.1.

## **Part C**

### **Effective date**

This Standard is effective for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application is permitted as provided in the effective date paragraphs for each specific standard amended in Part B.

## Amendments to the Basis for Conclusions

Insert NZASB Basis for Conclusions, paragraph BC6.
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*This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 1.*

### Disclosure Initiative Amendments

BC 6. The NZASB amended PBE IPSAS 1 for the *Disclosure Initiative* (Amendments to IAS 1) issued by the IASB in December 2014. After consideration of the application of the XRB's *Policy Approach to Developing the Suite of PBE Standards* (PBE Policy Approach) to IASB ED/2014/1 *Disclosure Initiative* (Proposed Amendments to IAS 1), the NZASB decided that the anticipated benefits of the amendments resulting in high quality financial reporting, and the relevance of the amendments to all PBEs were sufficient for the NZASB to incorporate these amendments into PBE Standards. This decision was confirmed by the NZASB in February 2015 after the release by the IASB of *Disclosure Initiative* (Amendments to IAS 1) in December 2014. The NZASB noted that there was minimal risk that the proposals would affect the coherence of PBE Standards.