

Amendments to Prospective Financial Statements
(Amendments to PBE FRS 42)



NZ ACCOUNTING
STANDARDS
BOARD

**Amendments to Prospective Financial Statements
(Amendments to PBE FRS 42)**

Issued September 2013

This Standard was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

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

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Amendments to PBE FRS 42 *Prospective Financial Statements*

Amend the fourth paragraph in the Introduction as shown. New text is underlined and deleted text is struck through.

Introduction

PBE FRS 42 applies where an entity is required, or chooses, to present general purpose prospective financial information. Entities applying the Standard are required to present a complete set of general purpose prospective financial statements for the ~~usual annual~~ reporting period for which interim or annual historical general purpose financial statements will subsequently be presented ~~of the entity~~.

Amend paragraphs 44 and 45 as shown. New text is underlined and deleted text is struck through.

Periods covered by prospective financial statements

44. **The reporting periods covered by prospective financial statements shall coincide with those for which interim or annual historical general purpose financial statements will subsequently be presented.**
45. ~~This Standard requires that an entity present a complete set of prospective financial statements for the usual annual reporting period of the entity. This requirement assists entities to meet the requirements of other standards to compare prospective financial statements or information with the subsequent historical financial statements or information for that period (refer paragraphs 11.1 and 11.2 of FRS 44 *New Zealand Additional Disclosures*).~~ Where legislation or regulation require prospective financial information to be prepared for a reporting period which differs from the period for which historical general purpose financial statements or information will subsequently be presented, an entity is compelled to comply with such legislation or regulation. However, in such cases the entity may be able to comply with both this Standard and the relevant legislation or regulation by presenting prospective financial information for the balance of the current reporting period and for the subsequent interim or annual reporting period. Comparative requirements in relation to prospective financial information presented in historical financial statements are found in PBE IPSAS 1 *Presentation of Financial Statements* and PBE IAS 34 *Interim Financial Reporting*.

Insert paragraph 74.

Effective date

...

74. *Amendments to Prospective Financial Statements* (Amendments to PBE FRS 42), issued in August 2013, amended paragraphs 44 and 45. An entity shall apply those amendments for interim or annual periods beginning on or after 1 July 2014. Earlier application is not permitted.

Amendments to the Basis for Conclusions on PBE FRS 42 *Prospective Financial Statements*

Add new paragraphs BC3 and BC4. Paragraphs BC1 and BC2 are shown for context.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE FRS 42.

- BC1. The New Zealand Accounting Standards Board (NZASB) has made no significant modifications to the requirements of FRS-42 *Prospective Financial Statements* in adopting it for application in by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of FRS-42 are appropriate for application by public benefit entities.
- BC2. PBE FRS 42 establishes principles and specifies minimum disclosures for entities that present general purpose prospective financial statements. PBE FRS 42 adopts the requirements in FRS-42 in relation to public benefit entities with some changes to ensure that it is suitable for application by public benefit entities. The NZASB noted that the discussion of qualitative characteristics in PBE FRS 42 will need to be reviewed once the IPSASB's conceptual framework project has been completed.
- BC3. In 2013 the NZASB noted that there was a conflict between the requirements of FRS-42 *Prospective Financial Statements* and the Securities Regulations 2009. In the case of an initial offering of equity securities by a public issuer, the Securities Regulations 2009 (Schedule 1, Clause 11) require the presentation of prospective financial statements for the balance of the current period, and the subsequent interim or annual accounting period. In contrast, FRS-42 (and PBE FRS 42) required the presentation of prospective financial statements for the reporting period for which annual historical general purpose financial statements would subsequently be presented.
- BC4. The NZASB considered that it would be desirable for the reporting period requirements in the Regulations and standards dealing with prospective financial statements to be aligned. Having regard to the importance of comparisons between prospective and actual financial statements, the NZASB amended paragraph 44 of PBE FRS 42 to permit the presentation of prospective financial statements for an interim period when an entity is proposing to present historical financial statements for that period. The NZASB considered that this amendment was consistent with the objectives of the Financial Reporting Standards Board (FRSB) when it originally developed FRS-42. The NZASB noted that the FRSB had sought to avoid unnecessary differences between the Securities Regulations and FRS-42, whilst highlighting the importance of being able to compare prospective financial statements with subsequent historical financial statements.

Consequential Amendments to Other Standards

Amendments to PBE IAS 34 *Interim Financial Reporting*

Insert a heading and paragraphs 25.1 to 25.3

Prospective financial statements

- 25.1 **Where an entity has published general purpose prospective financial statements for the period of the interim financial statements, the entity shall present a comparison of the prospective financial statements with the historical financial statements being reported. Explanations for major variances shall be given.**
- 25.2 PBE FRS 42 *Prospective Financial Statements* defines general purpose prospective financial statements. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.
- 25.3 Comparison of prospective financial statements with actual financial results is an essential element of accountability. In the case of issuers a comparison of actual financial results against the originally published prospective statements is important because it provides users with a comparison of actual performance with the projected performance at the time the entity raised funds. In the case of other entities, comparisons between projected performance and actual performance for a period are a means of demonstrating accountability for the resources used and the financial management of assets and liabilities. Some entities provide long-term prospective financial statements which are updated annually, prior to the beginning of the year. In such cases a comparison of actual financial results with the most recent prospective financial statements published prior to the beginning of the period is generally relevant. Where information is revised during the course of a year, the reasons for revising the information and an explanation of the differences between the originally published prospective financial statements and the historical financial statements should be given.

Insert paragraph 49.2.

Effective date

- ...
- 49.2 *Amendments to Prospective Financial Statements* (Amendments to PBE FRS 42), issued in August 2013, inserted paragraphs 25.1–25.3 and the preceding heading. An entity shall apply that amendment for interim or annual periods beginning on or after 1 July 2014. Earlier application is not permitted.