



Accounting Alert

Quarterly update – Public Benefit Entities

What's new in financial reporting for December 2017?

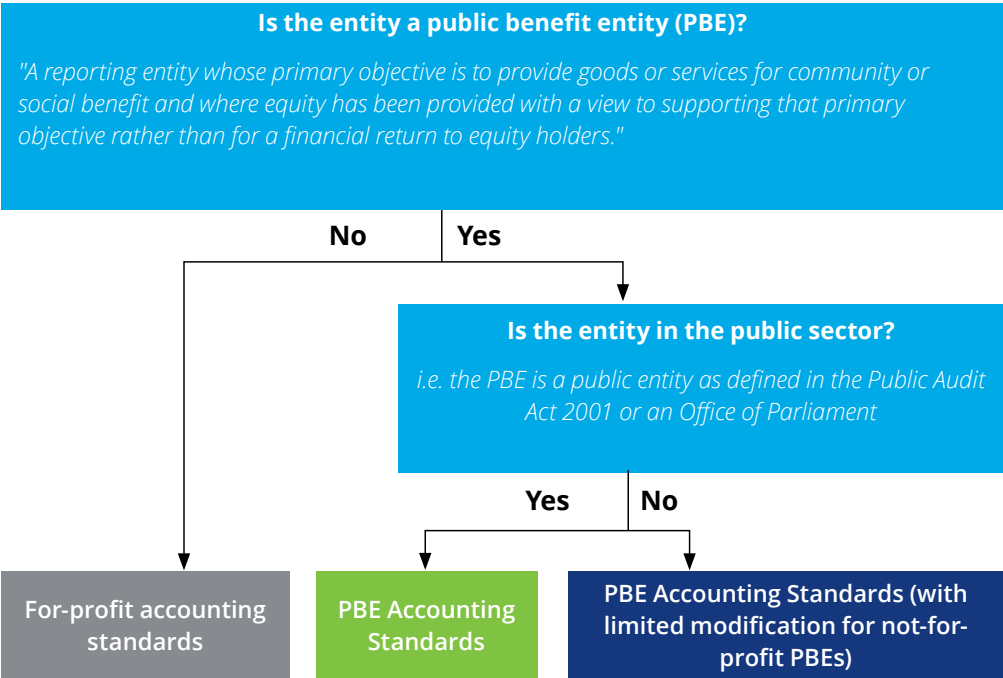
This quarterly update provides a high level overview of the new and revised financial reporting requirements that need to be considered by public benefit entities (PBEs) using the new suite of PBE Accounting Standards for annual and interim financial reporting periods ending on 31 December 2017. Information is also included for September 2017 year ends for entities which are still finalising their financial statements. We have included links to relevant Deloitte publications which provide further detail, where appropriate.



Entities will need to assess whether they are a PBE or a for-profit entity. Further guidance on determining this is included in Appendix A of XRB A1 *Application of the Accounting Standards Framework* (XRB A1). Some subsidiaries of PBEs may be for-profit entities. These entities should refer to our quarterly alert for for-profit entities [here](#).

PBEs may be either public sector (PS) PBEs or not-for-profit (NFP) PBEs.

The following flowchart summarises which suite of standards applies:



Financial reporting standards update

There are no new PBE financial reporting amendments applicable for periods ending 31 December 2017. However, there are a number of significant new Standards and amendments on the horizon which entities may wish to consider for early adoption, including PBE IPSAS 34-38 (relating to separate and consolidated financial statements, associates, joint ventures, joint arrangements and disclosure of interests in other entities), PBE IPSAS 39 *Employee Benefits* and PBE IFRS 9 *Financial Instruments*. All Tier 1 entities need to consider appropriate disclosure of these approved but not yet effective Standards.

The information below was updated on 6 December 2017 for developments to that date.

The New Zealand Accounting Standards Framework

The Accounting Standards Framework is a two sector (for-profit and PBE), multi-tiered Framework. This approach has been adopted in order to meet the differing information needs of each sector's users of financial statements. The framework for PBEs is based on International Public Sector Accounting Standards (IPSAS).

XRB A1 *Application of the Accounting Standards Framework* sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers. Entities will need to carefully consider which tier applies. XRB A1 is effective for annual reporting periods beginning on or after 1 January 2016.

The Accounting Standards Framework for PBEs consists of the following suites of standards:

Accounting Standards Framework for Public Benefit Entities

	Public sector PBEs	Not-for-profit PBEs
Tier 1	PBE Standards Public accountability ¹ , or Large (expenses ² > \$30m)	PBE Standards Public accountability ¹ , or Large (expenses ² > \$30m)
Tier 2	PBE Standards RDR Non-publicly accountable and non-large Elect to be in Tier 2	PBE Standards RDR Non-publicly accountable and non-large Elect to be in Tier 2
Tier 3	Simple Format (Accrual) (PS) Non-publicly accountable & expenses ² ≤ \$2 million Elect to be in Tier 3	Simple Format (Accrual) (NFP) Non-publicly accountable and expenses ² ≤ \$2 million Elect to be in Tier 3
Tier 4	Simple Format (Cash) (PS)³ Entities allowed by law to use cash accounting Elect to be in Tier 4 Non-GAAP standard	Simple Format (Cash) (NFP)³ Entities allowed by law to use cash accounting Elect to be in Tier 4 Non-GAAP standard

¹ Definition of 'public accountability':

- Entities that meet the International Accounting Standards Board's (IASB) definition of public accountability:
 - entities that have debt or equity instruments that are traded, or that will be traded, in a public market; or
 - entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- Entities deemed to be publicly accountable. An entity would be deemed to be publicly accountable in the New Zealand context if:
 - it is an FMC reporting entity or a class of FMC reporting entities that is considered by the FMA to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013 (FMCA 2013); or
 - it is an FMC reporting entity or class of FMC reporting entities that is considered by the FMA 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 FMCA 2013; or
 - it is an issuer under the transitional provisions of the Financial Reporting Act 2013.

For information on which entities the FMA has designated as having 'higher or lower public accountability' refer to the link:
<https://www.fma.govt.nz/compliance/exemptions/exemption-categories/financial-reporting-exemption-information/>

²Expenses' are the total expenses (including losses and grant expenses) recognised and measured in accordance with the relevant tier's standards.

³ In order for an entity to be able to report under Tier 4 PBE Accounting Standards, an entity must, among other requirements, not to meet the legislative size threshold to be a "specified not-for-profit entity". An amendment to XRB A1 (effective for annual periods beginning on or after 1 January 2018, with early application permitted) clarifies that when applying the legislative size threshold entities must consider combined total operating payments of the entity **and all its controlled entities**.

The above Framework applies when an entity is required to comply with NZ GAAP or a non-GAAP Standard. Requirements to comply with GAAP or a non-GAAP Standard are specified in legislation but may be included in other arrangements (e.g. contracts).

The XRB's website reflects the multiple sets of accounting standards that are available, so check you are using the right version. You can find the PS PBE standards [here](#) and the NFP PBE standards [here](#).

We have issued a number of publications in recent times that you may find useful:

- For a summary of each PBE Standard refer to our 'PBE Standards in your pocket' publication, click [here](#); and
- Our framework publication, 'The New Zealand financial reporting landscape' provides a summary of the legislative and accounting standards requirements for New Zealand entities and is available [here](#).

What are the new and revised accounting pronouncements for December 2017?

As occurs so often with changes in accounting standards and financial reporting requirements, some of the new or revised pronouncements may have a substantial impact on particular entities. Therefore, it is important that the pronouncements listed below are carefully reviewed for any potential impacts or opportunities.

The tables overleaf outline the new and revised pronouncements that are either to be applied for the first time for a 31 December 2017 annual or interim reporting period, or which may be early adopted at that date. The footnotes distinguish between mandatory initial application, and pronouncements which were also mandatory in a previous period. We have also included links to relevant Deloitte publications which provide further detail, where appropriate.

In the majority of cases, the disclosure requirements of the individual pronouncements listed in the tables below would not be applicable to half-year financial reports; however, the recognition and measurement requirements would be applied where those pronouncements have been adopted by the entity.

In addition, **disclosure** of the application of new and revised accounting pronouncements needs to be carefully considered, along with the impact of those that are approved but not yet effective. We have outlined some considerations in respect of these in Appendix A.



Summary of amendments to PBE Accounting Standards

The tables below set out the recent new pronouncements for PS PBEs and NFP PBEs respectively, and whether they are optional or mandatory for the financial year ending 30 September 2017 and the financial year or interim period ending 31 December 2017. Further information on each pronouncement can be found in the next section.

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE Standards (Tiers 1 and 2)							
Disclosure Initiative (Amendments to PBE IPSAS 1)	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
2015 Omnibus Amendments to PBE Standards	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
Donated Goods (Amendments to PBE IPSAS 23)	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
2016 Omnibus Amendments to PBE Standards	Refer to page 8 for more detail						
Approved Budget (Amendments to PBE IPSAS 1)	1 Jan 2018	O	O	O	O	O	O
Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 34 Separate Financial Statements	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 35 Consolidated Financial Statements	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 36 Investments in Associates and Joint Ventures	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 37 Joint Arrangements	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 38 Disclosure of Interests in Other Entities	1 Jan 2019	O	O	O	O	O	O
PBE IPSAS 39 Employee Benefits	1 Jan 2019	O	O	O	O	O	O
PBE IFRS 9 Financial Instruments	1 Jan 2021	O	O	O	O	O	O
PBE FRS 48 Service Performance Reporting	1 Jan 2021	O	O	O	O	O	O
Simple Format Reporting (Tiers 3 and 4)							
Amendments to Simple Format Reporting Requirements as a Consequence of XRB A1	1 Jan 2016	M	M	M ²	M ²	M ²	M ²

Key

O Optional

M Mandatory – first time

M² – Mandatory in a previous period

* Annual reporting periods beginning on or after

Impact of each new and revised pronouncement

The following tables set out information on the impact of the recent new pronouncements (see key on page 6).

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE Standards (Tiers 1 and 2)							
Disclosure Initiative (Amendments to PBE IPSAS 1)	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
<p>These amendments have been issued as part of a project to improve presentation and disclosure requirements and:</p> <ul style="list-style-type: none">clarify that an entity should not obscure useful information by aggregating or disaggregating information; and that materiality considerations apply to the primary statements, notes and any specific disclosure requirements in PBE Standards;clarify that the list of line items specified by PBE IPSAS 1 for the statement of financial position and statement of comprehensive revenue and expense can be disaggregated and aggregated as relevant. Additional guidance has also been added on the presentation of subtotals in these statements;clarify that an entity's share of other comprehensive revenue and expense of equity-accounted associates and joint ventures should be presented in aggregate; andclarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes. <p>Consequential amendments were also made to PBE IPSAS 30 and PBE IAS 34.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for NFPs. PS PBEs may apply the amendments early from periods beginning 1 April 2015.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
2015 Omnibus Amendments to PBE Standards	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
<p>The omnibus amendments fall into two categories:</p> <ul style="list-style-type: none"> Amendments to align PBE Standards with NZ IFRS as a consequence of the IASB's Annual Improvements to IFRS. The following Standards are affected: <ul style="list-style-type: none"> PBE IPSAS 16 PBE IPSAS 20 PBE IFRS 3 PBE IFRS 5 PBE IAS 34 Amendments to align PBE Standards with IPSASs as a consequence of the IPSASB's Improvements to IPSASs 2014. The following Standards are affected: <ul style="list-style-type: none"> PBE IPSAS 1 PBE IPSAS 17 PBE IPSAS 28 PBE IPSAS 31 <p>Minor editorial corrections were also made.</p> <p>A list of all the topics covered is included in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for NFPs. PS PBEs may apply the amendments early from periods beginning 1 April 2015.</p>							
Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
<p>These amendments consist of the following:</p> <ul style="list-style-type: none"> generic amendments arising as a result of the updated XRB A1 (e.g. changing the name of XRB A1 in various standards); and other amendments, which include clarification in PBE FRS 46 and PBE FRS 47 relating to the basis of preparation of financial statements by Tier 1 and Tier 2 PBEs. <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for annual periods beginning on or after 1 April 2015.</p>							
Donated Goods (Amendments to PBE IPSAS 23)	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
<p>These amendments provide relief for entities with respect to donated goods in-kind that meet the definition of inventories in PBE IPSAS 12 and where it is not practicable to measure reliably the fair value of those goods at the date of acquisition. These goods would not be recognised at that date. Subsequent to the date of acquisition the following accounting treatment must be applied:</p> <ul style="list-style-type: none"> for goods in-kind that are sold – revenue will be recognised at the date of sale; and for goods in-kind that are distributed free of charge – revenue will not be recognised. <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
2016 Omnibus Amendments to PBE Standards	Different effective dates depending on the specific amendment						
<p>The omnibus amendments fall into three categories:</p> <ul style="list-style-type: none">• amendments arising from Chapters 1-4 of the PBE Conceptual Framework;• amendments arising from Improvements to IPSASs 2015; and• amendments arising from some IASB amendments. <p>Minor editorial corrections were also made.</p> <p>The <i>PBE Conceptual Framework</i> was issued in May 2016. Chapters 1-4 address the role and authority of a conceptual framework, the objectives of general purpose financial reporting, users of general purpose financial reports, the qualitative characteristics and the constraints on information in general purpose financial reports, and the key characteristics of a reporting entity. Terminology and guidance in PBE Standards has therefore been updated, where necessary, to reflect the new framework.</p> <p>Amendments arising from <i>Improvements to IPSASs 2015</i> and IASB amendments are covered in Appendix B. Entities will need to review each individual amendment to identify if any are relevant.</p> <p>Amendments arising from Chapters 1-4 of the <i>PBE Conceptual Framework</i> apply to annual periods beginning on or after 1 January 2017. Refer to Appendix B for the effective dates of the other amendments.</p>							
Approved Budget (Amendments to PBE IPSAS 1)	1 Jan 2018	O	O	O	O	O	O
<p>PBE IPSAS 1 previously included a requirement that when an entity makes publicly available its approved budget, it is to disclose a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements. There was a similar requirement in respect of interim financial statements in PBE IAS 34 <i>Interim Financial Reporting</i>.</p> <p>This amendment replaced the reference to an approved budget with a reference to general purpose prospective financial statements, in both PBE IPSAS 1 for annual reporting and PBE IAS 34 for interim reporting.</p> <p>In addition the comparison is to be presented:</p> <ul style="list-style-type: none">• on the face of the financial statements or as a separate statement for public sector entities; and• on the face of the financial statements, as a separate statement or in the notes for not-for-profit entities. <p>These amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
<i>Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)</i>	1 Jan 2019	O	O	O	O	O	O
<p>This amends the scope of PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> to include property, plant and equipment and intangible assets measured at revalued amounts and also amends PBE IPSAS 17 to clarify that the recognition of impairment losses and reversals of impairment losses for a revalued asset does not necessarily require the entire class of assets to which that item belongs to be revalued.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted.</p>							
<i>PBE IPSAS 34 Separate Financial Statements</i>	1 Jan 2019	O	O	O	O	O	O
<p>This new Standard, when applied with PBE IPSAS 35, supersedes PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP). The requirements of PBE IPSAS 34 are substantially the same as the previous requirements for separate financial statements contained in PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP).</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 35, PBE IPSAS 36, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							



New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE IPSAS 35 Consolidated Financial Statements	1 Jan 2019	O	O	O	O	O	O
<p>This new Standard, when applied with PBE IPSAS 34, supersedes PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP).</p> <p>The objective of PBE IPSAS 35 is to have a single basis for consolidation for all entities, regardless of the nature of the entity, and that basis is control. An entity controls another entity when these three elements are present:</p> <ul style="list-style-type: none"> • power over the other entity; • exposure or rights to variable benefits from involvement with the other entity; and • the ability to use power over the other entity to affect the nature or the amount of the benefits from involvement with the other entity. <p>The Standard provides detailed guidance on how to apply the control principle in a number of situations, including discussion around predetermined activities and network and partner agreements. The mixed group guidance contained in PBE IPSAS 6 (PS) and PBE IPSAS 6 (NFP) has also been incorporated into PBE IPSAS 35, with minimal adjustment.</p> <p>The Standard introduces a new concept of an “investment entity”. Investment entities do not consolidate their subsidiaries but rather account for their interests at fair value.</p> <p>The new Standard also includes an exemption from consolidating controlled investment entities. Instead it requires the controlling entity to present consolidated financial statements which i) measure the investments of the controlled investment entity at fair value through surplus or deficit in accordance with PBE IPSAS 29 and ii) consolidates the other assets and liabilities and revenue and expenses of the controlled investment entity in accordance with PBE IPSAS 35.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 36, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE IPSAS 36 Investments in Associates and Joint Ventures	1 Jan 2019	O	O	O	O	O	O
<p>This new Standard, when applied, supersedes PBE IPSAS 7 <i>Investments in Associates</i>. The new Standard combines the accounting for both associates and joint ventures as a result of requiring the use of the equity method to account for investments in joint ventures as well as for investments in associates. Some of the significant differences between PBE IPSAS 7 and the new Standard are as follows:</p> <ul style="list-style-type: none"> the scope of the Standard has been expanded to include all “quantifiable ownership interests” – PBE IPSAS 7 previously required an ownership interest in an associate to be “in the form of a shareholding or other formal equity structure”; in instances where an entity is precluded by PBE IPSAS 29 from measuring the retained interest in a former associate or joint venture at fair value, the carrying amount may be used as cost on initial recognition of the financial asset. PBE IPSAS 7 did not allow this option; and the new Standard contemplates the accounting for interests in investment entities and requires the investor to retain the fair value measurement applied by the investment entity associate or joint venture. <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 37 and PBE IPSAS 38 are also applied early.</p>							
PBE IPSAS 37 Joint Arrangements	1 Jan 2019	O	O	O	O	O	O
<p>This new Standard classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (which will include some of the entities currently classified as jointly controlled entities).</p> <p>A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.</p> <p>A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.</p> <p>Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation. However, this Standard requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method.</p> <p>The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties’ rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 38 are also applied early.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE IPSAS 38 <i>Disclosure of Interests in Other Entities</i>	1 Jan 2019	O	O	O	O	O	O
<p>This Standard applies to entities that have an interest in controlled entities, joint arrangements, associates or unconsolidated structured entities. It establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information.</p> <p>In particular a number of new disclosures are required by investment entities, entities which control investment entities and which are not themselves investment entities, and in relation to unconsolidated structured entities.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted so long as PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 37 are also applied early.</p>							
PBE IPSAS 39 <i>Employee Benefits</i>	1 Jan 2019	O	O	O	O	O	O
<p>This Standard revises and replaces PBE IPSAS 25, and mainly updates PBE IPSAS 25 for changes made to the equivalent IFRS over recent years (IAS 19 <i>Employee Benefits</i>). The main changes from PBE IPSAS 25 are:</p> <ul style="list-style-type: none"> removal of the corridor approach and introduction of the net interest approach for defined benefit plans; simplification of the accounting for certain contributions from employees or third parties to defined benefit plans; and amendments to the disclosure requirements for defined benefit plans and multi-employer plans. <p>The disclosures required in respect of defined benefit plans and multi-employer plans are also changed.</p> <p>This Standard has an effective date for annual periods beginning on or after 1 January 2019, with early application permitted.</p>							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
PBE IFRS 9 Financial Instruments	1 Jan 2021	O	O	O	O	O	O
<p>The NZASB has taken the decision to issue a new financial instruments PBE Standard based on the for-profit NZ IFRS 9 Financial Instruments, in advance of the IPSASB issuing its own financial instruments standard. This is due to concerns relating to mixed groups and the fact that consistent accounting policies are required when preparing group financial statements. PBE IFRS 9 introduces a new classification and measurement regime for financial instruments and will need to be carefully considered by each entity. Some key changes include:</p> <p>Financial assets</p> <ul style="list-style-type: none"> debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances); the new measurement category of FVTOCRE will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; investments in equity instruments can be designated as 'fair value through other comprehensive revenue and expense' (FVTOCRE) with only dividends being recognised in surplus or deficit; all other instruments (including all derivatives) are measured at fair value with changes recognised in surplus or deficit; the concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines; and all equity investments are measured at fair value (including unquoted equity investments). <p>Financial liabilities</p> <ul style="list-style-type: none"> PBE IPSAS 29 classification categories of amortised cost and fair value through surplus or deficit are retained; changes in credit risk on liabilities designated as at fair value through surplus or deficit is recognised in other comprehensive revenue and expense, unless it creates or increases an accounting mismatch, and is not recycled to surplus or deficit; the meaning of credit risk is clarified to distinguish between asset-specific and performance credit risk; and the cost exemption in PBE IPSAS 29 for derivative liabilities to be settled by delivery of unquoted equity instruments is eliminated. <p>Hedge accounting and credit risk on own liabilities</p> <ul style="list-style-type: none"> a broadening of the risks eligible for hedge accounting; changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces surplus or deficit volatility; the effectiveness test has been replaced with the principle of an "economic relationship" and retrospective assessment of effectiveness is no longer required; and enhanced disclosures regarding an entity's risk management activities. 							

New Pronouncement	Effective date*	Year ending				Interim ending	
		Sep 2017		Dec 2017		Dec 2017	
		PS	NFP	PS	NFP	PS	NFP
<p>The expected loss impairment model</p> <p>The expected loss impairment model will apply to debt instruments measured at amortised cost or FVTOCRE, lease receivables, and certain written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses (the latter applies if credit risk has increased significantly since initial recognition). A different approach applies to purchased or originated credit-impaired financial assets and there are some simplifications and/or accounting policy choices in relation to trade receivables and lease receivables. Extensive disclosure requirements have also been added to PBE IPSAS 30 Financial Instruments: Disclosures.</p> <p>PBE-specific issues addressed</p> <p>PBE IFRS 9, although based on NZ IFRS 9, has incorporated PBE-specific differences that currently exist between the requirements in NZ IAS 39 and PBE IPSAS 29 (e.g. requirements for concessionary loans and guidance on initial recognition of financial assets arising from non-exchange transactions).</p> <p>Alignment to existing PBE Standards has also been addressed – e.g. there is no PBE Standard-equivalent for NZ IFRS 13 <i>Fair Value Measurement</i> or NZ IFRS 15 <i>Revenue from Contracts with Customers</i>, therefore the current fair value and revenue guidance in PBE IPSAS 29 has been incorporated into PBE IFRS 9.</p> <p>Consequential amendments and transition</p> <p>Consequential amendments affecting a number of Standards including PBE IPSAS 30 can be found in Appendix D of PBE IFRS 9 and should be considered. These have been issued with the same effective date as PBE IFRS 9.</p> <p>PBE IFRS 9 has an effective date for annual periods beginning on or after 1 January 2021, with early application permitted. The Standard shall be applied retrospectively, subject to certain exceptions (e.g. most hedge accounting is applied prospectively).</p>							
PBE FRS 48 Service Performance Reporting	1 Jan 2021	O	O	O	O	O	O
<p>This new standard introduces high-level requirements for Tier 1 and Tier 2 PBEs relating to service performance information.</p> <p>All NFP PBEs, and those PS PBEs which are legally required to provide service performance information, must provide the following information:</p> <ul style="list-style-type: none"> the reason for the entity's existence, what the entity aims to achieve over the medium to long term (in broad terms), and how it will go about achieving this. What the entity has done in order to achieve its broader aims and objectives, as stated above. <p>This Standard has an effective date for annual periods beginning on or after 1 January 2021, with early application permitted.</p>							
Simple Format Reporting (Tiers 3 and 4)							
Amendments to Simple Format Reporting Requirements as a Consequence of XRB A1	1 Jan 2016	M	M	M ²	M ²	M ²	M ²
<p>These amendments relate to terminology changes in the Simple Format Reporting requirements as a result of the issue of the updated XRB A1.</p> <p>The amendments apply to annual periods beginning on or after 1 January 2016, with early application permitted for annual periods beginning on or after 1 April 2015.</p>							

Appendix A – Shedding light on the disclosures required

PBE Standards require disclosures in relation to all the new or revised Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, **whether they have been adopted or not**. The requirements for interim financial reports are less onerous but must still be considered.

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

- for annual reporting periods – PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*
- for interim reporting periods – PBE IAS 34 *Interim Financial Reporting*.

Entities reporting under RDR (Tier 2 entities) are permitted exemptions from certain disclosures as noted below.

What disclosures are required?

Applicability of new or revised pronouncement	Summary of disclosures required	
	Annual financial report	Interim financial report
Initial mandatory or voluntary application of a new or revised pronouncement	<p>The relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.</p> <p><i>Tier 2 entities would not need to disclose details of transitional provisions.</i></p> <p>(PBE IPSAS 3.33)</p> <p>When initial application has not had a material impact on the financial statements (and is also not expected to have a material impact in future periods), an entity may wish to include a generic disclosure such as:</p> <p><i>"All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements."</i></p>	<p>The nature and effect of any change in accounting policy compared with the most recent annual financial report.</p> <p>(PBE IAS 34.16A(a))</p> <p>PBE IAS 34 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with PBE IPSAS 3. However, best practice might suggest that the requirements of PBE IPSAS 3 be used as a guide.</p>



Applicability of new or revised pronouncement	Summary of disclosures required	
	Annual financial report	Interim financial report
Pronouncement on issue but not adopted	<p>The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).</p> <p>The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 30 September or 31 December 2017 (updated to 6 December 2017).</p> <p>When initial application is genuinely not expected to have a material impact on the financial statements, an entity may wish to include a generic disclosure such as:</p> <p><i>"There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become mandatory. None are expected to result in a material impact on the Company's financial statements."</i></p> <p><i>Tier 2 entities are exempt from these disclosures.</i> (PBE IPSAS 3.35-36)</p>	<p>The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously disclosed in the prior annual financial report.</p> <p><i>Tier 2 entities are exempt from these disclosures in an annual financial report, and accordingly would also be exempt at the interim period.</i></p>

Deciding on the early adoption of Interpretations

Interpretations that merely interpret the requirements of existing Standards are often considered best practice and so would ordinarily be adopted at an entity's next reporting date or at the mandatory adoption date.

Other Interpretations that effectively introduce new recognition and measurement requirements not explicitly covered under existing Standards might not ordinarily be early adopted, particularly where they change established industry practice and/or require substantial effort to implement.

Accordingly, where an Interpretation is on issue but is not yet mandatory, entities should carefully consider the requirements of each Interpretation and its potential impacts when making a decision whether early adoption is appropriate.

Appendix B –Omnibus Amendments to PBE Standards

This appendix includes a list of the Standards affected and subject matters of the amendments passed in the 2015 and 2016 *Omnibus Amendments to PBE Standards*:

2015:

PBE Standard	Subject of amendment
PBE IPSAS 16 <i>Investment Property</i>	The amendment clarifies that PBE IPSAS 16 and PBE IFRS 3 are not mutually exclusive and application of both Standards may be required.
PBE IPSAS 20 <i>Related Party Disclosures</i>	Clarifies that an entity providing key management personnel services to the reporting entity or to the controlling entity of the reporting entity is a related party of the reporting entity. The amendments also require disclosure of amounts incurred in respect of key management personnel services provided by a separate management entity.
PBE IFRS 3 <i>Business Combinations</i> (consequential amendments made to PBE IPSAS 29 and PBE IPSAS 19)	Clarifies that contingent consideration that is classified as an asset or a liability, whether financial or non-financial, should be measured at fair value at each reporting date. Changes in fair value (other than measurement period adjustments) should be recognised in surplus or deficit.
PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	When an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued: <ul style="list-style-type: none"> • such reclassifications are not considered changes to a plan of sale or a plan of distribution to owners. The classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and • assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) are treated in the same way as assets that cease to be classified as held for sale.
PBE IAS 34 <i>Interim Financial Reporting</i>	The amendments require that information required by PBE IAS 34 that is presented elsewhere, outside the interim financial statements, is incorporated by way of a cross-reference from the interim financial statements to the other statement (e.g. management commentary) and that the other statement is to be made available to users on the same terms and at the same time as the interim financial statements.
PBE IPSAS 1 <i>Presentation of Financial Statements</i> (consequential amendments made to PBE IAS 34 and PBE FRS 47)	Clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of PBE IPSAS 1.

PBE Standard	Subject of amendment
PBE IPSAS 17 <i>Property, Plant and Equipment</i>	<p>Clarifies the following:</p> <ul style="list-style-type: none"> • spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in PBE IPSAS 17 and as inventory otherwise; • on revaluation the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset (e.g. proportionately) and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or accumulated depreciation is eliminated against the gross carrying amount; and • a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. <p>The amendments also add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.</p>
PBE IPSAS 28 <i>Financial Instruments: Presentation</i>	<p>Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with PBE IAS 12 <i>Income Taxes</i>.</p>
PBE IPSAS 31 <i>Intangible Assets</i>	<p>Clarifies that:</p> <ul style="list-style-type: none"> • there is a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated; and • on revaluation the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset (e.g. proportionately) and that accumulated amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses, or accumulated amortisation is eliminated against the gross carrying amount. <p>The amendments also add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.</p>

(Applicable for periods beginning on or after 1 January 2016)

2016:

PBE Standard	Subject of amendment
PBE IPSAS 12 <i>Inventories</i>	The term “ammunition” has been replaced with the term “military inventories”, with a description added.
PBE IPSAS 17 <i>Property, Plant and Equipment</i> PBE IPSAS 27 <i>Agriculture</i>	<p>The amendments bring bearer plants, which are used solely to grow produce, into the scope of PBE IPSAS 17 (and out of the scope of PBE IPSAS 27) so that they are accounted for in the same way as property, plant and equipment. A bearer plant is defined as “a living plant that:</p> <ul style="list-style-type: none"> • is used in the production or supply of agricultural produce; • is expected to bear produce for more than one period; and • has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.” <p>The amendments clarify that produce growing on bearer plants continues to be accounted for under PBE IPSAS 27.</p> <p>The amendments to PBE IPSAS 17 also replace the term “specialist military equipment” with the term “weapons systems”, with a description added.</p>
PBE IPSAS 32 <i>Service Concession Arrangements: Grantor</i>	The amendments remove the possibility that dissimilar assets might be accounted for as a single class of assets under PBE IPSAS 32. It will be necessary to reassess the classification of service concession assets as a result of the amendments. Specific transitional provisions must be followed where there is a reclassification – refer to the amended PBE IPSAS 32 for further guidance.
PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	This is an editorial correction to reinstate an original requirement to disclose the income tax expense of discontinued operations.
PBE IAS 12 <i>Income Taxes</i>	<p>The amendments clarify the following:</p> <ul style="list-style-type: none"> • unrealised losses on debt instruments measured at fair value for accounting purposes but at cost for tax purposes can give rise to deductible temporary differences, regardless of whether the carrying amount is expected to be recovered through holding the instrument until maturity or by sale of the instrument; • When determining whether future taxable profits are available against which deductible temporary differences may be utilized, tax deductions resulting from the reversal of those deductible temporary differences are excluded; and • Estimates of future taxable profits may take into account the recovery of an asset for more than its carrying amount if there is sufficient evidence that this recovery is probable.

(Applicable for periods beginning on or after 1 January 2017 except for the bearer plant amendments, which are applicable for periods beginning on or after 1 January 2018)

New Zealand Directory

Auckland Private Bag 115033, Shortland Street, Auckland, 1140, Ph +64 (0) 9 3030700, Fax +64 (0) 9 3030701

Hamilton PO Box 17, Hamilton, 3240, Ph +64 (0) 7 838 4800, Fax +64 (0) 7 838 4810

Rotorua PO Box 12003, Rotorua, 3045, Ph +64 (0) 4 343 1050, Fax +64 (0) 4 343 1051

Wellington PO Box 1990, Wellington, 6140, Ph (0) 4 470 3500, Fax +64 (0) 4 470 3501

Christchurch PO Box 248, Christchurch, 8140, Ph +64 (0) 3 363 3800, Fax +64 (0) 3 363 3801

Dunedin PO Box 1245, Dunedin, 9054, Ph +64 (0) 3 474 8630, Fax +64 (0) 3 474 8650

Internet address <http://www.deloitte.co.nz>

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte New Zealand brings together more than 1200 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2017. For information, contact Deloitte Touche Tohmatsu Limited.

This publication is intended for the use of clients and personnel of Deloitte. It is also made available to other selected recipients. Those wishing to receive this publication are asked to communicate with:

The Editor,
Accounting Alert

Private Bag 115033,
Shortland Street,
Auckland, 1140

Ph +64 (0) 9 309 4944
Fax +64 (0) 9 309 4947