



NZ ACCOUNTING
STANDARDS
BOARD

Memorandum

Date: 20 October 2017
To: NZASB Members
From: Lisa Kelsey and Joanne Scott
Subject: **PBE FRS 48 Service Performance Reporting**

Action required

1. The Board is asked to APPROVE for issue PBE FRS 48 *Service Performance Reporting*.
2. We are asking the Board to:
 - (a) CONSIDER the changes to the draft standard to incorporate feedback from the Board's September 2017 meeting. These changes are discussed in this memo and identified in agenda item 3.2;
 - (b) APPROVE the standard (see the clean copy in agenda item 3.3);
 - (c) AGREE that the applicable due process steps have been completed (see agenda item 3.4); and
 - (d) APPROVE the signing memo (see agenda item 3.5).
3. At the meeting we plan to work through each of these documents in turn. We will address the questions in this memo and the wording of the proposed standard as we work through agenda item 3.2.

Background

4. In September 2017 the Board considered feedback (from constituents and members of the NZAuASB) on the limited scope review draft. The issues considered at the last meeting are noted below.

Issues considered in September 2017	Board response
Qualitative characteristics	General support for proposed changes. Further changes required to the explanation of verifiability. Add a footnote beside the word 'materiality'.
Disclosure of judgements	Support for some of the proposed changes, especially the expanded discussion of how much discretion the entity has over its service performance information.

Issues considered in September 2017	Board response
	<p>Drop the word 'critical'. Use wording similar to PBE IPSAS 1 paragraph 137 to express the disclosure requirement.</p> <p>Drop the words 'information about'.</p> <p>Rethink disclosure of measures/methodologies.</p> <p>Check that the proposed disclosure requirement (about measurement judgements) in paragraph 46(g) flows from earlier discussion in the standard.</p>
Scope	No change.
Structure/Definitions	No change.
Cost of goods and services	Give more emphasis to importance of cost information and its role in linking financial and non-financial information.
Effective date	No change.
Amendments to PBE FRS 42 <i>Prospective Financial Statements</i>	Staff to do more work on the pros and cons of amending this standard as part of this project, or as part of a future project, and come back with recommendations.
Comments on guidance (various)	<p>Noted previous decision that the focus of the guidance should be on Tier 2 NFPs.</p> <p>Work on guidance will recommence once the standard has been approved.</p>
Schedule a post-implementation review of this standard	Noted for future consideration.
Difference between service performance reporting requirements in different tiers of reporting	Noted will be considered in the context of the post-implementation review of the Tier 3 and Tier 4 standards.
Feedback statement on changes to limited scope ED	Agreed not to produce.

5. At the Board's September meeting there was also some discussion of the need for the accounting and auditing standards on service performance reporting to work together. The Board noted that the NZAuASB was close to issuing an exposure draft. The NZAuASB has since issued ED NZAuASB 2017-2 New Zealand Auditing Standard XX *The Audit of Service Performance Information*. Comments on the ED are due by 20 December 2017.

Structure of this memo

6. This memo has the following sections:
- (a) Issue 1: Qualitative characteristics;

- (b) Issue 2: Cost of goods and services;
- (c) Issue 3: Disclosure of judgements;
- (d) Issue 4: PBE FRS 42 issues;
- (e) Issue 5: Basis for Conclusions; and
- (f) Issue 6: Other matters.

Issue 1: Qualitative characteristics

7. In September the Board asked staff to relook at paragraph 9(f) and consider whether the first sentence should be deleted. We recommend keeping the first sentence of 9(f) for the reasons discussed below.
8. The changes to the description of verifiability paragraph 9(f) were prompted by feedback from the NZAuASB and a desire to give readers a better understanding of the qualitative characteristics in the PBE Conceptual Framework without them going back and reading that document. In order to help the Board form a view about the appropriateness of paragraph 9(f), we have included paragraph 9(f) and relevant extracts from the PBE Conceptual Framework in this memo (see below).
9. The extracts from the PBE Conceptual Framework show that the first sentence of paragraph 9(f) comes almost directly from the PBE Conceptual Framework (paragraph 3.26). The second sentence of 9(f) does not come directly from the PBE Conceptual Framework but it does reflect the ideas in paragraphs 3.26 to 3.29. It also links to a discussion of qualitative characteristics in the NZAuASB's ED on service performance information. The last sentence of paragraph 9(f) is based on paragraph 3.31 of the PBE Conceptual Framework.
10. We have made a couple of minor change to the third sentence of paragraph 9(f) (see mark-ups below). Following a review of the terms methodology and methods in the proposed standard we propose that paragraph 9(f) refer to 'methods' rather than 'methodologies'.¹ We acknowledge that 9(f) is based on paragraph 3.31 of the PBE Conceptual Framework, which refers to methodologies. That usage was appropriate in the Conceptual Framework, (although the PBE Conceptual Framework could equally have referred to methods). We prefer the word method in paragraph 9(f) because method is used later in that paragraph.
11. Extracts from the PBE Conceptual Framework discussion of verifiability are shown below for ease of reference.

Proposed standard: Paragraph 9(f)

- 9(f) Verifiability: This is the quality of information that helps assure users that service performance information faithfully represents the entity's service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is ~~verifiable-enhanced~~ when the assumptions underlying the information are explicit, the methodologies adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are

¹ This change in terminology is also mentioned under Issue 3, as it arose in the context of that discussion.

transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

Extracts from the PBE Conceptual Framework

Verifiability

- 3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents the economic and other phenomena that it purports to represent. Supportability is sometimes used to describe this quality when applied in respect of explanatory information and prospective financial and non-financial quantitative information disclosed in GPFRs—that is, the quality of information that helps assure users that explanatory or prospective financial and non-financial quantitative information faithfully represents the economic and other phenomena that it purports to represent. Whether referred to as verifiability or supportability, the characteristic implies that different knowledgeable and independent observers could reach general consensus, although not necessarily complete agreement, that either:
- The information represents the economic and other phenomena that it purports to represent without material error or bias; or
 - An appropriate recognition, measurement, or representation method has been applied without material error or bias.
- 3.27 To be verifiable, information need not be a single point estimate. A range of possible amounts and the related probabilities also can be verified.
- 3.28 Verification may be direct or indirect. With direct verification, an amount or other representation is itself verified, such as by (a) counting cash, (b) observing marketable securities and their quoted prices, or (c) confirming that the factors identified as influencing past service performance were present and operated with the effect identified. With indirect verification, the amount or other representation is verified by checking the inputs and recalculating the outputs using the same accounting convention or methodology. An example is verifying the carrying amount of inventory by checking the inputs (quantities and costs) and recalculating the ending inventory using the same cost flow assumption (for example, average cost or first-in-first-out).
- 3.29 The quality of verifiability (or supportability if such term is used to describe this characteristic) is not an absolute—some information may be more or less capable of verification than other information. However, the more verifiable is the information included in GPFRs, the more it will assure users that the information faithfully represents the economic and other phenomena that it purports to represent.
- 3.30 GPFRs of public benefit entities may include financial and other quantitative information and explanations about (a) key influences on the entity’s performance during the period, (b) the anticipated future effects or outcomes of services undertaken during the reporting period, and (c) prospective financial and non-financial information. It may not be possible to verify the accuracy of all quantitative representations and explanations of such information until a future period, if at all.
- 3.31 To help assure users that prospective financial and non-financial quantitative information and explanations included in GPFRs faithfully represents the economic and other phenomena that they purport to represent, the assumptions that underlie the information disclosed, the methodologies adopted in compiling that information, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.
12. We have also made a minor change to paragraph 9(a). We added a footnote beside the word ‘materiality’ to refer readers to the guidance on materiality in PBE IPSAS 1.

Q1. Does the Board agree with the changes to paragraph 9 of the proposed PBE FRS 48?

Issue 2: Cost of goods and services

- 13. The Board agreed to give more emphasis to the importance of linking financial and non-financial information and the role of cost information in doing this.
- 14. We are seeking agreement to the revised discussion of reporting cost information (see paragraph 28 of agenda item 3.2).

Q2. Does the Board agree with the changes to paragraph 28 of the proposed PBE FRS 48?

Issue 3: Disclosure of judgements

- 15. The changes to this section since the September meeting are as follows.
 - (a) Critical judgements: The term ‘critical judgements’ is no longer used. Paragraphs 44–46 now refer to ‘those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported’. This change has also affected paragraph IN6 and the Basis for Conclusions.
 - (b) Judgements about methods and measures: We have revised paragraph 46(g). Part (g) was added to respond to a comment by a respondent. The Board noted that staff might not have reflected the respondent’s intention and asked staff to reconsider the proposed disclosure. Paragraph 46(g) now asks entities to consider whether they should disclose information about “The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions”.
- 16. The discussion of paragraph 46(g) in September prompted some discussion of when the standard should refer to “methodologies” and when it should refer to “methods”. Methodology is defined as the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Methodological issues are issues about which methods to use. Depending on context it can be appropriate to talk about the methods or methodology used by an entity (for example, an entity may refer to its methodology, being the collection of methods it uses use to collect data). We have reviewed the use of these terms in the standard and suggest that we use method whenever the context permits. The term method is now used in paragraphs 9(f), 22 and 46(g).
- 17. In addition, staff were asked to check whether paragraph 46 would introduce the first reference to methods or methodologies (as it would seem odd to introduce a disclosure requirement if the term was not used elsewhere in the standard). This was not the first use – paragraph 9 was the first use. However, we think that it would also be appropriate to mention methods alongside the discussion of performance measures and/or descriptions. We are proposing to add a sentence to paragraph 22 to acknowledge that an entity also makes judgements in selecting data collection and compilation methods.

Q3. Does the Board agree with the changes to paragraphs 44 to 46 of the proposed PBE FRS 48?

Issue 4: PBE FRS 42 issues

18. In the 2016 ED and the limited scope review draft the Board proposed to amend PBE FRS 42 *Prospective Financial Information* to require application of its requirements, to both prospective financial statements and, to the extent appropriate, to prospective service performance information. Feedback on the limited scope review draft has prompted the Board to reconsider these proposals.
19. At the Board's September meeting the Board noted that a respondent disagreed with the proposed amendments to PBE FRS 42 and felt that the amendments might have an unintended consequence. R6 recommended that the Board not amend PBE FRS 42 as part of this project. Instead, R6 proposed that the Board carry out further work to determine how best to cater for prospective service performance information. R6's comments are shown below.

R6's comments

Prospective service performance information is different to prospective financial statement information.

Prospective financial statement information provides the best estimate of the future financial performance and position of an entity. Readers can then compare actual results against the prospective information.

In our experience, prospective service performance information provides targets and measures for what an entity is aiming to achieve, and this is not necessarily the best estimate of what the entity will achieve. Readers can then compare actual achievements against what the entity aimed to achieve.

This difference suggests to us that the characteristics of prospective financial statement information cannot necessarily be applied to prospective service performance information. We think the proposed amendments could result in unintended changes to the way that prospective service performance information is prepared in future.

In our view the proposed amendments to PBE FRS 42 *Prospective Financial Statements* should not be made. We think the NZASB should carry out further work to determine how best to cater for prospective service performance information.

20. The Board asked staff to do more work on this issue so that it could understand any risks associated with the amendments and the pros and cons of the options available to it. We are reporting back on these matters in this memo. We have tackled the issue by looking at:
 - (a) which entities report *prospective* service performance information; and
 - (b) pros and cons of proceeding (or not proceeding) with the amendments to PBE FRS 42 in the limited scope review draft.
21. After looking at these issues, our recommendation is not to amend PBE FRS 42 at this time. Instead we propose that the Board looks at all issues associated with PBE FRS 42 as part of a separate project.

Entities reporting prospective service performance information

22. Not-for-profit entities do not normally publish detailed forward looking documents. Some publish high-level strategic plans that identify key measures for a certain period. For example,

the Heart Foundation has published a snapshot-type Strategic Plan.² This raises the question of how detailed information has to be before we would expect it to fall within the scope of an expanded PBE FRS 42.

23. Public sector entities (such as departments and crown entities) are the types of entities most likely to publish prospective service performance information.³ Requirements to publish such information usually sit alongside requirements to publish prospective financial statements.
24. Many crown entities are required by the Crown Entities Act 2004 to prepare a statement of performance expectations which includes forecast financial statements and information about reportable classes of outputs (such as what is intended to be achieved and how performance will be assessed). The statement of performance expectations must comply with generally accepted accounting practice (Crown Entities Act 2004 s149E). The notes to the prospective financial statements generally assert compliance with NZ GAAP and make reference to PBE FRS 42 *Prospective Financial Statements*. The examples that staff have looked at have not made assertions of compliance in respect of the prospective service performance information. The Crown Entities Act 2004 does not require that statements of performance expectations be audited. As required by PBE IPSAS 1, crown entities present a comparison of their prospective and historical financial statements in their annual financial statements.⁴
25. The requirements for departments are a bit more complicated than those for crown entities. They too have obligations to present prospective financial statements and prospective performance information and annual financial statements and annual performance information, but in the case of performance information about appropriations, the responsibility for preparing and presenting information may fall on a department or a related crown entity. Departments may also publish performance information at varying levels of detail in different documents or different formats (for example, departments are required to publish information about strategic intentions on their websites at regular intervals and many also include such information in four year plans). The current requirements in the Public Finance Act 1989 are more general than some of the previous requirements in that Act.
26. With regard to prospective or forecast departmental information, the Public Finance Act 1989:
 - (a) requires that forecast financial statements be prepared in accordance with NZ GAAP (and the notes to such statements normally refer to PBE FRS 42). The prospective financial statements are not normally audited; and
 - (b) does not specify that prospective performance information be prepared in accordance with NZ GAAP.
27. Forecast financial statements and forecast non-financial information produced by departments are not subject to audit.

² <http://assets.heartfoundation.org.nz/documents/marketing/about-us/heart-foundation-strategic-plan.pdf>

³ This is a general discussion to illustrate the issues that might arise. Legislative reporting requirements for individual entities and specific circumstances may differ.

⁴ We are proposing minor changes to PBE IPSAS 1 paragraph 148.3 – see Appendix A of the proposed PBE FRS 48.

28. With regard to annual departmental information the Public Finance Act 1989 requires that:
- (a) forecast financial statements be prepared in accordance with NZ GAAP; and
 - (b) the end-of-year performance information for an appropriation must be prepared in accordance with generally accepted accounting practice, to the extent that the information is of a form or nature for which provision is made in financial reporting standards that form part of generally accepted accounting practice. (PFA section 19C(3))
29. The following table tries to summarise the relationship between departments' reporting requirements and financial reporting standards. We think it shows that, if we extended the scope of PBE FRS 42 to apply to general purpose prospective service performance information, this could change current practice and could also raise scope issues.

Departmental information	Compliance?
Forecast financial statements	Must comply with GAAP. PBE FRS 42 applies to prospective/forecast financial statements.
Forecast service performance information	No explicit assertions of compliance with GAAP found in public sector reports that include such information. In part this is because we do not currently have standards-level requirements for the preparation and presentation of such information. In part it could also be because the legislation is silent about such compliance. We are suggesting that PBE FRS 42 and PBE FRS 48 remain silent (for now) about the requirements for the preparation and presentation of prospective service performance information.
Annual financial statements	Must comply with GAAP. PBE Standards apply to annual financial statements. PBE IPSAS 1 (paragraph 148.1) requires a comparison of previously published prospective financial statements and annual financial statements.
Annual service performance information	The Public Finance Act 1989 requires compliance with GAAP (if there is a standard <i>and</i> the information falls within the scope of that standard). PBE FRS 48 will apply to service performance information in a general purpose financial report. PBE FRS 48 will require a comparison of previously published prospective service performance information and the annual service performance information.

Pros and cons

30. The general principles of PBE FRS 42 are that an entity preparing prospective information:
- (a) uses the best information;
 - (b) uses information that is reasonable and supportable; and

- (c) uses information that meets the qualitative characteristics outlined in the PBE Conceptual Framework.
31. The proposed amendments to PBE FRS 42 which were set out in the limited scope review draft would have extended the scope of PBE FRS 42 to general purpose prospective service performance information. This would have meant, for example, that the general principles and the requirements about assumptions would apply to both prospective financial information and prospective service performance information.
 32. Some arguments for proceeding with the amendments in the limited scope review draft are as follows.
 - (a) The principles and requirements in PBE FRS 42 (apart from scope) appear to have general acceptance.
 - (b) It would mean that the same assumptions are used in the preparation of prospective financial statements and prospective service performance information.
 - (c) There would be some requirements in PBE Standards for the preparation and presentation of prospective service performance information.
 33. Some arguments against proceeding with the amendments in the limited scope review draft are as follows.
 - (a) They run the risk of changing current practice (which, in some cases, could be to report optimistic, rather than realistic, targets).
 - (b) The amendments could have left people uncertain about the extent to which they should apply the principles in PBE FRS 42 and PBE FRS 48 to prospective service performance information (in the amendments we focused on the application of the principles in PBE FRS 42 and did not address how both sets of principles would be applied together).
 - (c) It would be sensible to undertake further consultation on what is understood by the terms general purpose prospective financial statements and general purpose prospective service performance information.
 - (d) The application of the requirements in PBE FRS 42 has been explicitly considered by Parliament in relation to financial statements, but not in relation to service performance information.
 - (e) Despite there having been two consultations on the proposed standard, constituents may not have focussed on the proposed consequential amendments to PBE FRS 42.
 - (f) The Board already plans to have a project to reconsider the scope of PBE FRS 42. Expanding the application of PBE FRS 42 to prospective service performance information could also raise scope issues.
 34. Considering all of these points together, we think it would be better to consider all the issues associated with preparing and presenting prospective service performance information and prospective financial information in one project. This would allow constituents to think about

how to apply the principles in both PBE FRS 48 and PBE FRS 42 to prospective service performance information and to consider what types of prospective service performance information such requirements should apply to. It would also allow us to consider where such requirements should be located (for example in PBE FRS 42 or PBE FRS 48). Following the completion of the for-profit project on FRS-42 the Board plans to look at scope issues associated with PBE FRS 42. We think that the PBE FRS 42 project on the workplan should be broadened to include issues associated with prospective service performance information.

35. We acknowledge that not addressing prospective service performance information in PBE FRS 42 is not ideal. However, considering the pros and cons we have identified above, we think there are fewer risks associated with deferring these issues to a future project than trying to address them as part of this project.

Q4. Does the Board agree not to amend PBE FRS 42 as part of this project and to broaden the description of the future PBE FRS 42 project to include prospective service performance information?

36. If the Board agrees with this recommendation, we are seeking agreement to:
- (a) the change to paragraph 4 of PBE FRS 48;
 - (b) the changes to paragraphs 37, 39 and 42 of PBE FRS 48;
 - (c) the changes to the consequential amendments to PBE IPSAS 1 paragraphs 24.1 and 148.1 to 148.3;
 - (d) the changes to the consequential amendments to PBE IAS 34 *Interim Financial Reporting* paragraph 25.1A;
 - (e) the discussion in the Basis for Conclusions on PBE FRS 42, paragraph BC5; and
 - (f) the discussion in the Basis for Conclusions on PBE FRS 48, paragraphs BC43 to BC45.

Q5. Does the Board agree with the above changes in the proposed PBE FRS 48?

Issue 5: Basis for Conclusions

37. We have revised the Basis for Conclusions to incorporate the main issues considered by the Board over the last few months. We are seeking agreement of the revised Basis for Conclusions on PBE FRS 48 (see the Appendix to agenda item 3.2).
38. R12 noted that there could be caveats for some of the requirements in the standard and suggested that it could be useful to explain that there could be exceptions to these requirements. In September we proposed adding a footnote to paragraph IN6 because we acknowledged that there are some variations on the requirements for differing circumstances. We have since reconsidered this and are now proposing not to add the footnote (which is now shown as struck through text). Our reasoning is that although an entity's circumstances might affect what is required by the standard, the standard still establishes requirements.

Recommendations

39. We recommend that the Board:

- (a) CONSIDERS the changes to the draft standard to incorporate feedback from the Board's September 2017 meeting. These changes are discussed in this memo and identified in agenda item 3.2;
- (b) APPROVES for issue PBE FRS 48 (see agenda item 3.3 for a clean copy);
- (c) AGREES that the applicable due process steps have been completed (see agenda item 3.4); and
- (d) APPROVES the signing memorandum from the Chair of the NZASB to the Chair of the XRB Board requesting approval to issue the standard (see agenda item 3.5).

Next steps

40. We will arrange for the standard to be gazetted and recommence work on the guidance.

Attachments

- Agenda Item 3.2: Proposed PBE FRS 48 *Service Performance Reporting* (showing mark-ups from limited scope review draft)
- Agenda Item 3.3: Proposed PBE FRS 48 *Service Performance Reporting* (clean)
- Agenda Item 3.4: Due process memorandum
- Agenda Item 3.5: Signing memorandum

For consideration at the NZASB November 2017 meeting.

SERVICE PERFORMANCE REPORTING

Note for the Board:

This agenda item sets out the proposed PBE FRS 48 *Service Performance Reporting*. The mark-ups show changes to the limited scope review draft issued in May 2017. A number of these changes were considered and agreed in September.

We are now seeking agreement to the changes discussed in agenda item 3.1 and identified in this item by way of comment boxes.

For the purpose of approving the standard, a clean copy of the standard is included in agenda item 3.3.



NZ ACCOUNTING
STANDARDS
BOARD

Service Performance Reporting

Issued November 2017~~{month/year}~~

This Standard was issued on 9 November 2017~~{Date}~~ 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 7 December 2017~~{Date}~~.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in paragraph 4847.

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 establish requirements for service performance reporting by Tier 1 and Tier 2 public benefit entities.

PBE FRS ~~48XX~~ SERVICE PERFORMANCE REPORTING**COPYRIGHT**

© External Reporting Board (XRB) 2017

This ~~[limited scope review draft of an]~~ XRB Standard contains copyright material.

Reproduction in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address: enquiries@xrb.govt.nz

ISBN ~~978-0-947505-41-7~~

PBE FRS ~~48XX~~ SERVICE PERFORMANCE REPORTING

CONTENTS

	<i>from paragraph</i>
Introduction.....	IN1
Objective.....	1
Scope.....	3
Principles.....	6
Information to be Reported	11
Reporting Entity and Reporting Period	11
Service Performance Information.....	15
Performance Measures and/or Descriptions	20
Presentation.....	29
Comparative Information and Consistency of Reporting.....	36
Disclosure of Judgements	44
Effective Date	48 <u>47</u>
Appendix A: Amendments to Other Standards	
Basis for Conclusions	
Tables of Concordance	

Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* is set out in paragraphs 1–48 and Appendix A. All the paragraphs have equal authority. PBE FRS 48 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE FRS 48, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

SERVICE PERFORMANCE REPORTING

Introduction**Reasons for Issuing the Standard**

- IN1 The New Zealand Accounting Standards Board (NZASB) has issued this Standard to establish requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public benefit entities. Public benefit entities have aims and objectives that relate to serving the community or society (or a section thereof). They seek to achieve these aims and objectives by using funds received from resource providers (for example, taxpayers, ratepayers, donors and grantors) to undertake activities for community or social benefit. Therefore, service performance information is an important part of their general purpose financial reports.
- IN2 Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
- IN3 This Standard establishes high-level requirements because:
- (a) Service performance reporting is an area of reporting that continues to evolve;
 - (b) Entities may be subject to a range of service performance reporting requirements, including legislative requirements and may use a variety of performance frameworks; and
 - (c) It provides flexibility for entities to determine how best to 'tell their story' in an appropriate and meaningful way.

Accountability and Decision Making

- IN4 The primary users of general purpose financial reports of public benefit entities are resource providers (for example, taxpayers, ratepayers, donors, grantors and lenders) and service recipients, and their representatives. Users of general purpose financial reports of public benefit entities rely on those reports for information that is useful for accountability and decision making. Financial statements provide some, but not all, of the information users require.
- IN5 Although the exact nature of users' interests in an entity's service performance information will be influenced by a number of factors (for example, the nature of an entity's functions, the extent to which it can influence society or segments of society, and the nature of its agreements with funders and other entities) they generally have some common interests. They are generally interested in whether an entity has used funds for the purpose intended, what it has achieved with the resources available to it, and whether it could have done more with those resources. They may also be interested in forming judgements about what an entity could do with additional resources.

Main Features of the Standard**Issue 3: Disclosure of judgements**

The changes to paragraph IN6(e) are consistent with the changes to paragraphs 44–46.

Issue 6: Other matters

R12 noted that there could be caveats for some of the requirements in the standard and suggested that it could be useful to explain that there could be exceptions to these requirements. In September we proposed adding a footnote to paragraph IN6 (now shown as struck through text). We have since reconsidered this and are now proposing not to add the footnote. Although an entity's circumstances might affect what is required by the standard, the standard still establishes requirements.

- IN6 This Standard establishes requirements for the selection and presentation of service performance information. It requires¹ that an entity:
- (a) Present its service performance information and financial statements in the same general purpose financial report;

¹ ~~As explained in the Standard, there are some exceptions to these requirements.~~

- (b) Apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). It states that application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports;
- (c) Except as otherwise required by legislation, present service performance information for the same reporting entity and reporting period as the financial statements;
- (d) Provide users with (i) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and (ii) provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives;
- (e) Disclose ~~critical~~ those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of made-in-reporting service performance information reported in accordance with this standard that are relevant to an understanding of the entity's service performance information;
- (f) Clearly identify the service performance information presented in accordance with the Standard; and
- (g) Provide comparative information.

IN7 These requirements draw upon the concepts in the PBE Conceptual Framework including the objective of general purpose financial reporting, the users of general purpose financial reports and their information needs, and the qualitative characteristics.

SERVICE PERFORMANCE REPORTING

Objective

1. **The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.**
2. Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.

Scope

3. **This Standard applies to:**
 - (a) **All Tier 1 and Tier 2 not-for-profit public benefit entities; and**
 - (b) **Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.**

Issue 4: PBE FRS 42 issues

In agenda item 3.1 we recommend that the Board considers PBE FRS 42 issues as part of a separate project. The change to paragraph 4 is consistent with that recommendation.

4. This Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 *Interim Financial Reporting*, ~~PBE FRS 42 *Prospective Financial Statements*~~, and PBE FRS 43 *Summary Financial Statements* establish requirements for service performance information presented in general purpose reports that include interim financial statements, ~~prospective financial statements~~ and summary financial statements respectively. This Standard does not apply to other non-financial information presented in a general purpose financial report (for example, information about an entity's performance relating to its environmental goals or values), unless this information is directly linked to its service performance.
5. Nonetheless, application of the principles and requirements of this Standard to service performance information outside the scope of this Standard is encouraged to the extent applicable.

Principles

6. **An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.**
7. **In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.**
8. The qualitative characteristics of information included in general purpose financial reports are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics identified in the PBE Conceptual Framework are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting in general purpose financial reports. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary. An entity considers the needs of users and the objectives of financial reporting in the application of the qualitative characteristics to service performance information.

Issue 1: Qualitative characteristics

We are seeking agreement to the marked-up changes in paragraph 9.

Paragraph 9(a): There is a new footnote beside the word “materiality” which refers readers to the guidance on materiality in PBE IPSAS 1. The Board suggested adding a footnote to paragraph 10 but we think it is better located here.

Paragraph 9(f): The Board asked staff to relook at paragraph 9(f) and consider whether the first sentence should be deleted. As discussed in agenda item 3.1, we recommend keeping the first sentence of 9(f).

Paragraph 9(f): This paragraph now refers to ‘methods’ rather than ‘methodologies’. We acknowledge that 9(f) is based on paragraph 3.31 of the PBE Conceptual Framework which refers to methodologies. That usage was appropriate there (although the PBE Conceptual Framework could equally have referred to methods). We prefer the word method here, because method is used later in the sentence.

9. When applying the qualitative characteristics to service performance information the following are important:
 - (a) **Relevance:** Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality² of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity’s accountability for service performance and in making decisions that rely on information about service performance (for example, whether to provide funding to an entity or whether to work with an entity in the pursuit of common goals). Relevance should be applied in considering what, and how much, to report on service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.
 - (b) **Faithful Representation:** To be useful, service performance information must be a faithful representation of the entity’s service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity’s service performance with appropriate links to financial information. Neutrality is the absence of bias. For service performance information to be neutral it needs to report on both favourable and unfavourable aspects of the entity’s service performance in an unbiased manner. Free from material error means that there are no errors or omissions that are individually or collectively material in the service performance information.
 - (c) **Understandability:** Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.
 - (d) **Timeliness:** Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
 - (e) **Comparability:** Service performance information should provide users with a basis and context to compare an entity’s service performance over time, and where appropriate, against planned performance or the performance of other entities.
 - (f) **Verifiability:** This is the quality of information that helps assure users that service performance information faithfully represents the entity’s service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is enhanced ~~verifiable~~—when the assumptions underlying the information are explicit, the methodologies adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.

² Refer to paragraphs 46A.1 and 46A.2 of PBE IPSAS 1 *Presentation of Financial Reports* for guidance on making judgements about materiality in relation to service performance information.

10. The pervasive constraints on information identified in the PBE Conceptual Framework are materiality, cost-benefit and balance between the qualitative characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.

Information to be Reported

Reporting Entity and Reporting Period

11. **Except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements.**
12. The reporting entity and reporting period concepts are relevant for both financial statements and service performance reporting. This Standard discusses some additional factors that need to be considered when applying these concepts to service performance information.
13. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that entire economic entity. If the reporting entity is a single entity, then service performance is reported in respect of that single entity. Where legislation or regulation requires service performance information to be prepared for a reporting entity that differs from the reporting entity for which historical general purpose financial statements are presented, an entity is compelled to comply with such legislation or regulation.
14. This Standard establishes requirements for reporting on an entity's service performance for a reporting period. However, public benefit entities often have long-term service performance objectives. Judgement is required in deciding how much information to provide about the entity's service performance in the current reporting period and how much information to provide about progress towards its long-term objectives. In reporting on its current period's service performance an entity is likely to need to provide information that relates to previous periods or future periods (such as trend data) to provide context.

Service Performance Information

15. **An entity's service performance information shall:**
 - (a) **Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and**
 - (b) **Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.**
16. Paragraph 15 establishes requirements about the service performance information to be reported. Presentation of service performance information is discussed in paragraphs 29 to 35.
17. Paragraph 15(a) requires contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information should be drawn from relevant documents such as founding documents, governance documents, accountability documents and planning documents. For example, a not-for-profit entity would consider documents such as its constitution, trust deed, mission statement (vision, purpose) and its most recent plans and strategies. If an entity uses a performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw upon that performance framework, theory of change or intervention logic. For example, a local authority's Long-Term Plan provides a meaningful performance framework for its activities.
18. In providing the contextual information required by paragraph 15(a), an entity shall explain the main ways in which it carries out its service performance activities. For example:
 - (a) Delivering goods and services directly to individuals, entities or groups (including members);
 - (b) Working together with other entities that share common objectives;
 - (c) Contracting with other entities to deliver goods and services on their behalf; or
 - (d) Making grants to other individuals or entities.
19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding

what to report.

- (a) *What it is accountable/responsible for.* Some entities have responsibility for working towards particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society. For example, a public sector entity may be required to target its resources to reduce disparity in educational achievement between different groups in society. In this case, the entity's service performance information is likely to focus on whether and the extent to which those particular improvements occurred. In other cases, entities are primarily responsible for the delivery of specific types and/or volume of goods or services to a target population, rather than trying to bring about particular improvements in the health, education, welfare and/or social or economic well-being of the recipients of those goods and services. For example, an entity may be required to provide support services to elderly people in a city. In that case, the entity's service performance information is likely to focus on the delivery of the specified goods or services. Even in cases where an entity determines the nature and extent of its service performance itself, it will need to consider the nature of its accountability to funders and service recipients.
- (b) *What it intended to achieve during the reporting period.* The information that an entity provides about its planned performance will be influenced by how much information the entity has previously published about its planned performance. If a not-for-profit entity has identified specific performance goals or targets when obtaining funding from other parties, its service performance information is likely to focus on reporting whether, and/or the extent to which, it met those goals or targets. If a not-for-profit entity has been working towards general service performance objectives for the reporting period (for example, a planned increase in the range or volume of goods or services provided or a planned improvement in the entity's effect on a target population) rather than specific service performance goals or targets, its service performance information is likely to focus on reporting whether, and/or the extent to which, it made progress in relation to those general objectives. Public sector entities are often required to publish information about planned performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph 37).
- (c) *How it went about achieving its service performance objectives.* If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity needs to exercise judgement in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.
- (d) *Other factors* relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance).

Performance Measures and/or Descriptions

- 20. **In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:**
 - (a) **Quantitative measures:** Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;

- (b) **Qualitative measures:** Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or
 - (c) **Qualitative descriptions:** Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?
21. An entity shall exercise judgement to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its financial ~~report~~statements with sufficient, but not excessive, information about its service performance for the period. In determining the type and extent of information to provide, the entity considers a balance between providing:
- (a) Enough information to provide users with an overall picture of its service performance for the period; and
 - (b) Not so much information that it could obscure the overall picture.

Issue 3: Disclosure of judgements

We are seeking agreement to add the 4th sentence in paragraph 22 which starts "The qualitative characteristics..."

We have proposed adding this sentence so that paragraph 46(g) (about judgements in relation to methods) links to earlier discussion.

22. In selecting the performance measures and/or descriptions to be reported an entity shall consider the qualitative characteristics and the constraints on information in general purpose financial reports. Judgement is needed to determine the most appropriate and meaningful performance measures and/or descriptions to be reported. The most appropriate and meaningful performance measures and/or descriptions are those that measure or describe aspects of performance that are of particular value or importance for accountability or decision-making purposes. The qualitative characteristics may also influence the data collection and compilation methods used by an entity.
23. In general, performance measures and/or descriptions shall have an external focus. However, this does not preclude an entity from providing information on internal activities, processes, plans or policies if it considers that this information provides important context for its service performance.
24. Performance measures and/or descriptions may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.
25. Performance measures and/or descriptions may be used to inform assessments of the broad or longer-term effects of a project or an entity's work (also referred to as the difference the entity makes) on individuals who are direct recipients of a project or an entity's work, effects on those who are not direct recipients, or effects on society or subgroups of society. Examples of broad or longer-term effects include changes to these individuals' and groups' educational achievements or health, or changes to groups' or societal poverty ~~and~~ crime levels, ~~or changes to the health of different groups within society.~~
26. Performance measures and/or descriptions are more useful when they are accompanied by comparisons (for example, comparisons over time (trend data), comparisons by population or provider subgroups, international comparisons and comparisons against a target or standard).
27. If an entity determines that reporting on goods and services delivered provides appropriate and meaningful service performance information, performance measures and/or descriptions for goods and services may include:
- (a) The quantity of the goods and services;
 - (b) The quality of the goods and services;
 - (c) The timeframe over which the goods and services were produced;

- (d) The physical location where the goods and services were delivered; and
- (e) The cost of the goods and services (see paragraph 28).

Issue 2: Cost of goods and services

We are seeking agreement to the changes to paragraph 28. The Board agreed to give more emphasis to the importance of linking financial and non-financial information and the role of cost information in doing this.

28. In reporting on the cost of goods and services there are some important considerations. Financial statements and service performance information are both important components of a public benefit entity's general purpose financial report. The service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. This link is generally made by R~~reporting on the cost of goods and services provides an important link between the financial statements and service performance information. However, it may not always be practicable, or the most appropriate way of reporting on goods and services. The reporting on the cost of goods and services will depend on an entity's accounting policies and its cost allocation policies. If a~~n entity reports on the cost of goods and services it shall provide a reconciliation between the expenses in the financial statements and the total goods and services costs reported in the service performance information and, where appropriate, an acknowledgement of the use of donated~~Where unrecognised goods or services which have not been recognised in the financial statements in kind are a significant component of producing goods and services, any cost information provided shall also acknowledge the use of these resources. (PBE IPSAS 23 Revenue from Non-Exchange Transactions establishes requirements for the recognition of donated goods and services in the financial statements). In some cases, for example where an entity relies heavily on donated goods and services, information on how donated resources have contributed to the entity's service performance may be more useful than cost information in providing an overall picture of the entity's performance.~~

Presentation

29. **An entity shall clearly identify the service performance information presented in accordance with this Standard.**
30. An entity may find it helpful to present the information required by this Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform?
31. This Standard does not prescribe the format of service performance information. Entities develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, tables, narrative, infographics, explanatory comments in 'pop-up' boxes or similar.
32. An entity may cross reference the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.
33. In presenting service performance information in accordance with this Standard an entity may incorporate, by cross-reference, information outside the general purpose financial report. The use of cross-referencing is permitted subject to the following requirements.
- (a) It is still possible to identify the complete set of service performance information presented in accordance with this Standard.
 - (b) Locating the information elsewhere enhances the understandability of the financial report as a whole and the service performance information remains understandable and fairly presented.
 - (c) The cross-referenced information is available to users of the service performance information on the same terms as the financial report and at the same time.
34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:
- (a) Links related information together so that the relationships between items of information are clear; and/or
 - (b) Reduces duplication of information.

35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:
- (a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 *Presentation of Financial Reports*, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this Standard;
 - (b) Depict cross-referenced information as being information prepared in accordance with this Standard (and audited if applicable);
 - (c) Make the cross-referencing direct and precise as to what it relates to; and
 - (d) Ensure cross-referenced information remains unchanged and available over time at the cross-referenced location.

Comparative Information and Consistency of Reporting

36. Service performance information should provide users with a basis and context to compare an entity's service performance over time, and where appropriate, against planned performance or the performance of other entities. Consistency of reporting aids comparability and this Standard establishes requirements for consistent reporting. However, an entity's service performance activities and performance measures and/or descriptions may change over time. This Standard requires that an entity provide information about those changes.

Issue 4: PBE FRS 42 issues

In agenda item 3.1 we recommend that the Board considers PBE FRS 42 issues in a separate project.

We have revised paragraphs 37, 39 and 42 since the September meeting.

Paragraph 37 now acknowledges that an entity may be required by legislation, or may elect, to report comparative information in respect of previously published prospective service performance information. It establishes requirements when an entity presents such comparatives. The requirement to explain major variances was previously sitting in PBE IPSAS 1 but has been moved here.

Paragraph 39 no longer refers to PBE IPSAS 1 as these requirements are now in paragraph 37 of this standard.

In paragraph 42 the reference to "prior period or budget" has been removed as the requirement is the same in both cases and the word 'budget' does not line up with the wording in paragraph 37.

37. **An entity shall report comparative information in respect of the preceding period. An entity may also be required by legislation, or may elect, to report comparative information in respect of previously published prospective service performance information. An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. Explanations for major variances shall be given.**
- ~~(a) The preceding period for all amounts and, where relevant, narrative and descriptive information, reported in the current period; and~~
 - ~~(b) Planned performance, if required by PBE IPSAS 1.~~
38. Comparative information shall be included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. Judgement is required in deciding when to provide comparative narrative and descriptive information.
39. ~~PBE IPSAS 1 requires comparisons against planned performance if an entity has previously published general purpose prospective service performance information for the reporting period. PBE IPSAS 1 also requires explanations of major variances.~~ An entity reporting against previously published prospective service planned performance information shall consider whether original levels of planned activity or revised plans provide the most relevant and useful information. Information about revisions to plans during the period may help explain variances between original plans and actual results.

40. **An entity shall report service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explain the nature of those changes and their effect on the current period's service performance information.**
41. There are a number of reasons why an entity might change what it reports or how it reports its service performance information. Possible reasons include changes in:
 - (a) The nature of the entity's activities from the prior period or from what was planned;
 - (b) The descriptions of goods and services or the way in which they are aggregated;
 - (c) The performance measures and/or descriptions used; and
 - (d) The costing policies.
42. Changes to comparative information are permitted, but not required. If an entity chooses to restate ~~prior period or budget~~ comparatives it discloses the effect of the changes on that comparative information.
43. **An entity shall correct material prior period errors, in the first service performance information authorised for issue after the discovery of the errors, by restating the comparative information for any prior period(s) presented in which the error occurred and disclosing an explanation of the error. If the error relates solely to narrative information, an explanation of the error shall be disclosed.**

Disclosure of Judgements

Issue 3: Disclosure of judgements

We are seeking agreement to the following changes, made in response to feedback from the Board's September meeting.

Paragraph 44: 'critical judgements' replaced by 'those judgements that have the most significant effect on ...'.

Paragraph 45: 3rd sentence deleted. 4th sentence now uses same pattern of wording as paragraph 44.

Paragraph 46: 'critical' deleted in lead in sentence and in final sentence.

Paragraph 46(g): New requirement to consider the judgements made in selecting and applying methods and measures.

Paragraph 47: we have given this a paragraph number. In the September agenda papers it was sitting as a separate sentence at the end of paragraph 46.

44. **An entity shall disclose ~~those the critical~~ judgements that have the most significant effect on made in the selection, measurement, aggregation and presentation of reporting service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information.**
45. In applying the principles in this Standard an entity will need to make a number of judgements, such as those discussed in paragraphs 19, 21 and 22. These judgements reflect the entity's consideration of its specific facts and circumstances, including the information needs of its primary users. ~~Critical judgements are those that have the most significant effect on the selection and aggregation of service performance information.~~ An entity therefore needs to identify ~~critical those~~ judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information and consider their relevance to a user's understanding of the entity's service performance information.
46. In deciding what ~~critical~~ judgements to disclose in accordance with paragraph 44, an entity considers:
 - (a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not.
 - (b) The extent to which the entity's service performance information reported is consistent with that used by the entity for internal decision making. If it is not, users may need to understand why not.
 - (c) How much discretion the entity has over the selection, measurement ~~and~~ aggregation and presentation of service performance information. The more discretion the entity has over what it reports, the more users are likely to be interested in the entity's judgements. In situations where

there is significant judgement involved, such disclosures shall include the key factors (see paragraph 19) that formed the basis of those judgements. In some cases an entity's service performance information might be largely determined by external requirements or agreements with external parties. In other cases an entity's service performance information may be largely determined internally, or it may be based upon a combination of internal determinations and external contractual determinations or frameworks. In all cases, information about the level of discretion that an entity has, and the judgements it has made, would be relevant to users seeking to understand the entity's service performance information.

- (d) The extent to which the application of the qualitative characteristics and pervasive constraints on information (see paragraph 10) has influenced its service performance information.
 - (e) The extent to which consultation with users influenced the reporting of service performance information.
 - (f) The judgements made in deciding when to provide comparative narrative and descriptive information.
 - (g) The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions.
47. An entity may cross reference to other documents such as statements of intent or performance frameworks in disclosing information about critical judgements.

Effective Date

48. A public benefit entity shall apply this Standard for annual financial reports covering periods beginning on or after ~~{Date—proposed 1 January 2021}~~. Earlier application is permitted.

Amendments to Other Standards

An entity shall apply the amendments in this appendix when it applies PBE FRS ~~XX-48~~ issued in ~~[Date]~~.

The amendments to other standards in this appendix are based on the text of those other standards, including any amendments to those standards approved when PBE FRS ~~48-XX~~ was issued in ~~November 2017~~ ~~[Date]~~.

Amended paragraphs are shown with deleted text struck through and new text is underlined.

Generic amendments to PBE Standards (as a consequence of changing the title of PBE IPSAS 1)

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports* in the following standards. Other generic amendments are as described below.

Standard	Paragraph(s) amended
PBE IPSAS 2 <i>Cash Flow Statements</i>	Paragraph 57
PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Paragraph 2 Paragraph 38, footnote
PBE IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i>	Paragraph 57
PBE IPSAS 5 <i>Borrowing Costs</i>	Paragraph 19, footnote
PBE IPSAS 9 <i>Revenue from Exchange Transactions</i>	Objective, footnote
PBE IPSAS 10 <i>Financial Reporting in Hyperinflationary Economies</i>	Paragraph 11
PBE IPSAS 11 <i>Construction Contracts</i>	Paragraph 16, footnote
PBE IPSAS 12 <i>Inventories</i>	Paragraph 16, footnote
PBE IPSAS 13 <i>Leases</i>	Paragraph 21, footnote Paragraph 78
PBE IPSAS 14 <i>Events After the Reporting Date</i>	Paragraph 16
PBE IPSAS 16 <i>Investment Property</i>	Paragraph 20, footnote
PBE IPSAS 17 <i>Property, Plant and Equipment</i>	Paragraph 14, footnote
PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Paragraph 19, footnote Paragraph A4
PBE IPSAS 20 <i>Related Party Disclosures</i>	Paragraph 22 Paragraph 38, footnote
PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i>	Paragraph 37, footnote
PBE IPSAS 22 <i>Disclosure of Financial Information about the General Government Sector</i>	Paragraph 36, insert the title of PBE IPSAS 1
PBE IPSAS 23 <i>Revenue from Non-Exchange Transactions</i>	Paragraph 30, Paragraph 31, footnote Paragraph B9 Also, in paragraph B9 the reference to 'financial statements' is changed to 'financial report'.

Standard		Paragraph(s) amended
PBE IPSAS 25	<i>Employee Benefits</i>	Paragraph 20, footnote Paragraph 26 Paragraph IE 6
PBE IPSAS 26	<i>Impairment of Cash-Generating Assets</i>	Paragraph 33, footnote
PBE IPSAS 27	<i>Agriculture</i>	Paragraph 13, footnote Paragraph 51
PBE IPSAS 28	<i>Financial Instruments: Presentation</i>	Paragraph 39, insert the title of PBE IPSAS 1 Paragraph AG53, insert the title of PBE IPSAS 1
PBE IPSAS 29	<i>Financial Instruments: Recognition and Measurement</i>	Paragraph 10, footnote Paragraph 64
PBE IPSAS 30	<i>Financial Instruments: Disclosures</i>	Paragraph 25, insert the title of PBE IPSAS 1 Paragraph 35, footnote In the final sentence of paragraph AG5, the reference to 'financial statements' is changed to 'financial report'. In paragraph IG 3 the reference to 'financial statements' is changed to 'financial statements or service performance information'.
PBE IPSAS 31	<i>Intangible Assets</i>	Paragraph 28, footnote
PBE IPSAS 32	<i>Service Concession Arrangements: Grantor</i>	Paragraph 31 Paragraph AG 20, footnote Paragraph AG49, insert the title of PBE IPSAS 1
PBE IPSAS 36	<i>Investments in Associates and Joint Ventures</i>	Paragraph 4, footnote Paragraph 16
PBE IPSAS 39	<i>Employee Benefits</i> (forthcoming)	Paragraph 25
PBE IFRS 3	<i>Business Combinations</i>	Paragraph 22, footnote
PBE IFRS 4	<i>Insurance Contracts</i>	Paragraph 20, footnote Paragraph 34 Paragraph C17.5.4
PBE IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>	Paragraph 3 Add footnote to title of PBE IPSAS 1 in paragraph BC6: which reads "PBE FRS XX-48 <i>Service Performance</i> <i>Reporting</i> , issued in <u>November</u> <u>2017</u> [Date] , changed the title of PBE IPSAS 1 to <i>Presentation of Financial</i> <i>Reports</i> ."
PBE IFRS 9	<i>Financial Instruments</i>	Paragraph 5.6.5

Standard		Paragraph(s) amended
PBE IAS 12	<i>Income Taxes</i>	Paragraph 14, footnote Paragraph 81(ab), insert title of PBE IPSAS 1
<u>PBE FRS 42</u>	<u><i>Prospective Financial Statements</i></u>	<u>Paragraph 45.</u> <u>Paragraph 60. delete the title of</u> <u>PBE IPSAS 1.</u>
PBE FRS 46	<i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS</i>	Paragraph 18. Also, in paragraphs 18 and 20 the references to ‘financial statements’ are changed to ‘financial report’. Appendix A, paragraph 8, footnote
PBE FRS 47	<i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS</i>	Paragraph 28 Appendix C, paragraph C4, footnote
XRB A1	<i>Application of the Accounting Standards Framework</i>	Appendix C

PBE IPSAS 1 Presentation of Financial Reports Statements

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*. This change is made throughout the Standard.

Paragraphs 1–3, 7, 15–~~17~~, 19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 are amended. The headings above paragraphs 15, 19, 20.1, 61 and 148.1 are amended.

Paragraphs 20.1, ~~24.2~~ 46A.1, 46A.2, 55.1, 126.1 (and a heading above that paragraph) and 154. ~~109~~ are added.

Paragraphs 7.1, ~~18~~, and 150.1–150.10 (and the related heading), are deleted.

Appendix C is withdrawn.

New text is underlined and deleted text is struck through.

Objective

- The objective of this Standard is to prescribe the manner in which general purpose financial reports, comprising financial statements and, where required, service performance information,¹ should be presented to ensure comparability both with the entity’s financial ~~statements–reports~~ of previous periods and with the financial ~~statements–reports~~ of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial ~~statements–reports~~, guidance for their structure, and minimum requirements for the content of financial ~~statements–reports~~. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other PBE Standards.

¹ Reporting service performance information alongside the financial statements provides a comprehensive picture of an entity’s activities during the period. PBE FRS ~~48XX~~ Service Performance Reporting specifies which entities are required to report service performance information in accordance with that Standard.

Scope

- This Standard shall be applied to all general purpose financial ~~statements~~ reports prepared and presented in accordance with PBE Standards.

3. General purpose financial ~~statements~~ reports are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial ~~statements~~ reports include taxpayers and ratepayers, members of the legislature, donors, service recipients, creditors, suppliers, the media, and employees. General purpose financial ~~statements~~ reports include those that are presented separately or within another public document, such as an annual report. This Standard does not apply to condensed interim financial information (see PBE IAS 34 *Interim Financial Reporting*), prospective financial information (see PBE FRS 42 *Prospective Financial Statements*), or summary financial information (see PBE FRS 43 *Summary Financial Statements*).

...

Definitions

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

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial ~~statements~~ or service performance information. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Notes contain information in addition to that presented in the statement of financial position, statement(s) of comprehensive revenue and expense, statement of changes in net assets/equity, ~~and cash flow statement, and service performance information~~. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

- 7.1 [Deleted by NZASB] ~~The following terms are used in this Standard with the meaning specified:~~

~~**Inputs** are the resources used to produce the goods and services which are the outputs of the entity.~~

~~**Outcomes** are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.~~

~~**Outputs** are the goods and services produced by the entity.~~

Purpose of Financial Statements ~~Reports~~

15. Financial ~~statements~~ reports are a structured representation of the financial position, ~~and~~ financial performance and service performance of an entity. The objectives of a general purpose financial statements report are to provide information about the financial position, financial performance, ~~and~~ cash flows, and service performance of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:

- (a) Providing information about the sources, allocation, and uses of financial resources;
- (b) Providing information about how the entity financed its activities and met its cash requirements;
- (c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- (d) Providing information about the financial condition of the entity and changes in it; and
- (e) Providing aggregate information useful in evaluating the entity's performance in terms of service delivery, costs, efficiency, and accomplishments.

16. General purpose financial ~~statements~~ reports can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

...

17. To meet these objectives, ~~the a financial statements report~~ provides information about an entity's:

- (a) Assets;

- (b) Liabilities;
 - (c) Net assets/equity;
 - (d) Revenue;
 - (e) Expenses;
 - (f) Other changes in net assets/equity; ~~and~~
 - (g) Cash flows; and
 - (h) Where required, service performance.
18. ~~[Deleted by NZASB]~~ Although the information contained in financial statements can be relevant for the purpose of meeting the objectives in paragraph 15, it is unlikely to enable all these objectives to be met. This is likely to be particularly so in respect of entities whose primary objective may not be to make a profit, as managers are likely to be accountable for the achievement of service delivery as well as financial objectives. ~~Supplementary information, including non financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.~~

Responsibility for Financial Statements Reports

19. The responsibility for the preparation and presentation of financial ~~statements~~ reports varies across entities. In addition, an entity may draw a distinction between who is responsible for preparing the financial ~~statements~~ report and who is responsible for approving or presenting the financial ~~statements~~ report. Examples of people or positions who may be responsible for the preparation of the financial ~~statements-report~~ of individual entities (such as government departments or their equivalent) include the individual who heads the entity (the permanent head or chief executive) and the head of the central finance agency (or the senior finance official, such as the controller or accountant-general). Examples of people or positions who may be responsible for the preparation of the financial ~~statements~~ report in the not-for-profit sector would be the chief executive officer, the Chairperson, the chief financial officer or the treasurer of the entity, who could be either employees or volunteers. Regardless of who prepares the financial ~~statements-report~~, the governing body is usually responsible for presenting ~~those~~ the financial ~~statements-report~~.

...

Components of Financial Statements Reports

20.1 A complete financial report comprises:

- (a) A complete set of financial statements; and
 - (b) Service performance information in accordance with PBE FRS ~~XX-48~~ *Service Performance Reporting*, where this is required to be reported.
21. **A complete set of financial statements comprises:**
- ...
- (f) Notes to the financial statements, comprising significant accounting policies and other explanatory notes; and
- ...

Issue 4: PBE FRS 42 issues

We have established the requirements for reporting against prospective service performance information in PBE FRS 48. Hence, we have changed the proposed amendments to PBE IPSAS 1 slightly, compared to the limited scope review draft. In the limited scope review draft, the new sentence in paragraph 24.1 was shown as a separate paragraph.

- 24.1 Where an entity presents a comparison, in the financial ~~statements-report~~, of prospective financial information and actual financial information, such a comparison shall be in accordance with the requirements of this Standard. ~~24.2 Where an entity presents a comparison, in the financial report, of prospective service performance information and actual service performance information, such a comparison shall be in accordance with the requirements of PBE FRS 48~~this Standard.

25. Entities are encouraged to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include ~~details about the entity's outputs and outcomes in the form of (a) performance indicators, (b) statements of service performance, (c) programme reviews, and (d) other reports by management about the entity's achievements over the reporting period.~~
26. Entities are also encouraged to disclose information about compliance with legislative, regulatory, or other externally-imposed regulations. When information about compliance is not included in the financial ~~statements report~~, ...

Overall Considerations

Fair Presentation and Compliance with PBE Standards

- *27. **Financial ~~statements~~ reports shall present fairly the financial position, financial performance, ~~and cash flows, and service performance~~ of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PBE Standards. The application of PBE Standards, with additional disclosures when necessary, is presumed to result in financial ~~statements~~ reports that achieve a fair presentation.**

RDR 27.1 Financial ~~statements~~ reports shall present fairly the financial position, financial performance ~~and cash flows, and service performance~~ of a Tier 2 entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the PBE Standards. The application of PBE Standards Reduced Disclosure Regime (PBE Standards RDR), with additional disclosure when necessary, is presumed to result in financial ~~statements~~ reports that achieve a fair presentation.

- *28. **An entity whose financial ~~statements-report~~ complies ~~comply~~ with Public Benefit Entity Standards (PBE Standards) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements~~ reports shall not be described as complying with PBE Standards unless they comply with all the requirements of PBE Standards.**

RDR 28.1 A Tier 2 entity whose financial report ~~complies~~ ~~statements-comply~~ with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements~~ reports shall not be described as complying with PBE Standards RDR unless they comply with all the requirements of PBE Standards RDR.

28.2 An entity shall disclose in the notes:

- (a) The statutory basis or other reporting framework, if any, under which the financial ~~statements report~~ is ~~are~~ prepared;
- (b) A statement whether the financial statements and, where appropriate, service performance information have been prepared in accordance with generally accepted accounting practice (GAAP); and

...

RDR 28.3 ...

- 28.4 A number of entities have ~~are required by legislation to prepare~~ general purpose financial reporting requirements which refer to statements that comply with GAAP. The legislative definition of GAAP in the Financial Reporting Act 2013 refers to applicable financial reporting standards approved by the External Reporting Board, which include PBE Standards. PBE Standards include requirements and guidance specific to public benefit entities and provide reduced disclosures for entities that qualify to apply the Reduced Disclosure Regime. An entity asserting compliance with GAAP therefore needs to describe the financial reporting standards that have been applied by the entity in preparing its financial statements, and where appropriate, service performance information. For example:

- (a) An entity complying with Tier 1 PBE Accounting Requirements would state: "The financial statements [and service performance information] have been prepared in accordance with PBE Standards"; and

- (b) An entity complying with Tier 2 PBE Accounting Requirements would state: “The financial statements [and service performance information] have ...
29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable PBE Standards. A fair presentation also requires an entity:
- ...
- (c) To provide additional disclosures when compliance with the specific requirements in PBE Standards is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity’s financial position, ~~and~~ financial performance and service performance.
- ...
31. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, the entity shall depart from that requirement in the manner set out in paragraph 32 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**
32. **When an entity departs from a requirement of a Standard in accordance with paragraph 31, it shall disclose:**
- (a) **That management has concluded that the financial ~~statements~~ report presents fairly the entity’s financial position, financial performance, ~~and cash flows, and service performance~~;**
- (b) ...
- (c) **The title of the Standard from which the entity has departed, the nature of the departure, including the treatment that the Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, and the treatment adopted; and**
- (d) **For each period presented, the financial impact of the departure on each item in the financial ~~statements~~ report that would have been reported in complying with the requirement.**
33. **When an entity has departed from a requirement of a Standard in a prior period, and that departure affects the amounts recognised in the financial ~~statements~~ report for the current period, it shall make the disclosures set out in paragraph 32(c) and (d).**
- ...
35. **In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**
- (a) **The title of the Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial ~~statements~~ reports set out in this Standard; and**
- (b) **For each period presented, the adjustments to each item in the financial ~~statements~~ report that management has concluded would be necessary to achieve a fair presentation.**
36. For the purpose of paragraphs 31–35, an item of information would conflict with the objective of financial ~~statements~~ reports when it does not represent faithfully the transactions, other events, and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence decisions made by users of financial ~~statements~~ reports. When assessing whether complying with a specific requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements~~ reports set out in this Standard, management considers:
- (a) Why the objective of financial ~~statements~~ reports is not achieved in the particular circumstances; and

- (b) How the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of the financial ~~statements~~ reports set out in this Standard.

...

Going Concern

38. When preparing a financial ~~statements-report~~, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of the financial ~~statements-report~~. Financial ~~statements reports~~ shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial ~~statements report~~ are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial ~~statements reports~~ are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial ~~statements report~~ is are prepared and the reason why the entity is not regarded as a going concern.
39. Financial ~~statements reports~~ are normally prepared on the assumption that the entity is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate, those responsible for the preparation of financial ~~statements reports~~ take into account all available information about the future, which is at least, but is not limited to, twelve months from the approval of the financial ~~statements-report~~.
- ...
41. The determination of whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for a government as a whole. For individual entities, in assessing whether the going concern basis is appropriate, those responsible for the preparation of the financial ~~statements report~~ may need to consider...

Consistency of Presentation

42. **The presentation and classification of items in the financial ~~statements report~~ shall be retained from one period to the next unless:**
- (a) **It is apparent, following a significant change in the nature of the entity's operations or a review of its financial ~~statements-report~~, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in PBE IPSAS 3; or**
- (b) **A PBE Standard requires a change in presentation.**
43. A significant acquisition or disposal, or a review of the presentation of the financial ~~statements-reports~~, might suggest that the financial ~~statements report~~ needs to be presented differently. For example, an entity may dispose of a savings bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial ~~statements report~~ based on the principal activities of the economic entity as a financial institution is unlikely to be relevant for the new economic entity.
44. An entity changes the presentation of its financial ~~statements report~~ only if the changed presentation provides information that is faithfully representative and is more relevant to users of the financial ~~statements-report~~, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Materiality and Aggregation

45. **Each material class of similar items shall be presented separately in the financial ~~statements report~~. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.**
- ...

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-report~~, which includes the notes. An entity shall not reduce the understandability of its financial ~~statements-report~~ by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

46A.1 Materiality has an important role in guiding the selection of service performance information to be included in a financial report. This is particularly so when an entity delivers a wide range of goods and services.

46A.2 When making judgements about whether items of service performance information are material, the following should be considered:

- (a) The users of financial reports and their information needs;
- (b) How the qualitative characteristics affect presentation and disclosure (for example, service performance information must be relevant, but the overall volume of information must also be accessible in order for it to be understandable);
- (c) How the nature and size of items of information, judged in the surrounding circumstances, affect presentation and disclosure; and
- (d) Where financial and non-financial information that is material should be presented and disclosed.

47. Some PBE Standards specify information that is required to be included in the financial statements, or elsewhere in the financial report, 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 ~~reports~~ ~~statements~~ to understand the impact of particular transactions, other events and conditions on the entity's financial position, ~~and financial performance~~ and, where appropriate, service performance.

...

Comparative Information

Minimum Comparative Information

53. **Except when a PBE Standard permits or requires otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the financial ~~statements-report~~. An entity shall include comparative information for narrative and descriptive information if it is relevant to an understanding of the current period's financial ~~statements-report~~.**

53A. **An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of comprehensive revenue and expense with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes. ~~PBE FRS 48XX~~ sets out requirements for the reporting of comparative service performance information.**

54. In some cases, narrative information provided in the financial ~~statements-report~~ for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved, are disclosed in the current period. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty. ~~PBE FRS 48XX~~ notes that judgement is required in deciding when to provide comparative narrative and descriptive information.

...

55.1 ~~PBE FRS 48XX~~ permits, but does not require, changes to comparative information.

...

Structure and Content

Introduction

59. ... PBE IPSAS 2 sets out requirements for the presentation of a cash flow statement. PBE FRS 48XX sets out requirements for the reporting of service performance information.
60. This Standard sometimes uses the term disclosure in a broad sense, encompassing items presented on the face of the (a) ... ~~and~~ (d) cash flow statement, and (e) within the service performance information, where this is required, as well as in the notes. Disclosures are also required by other PBE Standards. Unless specified to the contrary elsewhere in this Standard, or in another Standard, such disclosures are made either 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 (whichever is relevant), within the service performance information, or in the notes.

Identification of the Financial Statements Report

61. The financial ~~statements~~ report shall be identified clearly, and distinguished from other information in the same published document.
62. PBE Standards apply only to financial statements, and ~~statements of~~ service performance information, and not to other information presented in an annual report or other document. ...
63. **Each component of the financial ~~statements~~ report shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:**
- ...
- (b) **Whether the financial ~~statements~~ report covers the individual entity or the economic entity;**
- (c) **The reporting date or the period covered by the financial ~~statements~~ report, whichever is appropriate to that component of the financial ~~statements~~ report;**
- ...
- (e) **The level of rounding used in presenting amounts in the financial ~~statements~~ report.**
64. The requirements in paragraph 63 are normally met by presenting page headings and abbreviated column headings on each page of the financial ~~statements~~ report. Judgement is required in determining the best way of presenting such information. For example, when the financial ~~statements~~ report is are presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial ~~statements~~ report.
65. Financial ~~statements~~ reports are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

66. **Financial ~~statements~~ reports shall be presented at least annually. When an entity's reporting date changes and the annual financial ~~statements~~ report is are presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial ~~statements~~ report:**
- ...
68. Normally, financial ~~statements~~ reports are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice, because the resulting financial ~~statements~~ report is are unlikely to be materially different from ~~those~~ the report that would be presented for one year.

Timeliness

69. The usefulness of financial ~~statements~~ reports is impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial ~~statements~~ report within six months of the reporting date.
- ...

Statement of Financial Position

78. The operating cycle of an entity is the time taken to convert inputs or resources into the goods and services produced by an entity outputs. For instance, governments transfer resources to public sector entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political, and economic outcomes. Similarly, many not-for-profit entities receive grants and donations for conversion into services or goods in pursuit of social policy outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

...

83. An entity ...:

...

- (b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial ~~statements~~ report is ~~are~~ authorised for issue.

...

85. When an entity breaches an undertaking under a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial ~~statements~~ report for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

...

87. In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial ~~statements~~ report is ~~are~~ authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with PBE IPSAS 14 *Events After the Reporting Date*:

...

Statement of Comprehensive Revenue and Expense

...

***116.1 An entity shall disclose fees to each auditor or reviewer, including any network firm² [footnote omitted], separately for:**

- (a) **The audit or review of the financial ~~statements~~ report; and**
- (b) **All other services performed during the reporting period.**

Service Performance Information

126.1 Service performance information provides users of financial reports with a basis to assess the service performance of the entity. PBE FRS 48~~XX~~ specifies which entities are required to present service performance information in accordance with that Standard and sets out requirements for the reporting of service performance information and related disclosures.

Notes

Structure

127. **The notes shall:**

- (a) **Present information about the basis of preparation of the financial ~~statements~~ report 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, or within the service performance information; 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, or within the service performance information, 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 report. 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, and within the service performance information shall be cross-referenced to any related information in the notes.**

129. 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 service performance, financial performance and financial position, such as grouping together information about particular operating activities;

...

131. Notes providing information about the basis of preparation of the financial ~~statements~~ report and specific accounting policies may be presented as a separate component of the financial ~~statements~~ report.

Disclosure of Accounting Policies

132. **An entity shall disclose its significant accounting policies comprising:**

- (a) **The measurement basis (or bases) used in preparing the financial ~~statements~~ report;**

...

- (c) **The other accounting policies used that are relevant to an understanding of the financial ~~statements~~ report.**

133. It is important for users to be informed of the measurement basis or bases used in the financial ~~statements~~ report (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~~ report is prepared significantly affects ~~their~~ its analysis. When more than one measurement basis is used in the financial ~~statements~~ report, 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~~ report would expect to be disclosed for that type of entity. ...

...

137. **An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 140), management² 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~~ report.**

² In this context, management is the person/committee responsible for the financial ~~statements~~ report.

138. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial ~~statements~~ report. ...

...

144. The disclosures in paragraph 140 are presented in a manner that helps users of a financial statements report to understand the judgements management makes about the future and about other key sources of estimation uncertainty. ...

Capital

- *148A. An entity shall disclose information that enables users of its financial ~~statements~~ report to evaluate the entity's objectives, policies, and processes for managing capital.

...

- *148C. ... When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial ~~statement report~~ user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Issue 4: PBE FRS 42 issues

In agenda item 3.1 we recommend that the Board considers PBE FRS 42 issues in a separate project. Therefore we have not amended paragraph 148.1 (the limited scope review draft had proposed to amend paragraph 148.1 to also refer to service performance information).

We have drafted a new requirement in PBE FRS 48 about comparisons with prospective service performance information which acknowledges that an entity may be required to present such comparisons or may elect to do so. We have inserted a reference to PBE FRS 48 in paragraph 148.3.

In the limited scope review draft the proposed amendments were as follows.

Prospective Financial Statements and Prospective Service Performance Information

- 148.1 ~~Where an entity has published general purpose prospective financial statements or general purpose prospective service performance information for the period of the financial statements report, the entity shall present a comparison of the prospective financial statements report with the historical financial statements report being reported presented. Explanations for major variances shall be given.~~
- 148.2 PBE FRS 42 *Prospective Financial Statements* defines general purpose prospective financial statements ~~and general purpose prospective service performance information~~. Legislative or other requirements may require a comparison with originally published information, the most recently published information, or both.

Comparison with Prospective Financial Statements

- 148.1 **Where an entity has published general purpose prospective financial statements for the period of the 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.**
- 148.2 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.
- 148.3 Comparison of prospective financial statements with actual financial results is an essential element of accountability. In the case of **FMC reporting entities** ~~issuers~~ a comparison of actual financial results against the originally published 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. **PBE FRS 48 establishes requirements for comparisons of prospective and actual service performance information, where such comparisons are presented.**

...

Other Disclosures

- *149. **An entity shall disclose in the notes:**

- (a) **The amount of dividends, or similar distributions, proposed or declared before the financial statements were report was authorised for issue, but not recognised as a distribution to owners during the period, and the related amount per share; and**

...

For consideration at the NZASB November 2017 meeting.

- *150. An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements report:

...

Statement of Service Performance

150.1–150.10 [Deleted.]

...

Effective Date

...

154.109 PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in ~~November 2017~~~~[Date]~~, amended paragraphs 1–3, 7, 15–~~17~~, 19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 and amended the headings above paragraphs 15, 19, 20.1, 61 and 148.1, added paragraphs 20.1, ~~24.2~~, 46A.1–46A.2, 55.1 and 126.1 and a heading above that paragraph, deleted paragraphs 7.1, ~~18~~, and 150.1–150.10 and the related heading, and withdrew Appendix C. An entity shall apply those amendments when it applies PBE FRS ~~48XX~~.

Paragraph BC3 is amended and paragraph BC4 is deleted. New text is underlined and deleted text is struck through.

Service Performance Reporting

- BC3. When PBE IPSAS 1 was first issued it includes included non-integral implementation guidance on service performance reporting (as Appendix C), pending the development of a standard on service performance reporting. The NZASB issued PBE FRS ~~48XX~~ *Service Performance Reporting* in ~~November 2017~~~~[Date]~~ and, as a consequence, withdrew the previous non-integral implementation guidance in Appendix C. At that time, the NZASB also made a number of changes to PBE IPSAS 1, including changing the title of that Standard to reflect the fact that the general purpose financial reports of many PBEs include both financial statements and service performance information. The NZASB noted that the change in title of PBE IPSAS 1 was for consistency between PBE Standards and the *Public Benefit Entities' Conceptual Framework* and did not imply that entities should change the title of their general purpose financial report. This guidance is based on that previously set out in Technical Practice Aid 9 *Service Performance Reporting* (New Zealand Institute of Chartered Accountants, 2007) (TPA 9). The NZASB noted that although TPA 9 was previously published in the handbook of Applicable Financial Reporting Standards it did not have authoritative support.
- BC4. [Deleted by NZASB] The NZASB agreed, as a short term measure pending activation of a new project on performance reporting, to include guidance based on TPA 9 as non integral implementation guidance accompanying PBE IPSAS 1. In developing guidance to be incorporated in a standard, the NZASB agreed that the guidance should be appropriate for application by both public sector and not for profit (NFPs) entities. TPA 9 was focused on central and local government. In giving effect to this decision, the Board agreed that the guidance should acknowledge that NFPs may be providing goods and services on behalf of others or in order to further their own objectives and that the circumstances will determine the nature of their accountability to external parties.

Appendix C is withdrawn.

Appendix C

Service Performance Reporting

[Deleted by NZASB]

The Comparison with IPSAS 1 is amended as shown. New text is underlined and deleted text is struck through.

Comparison with IPSAS 1

PBE IPSAS 1 *Presentation of Financial Reports ~~Statements~~* is drawn from IPSAS 1 *Presentation of Financial Statements*.

The significant differences between PBE IPSAS 1 and IPSAS 1 are:

- (a) The title of PBE IPSAS 1 reflects the fact that it establishes presentation requirements for both financial statements and service performance information.
- (~~b~~a) PBE IPSAS 1 reflects the New Zealand regulatory environment, including the requirements in the Financial Reporting Act 2013 regarding compliance with accounting standards. ~~It notes that an entity reporting in accordance with the Financial Reporting Act 1993 is not permitted to depart from the requirements of an accounting standard.~~
- (~~c~~b) PBE IPSAS 1 requires an assertion of compliance with PBE Standards rather than an assertion of compliance with IPSASs.
- (~~d~~e) PBE IPSAS 1 requires the following additional disclosures:
 - (i) The statutory base or other reporting framework, if any, under which the financial statements are prepared;
 - (ii) The fact that the entity is a public benefit entity;
 - (iii) The fact that the financial statements comply with PBE Standards;
 - (iv) Whether the entity has availed itself of any disclosure concessions; and
 - (v) Fees paid to each auditor or reviewer, including any network firm, for the audit or review of the financial statements and all other services performed during the reporting period; ~~and~~
 - (vi) ~~Where a statement of service performance is presented, a description and disclosure of the outputs of the entity and the outcome(s) to which the outputs are intended to contribute.~~
- (~~d~~) ~~PBE IPSAS 1 includes non integral implementation guidance on service performance reporting.~~
- (e) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.
- (f) PBE IPSAS 1 includes illustrative financial statements for a not-for-profit entity.

PBE IAS 34 *Interim Financial Reporting*

Issue 4: PBE FRS 42 issues

In agenda item 3.1 we recommend that the Board considers PBE FRS 42 issues as part of a separate project.

We have changed paragraph 25.1A.

The Objective and paragraphs 4, 16A, 19, RDR 19.1, 23–25 and 25.2 ~~(and the heading preceding 25.1)~~ are amended. Paragraphs 25.1 and 25.3 are shown to provide context.

Paragraphs 8A.1, 9.1–9.3, 21.1, 25.1A and 49.10 are added.

Headings are added above paragraphs 9.1 and 21.1.

New text is underlined and deleted text is struck through.

Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements and the requirements for presentation of service performance information for an interim period. Timely and faithfully representative interim financial reporting improves the ability of ~~users~~ investors, creditors, ~~and others~~ to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity. Where interim service performance information is presented, it improves the ability of users to make decisions about funding and assess accountability for use of resources on an ongoing basis.

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

...

Interim financial report means a financial report for an interim period containing either the information required in a complete set of financial statements report (as described in PBE IPSAS 1 *Presentation of Financial Reports Statements*) or a set of condensed financial report statements (as described in this Standard) for an interim period.

Minimum Components of an Interim Financial Report

...

8A.1 An interim financial report may, but is not required to, include condensed service performance information.

Form and Content of Interim Service Performance Information

9.1 If an entity publishes a complete set of service performance information in its interim financial report, the form and content of that information shall conform to the requirements of PBE FRS 48XX Service Performance Reporting.

9.2 If an entity publishes condensed service performance information in its interim financial report, that information shall be presented in a manner consistent with the service performance information in the most recent annual financial report, or an explanation of the differences shall be provided.

9.3 Although the presentation of condensed service performance information will often involve the selection of a subset of service performance information, the performance measures and/or descriptions included in condensed service performance information should be as consistent as possible with those used in the annual financial report. Differences may occur due to changes in an entity's activities or an entity's decision to change the way in which it collects and reports information. This Standard requires disclosure of any differences.

...

Other Disclosures

16A. In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, in its or service performance information, or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

- (a) A statement that the same accounting policies and methods of computation are followed in the interim financial statements and, where relevant, service performance information, as compared with the most recent annual financial statements or service performance information, or, if those policies or methods have been changed, a description of the nature and effect of the change.

...

- (h) Events after the interim period that have not been reflected in the financial statements or, where relevant, service performance information for the interim period.

Disclosure of Compliance

- *19. If an entity's interim financial report is in compliance with PBE IAS 34, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards.

RDR 19.1 If an entity's interim financial report is in compliance with this Standard as it applies to Tier 2 entities, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards Reduced Disclosure Regime (PBE Standards RDR) unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards RDR.

...

Periods for which Interim Service Performance Information may be Presented

21.1 Interim reports that include interim service performance information shall include service performance information (condensed or complete) for the current interim period and cumulatively for the current financial year to date, with comparative information for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.

...

Materiality

23. In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period ~~financial~~ data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual ~~financial~~ data.
24. PBE IPSAS 1 and PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as material if its omission or misstatement could influence the ~~economic~~ decisions or assessments of users of the financial statements or service performance information. PBE IPSAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and PBE IPSAS 3 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.
25. While judgement is always required in assessing materiality, this Standard bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance, and where relevant, its service performance, during the interim period.

The proposed amendments (to paragraphs 25.1 and 25.2) in the limited scope review draft are shown below.

Prospective Financial Statements and Prospective Service Performance Information

- 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.
- 25.1A Where an entity publishes condensed service performance information in its interim financial report, and has previously published general purpose prospective service performance information for the period of the interim financial report, the entity shall present a comparison of the prospective service performance information with the historical information being reported. Explanations for major variances shall be given.
- 25.2 PBE FRS 42 *Prospective Financial Statements* defines general purpose prospective ~~financial~~ statements and general purpose prospective service performance information. Legislative or other requirements may

For consideration at the NZASB November 2017 meeting.

require a comparison with originally published information, the most recently published information, or both.

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.
- 25.1A ~~An entity may be required by legislation, or may elect, to report comparative service performance information in respect of previously published prospective service performance information in its interim financial report. An entity shall report comparative information for all amounts reported in the interim financial period and, where relevant, for the narrative and descriptive information reported in the interim financial report. Where an entity publishes condensed service performance information in its interim financial report, and has previously published prospective service performance information of a similar level of detail for the period of the interim financial report, the entity shall present a comparison of the prospective service performance information with the historical information 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 FMC reporting entities 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.

Effective Date

...

- 49.10 PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in ~~November 2017~~~~[Date]~~, amended the Objective, paragraphs 4, 16A, 19, RDR 19.1, 23–25, 25.2, added paragraphs 8A.1, 9.1–9.3, 21.1 and 25.1A, and added headings above paragraphs 9.1 and 21.1. An entity shall apply those amendments when it applies PBE FRS ~~48XX~~.

Paragraph BC8 is added.

Service Performance Reporting

- BC8. PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in ~~November 2017~~~~[Date]~~, established requirements for public benefit entities to report service performance information. At that time the NZASB amended PBE IAS 34 *Interim Financial Reporting* to refer to both interim financial statements and interim service performance information. The NZASB left the decision as to whether to include service performance information in an interim financial report to the discretion of the entity. In doing so the NZASB acknowledged that there may be circumstances in which an entity is required to produce interim financial statements, and the users of that interim information may be interested solely in financial information.

PBE FRS 42 *Prospective Financial Statements*

Issue 4: PBE FRS 42 issues

In agenda item 3.1 we recommend that the Board considers PBE FRS 42 issues in a separate project.

We are therefore proposing not to amend PBE FRS 42 at this time, apart from adding a new BC paragraph.

For the Board's information, we have also shown the proposed amendments set out in the limited scope review draft (flick forward one page). The diagonal line running through those amendments signifies that they are being deleted.

Paragraphs BC5 ~~is~~and BC6 are added. New text is underlined.

Service Performance Reporting

BC5. PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in ~~November 2017~~[Date], established requirements for public benefit entities to report service performance information. At that time the NZASB amended a number of other standards and consulted on proposals to ,including PBE FRS 42 *Prospective Financial Statements*. The amendments to PBE FRS 42 broaden the application of PBE FRS 42 ~~the Standard~~ to prospective service performance information. The NZASB decided not to proceed with those proposals at that time for two reasons. The NZASB decided that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered. The NZASB also noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project. mandate the presentation of service performance information in conjunction with all prospective financial statements on the grounds that there may be some situations in which it is appropriate for an entity to present prospective financial statements without also presenting prospective service performance information.

~~BC6. The NZASB also considered whether the title of PBE FRS 42 should be changed to *Prospective Financial Reports* to signal that the Standard contains requirements for both financial statements and service performance information. The NZASB decided not to change the title of PBE FRS 42 at this time as it did not anticipate that the [2017] amendments would change current practice regarding when prospective service performance information is presented with prospective financial statements. The NZASB noted that it had a separate project underway to review the requirements in PBE FRS 42 and that any change in title could be considered in the context of that project.~~

Amendments to PBE FRS 42 *Prospective Financial Statements*
AS PER THE LIMITED SCOPE REVIEW DRAFT

The Introduction is amended.

New text is underlined and deleted text is struck through.

Introduction

General purpose prospective (future oriented or forward looking) financial statements and general purpose prospective service performance information are based on assumptions about the future and other information, and thus relate to events and actions which have not yet occurred. Although evidence may be available to support the assumptions on which the general purpose prospective financial statements or service performance information are based, such evidence is itself usually future oriented and therefore speculative in nature.

Given that anticipation of the future environment is associated with considerable uncertainty, the preparation of general purpose prospective financial statements and service performance information requires the exercise of significant judgement.

General purpose prospective financial statements and service performance information are less amenable to objective verification than historical data. When working with, or using, general purpose prospective statements and service performance information, it is essential to understand their inherent limitations.

Main Features of the Standard

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

The Standard requires that an entity use the best information that could reasonably be expected to be available in determining the assumptions and other information used in the preparation of general purpose prospective financial statements. ~~It also requires that~~ The prospective financial statements must be understandable, relevant, faithfully representative and comparable and ~~that~~ the information in the prospective financial statements must be reasonable and supportable. The Standard also requires that an entity presenting general purpose prospective service performance information present comprehensive information that is based on the assumptions and information consistent with that used to prepare any prospective financial information.

The assumptions used must:

- (a) Be based on the best information that could be reasonably expected to be available to the entity at the time prospective financial statements are prepared; ~~at the time prospective financial statements are prepared~~;
- (b) Be internally consistent among themselves;
- (c) Be consistent with the current plans of the entity to the extent that this is relevant;
- (d) Be applied consistently; and
- (e) Have a reasonable and supportable basis.

The Standard requires disclosure of:

- (a) The entity's operations and activities;
- (b) The purpose for which the prospective financial statements and prospective service performance information have been prepared;
- (c) Significant assumptions;
- (d) Any changes to the entity's existing operations;
- (e) The bases on which the significant assumptions have been prepared, including the principal sources of information from which they have been derived;

- (f) The extent to which actual events and transactions have been reflected in the prospective financial statements and prospective service performance information;
- (g) The factors that may lead to a material difference between the prospective financial statements and prospective service performance information and the actual financial results and service performance information reported presented in historical financial statements in future reporting periods;
- (h) The assumptions made in relation to those sources of uncertainty and the potential financial effect of the uncertainty on the prospective financial statements and the potential effect of the uncertainty on prospective service performance information;

...

Paragraphs 1, 3, 6–10, 11.1, 12–19, 21–23, 25–27 and the heading preceding paragraph 26, 41–56 and the heading preceding paragraph 44, 58–69 and 70.1 are amended. Paragraph 64 is shown to provide context.

Paragraphs 27A, 27B, 64.1 and 73.3 are added.

New text is underlined and deleted text is struck through.

1. The objective of this Standard is to establish principles and specify minimum disclosures for entities that present general purpose prospective financial statements or general purpose prospective service performance information (hereafter referred to as ‘prospective financial statements’ and ‘prospective service performance information’ except where otherwise stated). To provide users with high quality general purpose prospective financial information, this Standard requires that an entity presenting general purpose prospective financial information present a complete set of prospective financial statements using the best information that could reasonably be expected to be available and which meet certain qualitative characteristics. This Standard also requires that an entity presenting general purpose prospective service performance information present comprehensive information that is based on the assumptions and information consistent with that used to prepare any prospective financial information.

...

3. An entity shall apply this Standard where it is required, or chooses, to present general purpose prospective financial information or general purpose prospective service performance information.

...

6. Examples of prospective information to which this Standard does not apply include:

- (a) Special purpose prospective financial information;
- (b) Prospective information expressed solely in general terms; and
- (c) Prospective non-financial information, other than the prospective service performance information discussed in this Standard.

Nonetheless application of the principles and requirements of this Standard to prospective ~~financial~~ information outside the scope of this Standard is encouraged to the extent applicable.

7. Special purpose prospective ~~financial~~ information is prepared for external users who are able to require, or contract for, the preparation of special reports to meet their specific information needs. It may be prepared in a form agreed to by the parties.
8. Prospective information which is expressed solely in general terms includes qualitative statements about future prospects. Such statements are commonly found in:
 - (a) Narrative commentary within an entity’s financial report; and
 - (b) Commentary in statements of intent provided by government departments and Crown entities and in long-term plans provided by local authorities.

However, the above information, where presented, should be consistent with any current published prospective financial statements and prospective service performance information.

9. Prospective non-financial information includes forward-looking disclosures about an entity's objectives, activities and performance targets. Non-financial information is often provided because financial information alone is unlikely to meet all the needs of users. In the case of public sector entities, legislation may require the publication of prospective non-financial information ~~such as objectives, nature and scope of activities and performance targets in relation to objectives, outputs or outcomes. Some non-financial information will be prospective information that falls within the scope of this Standard.~~ Where non-financial and financial information ~~are~~ published together they should be consistent.
10. **A public benefit entity whose prospective financial statements, and prospective service performance information where this is provided, comply with PBE FRS 42 shall make an explicit and unreserved statement of such compliance in the notes. Prospective financial statements and prospective service performance information shall not be described as complying with PBE FRS 42 unless they comply with all the requirements of PBE FRS 42.**
- ...
- 11.1 The following terms are used in this Standard with the meanings specified:
- ...
- General purpose prospective service performance information means future-oriented service performance information prepared for external users who are unable to require, or contract for, the preparation of special reports to meet their specific information needs.**
12. Prospective financial statements and prospective service performance information prepared using the principle of best information, that are reasonable and supportable, and that meet the qualitative characteristics outlined in paragraphs 16 and 17 of this Standard are likely to be of a high quality and assist users in forming, revising or confirming their expectations about the future.
13. **An entity shall use the best information that could reasonably be expected to be available at the time prospective financial statements and prospective service performance information are prepared in determining the assumptions and information used in the preparation of the prospective financial statements and prospective service performance information.**
14. **The information in prospective financial statements and prospective service performance information shall be reasonable and supportable and faithfully represent the assumptions and information on which the financial statements and service performance information are based.**
15. ~~Prospective~~ The information in ~~prospective financial statements~~ is, by definition, uncertain and its preparation requires the exercise of judgement. Events and circumstances may not occur as expected or may not have been predicted. In addition, the entity may subsequently take actions which differ from the proposed courses of action on which the prospective information is ~~financial statements are~~ based. In seeking to demonstrate that ~~the prospective~~ information in the ~~prospective financial statements~~ is reasonable and supportable, an entity considers whether:
- (a) The course of action reflected in the prospective information ~~financial statements~~ represents the entity's proposed course of action, or, where alternative scenarios are presented, that those scenarios are feasible;
 - (b) It has a reasonable and supportable basis for the determination of assumptions underlying the prospective information ~~financial statements~~. Ways in which an entity can demonstrate that it has a reasonable and supportable basis for the assumptions underlying the prospective information ~~financial statements~~ are discussed in paragraphs 20 and 21; and
 - (c) It has used appropriate information.

Qualitative Characteristics

16. **In order to meet the needs of users, prospective financial statements and prospective service performance information shall meet the qualitative characteristics outlined in the *Public Benefit Entities' Conceptual Framework*. Accordingly, the statements and information shall be relevant, faithfully representative, understandable, timely, comparable and verifiable.**

17. In giving effect to the principle in paragraph 16, for prospective financial statements and prospective service performance information to be:
- (a) **Relevant**—the information in the statements and service performance information should be capable of assisting users to make economic or other decisions by helping them evaluate present or future events or correct their past evaluations. For prospective financial statements and service performance information to be relevant they must have predictive value and be able to be confirmed, or otherwise, in future periods.
 - (b) **Faithfully Representative**—the information in the statements and service performance information should be complete, neutral, and free from material error. The extent to which prospective financial statements and service performance information can be described as faithfully representative is affected by the appropriateness of the assumptions and the sources of uncertainty. Users should be able to assess the extent to which prospective financial statements and service performance information are faithfully representative and identify the factors that make the statements and service performance information more or less faithfully representative.
 - (c) **Understandable**—the information ~~in the statements~~ should be described, aggregated, classified and presented in a format and style that is able to be clearly understood by users. For prospective financial statements and service performance information to be understandable, users will need sufficient information to be able to make judgements about the assumptions employed and the risks associated with those assumptions.
 - (d) **Timely**—the information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
 - (e) **Comparable**—the statements should measure and display like items, transactions and events in a consistent manner. Service performance information should be presented as consistently as possible over time. Prospective financial statements and service performance information should be capable of comparison with current and subsequent information about the actual ~~financial~~ performance of an entity based on consistent application of accounting policies, reporting periods and presentation.
 - (f) **Verifiable**—the statements and service performance information should be transparent about the assumptions that underlie the information disclosed, the methodologies adopted in compiling that information, and the factors and circumstances that support any opinions expressed or disclosures made.

Assumptions

18. **Assumptions shall be based on the best information that can reasonably be expected to be available to the entity, be consistent among themselves, be consistent with the current plans of the entity to the extent that this is relevant, and be applied consistently. An entity shall have a reasonable and supportable basis for the determination of assumptions underlying prospective financial statements and service performance information.**
19. An assumption is a view taken about the future for the purpose of preparing prospective information ~~financial statements~~. Assumptions are taken as being true for the purpose of preparing prospective information ~~financial statements~~ but could change later. An assumption is made where some facts are not yet known or decided. In preparing prospective information ~~financial statements~~ an entity generally needs to make assumptions regarding economic and business conditions and proposed courses of action. For example, an entity may assume that the nature of its operations and principal activities for the period of the prospective financial statements and prospective service performance information will be consistent with the operations and activities outlined in certain plans and strategies of the entity. Information used in the preparation of prospective information ~~financial statements~~ may include the current plans and strategies of the entity, some of which may be published, market surveys, industry statistics, economic and other indicators or specialised studies.
- ...
21. Where prospective financial statements and prospective service performance information present information on activities that have no track record and that are not subject to considerable management control and discretion, it is more difficult to establish that there is a reasonable and supportable basis for the assumptions. Ways in which an entity preparing prospective financial statements and prospective

service performance information in a start-up situation can demonstrate a reasonable and supportable basis for the assumptions include:

...

- (c) Detailed analysis by area of activity (for example, goods and services by ~~type market, product line~~ or geography and cost by function);
22. Assumptions are frequently interdependent. An assumption may affect many items within prospective financial statements and prospective service performance information and lead to the formulation of other assumptions. Where assumptions are interdependent, the treatment of the interdependent assumptions in prospective financial statements and prospective service performance information should be consistent. For example, an entity may have a capital project that will need to be funded during the period of the prospective financial statements. As such, assumptions will be required about the source of the funding and the interest rates related to the funding. It may also be necessary to make assumptions about the related increase in depreciation charges.
23. Application of the principle of best information and the manner in which an entity demonstrates that it has a reasonable and supportable basis for assumptions will depend on the circumstances in which an entity prepares prospective financial statements and prospective service performance information. Prospective financial statements and prospective service performance information reflect an entity's assumptions regarding its proposed courses of action for the period of the prospective information financial statements. An entity may propose to continue its current operations and activities, make some changes to its current operations and activities, or engage in one or more alternative scenarios.
- (a) To the extent that an entity intends to continue its current operations and activities for the period of the prospective information financial statements, application of the best information principle requires that the assumptions and information used in the preparation of the prospective information financial statements be based on and consistent with the assumptions in the entity's current plans and strategies, updated as appropriate for more recent information forecasts of economic and business conditions.
 - (b) Where the nature of an entity's operations and its principal activities are expected to change significantly over the period of the prospective information financial statements, the assumptions will need to reflect these changes. Application of the best information principle in these circumstances requires that the assumptions and information used in the preparation of the prospective information financial statements reflect the entity's proposed course(s) of action, including any alternative scenarios, and the risks and uncertainties that inevitably surround many of the events and circumstances associated with those actions or scenarios. In such circumstances the assumptions and information used in the prospective information financial statements may be consistent with those in the entity's current plans and strategies, but only to the extent that those assumptions and information are relevant to the entity's planned actions or alternative scenarios. The quality of such prospective information financial statements is enhanced if it is they are supported by an analysis of the entity's current operations and the way in which those operations are expected to change under the proposed course of action, including any alternative scenarios.
- ...
25. Full disclosure of significant assumptions is essential in order for users to determine the extent to which they wish to rely on the information in prospective financial statements and prospective service performance information. Users require information about the assumptions used so they can make an informed judgement on the degree of reliability of the information in the prospective financial statements and prospective service performance information. Users also require information which assists them in assessing the sensitivity of information in prospective financial statements and prospective service performance information to changes in assumptions and the extent to which they are subject to a high degree of uncertainty.

Prospective Financial Reporting

Presentation of Prospective Financial Statements

26. An entity that presents prospective financial statements shall present and disclose information that enables users of those statements to evaluate the entity's financial prospects and to subsequently assess actual financial results ~~prepared in future reporting periods~~ against the prospective financial

statements. An entity that also presents prospective service performance information shall present and disclose information that enables users of that information to evaluate the entity's proposed service performance and to subsequently assess actual service performance against the prospective service performance information.

27. Information presented on the face of prospective financial statements is usually presented as a line item. However, additional disclosures may be used to present information on the possible range for an individual item. When a range is used the band shall not be so broad as to render the information meaningless to users and the assumptions used shall be clearly linked to the upper and lower limits of the range. Where prospective financial information has a high level of uncertainty associated with it, a range is more likely to present useful information. Prospective service performance information may also be presented as a range for the same reasons.

27A. An entity's prospective service performance information shall include sufficient information to enable a reader to obtain a broad understanding of the projected service performance of the entity in a manner that is neither misleading nor biased. Consistent with the requirements of PBE FRS XX Service Performance Reporting it shall include contextual information about the entity, an appropriate and meaningful mix of performance measures and/or descriptions and critical judgements made in reporting prospective service performance information that are relevant to an understanding of that information. An entity's prospective service performance information shall be presented in a manner consistent with how the entity expects to report that information in the future.

27B The presentation of prospective service performance information will often involve the selection of a subset of the information that an entity would present in accordance with PBE FRS XX. Differences between the most recently reported service performance information and prospective service performance information may occur due to changes in an entity's activities or the way in which it collects and reports information.

...

41. Prospective financial statements and prospective service performance information shall be prepared in accordance with the accounting policies expected to be used in the future for reporting historical general purpose financial reports statements.

42. Where an entity presents both controlling entity and group financial statements for general purpose historical financial reporting, it should consider whether both controlling entity and group prospective financial statements should be presented. Similar considerations arise in respect of prospective service performance information. Factors to consider include the purpose and relevance of the prospective ~~financial~~ statements and information and whether, in the absence of group ~~prospective financial~~ statements and information, the statements and information ~~that are~~ presented in respect of the controlling entity would meet the qualitative characteristics set out in paragraphs 16 and 17 of this Standard.

43. Where an entity presents prospective financial statements and prospective service performance information in respect of the reporting entity for general purpose financial reporting and/or a subset of that reporting entity:

- (a) The prospective financial statements and prospective service performance information for the reporting entity for which general purpose financial reports will subsequently be prepared shall be prepared in accordance with the accounting policies expected to be used in the future for ~~reporting~~ historical general purpose financial reports statements; and
- (b) The prospective financial statements and prospective service performance information for the sub-entity shall be prepared in accordance with the accounting policies expected to be used in the future for ~~reporting~~ historical general purpose financial reports statements except where regulations otherwise require.

Periods Covered by Prospective Financial Reports Statements

44. **The reporting periods covered by prospective financial statements and prospective service performance information shall coincide with those for which interim or annual historical general purpose financial reports statements will subsequently be presented.**

45. Where legislation or regulation require prospective financial information or prospective service performance 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 ~~reports statements~~ are found in PBE IPSAS 1 *Presentation of Financial Reports Statements* and PBE IAS 34 *Interim Financial Reporting*.
46. The number of reporting periods covered by prospective financial ~~reports statements~~ may vary considerably depending on the relevant legal requirements and the purpose and objective for which the prospective financial ~~reports statements~~ are prepared. In general, the greater the number of future reporting periods included in prospective financial ~~reports statements~~, the more unreliable and uncertain the ~~information in the~~ prospective financial ~~reports statements~~ becomes. Entities should exercise caution about publishing prospective financial statements and prospective service performance information for periods beyond that required by legislation or regulation. Entities publishing prospective financial statements and prospective service performance information, other than those required to publish prospective financial information and prospective service performance information by legislation or regulation, should exercise caution in presenting prospective financial statements and prospective service performance information for more than one reporting period.

Disclosure

Disclosure of Operations and Activities

47. An entity shall disclose the following, if not disclosed elsewhere in information published with the prospective financial report statements:
- (a) A description of the nature of the entity's current operations and its principal activities; and
 - (b) A description of the nature of the entity's operations and its principal activities for the period of the prospective financial report statements.

Disclosure of the Purpose of Prospective Financial Reports Statements

48. When a prospective financial report statements is are presented, the purpose for which it has they ~~have been~~ prepared shall be disclosed together with a caution that the information ~~in those statements~~ may not be appropriate for purposes other than those described.

Disclosure of Bases for Assumptions, Risks and Uncertainties

49. Prospective financial statements and prospective service performance information shall contain the information necessary for a user to appreciate the degree of uncertainty attaching to those statements and that the information in those statements and the impact of that uncertainty.
50. The requirement that prospective financial statements and prospective service performance information contain the information necessary for a user to appreciate the degree of uncertainty attaching to the information in those statements and that information and the impact of that uncertainty requires the disclosure of assumptions, the risks associated with those assumptions, and other matters and information which are of importance to users' understanding of the prospective ~~financial information statements~~. Disclosure of the risks surrounding assumptions and the potential impact of a change in an assumption on the prospective ~~financial information statements~~ enables users to assess the degree of uncertainty inherent in the ~~information in the prospective information financial statements~~ and the reliance they wish to place on ~~the that~~ information ~~in those statements~~. Such disclosure reduces the possibility that unwarranted credibility may be attached to the information. In forming a judgement on what constitutes reasonable disclosure, an entity will need to take into consideration:
- (a) Sources of uncertainty and the assumptions made relating to uncertainties;
 - (b) The factors that will affect whether assumptions will be borne out in practice; and
 - (c) Alternative results, being the consequences of assumptions not being borne out.

51. **All significant assumptions underlying prospective financial statements and prospective service performance information shall be disclosed separately and clearly identified in a manner that makes their significance understandable to users. Where possible, assumptions shall be quantified.**
52. A significant assumption is one that materially affects one or more financial estimates or estimates relating to planned activities. One way of highlighting the significance of assumptions is to rank assumptions in order of importance in relation to their impact on the prospective information-financial statements. For example, the most significant risks may be uncertainty regarding the level of demand for a new product, exposure to future price changes (inflation), exposure to movements in foreign currency exchange rates or interest rates, and increased demand for services caused by shifts in population growth. If the level of expected demand for the new product is the most important assumption it should be disclosed as such and the risk of demand being significantly less than assumed should be disclosed as a key risk.
53. **Where prospective financial statements and prospective service performance information are not based on the entity's existing activities, this fact shall be disclosed together with a description of the changes proposed.**
54. Where prospective financial statements and prospective service performance information reflect planned actions or alternative scenarios that do not represent the entity's existing activities, this fact shall be disclosed to enable users to understand the nature of the changes proposed and the possible future direction that the entity may take.
55. **An entity shall disclose:**
 - (a) **The bases on which the significant assumptions have been prepared, including the principal sources of information from which they have been derived;**
 - (b) **The extent to which actual events and transactions have been reflected in the prospective financial statements and prospective service performance information;**
 - (c) **The factors that may lead to a material difference between information in the prospective financial statements and prospective service performance information, and the actual financial results and service performance reported ~~prepared~~ in future reporting periods; and**
 - (d) **The assumptions made in relation to those sources of uncertainty and the potential financial effect of the uncertainty on the prospective financial statements, and the potential effect of the uncertainty on prospective service performance information.**
56. The purpose of disclosure of the bases for the assumptions is to provide users with information to determine the extent to which they can rely on the information in the prospective financial statements and prospective service performance information. Disclosure about the bases of the preparation of the significant assumptions may include discussion of the process used to develop assumptions, including the use of documents such as plans, surveys and reports. The factors outlined in paragraph 20 and, where applicable, paragraph 21, are examples of items that could have formed the bases of assumptions.
- ...
58. Examples of factors that may lead to a material difference between prospective financial statements and prospective service performance information and actual financial results and service performance include macroeconomic exposures, political changes, market volatility, competitor action and risks associated with the entity's own processes for producing goods and services. One way in which information on the effect of such uncertainties on prospective financial statements and prospective service performance information may be presented is a sensitivity analysis. Where a sensitivity analysis using positive or optimistic variables is presented, it should generally be accompanied by a corresponding analysis based on negative or pessimistic variables.
59. **Prospective financial statements and prospective service performance information shall include a cautionary note to the effect that actual financial results and service performance achieved for the period covered are likely to vary from the information presented, and that the variations may be material.**

Disclosure of Accounting Policies

60. Significant accounting policies used as a basis for the preparation of prospective financial statements and prospective service performance information shall be disclosed in accordance with PBE IPSAS 1 *Presentation of Financial Statements*.
61. Where prospective financial statements or prospective service performance information give effect to a change in accounting policy, this change shall be disclosed, including the reason for the change and its effect on the prospective financial statements or prospective service performance information.
62. The changes in accounting policies referred to in paragraph 61 include changes from the accounting policies used in the prior period historical general purpose financial reports ~~statements~~ and changes from the accounting policies used in prior period prospective financial statements where prospective financial statements are presented for more than one year.
63. Where an entity publishes both controlling entity and group financial statements for historical financial reporting purposes but does not publish group prospective financial statements, it shall disclose the reasons for not presenting group prospective financial statements. Similarly, where an entity publishes both historic controlling entity and group service performance information but does not publish group prospective service performance information, it shall disclose the reasons for not presenting group prospective service performance information.
64. Where an entity publishes prospective financial statements in respect of a subset of a reporting entity in accordance with paragraph 43 it shall disclose:
 - (a) The reasons for presenting prospective financial statements for the subset; and
 - (b) Whether the entity intends to publish historical financial statements for the subset of the reporting entity for the period or periods covered by the prospective financial statements.
- 64.1 Where an entity publishes prospective service performance information in respect of a subset of a reporting entity in accordance with paragraph 43 it shall disclose:
 - (a) The reasons for presenting prospective service performance information for the subset; and
 - (b) Whether the entity intends to publish historical service performance information for the subset of the reporting entity for the period or periods covered by the prospective service performance information.

Other Disclosures

65. When an entity presents prospective financial statements and prospective service performance information, it shall disclose:
 - (a) The date when the prospective financial statements and prospective service performance information were authorised for issue and who authorised the issue of the prospective financial statements and prospective service performance information;
 - (b) A statement that the person or body that authorised the issue of the prospective financial statements and prospective service performance information by the entity is responsible for the prospective financial statements and prospective service performance information presented, including the appropriateness of the assumptions underlying the prospective financial statements and prospective service performance information and all other required disclosures;
 - (c) The extent to which actual financial results and service performance are incorporated and the period covered by those results; and
 - (d) Whether or not it is intended to update the prospective financial statements and prospective service performance information subsequent to presentation and, if so, when.
66. The process involved in authorising the prospective financial statements and prospective service performance information for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the prospective financial statements and prospective service performance information. It is important for users to know when the prospective

financial statements and prospective service performance information were authorised for issue because this is the date of adoption of the underlying assumptions. The prospective financial statements and prospective service performance information do not reflect events or knowledge obtained after this date.

67. The authorising body is responsible for ensuring that the entity has a robust process for developing assumptions and that the assumptions developed are appropriate in the circumstances. The responsibility of the authorising body extends beyond ensuring that individual assumptions used to prepare the prospective financial statements and prospective service performance information are appropriate in the circumstances, to ensuring that the assumptions taken as a whole are appropriate and that there is adequate disclosure of all significant risks.
68. Disclosure of the date of adoption of the underlying assumptions alerts users to the possibility that events occurring subsequent to this date may affect the usefulness of the information presented. Disclosure of the extent to which actual financial results and service performance are incorporated and the period covered by those results provides an indication of the degree of reliability that can be attached to the information in the prospective financial statements and prospective service performance information. Further disclosure of whether or not it is intended to update the prospective financial statements and prospective service performance information subsequent to presentation may alert the user to the extent of the intention to communicate such updated information.

Disclosure of Reasons for Revising Prospective Financial Statements and Prospective Service Performance Information

69. **Where revised prospective financial statements and prospective service performance information are issued, the following shall be disclosed:**
 - (a) **The reasons for revising the prospective financial statements and prospective service performance information;**
 - (b) **An explanation of the changes made to the prospective financial statements and prospective service performance information most recently issued, including a reconciliation of material differences between the previously reported prospective financial statements and prospective service performance information and the revised prospective financial statements and prospective service performance information; and**
 - (c) **The date as at which the prospective financial statements and prospective service performance information were revised.**

...

- 70.1 PBE IPSAS 1 specifies requirements for comparisons of actual financial information results and actual service performance information to prospective financial statements and prospective service performance information.

Effective Date

...

- 73.3 PBE FRS XX *Service Performance Reporting*, issued in [Date], amended paragraphs 1, 3, 6–10, 11.1, 12–19, 21–23, 25–27 and the heading preceding paragraph 26, 41–56 and the heading preceding paragraph 44, 58–69 and 70.1 and added paragraphs 27A, 27B and 64.1. An entity shall apply those amendments when it applies PBE FRS XX.

For consideration at the NZASB November 2017 meeting.

Paragraphs BC5 and BC6 are added. New text is underlined.

Service Performance Reporting

BC5. PBE FRS XX *Service Performance Reporting*, issued in [Date], established requirements for public benefit entities to report service performance information. At that time the NZASB amended a number of other standards, including PBE FRS 42 *Prospective Financial Statements*. The amendments to PBE FRS 42 broaden the application of the Standard to prospective service performance information. The NZASB decided not to mandate the presentation of service performance information in conjunction with all prospective financial statements on the grounds that there may be some situations in which it is appropriate for an entity to present prospective financial statements without also presenting prospective service performance information.

BC6. The NZASB also considered whether the title of PBE FRS 42 should be changed to *Prospective Financial Reports* to signal that the Standard contains requirements for both financial statements and service performance information. The NZASB decided not to change the title of PBE FRS 42 at this time as it did not anticipate that the [2017] amendments would change current practice regarding when prospective service performance information is presented with prospective financial statements. The NZASB noted that it had a separate project underway to review the requirements in PBE FRS 42 and that any change in title could be considered in the context of that project.

SERVICE PERFORMANCE REPORTING

PBE FRS 43 *Summary Financial Statements*

Paragraphs 9, 11A, 11B, 12 and the preceding heading, and paragraph 16 are amended.
Paragraph 44.4 is added.

New text is underlined and deleted text is struck through.

9. Summary financial statements shall include a summary of each financial statement included in a full financial report. If the full financial report included service performance information, summary financial statements shall be accompanied by a summary of that service performance information. ~~If the full financial report is required to include non-financial statements such as a statement of service performance, the summary financial statements shall be accompanied by a summary of the non-financial statements required to be included in the full financial report.~~

...

Application of Materiality

- 11A. An entity shall disclose sufficient information in its summary financial statements and summary service performance information to enable a reader to obtain a broad understanding of the financial position and performance, and service performance, of the entity in a manner that is neither misleading nor biased.
- 11B. The disclosures required by this Standard are subject to the definition of materiality in PBE IPSAS 1 *Presentation of Financial Statements Reports*. They shall be disclosed separately if they are of such incidence and size, or of such nature, that their disclosure is necessary to explain the performance or financial position of the entity. A summary description of each material item, as included in the most recent full financial statements, shall be given to enable its nature to be understood. A summary description of items relating to other periods covered by the summary shall be given where this is required for an understanding of the summary financial statements, taken as a whole.

Consistency with Full Financial Report ~~Statements~~ and Service Performance Information

12. The information in the summary financial statements and summary service performance information shall be drawn from and be consistent with information presented in the full financial report ~~statements and service performance information~~ for the relevant periods. Where information in the full financial report ~~statements or full service performance information~~ for periods included in the summary financial statements or summary service performance information has subsequently been restated or reclassified, the information in the summary financial statements or summary service performance information shall be drawn from, and be consistent with, that restated or reclassified information. No further restatement or reclassification is permitted.
16. Except as otherwise required by legislation, if the entity presenting the summary financial statements and summary service performance information is an economic entity ~~a group~~, the summary financial statements shall be presented for the entire economic entity ~~group~~. Controlling entity financial information is not required.

Effective Date

...

- 44.4 PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in November 2017 ~~[Date]~~, amended paragraphs 9, 11A, 11B, 12 and 16. An entity shall apply those amendments when it applies PBE FRS ~~48XX~~.

Paragraphs BC2–BC4 are added. New text is underlined.

Service Performance Reporting

- BC2. PBE FRS ~~48XX~~ *Service Performance Reporting*, issued in November 2017 ~~[Date]~~, established requirements for public benefit entities to report service performance information. At that time the NZASB made some minor amendments to PBE FRS 43 *Summary Financial Statements* to refer to both summary financial statements and summary service performance information.

For consideration at the NZASB November 2017 meeting.

BC3. The NZASB agreed that if the full financial report included service performance information, summary financial statements should be accompanied by a summary of that service performance information. This was on the grounds that the summary should be a complete summary of the financial report. This differed from the NZASB's views on interim financial reporting where the NZASB acknowledged that there may be circumstances in which it is appropriate for an entity to produce interim financial statements but not necessarily interim service performance information.

BC4. The NZASB also considered whether the title of PBE FRS 43 should be changed to *Summary Financial Reports* to signal that the Standard contains requirements for both financial statements and service performance information. The NZASB decided not to change the title of PBE FRS 43 at this time as it did not anticipate that the 2017 amendments would change current practice regarding when summary service performance information is presented with summary financial statements. The NZASB noted that any change in title could be considered at a later time, possibly in the context of a general amending standard.

Note to Board:

The amendments to PBE IFRS 9 Appendix D shown below were not included in the limited scope review draft. The effective date of PBE IFRS 9 is 1 January 2021. The proposed effective date of PBE FRS 48 is also 1 January 2021. These changes to the consequential amendments in PBE IFRS 9 are relevant in the event that an entity elects to early apply PBE IFRS 9 and PBE FRS 48.

PBE IFRS 9 Financial Instruments

The amendments to PBE IPSAS 1, as set out in PBE IFRS 9, Appendix D Amendments to Other Standards are amended.

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*.

Paragraphs D1, 138 and 154.7 are amended.

New text is underlined. Deleted text is struck-through.

PBE IPSAS 1 Presentation of Financial Reports Statements

D1 In paragraph 7, the definition of 'other comprehensive revenue and expense' and paragraphs 79, 82, 99.1, 103.5, 103.7, 103.8 and 138 are amended and paragraph 154.7 is added:

...

138. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial ~~statements~~ report. ...

...

154.7 PBE IFRS 9, issued in January 2017, amended paragraphs 7, 79, 82, 99.1, 103.5, 103.7, 103.8 and 138. An entity shall apply those amendments when it applies PBE IFRS 9.

XRB A1 Application of the Accounting Standards Framework

Appendix C is amended~~Paragraph 79 is added~~. New text is underlined.

D. — EFFECTIVE DATE

~~79 — PBE FRS 48XX *Service Performance Reporting*, issued in [Date], amended Appendix C. An entity shall apply that amendment when it applies PBE FRS 48XX.~~

APPENDIX C

TIER 1 PBE ACCOUNTING REQUIREMENTS AND TIER 2 PBE ACCOUNTING REQUIREMENTS TO BE APPLIED BY PUBLIC BENEFIT ENTITIES

This appendix forms an integral part of XRB A1 Application of the Accounting Standards Framework.

This appendix lists the Accounting Standards and Authoritative Notice that contain the Tier 1 PBE Accounting Requirements for Tier 1 PBEs and the Tier 2 PBE Accounting Requirements for Tier 2 PBEs.

Accounting Standards

PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying
NZ IFRS*

PBE FRS ~~48XX~~ *Service Performance Reporting*

Basis for Conclusions

Issue 5: Basis for Conclusions

We have revised the Basis for Conclusions to incorporate the main issues considered by the Board over the last few months. The main changes (to the version in the limited scope review draft) are:

- (a) Principles: We have noted the feedback on the QCs and explained the changes made.
- (b) Disclosure of Judgements: We have acknowledged the feedback on this section and explained the changes.
- (c) Amendments to PBE FRS 42: We have explained why the Board decided not to amend PBE FRS 42 to establish requirements for reporting prospective service performance information at this time.

This Basis for Conclusions accompanies, but is not part of, ~~draft~~ PBE FRS ~~48XX~~ Service Performance Reporting.

Introduction

- BC1. This Basis for Conclusions summarises the NZASB's considerations in developing PBE FRS ~~48XX~~ *Service Performance Reporting*. Individual Board members gave greater weight to some factors than to others.
- BC2. The NZASB issued ED NZASB 2016-6 *Service Performance Reporting* in February 2016 ~~(the 2016 ED)~~. The NZASB received 18 comment letters and obtained additional feedback through outreach on the 2016 ED. Respondents were supportive of the project but highlighted that further work was required to develop a standard that could be applied by a range of public benefit entities (PBEs).
- BC3. The NZASB revised the proposals to develop a standard that could be more readily applied by entities using a range of performance frameworks. The NZASB sought feedback on aspects of the revised proposals in May~~{Date}~~ 2017. It did this by notifying the respondents to the 2016 ED of the revised proposals, making contact with key constituent groups and making a limited scope review near final draft ~~of the proposed~~ standard available on its website for a period of two months.
- BC4. The NZASB issued PBE FRS ~~48XX~~ in November ~~{Date}~~ 2017.

Reasons for Issuing this Standard

- BC5. The NZASB issued this Standard to establish requirements for the reporting of service performance information in order to address a gap in ~~the~~~~its~~ PBE Standards and to better meet the information needs of users of general purpose financial reports.
- BC6. When the NZASB first issued PBE Standards in 2013 it included non-integral guidance on service performance reporting in PBE IPSAS 1 *Presentation of Financial Statements*.³ This non-integral guidance was based on Technical Practice Aid 9 *Service Performance Reporting* (as issued by the New Zealand Institute of Chartered Accountants in 2007) and was originally developed for application by public sector entities only. The material from TPA-9 was updated to take account of more recent developments in service performance reporting and modified to be appropriate for application by both public sector and not-for-profit (NFP) PBEs. The NZASB regarded the guidance in PBE IPSAS 1 as an interim step, pending the development of a financial reporting standard on service performance information, and subsequently added a project on service performance reporting to its agenda. This Standard is the result of that project.
- BC7. The NZASB considered the information needs of users of general purpose financial reports, as discussed in the *Public Benefits Entities' Conceptual Framework* (PBE Conceptual Framework). The NZASB noted that financial statements provide some, but not all, of the information that users of general purpose financial reports of ~~PBE~~~~public benefit entities~~ require for accountability and decision making. The provision of service performance information, together with financial statements, provides users with a more complete set of information. The NZASB noted that it had already established service performance reporting requirements in the Tier 3 and Tier 4 PBE Accounting Requirements.

³ Subsequently renamed *Presentation of Financial Reports*.

BC8. The recent projects of other standard-setters were considered in developing this Standard. The International Public Sector Accounting Standards Board's (IPSASB's) Recommended Practice Guideline 3 *Reporting of Service Performance Information* (RPG 3) was issued in 2015. The NZASB considered the extent to which the guidance in RPG 3 was appropriate for PBEs in New Zealand. The Australian Accounting Standards Board (AASB) issued ED 270 *Reporting Service Performance Information* in August 2015. Although jurisdictional differences meant that the projects of the NZASB and AASB were conducted as separate projects, the Boards had similar objectives and monitored each other's projects.

BC9. The remainder of this Basis for Conclusions is organised using the section headings in the Standard.

Scope

BC10. In general, the requirements in a particular PBE Standard apply to public benefit entities in both the public sector and ~~NFP~~~~not-for-profit~~ sector. However, sometimes it is necessary to differentiate between the two sectors. In the case of service performance information, the NZASB needed to consider existing legislative requirements that apply in the public sector.

BC11. Although legislative requirements have evolved over time, many public sector PBEs such as government departments, crown entities and local governments, have been subject to performance reporting requirements for a number of years. Legislation has often required both ex ante and ex post service performance information. The NZASB was of the view that entities with existing legislative requirements to report service performance information would already have much of the information required by PBE FRS ~~48XX~~. In order to minimise the imposition of additional compliance costs on such entities for potentially little additional benefit, the NZASB had regard to current legislative requirements when it developed this Standard.

BC12. The NZASB considered the implications of requiring all public sector PBEs, including those without legislative requirements to report service performance information, to comply with the Standard. The NZASB noted the following.

- (a) From a legislative perspective, there has already been an assessment for some of these entities that the costs of requiring service performance information would be greater than the benefits, that such reporting would be inappropriate, or an acknowledgement that related information is made available in other ways.
- (b) Some entities (for example, schools) that do not have a legislative requirement to report service performance information nonetheless have a legislative requirement to report non-financial information that is complementary to the financial statements. In these circumstances imposing a different set of requirements would impose additional costs, but would not necessarily provide additional benefits commensurate with those costs.

BC13. The concerns about conflicts with legislation were limited to the public sector. The NZASB noted that some NFP PBEs already provided service performance information in their general purpose financial reports. The NZASB was of the view that the general purpose financial report of an NFP entity should tell a story about what an NFP entity does, the resources used in doing it, and how well positioned the entity is to continue doing it. Service performance reporting is an essential component of that story. The NZASB acknowledged that complying with PBE FRS ~~48XX~~ could lead to increased costs for NFP entities as its requirements were unlikely to align perfectly with their current reporting. The NZASB opted for a high-level principles-based approach to provide sufficient flexibility for entities to 'tell their story' in a way that is meaningful for them and their users, to avoid some of the difficulties that could arise with a more prescriptive approach and to avoid imposing unnecessary costs. On balance, the NZASB considered that the benefits of improved and more comparable service performance reporting across the NFP sector would outweigh the costs of reporting in accordance with the Standard.

BC14. The NZASB noted that PBE FRS ~~48XX~~ would not replace the detailed one-on-one reporting that occurs between entities and funders. Rather, it would provide an opportunity for funders to consider the extent to which the information required by the Standard could meet their needs.

BC15. Taking all of these matters into consideration, the 2016 ED proposed that:

- (a) public sector PBEs with existing legislative requirements to report service performance information comply with the proposed standard;

- (b) public sector PBEs without existing legislative requirements to report service performance information be encouraged, but not required, to comply with the proposed standard; and
 - (c) NFP PBEs comply with the proposed standard.
- BC16. The NZASB sought feedback on the costs and benefits of these scope proposals. Although some respondents considered that the requirements for all Tier 1 and Tier 2 PBEs should be the same, the majority of respondents supported the proposals.
- BC17. Based on feedback from respondents the NZASB refined the scope requirements for public sector PBEs to more closely link the scope with legislative requirements. For example, only some legislation requires service performance information in accordance with GAAP and legislation may require service performance information on only some of an entity's activities. The NZASB also agreed that, in order to acknowledge the range of legislative requirements, the scope should refer to "information in respect of service performance" rather than "a statement of service performance (by whatever name called)".
- BC18. PBE FRS ~~48XX~~ establishes requirements for the reporting of service performance information in a general purpose financial report. It does not apply to service performance information prepared for groups of entities that are not a reporting entity for financial reporting purposes or for parts of an entity. Nor does it apply to service performance information presented in another context, such as a standalone report. The NZASB considered that establishing requirements for such varied forms of reporting would not only be difficult, but would be outside its mandate. The NZASB also acknowledged that PBEs may include other types of non-financial information such as environmental information and sustainability information in an annual report, but considered that such reporting was broader than service performance reporting.

Principles

- BC19. PBE FRS ~~48XX~~ is based on the objectives of financial reporting and the qualitative characteristics of financial reporting in the PBE Conceptual Framework.
- BC20. The 2016 ED proposed that service performance information satisfy, to the extent possible, the qualitative characteristics and appropriately balance the pervasive constraints on information in general purpose financial reports. The 2016 ED explained that this should result in service performance information that is appropriate and meaningful. The NZASB introduced the term 'appropriate and meaningful' because it wanted to establish a general term that entities could apply when making judgements about the application of the qualitative characteristics and constraints. The NZASB considered that a general term such as this could facilitate discussions between preparers, and between preparers and auditors regarding the appropriate selection of information and the overall volume of information presented. The NZASB received positive feedback about the use of this term and retained it in the Standard.
- BC21. In response to feedback received on the proposals in the 2016 ED the NZASB:
- (a) clarified that the term appropriate and meaningful should be considered from the user's point of view;
 - (b) included a discussion, from the PBE Conceptual Framework, on the trade-off needed between the qualitative characteristics; and
 - (c) emphasised the role of neutrality in faithful representation.
- BC22. In response to feedback received on the limited scope review draft about the importance of some aspects of the qualitative characteristics and pervasive constraints, the NZASB expanded the discussion of relevance, faithful representation and verifiability. The NZASB noted that although these concepts are discussed in the PBE Conceptual Framework, not all those applying this Standard would necessarily be familiar with that document. The NZASB agreed that reiterating key messages about those concepts could facilitate discussions between preparers, and between preparers and auditors about the application of the qualitative characteristics and pervasive constraints to an entity's service performance reporting.

Information to be Reported

- BC23. The NZASB's aim was to develop a standard that could be applied by a wide range of PBEs in reporting on their service performance. The 2016 ED aimed to establish best practice requirements, while acknowledging the difficulties that some entities might face in meeting the proposed requirements.

BC24. The requirements in the 2016 ED were based on the following three dimensions of service performance.

- (a) What did the entity do?
- (b) Why did the entity do it?
- (c) What impact did the entity have?

BC25. These dimensions were described using the terms outputs, outcomes and impacts. The 2016 ED defined outcomes as the impacts on society or segments of society as a result of the entity's outputs and operations. The 2016 ED proposed that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity had on those outcomes. ~~It~~The ED acknowledged a number of factors that could make it difficult for some entities to report on impacts and suggested that reporting on what it referred to as intermediate outcomes could partly address these difficulties.

BC26. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. Comments from respondents centred around the following issues.

- (a) Entities may be subject to a range of other service performance reporting requirements, including legislative requirements. Entities should be able to comply with both the proposed standard and those other requirements without restating or duplicating information.
- (b) Legislative requirements continue to evolve. For example, the terms outputs and outcomes had recently been removed from some legislation.
- (c) Differing views about whether the term impacts should be used to describe what an entity is seeking to influence or ultimate outcomes. ~~Not for profit~~NFP entities and public sector entities indicated that they used the term impact in differing ways.
- (d) The difficulty of attributing changes to an entity's actions, particularly when a number of entities have been working together.
- (e) A lack of clarity about when an entity was required to report on impacts.

BC27. A number of respondents suggested changes to the proposals based on the performance frameworks which they were familiar with. These suggestions highlighted that there are a number of performance frameworks being used by PBEs. Common suggestions were to generalise language, use fewer defined terms and develop higher-level requirements.

BC28. The NZASB noted this feedback and agreed that in order to achieve its objective of developing a standard that could be applied by a wide range of entities it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms. The NZASB focused on identifying requirements that would provide useful information but which could be applied by any Tier 1 or Tier 2 PBE. This led the NZASB to require that an entity provide users with:

- (a) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- (b) information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a).

BC29. On the whole, respondents to the limited scope review draft acknowledged why the NZASB had decided to develop a more principles-based standard and expressed their support for the approach taken.

BC30. The Standard requires that, except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements. The NZASB added the reference to legislative requirements following comments from respondents that an entity may be subject to legislative requirements which specify the activities for which service performance information is required.

Presentation

BC31. PBE FRS ~~48XX~~ provides examples of presentation formats but does not prescribe the format of service performance information. After considering respondents' feedback on the 2016 ED the NZASB:

- (a) added a requirement that an entity clearly identify the service performance information presented in accordance with the Standard. This was in response to feedback that external parties, such as auditors, must be able to clearly identify the information that an entity has presented in order to meet the requirements of ~~the~~ standard; and
- (b) noted that an entity may find it helpful to present the information required by the Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform? In the 2016 ED these questions were used to organise the information required in relation to the three dimensions of service performance. Although PBE FRS ~~48XX~~ no longer refers to three dimensions of performance, the NZASB considered that such questions could still be a useful way of organising information.

Comparative Information and Consistency of Reporting

BC32. The ED required prior period comparative information for all amounts reported in the service performance information and for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. The ED also noted that PBE IPSAS 1 (together with the proposed consequential amendments) required comparisons against prospective service performance information in some circumstances.

BC33. These proposals reflected the NZASB's view that although the most meaningful comparison of an entity's service performance is whether it achieved what it set out to achieve (being actual versus prospective comparisons), it was not appropriate to require all PBEs to provide such comparisons. Public sector PBEs are often required to publicly report on planned activities and objectives but NFP PBEs are not. The proposals in the ED reflected this difference.

BC34. Respondents commented on the difficulty of providing comparatives for narrative information. PBE FRS ~~48XX~~ acknowledges that judgement is required in deciding when to provide comparative narrative and descriptive information and requires that an entity considers whether such judgements should be disclosed.

Disclosure of Judgements

BC35. PBE FRS ~~48XX~~ requires that an entity disclose ~~the critical~~those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information made in reporting service performance information in accordance with this Standard that are relevant to an understanding of the entity's service performance information. This requirement was not in the 2016 ED, which proposed a more prescriptive approach to the information to be reported. After considering responses on the 2016 ED ~~In finalising the Standard~~ the NZASB agreed that the Standard should be more principles-based and, ~~that therefore~~ entities should have a high level of discretion in selecting service performance information to be reported. As a consequence of changes to be less prescriptive around the information to be reported, and thereby provide more flexibility for entities to make judgements about how best to 'tell their story', the disclosure requirements provide a necessary counterbalance, so users can understand how those judgements were made.

BC36. The Standard sets out factors to be considered in deciding if an entity is required to disclose ~~critical~~ judgements in accordance with the Standard. The NZASB considered that this approach was more appropriate than mandating the disclosure of judgements by all entities.

BC37. Respondents to the limited scope review draft were very supportive of the proposed requirements to disclose judgements and noted the importance of such disclosures in the context of the revised proposals. Following consideration of respondents' comments on the limited scope review draft, the NZASB further refined these requirements. The issues raised by respondents and the NZASB's response are as follows.

- (a) In response to a concern that the use of the term 'critical judgements' in the limited scope review draft might be interpreted too narrowly the NZASB agreed not to use that term. The NZASB agreed to require disclosure of the 'judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information

reported' and noted that this wording would better align with existing disclosure requirements in PBE IPSAS 1.

- (b) In response to a comment that an entity may also need to consider methodological issues associated with performance measures the NZASB agreed to include an additional factor to consider in deciding which judgements to disclose.

Effective Date

BC38. The 2016 ED proposed a two-year implementation period. Although the majority of respondents supported a two-year implementation period, others requested that the NZASB consider a longer period. Those who favoured a longer period were of the view that those responsible for governance in ~~NFP~~~~not-for-profit~~ entities would need time to understand the requirements and to embed service performance reporting into their planning and management processes. They also noted the time needed to develop systems to record service performance measures and the need to implement and test systems.

BC39. The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted.

Reduced Disclosure Regime Concessions

BC40. There are no reduced disclosure regime concessions in PBE FRS ~~48XX~~. Because the Standard establishes high-level requirements the NZASB did not consider that it was appropriate to provide any reduced disclosure regime concessions.

Amendments to PBE IPSAS 1

BC41. Consistent with its view that service performance information is an integral component of a general purpose financial report, the NZASB changed the title of PBE IPSAS 1 *Presentation of Financial Statements* to *Presentation of Financial Reports* and amended PBE IPSAS 1 to refer to both financial and service performance information where appropriate. The NZASB noted that this was a significant change to PBE IPSAS 1, but considered that the changes were consistent with the PBE Conceptual Framework and would make it easier for entities preparing service performance information to understand how PBE IPSAS 1 applies to service performance information. The NZASB also noted that this approach would allow for an audit opinion on the entire general purpose financial report.

BC42. The NZASB considered and rejected an alternative approach of making minimal changes to PBE IPSAS 1. This alternative approach would have left open the possibility of the NZASB making further changes to PBE IPSAS 1 at a later stage. The NZASB was of the view that this approach would have led to less clarity about the application of PBE IPSAS 1 to service performance information.

Amendments to PBE FRS 42

BC43. In the 2016 ED, and the limited scope review draft, the NZASB proposed to amend PBE FRS 42 *Prospective Financial Statements* to require application of its requirements, to both prospective financial statements and, to the extent appropriate, to prospective service performance information. Feedback on the limited scope review draft, together with the likelihood of future consultations on the scope of PBE FRS 42, prompted the Board to reconsider these proposals.

BC44. The Board's proposals to amend PBE FRS 42 had focussed on the extension of the requirements in PBE FRS 42 to general purpose prospective service performance information. Following consideration of concerns raised by a respondent about the implications of extending these requirements to prospective service performance information, the NZASB agreed that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered.

BC45. The NZASB noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

Tables of Concordance

There are two tables of concordance:

- ~~Table of Concordance: ED NZASB 2016-6; and~~
- ~~Table of Concordance: Amendments to Other Standards.~~

These tables are provided to assist readers in identifying the changes to the proposals in ED NZASB 2016-6. The tables will not form part of a final standard.

~~Table of Concordance: ED NZASB 2016-6~~

This table shows how the contents of the draft standard and ED NZASB 2016-6 correspond. Paragraphs are treated as corresponding if they broadly address the same matter, even though the guidance may differ.

Changes made throughout the draft standard include the following:

- ~~References to the three dimensions of service performance information have been omitted. The three dimensions referred to in the ED were What did the entity do?, Why did the entity do it?, and What impact did the entity have? These questions are now referred to in the presentation section as possible headings for grouping information.~~
- ~~References to outputs, outcomes and impacts have been removed from requirements.~~
- ~~References to performance indicators have been replaced by performance measures and/or descriptions.~~

Draft standard	ED	Comment
Introduction		
IN1- IN7	–	Includes a brief discussion of accountability and decision making. There was a longer discussion in the ED. Identifies the main features of the standard.
Objective		
1	1	
2	–	Added a description of service performance information.
Scope		
3	21	Scope requirements for not-for-profit entities and public sector entities are now separately outlined in (a) and (b). Part (b) refers to legislative requirements to provide service performance information rather than statement of service performance. Part (b) acknowledges that legislation may specify that service performance information be provided in respect of only some activities.
4	23	
5	22	
Definitions		
	24	The definitions section (ED paragraph 24) has been deleted. The ED defined inputs, outcomes, outputs and performance indicators and referred to impacts. Feedback from respondents demonstrated that terms are used in differing ways by different types of entities, the language used in the ED was not consistent with some outcome frameworks and the terminology differs from that used in some legislation. The NZASB therefore decided to refer to aspects of service performance in more general terms and omit the definitions.
Principles		
6	25	Highlights that service performance information shall be presented in the same general purpose financial report as the financial statements.
7	26	Establishes a requirement for an entity to apply the qualitative characteristics and the pervasive constraints. The ED referred to satisfying the qualitative characteristics to the extent possible. Links the phrase ‘appropriate and meaningful’ with the users of general

Draft standard	ED	Comment
		purpose financial reports.
8	27	Expanded discussion of the qualitative characteristics in the PBE Conceptual Framework and the need to balance them.
9	28	The discussion of faithful representation now emphasises neutrality.
10	29	The draft standard notes that the pervasive constraints are identified in the PBE Conceptual Framework.
Information to be Reported		
11	30	Begins with the words “Except as otherwise required by legislation...”.
12	11	Shorter than paragraph 11 of the ED.
13	31	Acknowledges that there may be specific legislative requirements.
14	32	Acknowledges that some entities will be working towards long term goals and have activities that span a number of reporting periods.
15–20	–	In response to comments from constituents this section has been rewritten, drawing on a number of paragraphs in the ED. The ED linked information to be reported with specific questions/dimensions. The draft standard now requires contextual information and information about the current reporting period. Respondents to the ED highlighted the need for users to have sufficient contextual information to understand the environment the entity operates in. Paragraph 17 responds to feedback that entities should be required to explain and illustrate their intervention logic or performance frameworks. Paragraph 19 includes factors an entity shall consider in deciding what to report. Paragraph 20 is based upon paragraph 46 of the ED. (a) Now includes an additional example about rating scales. (b) Now includes high, medium, low ratings. (c) Now includes a reference to case studies.
21	–	Based, in part, on ED paragraph 48.
22	47	
23	50	No longer refers to outputs. Acknowledges that there may be situations in which an entity wants to mention internal activities, processes, plans or policies.
24	51	
25	–	Acknowledges users’ interest in broad or longer term effects of a project or an entity’s work.
26	–	Acknowledges the importance of comparisons and identifies a range of possible comparisons.
27	36	Terminology changes.
28	37–39	
Presentation		
29	–	Requires that an entity clearly identify the service performance information presented in accordance with the Standard.
30	–	Based, in part, on ED paragraph 10. The questions are identified as a possible way of presenting information rather than as dimensions of performance. The questions do not use the terms outcomes and impacts.
31	52	Replaced pie charts with infographics, added references to tables and narrative information and deleted a reference to columns.
32	53	
33	54	Incorporation of information by cross referencing was previously a sub point. It is now located in the introductory sentences. The reference to a service performance section of a general purpose financial report has been omitted. This is because there is now a requirement (see paragraph 29 above) to clearly

For consideration at the NZASB November 2017 meeting.

Draft standard	ED	Comment
		identify the service performance information presented in accordance with the draft standard
34	55	
35	56	
Comparative Information and Consistency of Reporting		
36	–	This is an introductory paragraph explaining the importance of comparative information.
37	57	The requirements for ex ante performance reporting are addressed in the proposed amendments to PBE FRS 42 and PBE IPSAS 1. Now has parts (a) and (b). Refers to planned performance.
38	57	Clarified that comparatives shall be included when an amount is reported in the current period. Acknowledge judgement is required in deciding when to provide comparative narrative and descriptive information.
39	58, 59	
40	61	
41	62	Terminology changes.
42	63	
43	64	
Disclosure of Judgements		
44-46	–	New section. Following consideration of comments from respondents the NZASB agreed to adopt a high level approach in drafting requirements for information to be reported. Given the increased flexibility in reporting service performance information, the NZASB agreed that users need to understand the entity's rationale for the selection of information and the judgements made by the entity in deciding what to report.
Effective Date		
47	65	The NZASB is now proposing a three year implementation period. Refer BC 36.

Table of Concordance: Amendments to Other Standards

Draft standard	ED	Comment
Generic amendments		The table of generic amendments changes the title of PBE IPSAS 1 in a number of standards. Most of these amendments relate to footnotes added to standards by 2016 Omnibus Amendments to PBE Standards.
PBE IPSAS 1 <u>Presentation of Financial Reports</u> Statements		
1	1	
2	2	
3	3	
7	7	
–	7.1	The ED proposed to delete the definition of inputs and amend the definition of outputs and outcomes. The draft standard proposes to delete the entire paragraph.
15	15	
16	16	
17	17	Paragraph 17(h) added. Paragraph 17.1 of the ED has been omitted. Paragraph 17.1 referred to outputs and outcomes. The draft standard no longer establishes requirements using the terms outputs and outcomes.

Draft standard	ED	Comment
18	18	
19	19	
20.1	20.1	(b) Now refers to service performance information presented in accordance with PBE FRS XX. No longer refers to notes.
21	21	
24.1	24.1	
24.2	24.2	
25	25	
26	26	
27	27	The 2nd sentence of the ED referred to outputs and outcomes. These terms are not used in the draft standard.
RDR27.1	RDR27.1	The 3rd sentence of the ED referred to outputs and outcomes. These terms are not used in the draft standard.
28	28	
RDR28.1	–	References to financial statements changed to financial reports.
28.1	–	Incorporates <i>Amendments to PBE Standards</i> (issued December 2015) and shows proposed changes.
28.2	28.2	Incorporates <i>Amendments to PBE Standards</i> (issued December 2015) and shows proposed changes.
28.4	28.4	The 1 st sentence refers more generally to general purpose financial reporting and the 4 th sentence now says “and, where appropriate, service performance information.”
29	29	
31	31	
32	32	
33	33	
35	35	
36	36	
38	38	
39	39	
41	41	
42	42	
43	43	
44	44	Incorporates amendments to qualitative characteristics from <i>2016 Omnibus Amendments to PBE Standards</i> (issued January 2017).
45	45	
46A	46A	
46A.1	46A.1	The term outputs has been replaced with goods and services.
46A.2	46A.2	
47	47	
53	53	
53A	53A	Final sentence reworded to refer more generally to the requirements in PBE FRS XX.
54	54	New final sentence refers to PBE FRS XX.
–	55	
55.1	–	New paragraph which notes that PBE FRS XX permits, but does not require, changes to comparative information.
59	59	
60	60	

For consideration at the NZASB November 2017 meeting.

Draft standard	ED	Comment
61	61	
62	62	
63	63	
64	64	
65	65	
66	66	
68	68	
69	69	
78		Replaced the reference to outputs with goods and services.
83	83	
85	85	
87	87	
116.1	116.1	
126.1	126.1	
127	127	
128	128	
129	129	
131	131	
132	132	
133	133	
134	134	
137	137	
138	138	
144	144	
148A	148A	
148C	148C	
148.1	148.1	
148.2	–	Adds a reference to service performance information.
149	149	
150	150	
154.1	–	The ED proposed to change the wording of an earlier effective date paragraph. It is not usual practice to do this.
154.9	154.5	
PBE IAS 34 Interim Financial Reporting		
Objective	Objective	Incorporates amendments to qualitative characteristics from <i>2016 Omnibus Amendments to PBE Standards</i> (issued January 2017). Now refers to users without distinguishing between types of users.
4	4	The definition of an interim financial report now refers to a “complete financial report” and a “condensed financial report.” The ED proposed a longer definition that referred to complete and condensed financial statements and service performance information. The definition in the ED implied that an interim financial report would always include service performance information. This was not consistent with other proposed changes.
8A.1	8A.1	
9.1	9.1	
9.2	9.2	
9.3	9.3	Replaced reference to outputs and outcomes with a reference to activities.

Draft standard	ED	Comment
16A	16A	Incorporates <i>2015 Omnibus Amendments to PBE Standards</i> [July 2015]. These amendments specified when cross referencing is permitted.
19	19	Incorporates <i>Amendments to PBE Standards</i> (issued December 2015). These amendments gave effect to changes in the way the tier requirements are expressed.
RDR 19.1	RDR 19.1	Incorporates <i>Amendments to PBE Standards</i> (issued December 2015). These amendments gave effect to changes in the way the tier requirements are expressed.
21.1	21.1	
23	23	
24	24	
25	25	
25.1	–	
25.1A	–	To clarify that a comparison of prospective and historical interim service performance information would be required if an entity includes service performance information in its interim financial report and has previously published prospective service performance information for the period covered by the interim financial report.
25.2	–	
49.10	49.2	
PBE FRS 42 Prospective Financial Statements		
Introduction	Introduction	Incorporates amendments to qualitative characteristics from <i>2016 Omnibus Amendments to PBE Standards</i> (issued January 2017).
1	1	
3	3	
6	6	
7	7	
8	8	
9	9	The 3 rd sentence of the ED referred to outputs or outcomes. These terms are not used in the draft standard.
10	10	
11.1	11.1	
12	12	Added commas.
13	13	
14	14	
15	15	
16	16	Incorporates <i>2016 Omnibus Amendments to PBE Standards</i> (issued January 2017) which changed the qualitative characteristic and added a reference to the <i>Public Benefit Entities' Conceptual Framework</i> .
17	17	Incorporates <i>2016 Omnibus Amendments to PBE Standards</i> which changed the qualitative characteristics. The draft standard does not refer to outputs and outcomes. Changed the term performance indicators to performance measures and/or descriptions. 17(e) revised to acknowledge that aspects of service performance reporting may change over time.
18	18	
19	19	
21	21	
22	22	
23	23	

For consideration at the NZASB November 2017 meeting.

Draft standard	ED	Comment
25	25	
26	26	Shortened subheading. The ED subheading was <i>Presentation of Prospective Financial Statements and Prospective Financial Information</i> . Added a separate sentence to deal with prospective service performance information.
27	27	
27A	27A	Rewritten. The ED referred to outputs, outcomes and impacts. The new paragraph 27A brings together the proposals in PBE FRS XX, paragraph 11A of PBE FRS 43 <i>Summary Financial Statements</i> and paragraph 41 of PBE FRS 42.
27B	–	Acknowledges that changes in information can occur over time.
41	41	
42	42	Added the 2 nd sentence (rather than amending the 1 st sentence). The final sentence now refers more consistently to “statements and information.”
43	43	
44	44	
45	45	
46	46	
47	47	Changed references to “financial statements and service performance information” to “financial reports.”
48	48	Changed references to “financial statements and service performance information” to “financial reports.”
49	49	
50	50	
51	–	
52		Removed references to outputs and outcomes.
53		
54		
55		
56		
58		
59		
60		
61		
62		
63		
64		
64.1		
65		
66		
67		
68		
69		
70.1		
73.3	73.2	
BC5	BC5	
BC6		

PBE FRS 43 Summary Financial Statements		
9	9	
11A	11A	
12	12	Corrected a reference to full service performance information to summary service performance information.
16	16	Added the introductory clause “except as otherwise required by legislation” to align with scope of PBE FRS XX.
44.4	45	
BC2-BC4	BC2-BC3	
XRB A1 Application of the Accounting Standards Framework		
78	–	Added an effective date paragraph for the amendments.



Service Performance Reporting

Issued November 2017

This Standard was issued on 9 November 2017 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 7 December 2017.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in paragraph 48.

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 establish requirements for service performance reporting by Tier 1 and Tier 2 public benefit entities.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

COPYRIGHT

© External Reporting Board (XRB) 2017

This XRB Standard contains copyright material.

Reproduction in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgement of the source.

Requests and enquiries concerning reproduction and rights for commercial purposes within New Zealand should be addressed to the Chief Executive, External Reporting Board at the following email address:
enquiries@xrb.govt.nz

ISBN 978-0-947505-41-7

PBE FRS 48 SERVICE PERFORMANCE REPORTING

CONTENTS

	<i>from paragraph</i>
Introduction.....	IN1
Objective.....	1
Scope.....	3
Principles	6
Information to be Reported	11
Reporting Entity and Reporting Period	11
Service Performance Information.....	15
Performance Measures and/or Descriptions	20
Presentation.....	29
Comparative Information and Consistency of Reporting.....	36
Disclosure of Judgements	44
Effective Date	48
Appendix A: Amendments to Other Standards	
Basis for Conclusions	

Public Benefit Entity Financial Reporting Standard 48 *Service Performance Reporting* is set out in paragraphs 1–48 and Appendix A. All the paragraphs have equal authority. PBE FRS 48 should be read in the context of its objective, the NZASB’s Basis for Conclusions on PBE FRS 48, the *Public Benefit Entities’ Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Introduction

Reasons for Issuing the Standard

- IN1 The New Zealand Accounting Standards Board (NZASB) has issued this Standard to establish requirements for the reporting of service performance information in order to better meet the needs of users of general purpose financial reports of public benefit entities. Public benefit entities have aims and objectives that relate to serving the community or society (or a section thereof). They seek to achieve these aims and objectives by using funds received from resource providers (for example, taxpayers, ratepayers, donors and grantors) to undertake activities for community or social benefit. Therefore, service performance information is an important part of their general purpose financial reports.
- IN2 Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.
- IN3 This Standard establishes high-level requirements because:
- (a) Service performance reporting is an area of reporting that continues to evolve;
 - (b) Entities may be subject to a range of service performance reporting requirements, including legislative requirements and may use a variety of performance frameworks; and
 - (c) It provides flexibility for entities to determine how best to ‘tell their story’ in an appropriate and meaningful way.

Accountability and Decision Making

- IN4 The primary users of general purpose financial reports of public benefit entities are resource providers (for example, taxpayers, ratepayers, donors, grantors and lenders) and service recipients, and their representatives. Users of general purpose financial reports of public benefit entities rely on those reports for information that is useful for accountability and decision making. Financial statements provide some, but not all, of the information users require.
- IN5 Although the exact nature of users’ interests in an entity’s service performance information will be influenced by a number of factors (for example, the nature of an entity’s functions, the extent to which it can influence society or segments of society, and the nature of its agreements with funders and other entities) they generally have some common interests. They are generally interested in whether an entity has used funds for the purpose intended, what it has achieved with the resources available to it, and whether it could have done more with those resources. They may also be interested in forming judgements about what an entity could do with additional resources.

Main Features of the Standard

- IN6 This Standard establishes requirements for the selection and presentation of service performance information. It requires that an entity:
- (a) Present its service performance information and financial statements in the same general purpose financial report;
 - (b) Apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities’ Conceptual Framework* (PBE Conceptual Framework). It states that application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports;
 - (c) Except as otherwise required by legislation, present service performance information for the same reporting entity and reporting period as the financial statements;
 - (d) Provide users with (i) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and (ii) provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives;
 - (e) Disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this standard that are relevant to an understanding of the entity’s service performance information;

- (f) Clearly identify the service performance information presented in accordance with the Standard; and
 - (g) Provide comparative information.
- IN7 These requirements draw upon the concepts in the PBE Conceptual Framework including the objective of general purpose financial reporting, the users of general purpose financial reports and their information needs, and the qualitative characteristics.

Objective

1. **The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.**
2. Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information.

Scope

3. **This Standard applies to:**
 - (a) **All Tier 1 and Tier 2 not-for-profit public benefit entities; and**
 - (b) **Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.**
4. This Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 *Interim Financial Reporting*, and PBE FRS 43 *Summary Financial Statements* establish requirements for service performance information presented in general purpose reports that include interim financial statements and summary financial statements respectively. This Standard does not apply to other non-financial information presented in a general purpose financial report (for example, information about an entity's performance relating to its environmental goals or values), unless this information is directly linked to its service performance.
5. Nonetheless, application of the principles and requirements of this Standard to service performance information outside the scope of this Standard is encouraged to the extent applicable.

Principles

6. **An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.**
7. **In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the *Public Benefit Entities' Conceptual Framework* (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.**
8. The qualitative characteristics of information included in general purpose financial reports are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics identified in the PBE Conceptual Framework are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting in general purpose financial reports. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary. An entity considers the needs of users and the objectives of financial reporting in the application of the qualitative characteristics to service performance information.

9. When applying the qualitative characteristics to service performance information the following are important:
- (a) **Relevance:** Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality¹ of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity's accountability for service performance and in making decisions that rely on information about service performance (for example, whether to provide funding to an entity or whether to work with an entity in the pursuit of common goals). Relevance should be applied in considering what, and how much, to report on service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.
 - (b) **Faithful Representation:** To be useful, service performance information must be a faithful representation of the entity's service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity's service performance with appropriate links to financial information. Neutrality is the absence of bias. For service performance information to be neutral it needs to report on both favourable and unfavourable aspects of the entity's service performance in an unbiased manner. Free from material error means that there are no errors or omissions that are individually or collectively material in the service performance information.
 - (c) **Understandability:** Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.
 - (d) **Timeliness:** Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.
 - (e) **Comparability:** Service performance information should provide users with a basis and context to compare an entity's service performance over time, and where appropriate, against planned performance or the performance of other entities.
 - (f) **Verifiability:** This is the quality of information that helps assure users that service performance information faithfully represents the entity's service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is enhanced when the assumptions underlying the information are explicit, the methods adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.
10. The pervasive constraints on information identified in the PBE Conceptual Framework are materiality, cost-benefit and balance between the qualitative characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.

Information to be Reported

Reporting Entity and Reporting Period

- 11. **Except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements.**
- 12. The reporting entity and reporting period concepts are relevant for both financial statements and service performance reporting. This Standard discusses some additional factors that need to be considered when applying these concepts to service performance information.
- 13. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that entire economic entity. If the reporting entity is a single

¹ Refer to paragraphs 46A.1 and 46A.2 of PBE IPSAS 1 *Presentation of Financial Reports* for guidance on making judgements about materiality in relation to service performance information.

entity, then service performance is reported in respect of that single entity. Where legislation or regulation requires service performance information to be prepared for a reporting entity that differs from the reporting entity for which historical general purpose financial statements are presented, an entity is compelled to comply with such legislation or regulation.

14. This Standard establishes requirements for reporting on an entity's service performance for a reporting period. However, public benefit entities often have long-term service performance objectives. Judgement is required in deciding how much information to provide about the entity's service performance in the current reporting period and how much information to provide about progress towards its long-term objectives. In reporting on its current period's service performance an entity is likely to need to provide information that relates to previous periods or future periods (such as trend data) to provide context.

Service Performance Information

15. **An entity's service performance information shall:**
 - (a) **Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and**
 - (b) **Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.**
16. Paragraph 15 establishes requirements about the service performance information to be reported. Presentation of service performance information is discussed in paragraphs 29 to 35.
17. Paragraph 15(a) requires contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information should be drawn from relevant documents such as founding documents, governance documents, accountability documents and planning documents. For example, a not-for-profit entity would consider documents such as its constitution, trust deed, mission statement (vision, purpose) and its most recent plans and strategies. If an entity uses a performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw upon that performance framework, theory of change or intervention logic. For example, a local authority's Long-Term Plan provides a meaningful performance framework for its activities.
18. In providing the contextual information required by paragraph 15(a), an entity shall explain the main ways in which it carries out its service performance activities. For example:
 - (a) Delivering goods and services directly to individuals, entities or groups (including members);
 - (b) Working together with other entities that share common objectives;
 - (c) Contracting with other entities to deliver goods and services on their behalf; or
 - (d) Making grants to other individuals or entities.
19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.
 - (a) *What it is accountable/responsible for.* Some entities have responsibility for working towards particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society. For example, a public sector entity may be required to target its resources to reduce disparity in educational achievement between different groups in society. In this case, the entity's service performance information is likely to focus on whether and the extent to which those particular improvements occurred. In other cases, entities are primarily responsible for the delivery of specific types and/or volume of goods or services to a target population, rather than trying to bring about particular improvements in the health, education, welfare and/or social or economic well-being of the recipients of those goods and services. For example, an entity may be required to provide support services to elderly people in a city. In that case, the entity's service performance information is likely to focus on the delivery of the specified goods or services. Even in cases where an entity determines the nature and extent of its service performance itself, it will need to consider the nature of its accountability to funders and service recipients.

- (b) *What it intended to achieve during the reporting period.* The information that an entity provides about its planned performance will be influenced by how much information the entity has previously published about its planned performance. If a not-for-profit entity has identified specific performance goals or targets when obtaining funding from other parties, its service performance information is likely to focus on reporting whether, and/or the extent to which, it met those goals or targets. If a not-for-profit entity has been working towards general service performance objectives for the reporting period (for example, a planned increase in the range or volume of goods or services provided or a planned improvement in the entity's effect on a target population) rather than specific service performance goals or targets, its service performance information is likely to focus on reporting whether, and/or the extent to which, it made progress in relation to those general objectives. Public sector entities are often required to publish information about planned performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph 37).
- (c) *How it went about achieving its service performance objectives.* If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity needs to exercise judgement in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.
- (d) *Other factors* relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance).

Performance Measures and/or Descriptions

- 20. **In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:**
 - (a) **Quantitative measures:** Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;
 - (b) **Qualitative measures:** Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or
 - (c) **Qualitative descriptions:** Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?
- 21. An entity shall exercise judgement to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its financial report with sufficient, but not excessive, information about its service performance for the period. In determining the type and extent of information to provide, the entity considers a balance between providing:
 - (a) Enough information to provide users with an overall picture of its service performance for the period; and
 - (b) Not so much information that it could obscure the overall picture.

22. In selecting the performance measures and/or descriptions to be reported an entity shall consider the qualitative characteristics and the constraints on information in general purpose financial reports. Judgement is needed to determine the most appropriate and meaningful performance measures and/or descriptions to be reported. The most appropriate and meaningful performance measures and/or descriptions are those that measure or describe aspects of performance that are of particular value or importance for accountability or decision-making purposes. The qualitative characteristics may also influence the data collection and compilation methods used by an entity.
23. In general, performance measures and/or descriptions shall have an external focus. However, this does not preclude an entity from providing information on internal activities, processes, plans or policies if it considers that this information provides important context for its service performance.
24. Performance measures and/or descriptions may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.
25. Performance measures and/or descriptions may be used to inform assessments of the broad or longer-term effects of a project or an entity's work (also referred to as the difference the entity makes) on individuals who are direct recipients of a project or an entity's work, effects on those who are not direct recipients, or effects on society or subgroups of society. Examples of broad or longer-term effects include changes to these individuals' and groups' educational achievements or health, or changes to groups' or societal poverty or crime levels.
26. Performance measures and/or descriptions are more useful when they are accompanied by comparisons (for example, comparisons over time (trend data), comparisons by population or provider subgroups, international comparisons and comparisons against a target or standard).
27. If an entity determines that reporting on goods and services delivered provides appropriate and meaningful service performance information, performance measures and/or descriptions for goods and services may include:
 - (a) The quantity of the goods and services;
 - (b) The quality of the goods and services;
 - (c) The timeframe over which the goods and services were produced;
 - (d) The physical location where the goods and services were delivered; and
 - (e) The cost of the goods and services (see paragraph 28).
28. In reporting on the cost of goods and services there are some important considerations. Financial statements and service performance information are both important components of a public benefit entity's general purpose financial report. The service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. This link is generally made by reporting on the cost of goods and services. An entity reporting on the cost of goods and services shall provide a reconciliation between the expenses in the financial statements and the total goods and services costs reported in the service performance information and, where appropriate, an acknowledgement of the use of donated goods or services which have not been recognised in the financial statements (PBE IPSAS 23 *Revenue from Non-Exchange Transactions* establishes requirements for the recognition of donated goods and services in the financial statements). In some cases, for example where an entity relies heavily on donated goods and services, information on how donated resources have contributed to the entity's service performance may be more useful than cost information in providing an overall picture of the entity's performance.

Presentation

29. **An entity shall clearly identify the service performance information presented in accordance with this Standard.**
30. An entity may find it helpful to present the information required by this Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform?

31. This Standard does not prescribe the format of service performance information. Entities develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, tables, narrative, infographics, explanatory comments in ‘pop-up’ boxes or similar.
32. An entity may cross reference the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.
33. In presenting service performance information in accordance with this Standard an entity may incorporate, by cross-reference, information outside the general purpose financial report. The use of cross-referencing is permitted subject to the following requirements.
 - (a) It is still possible to identify the complete set of service performance information presented in accordance with this Standard.
 - (b) Locating the information elsewhere enhances the understandability of the financial report as a whole and the service performance information remains understandable and fairly presented.
 - (c) The cross-referenced information is available to users of the service performance information on the same terms as the financial report and at the same time.
34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:
 - (a) Links related information together so that the relationships between items of information are clear; and/or
 - (b) Reduces duplication of information.
35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:
 - (a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 *Presentation of Financial Reports*, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this Standard;
 - (b) Depict cross-referenced information as being information prepared in accordance with this Standard (and audited if applicable);
 - (c) Make the cross-referencing direct and precise as to what it relates to; and
 - (d) Ensure cross-referenced information remains unchanged and available over time at the cross-referenced location.

Comparative Information and Consistency of Reporting

36. Service performance information should provide users with a basis and context to compare an entity’s service performance over time, and where appropriate, against planned performance or the performance of other entities. Consistency of reporting aids comparability and this Standard establishes requirements for consistent reporting. However, an entity’s service performance activities and performance measures and/or descriptions may change over time. This Standard requires that an entity provide information about those changes.
37. **An entity shall report comparative information in respect of the preceding period. An entity may also be required by legislation, or may elect, to report comparative information in respect of previously published prospective service performance information. An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period. Explanations for major variances shall be given.**
38. Comparative information shall be included for those performance measures and/or descriptions for which an amount is reported in the current period. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s service performance information. Judgement is required in deciding when to provide comparative narrative and descriptive information.

39. An entity reporting against previously published prospective service performance information shall consider whether original levels of planned activity or revised plans provide the most relevant and useful information. Information about revisions to plans during the period may help explain variances between original plans and actual results.
40. **An entity shall report service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explain the nature of those changes and their effect on the current period's service performance information.**
41. There are a number of reasons why an entity might change what it reports or how it reports its service performance information. Possible reasons include changes in:
 - (a) The nature of the entity's activities from the prior period or from what was planned;
 - (b) The descriptions of goods and services or the way in which they are aggregated;
 - (c) The performance measures and/or descriptions used; and
 - (d) The costing policies.
42. Changes to comparative information are permitted, but not required. If an entity chooses to restate comparatives it discloses the effect of the changes on that comparative information.
43. **An entity shall correct material prior period errors, in the first service performance information authorised for issue after the discovery of the errors, by restating the comparative information for any prior period(s) presented in which the error occurred and disclosing an explanation of the error. If the error relates solely to narrative information, an explanation of the error shall be disclosed.**

Disclosure of Judgements

44. **An entity shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information.**
45. In applying the principles in this Standard an entity will need to make a number of judgements, such as those discussed in paragraphs 19, 21 and 22. These judgements reflect the entity's consideration of its specific facts and circumstances, including the information needs of its primary users. An entity therefore needs to identify those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information and consider their relevance to a user's understanding of the entity's service performance information.
46. In deciding what judgements to disclose in accordance with paragraph 44, an entity considers:
 - (a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not.
 - (b) The extent to which the entity's service performance information reported is consistent with that used by the entity for internal decision making. If it is not, users may need to understand why not.
 - (c) How much discretion the entity has over the selection, measurement aggregation and presentation of service performance information. The more discretion the entity has over what it reports, the more users are likely to be interested in the entity's judgements. In situations where there is significant judgement involved, such disclosures shall include the key factors (see paragraph 19) that formed the basis of those judgements. In some cases an entity's service performance information might be largely determined by external requirements or agreements with external parties. In other cases an entity's service performance information may be largely determined internally, or it may be based upon a combination of internal determinations and external contractual determinations or frameworks. In all cases, information about the level of discretion that an entity has, and the judgements it has made, would be relevant to users seeking to understand the entity's service performance information.
 - (d) The extent to which the application of the qualitative characteristics and pervasive constraints on information (see paragraph 10) has influenced its service performance information.

- (e) The extent to which consultation with users influenced the reporting of service performance information.
 - (f) The judgements made in deciding when to provide comparative narrative and descriptive information.
 - (g) The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions.
47. An entity may cross reference to other documents such as statements of intent or performance frameworks in disclosing information about judgements.

Effective Date

48. **A public benefit entity shall apply this Standard for annual financial reports covering periods beginning on or after 1 January 2021. Earlier application is permitted.**

Amendments to Other Standards

An entity shall apply the amendments in this appendix when it applies PBE FRS 48.

The amendments to other standards in this appendix are based on the text of those other standards, including any amendments to those standards approved when PBE FRS 48 was issued in November 2017.

Amended paragraphs are shown with deleted text struck through and new text is underlined.

Generic amendments to PBE Standards (as a consequence of changing the title of PBE IPSAS 1)

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports* in the following standards. Other generic amendments are as described below.

Standard		Paragraph(s) amended
PBE IPSAS 2	<i>Cash Flow Statements</i>	Paragraph 57
PBE IPSAS 3	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Paragraph 2 Paragraph 38, footnote
PBE IPSAS 4	<i>The Effects of Changes in Foreign Exchange Rates</i>	Paragraph 57
PBE IPSAS 5	<i>Borrowing Costs</i>	Paragraph 19, footnote
PBE IPSAS 9	<i>Revenue from Exchange Transactions</i>	Objective, footnote
PBE IPSAS 10	<i>Financial Reporting in Hyperinflationary Economies</i>	Paragraph 11
PBE IPSAS 11	<i>Construction Contracts</i>	Paragraph 16, footnote
PBE IPSAS 12	<i>Inventories</i>	Paragraph 16, footnote
PBE IPSAS 13	<i>Leases</i>	Paragraph 21, footnote Paragraph 78
PBE IPSAS 14	<i>Events After the Reporting Date</i>	Paragraph 16
PBE IPSAS 16	<i>Investment Property</i>	Paragraph 20, footnote
PBE IPSAS 17	<i>Property, Plant and Equipment</i>	Paragraph 14, footnote
PBE IPSAS 19	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	Paragraph 19, footnote Paragraph A4
PBE IPSAS 20	<i>Related Party Disclosures</i>	Paragraph 22 Paragraph 38, footnote
PBE IPSAS 21	<i>Impairment of Non-Cash-Generating Assets</i>	Paragraph 37, footnote
PBE IPSAS 22	<i>Disclosure of Financial Information about the General Government Sector</i>	Paragraph 36, insert the title of PBE IPSAS 1
PBE IPSAS 23	<i>Revenue from Non-Exchange Transactions</i>	Paragraph 30, Paragraph 31, footnote Paragraph B9 Also, in paragraph B9 the reference to ‘financial statements’ is changed to ‘financial report’.

Standard	Paragraph(s) amended
PBE IPSAS 25 <i>Employee Benefits</i>	Paragraph 20, footnote. Paragraph 26. Paragraph IE 6.
PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>	Paragraph 33, footnote.
PBE IPSAS 27 <i>Agriculture</i>	Paragraph 13, footnote. Paragraph 51.
PBE IPSAS 28 <i>Financial Instruments: Presentation</i>	Paragraph 39, insert the title of PBE IPSAS 1. Paragraph AG53, insert the title of PBE IPSAS 1.
PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i>	Paragraph 10, footnote. Paragraph 64.
PBE IPSAS 30 <i>Financial Instruments: Disclosures</i>	Paragraph 25, insert the title of PBE IPSAS 1. Paragraph 35, footnote. In the final sentence of paragraph AG5, the reference to ‘financial statements’ is changed to ‘financial report’. In paragraph IG 3 the reference to ‘financial statements’ is changed to ‘financial statements or service performance information’.
PBE IPSAS 31 <i>Intangible Assets</i>	Paragraph 28, footnote.
PBE IPSAS 32 <i>Service Concession Arrangements: Grantor</i>	Paragraph 31. Paragraph AG 20, footnote. Paragraph AG49, insert the title of PBE IPSAS 1.
PBE IPSAS 36 <i>Investments in Associates and Joint Ventures</i>	Paragraph 4, footnote. Paragraph 16.
PBE IPSAS 39 <i>Employee Benefits</i>	Paragraph 25.
PBE IFRS 3 <i>Business Combinations</i>	Paragraph 22, footnote.
PBE IFRS 4 <i>Insurance Contracts</i>	Paragraph 20, footnote. Paragraph 34. Paragraph C17.5.4.
PBE IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Paragraph 3. Add footnote to title of PBE IPSAS 1 in paragraph BC6: “PBE FRS 48 <i>Service Performance Reporting</i> , issued in November 2017, changed the title of PBE IPSAS 1 to <i>Presentation of Financial Reports</i> .”
PBE IFRS 9 <i>Financial Instruments</i>	Paragraph 5.6.5.
PBE IAS 12 <i>Income Taxes</i>	Paragraph 14, footnote. Paragraph 81(ab), insert title of PBE IPSAS 1.

Standard		Paragraph(s) amended
PBE FRS 42	<i>Prospective Financial Statements</i>	Paragraph 45. Paragraph 60, delete the title of PBE IPSAS 1.
PBE FRS 46	<i>First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRS</i>	Paragraph 18. Also, in paragraphs 18 and 20 the references to ‘financial statements’ are changed to ‘financial report’. Appendix A, paragraph 8, footnote.
PBE FRS 47	<i>First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS</i>	Paragraph 28. Appendix C, paragraph C4, footnote.
XRB A1	<i>Application of the Accounting Standards Framework</i>	Appendix C.

PBE IPSAS 1 *Presentation of Financial Reports Statements*

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*. This change is made throughout the Standard.

Paragraphs 1–3, 7, 15–19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 are amended. The headings above paragraphs 15, 19, 20.1, 61 and 148.1 are amended.

Paragraphs 20.1, 46A.1, 46A.2, 55.1, 126.1 (and a heading above that paragraph) and 154.10 are added.

Paragraphs 7.1 and 150.1–150.10 (and the related heading), are deleted.

Appendix C is withdrawn.

New text is underlined and deleted text is struck through.

Objective

- The objective of this Standard is to prescribe the manner in which general purpose financial reports, comprising financial statements and, where required, service performance information,¹ should be presented to ensure comparability both with the entity’s financial ~~statements~~ reports of previous periods and with the financial ~~statements~~ reports of other entities. To achieve this objective, this Standard sets out overall considerations for the presentation of financial ~~statements~~ reports, guidance for their structure, and minimum requirements for the content of financial ~~statements~~ reports. The recognition, measurement, and disclosure of specific transactions and other events are dealt with in other PBE Standards.

¹ Reporting service performance information alongside the financial statements provides a comprehensive picture of an entity’s activities during the period. PBE FRS 48 *Service Performance Reporting* specifies which entities are required to report service performance information in accordance with that Standard.

Scope

- This Standard shall be applied to all general purpose financial ~~statements~~ reports prepared and presented in accordance with PBE Standards.
- General purpose financial ~~statements~~ reports are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial ~~statements~~ reports include taxpayers and ratepayers, members of the legislature, donors, service recipients, creditors, suppliers, the media, and employees. General purpose financial ~~statements~~ reports

include those that are presented separately or within another public document, such as an annual report. This Standard does not apply to condensed interim financial information (see PBE IAS 34 *Interim Financial Reporting*), prospective financial information (see PBE FRS 42 *Prospective Financial Statements*), or summary financial information (see PBE FRS 43 *Summary Financial Statements*).

...

Definitions

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

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements or service performance information. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Notes contain information in addition to that presented in the statement of financial position, statement(s) of comprehensive revenue and expense, statement of changes in net assets/equity, ~~and cash flow statement, and service performance information~~. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.

- 7.1 [Deleted by NZASB] ~~The following terms are used in this Standard with the meaning specified:~~

~~**Inputs** are the resources used to produce the goods and services which are the outputs of the entity.~~

~~**Outcomes** are the impacts on, or consequences for, the community resulting from the existence and operations of the entity.~~

~~**Outputs** are the goods and services produced by the entity.~~

Purpose of Financial Statements ~~Reports~~

15. Financial ~~statements~~ reports are a structured representation of the financial position, ~~and~~ financial performance and service performance of an entity. The objectives of a general purpose financial ~~statements report~~ are to provide information about the financial position, financial performance, ~~and~~ cash flows, and service performance of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting should be to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it, by:

- (a) Providing information about the sources, allocation, and uses of financial resources;
- (b) Providing information about how the entity financed its activities and met its cash requirements;
- (c) Providing information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- (d) Providing information about the financial condition of the entity and changes in it; and
- (e) Providing aggregate information useful in evaluating the entity's performance in terms of service delivery, costs, efficiency, and accomplishments.

16. General purpose financial ~~statements~~ reports can also have a predictive or prospective role, providing information useful in predicting the level of resources required for continued operations, the resources that may be generated by continued operations, and the associated risks and uncertainties. Financial reporting may also provide users with information:

...

17. To meet these objectives, ~~the a financial statements report~~ provides information about an entity's:

- (a) Assets;
- (b) Liabilities;
- (c) Net assets/equity;
- (d) Revenue;

- (e) Expenses;
 - (f) Other changes in net assets/equity; ~~and~~
 - (g) Cash flows; ~~and~~
 - (h) Where required, service performance.
18. Although the information contained in financial statements can be relevant for the purpose of meeting the objectives in paragraph 15, it is unlikely to enable all these objectives to be met. This is likely to be particularly so in respect of entities whose primary objective may not be to make a profit, as managers are likely to be accountable for the achievement of service delivery as well as financial objectives. ~~Supplementary information, including non financial statements, may be reported alongside the financial statements in order to provide a more comprehensive picture of the entity's activities during the period.~~

Responsibility for Financial Statements Reports

19. The responsibility for the preparation and presentation of financial ~~statements reports~~ varies across entities. In addition, an entity may draw a distinction between who is responsible for preparing the financial ~~statements report~~ and who is responsible for approving or presenting the financial ~~statements-report~~. Examples of people or positions who may be responsible for the preparation of the financial ~~statements report~~ of individual entities (such as government departments or their equivalent) include the individual who heads the entity (the permanent head or chief executive) and the head of the central finance agency (or the senior finance official, such as the controller or accountant-general). Examples of people or positions who may be responsible for the preparation of the financial ~~statements report~~ in the not-for-profit sector would be the chief executive officer, the Chairperson, the chief financial officer or the treasurer of the entity, who could be either employees or volunteers. Regardless of who prepares the financial ~~statements report~~, the governing body is usually responsible for presenting ~~those the~~ financial ~~statements-report~~.

...

Components of Financial Statements Reports

20.1 A complete financial report comprises:

- (a) A complete set of financial statements; and
 - (b) Service performance information in accordance with PBE FRS 48 *Service Performance Reporting*, where this is required to be reported.
21. **A complete set of financial statements comprises:**
- ...
- (f) Notes to the financial statements, comprising significant accounting policies and other explanatory notes; and
- ...
- 24.1 Where an entity presents a comparison, in the financial ~~statements-report~~, of prospective financial information and actual financial information, such a comparison shall be in accordance with the requirements of this Standard. Where an entity presents a comparison, in the financial report, of prospective service performance information and actual service performance information, such a comparison shall be in accordance with the requirements of PBE FRS 48.
25. Entities are encouraged to present additional information to assist users in assessing the performance of the entity, and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources. This additional information may include ~~details about the entity's outputs and outcomes in the form of (a) performance indicators, (b) statements of service performance, (c) programme reviews, and (d)~~ other reports by management about the entity's achievements over the reporting period.
26. Entities are also encouraged to disclose information about compliance with legislative, regulatory, or other externally-imposed regulations. When information about compliance is not included in the financial ~~statements-report~~, ...

Overall Considerations

Fair Presentation and Compliance with PBE Standards

- *27. **Financial ~~statements reports~~ shall present fairly the financial position, financial performance, and cash flows, and service performance** of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PBE Standards. The application of PBE Standards, with additional disclosures when necessary, is presumed to result in financial ~~statements reports~~ that achieve a fair presentation.

RDR 27.1 **Financial ~~statements reports~~ shall present fairly the financial position, financial performance and cash flows, and service performance** of a Tier 2 entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the PBE Standards. The application of PBE Standards Reduced Disclosure Regime (PBE Standards RDR), with additional disclosure when necessary, is presumed to result in financial ~~statements reports~~ that achieve a fair presentation.

- *28. **An entity whose financial ~~statements report~~ complies ~~comply~~ with Public Benefit Entity Standards (PBE Standards) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements reports~~ shall not be described as complying with PBE Standards unless they comply with all the requirements of PBE Standards.**

RDR 28.1 A Tier 2 entity whose financial ~~report complies~~ ~~statements comply~~ with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) shall make an explicit and unreserved statement of such compliance in the notes. Financial ~~statements reports~~ shall not be described as complying with PBE Standards RDR unless they comply with all the requirements of PBE Standards RDR.

28.2 **An entity shall disclose in the notes:**

- (a) **The statutory basis or other reporting framework, if any, under which the financial ~~statements report~~ is ~~are~~ prepared;**
- (b) **A statement whether the financial statements and, where appropriate, service performance information have been prepared in accordance with generally accepted accounting practice (GAAP); and**

...

RDR 28.3 ...

- 28.4 A number of entities have ~~are required by legislation to prepare~~ general purpose financial reporting requirements which refer to statements that comply with GAAP. The legislative definition of GAAP in the Financial Reporting Act 2013 refers to applicable financial reporting standards approved by the External Reporting Board, which include PBE Standards. PBE Standards include requirements and guidance specific to public benefit entities and provide reduced disclosures for entities that qualify to apply the Reduced Disclosure Regime. An entity asserting compliance with GAAP therefore needs to describe the financial reporting standards that have been applied by the entity in preparing its financial statements, and where appropriate, service performance information. For example:

- (a) An entity complying with Tier 1 PBE Accounting Requirements would state: “The financial statements [and service performance information] have been prepared in accordance with PBE Standards”; and
- (b) An entity complying with Tier 2 PBE Accounting Requirements would state: “The financial statements [and service performance information] have ...

29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable PBE Standards. A fair presentation also requires an entity:

...

- (c) To provide additional disclosures when compliance with the specific requirements in PBE Standards is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity’s financial position, ~~and~~ financial performance and service performance.

...

31. In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements reports~~ set out in this Standard, the entity shall depart from that requirement in the manner set out in paragraph 32 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
32. When an entity departs from a requirement of a Standard in accordance with paragraph 31, it shall disclose:
- (a) That management has concluded that the financial ~~statements~~ report presents fairly the entity's financial position, financial performance, ~~and cash flows, and service performance~~;
 - (b) ...
 - (c) The title of the Standard from which the entity has departed, the nature of the departure, including the treatment that the Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial ~~statements reports~~ set out in this Standard, and the treatment adopted; and
 - (d) For each period presented, the financial impact of the departure on each item in the financial ~~statements~~ report that would have been reported in complying with the requirement.
33. When an entity has departed from a requirement of a Standard in a prior period, and that departure affects the amounts recognised in the financial ~~statements~~ report for the current period, it shall make the disclosures set out in paragraph 32(c) and (d).

...

35. In the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements reports~~ set out in this Standard, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:
- (a) The title of the Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial ~~statements reports~~ set out in this Standard; and
 - (b) For each period presented, the adjustments to each item in the financial ~~statements~~ report that management has concluded would be necessary to achieve a fair presentation.
36. For the purpose of paragraphs 31–35, an item of information would conflict with the objective of financial ~~statements reports~~ when it does not represent faithfully the transactions, other events, and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence decisions made by users of financial ~~statements reports~~. When assessing whether complying with a specific requirement in a Standard would be so misleading that it would conflict with the objective of financial ~~statements reports~~ set out in this Standard, management considers:
- (a) Why the objective of financial ~~statements~~ reports is not achieved in the particular circumstances; and
 - (b) How the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of the financial ~~statements~~ reports set out in this Standard.

...

Going Concern

38. When preparing a financial ~~statements-report~~, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of the financial ~~statements-report~~. Financial ~~statements~~ reports shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to

do so. When those responsible for the preparation of the financial ~~statements~~ report are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial ~~statements~~ reports are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial ~~statements~~ report ~~is~~ are prepared and the reason why the entity is not regarded as a going concern.

39. Financial ~~statements~~ reports are normally prepared on the assumption that the entity is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future. In assessing whether the going concern assumption is appropriate, those responsible for the preparation of financial ~~statements~~ reports take into account all available information about the future, which is at least, but is not limited to, twelve months from the approval of the financial ~~statements~~ report.

...

41. The determination of whether the going concern assumption is appropriate is primarily relevant for individual entities rather than for a government as a whole. For individual entities, in assessing whether the going concern basis is appropriate, those responsible for the preparation of the financial ~~statements~~ report may need to consider...

Consistency of Presentation

42. **The presentation and classification of items in the financial ~~statements~~ report shall be retained from one period to the next unless:**
- (a) **It is apparent, following a significant change in the nature of the entity's operations or a review of its financial ~~statements~~ report, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in PBE IPSAS 3; or**
 - (b) **A PBE Standard requires a change in presentation.**
43. A significant acquisition or disposal, or a review of the presentation of the financial ~~statements~~ reports, might suggest that the financial ~~statements~~ report needs to be presented differently. For example, an entity may dispose of a savings bank that represents one of its most significant controlled entities and the remaining economic entity conducts mainly administrative and policy advice services. In this case, the presentation of the financial ~~statements~~ report based on the principal activities of the economic entity as a financial institution is unlikely to be relevant for the new economic entity.
44. An entity changes the presentation of its financial ~~statements~~ report only if the changed presentation provides information that is faithfully representative and is more relevant to users of the financial ~~statements~~ report, and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 55 and 56.

Materiality and Aggregation

45. **Each material class of similar items shall be presented separately in the financial ~~statements~~ report. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.**

...

- 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~~ report, which includes the notes. An entity shall not reduce the understandability of its financial ~~statements~~ report by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

46A.1 Materiality has an important role in guiding the selection of service performance information to be included in a financial report. This is particularly so when an entity delivers a wide range of goods and services.

46A.2 When making judgements about whether items of service performance information are material, the following should be considered:

- (a) The users of financial reports and their information needs;

- (b) How the qualitative characteristics affect presentation and disclosure (for example, service performance information must be relevant, but the overall volume of information must also be accessible in order for it to be understandable);
 - (c) How the nature and size of items of information, judged in the surrounding circumstances, affect presentation and disclosure; and
 - (d) Where financial and non-financial information that is material should be presented and disclosed.
47. Some PBE Standards specify information that is required to be included in the financial statements, or elsewhere in the financial report, 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 reports statements to understand the impact of particular transactions, other events and conditions on the entity's financial position, ~~and~~ financial performance and, where appropriate, service performance.

...

Comparative Information

Minimum Comparative Information

53. **Except when a PBE Standard permits or requires otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the financial ~~statements~~ report. An entity shall include comparative information for narrative and descriptive information if it is relevant to an understanding of the current period's financial ~~statements~~ report.**
- 53A. **An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of comprehensive revenue and expense with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes. PBE FRS 48 sets out requirements for the reporting of comparative service performance information.**
54. In some cases, narrative information provided in the financial ~~statements~~ report for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved, are disclosed in the current period. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty. PBE FRS 48 notes that judgement is required in deciding when to provide comparative narrative and descriptive information.

...

- 55.1 PBE FRS 48 permits, but does not require, changes to comparative information.

...

Structure and Content

Introduction

59. ... PBE IPSAS 2 sets out requirements for the presentation of a cash flow statement. PBE FRS 48 sets out requirements for the reporting of service performance information.
60. This Standard sometimes uses the term disclosure in a broad sense, encompassing items presented on the face of the (a) ... ~~and~~ (d) cash flow statement, and (e) within the service performance information, where this is required, as well as in the notes. Disclosures are also required by other PBE Standards. Unless specified to the contrary elsewhere in this Standard, or in another Standard, such disclosures are made either 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 (whichever is relevant), within the service performance information, or in the notes.

Identification of the Financial ~~Statements~~ Report

61. The financial ~~statements~~ report shall be identified clearly, and distinguished from other information in the same published document.
62. PBE Standards apply only to financial statements, and ~~statements of service performance information~~, and not to other information presented in an annual report or other document. ...
63. **Each component of the financial ~~statements~~ report shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated when it is necessary for a proper understanding of the information presented:**
 ...
 (b) **Whether the financial ~~statements~~ report covers the individual entity or the economic entity;**
 (c) **The reporting date or the period covered by the financial ~~statements~~ report, whichever is appropriate to that component of the financial ~~statements~~ report;**
 ...
 (e) **The level of rounding used in presenting amounts in the financial ~~statements~~ report.**
64. The requirements in paragraph 63 are normally met by presenting page headings and abbreviated column headings on each page of the financial ~~statements~~ report. Judgement is required in determining the best way of presenting such information. For example, when the financial ~~statements~~ report is ~~are~~ presented electronically, separate pages are not always used; the above items are then presented frequently enough to ensure a proper understanding of the information included in the financial ~~statements~~ report.
65. Financial ~~statements~~ reports are often made more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the level of rounding in presentation is disclosed and material information is not omitted.

Reporting Period

66. **Financial ~~statements~~ reports shall be presented at least annually. When an entity's reporting date changes and the annual financial ~~statements~~ report is ~~are~~ presented for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial ~~statements~~ report:**
 ...
68. Normally, financial ~~statements~~ reports are consistently prepared covering a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice, because the resulting financial ~~statements~~ report is ~~are~~ unlikely to be materially different from ~~those~~ the report that would be presented for one year.

Timeliness

69. The usefulness of financial ~~statements~~ reports is impaired if they are not made available to users within a reasonable period after the reporting date. An entity should be in a position to issue its financial ~~statements~~ report within six months of the reporting date.
 ...

Statement of Financial Position

78. The operating cycle of an entity is the time taken to convert inputs or resources into the goods and services produced by an entity ~~outputs~~. For instance, governments transfer resources to public sector entities so that they can convert those resources into goods and services, or outputs, to meet the government's desired social, political, and economic outcomes. Similarly, many not-for-profit entities receive grants and donations for conversion into services or goods in pursuit of social policy outcomes. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.
 ...
83. An entity ...:
 ...
 (b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial ~~statements~~ report is ~~are~~ authorised for issue.

...

85. When an entity breaches an undertaking under a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial ~~statements~~ report for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

...

87. In respect of loans classified as current liabilities, if the following events occur between the reporting date and the date the financial ~~statements~~ report is ~~are~~ authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with PBE IPSAS 14 *Events After the Reporting Date*:

...

Statement of Comprehensive Revenue and Expense

...

- *116.1 An entity shall disclose fees to each auditor or reviewer, including any network firm² [footnote omitted], separately for:

- (a) The audit or review of the financial ~~statements~~ report; and
- (b) All other services performed during the reporting period.

Service Performance Information

- 126.1 Service performance information provides users of financial reports with a basis to assess the service performance of the entity. PBE FRS 48 specifies which entities are required to present service performance information in accordance with that Standard and sets out requirements for the reporting of service performance information and related disclosures.

Notes

Structure

127. The notes shall:

- (a) Present information about the basis of preparation of the financial ~~statements~~ report 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, or within the service performance information~~; 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, or within the service performance information~~, 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~~ report. 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, and within the service performance information~~ shall be cross-referenced to any related information in the notes.

129. 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 service performance, financial performance and financial position, such as grouping together information about particular operating activities;

...

131. Notes providing information about the basis of preparation of the financial ~~statements~~ report and specific accounting policies may be presented as a separate component of the financial ~~statements~~ report.

Disclosure of Accounting Policies

132. **An entity shall disclose its significant accounting policies comprising:**
- (a) **The measurement basis (or bases) used in preparing the financial ~~statements~~ report;**
 - ...
 - (c) **The other accounting policies used that are relevant to an understanding of the financial ~~statements~~ report.**
133. It is important for users to be informed of the measurement basis or bases used in the financial ~~statements~~ report (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~~ report is prepared significantly affects ~~their~~ its analysis. When more than one measurement basis is used in the financial ~~statements~~ report, 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~~ report would expect to be disclosed for that type of entity. ...

137. **An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 140), management² 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~~ report.**

² In this context, management is the person/committee responsible for the financial ~~statements~~ report.

138. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial ~~statements~~ report. ...

144. The disclosures in paragraph 140 are presented in a manner that helps users of a financial statements report to understand the judgements management makes about the future and about other key sources of estimation uncertainty. ...

Capital

- *148A. An entity shall disclose information that enables users of its financial ~~statements~~ report to evaluate the entity's objectives, policies, and processes for managing capital.

- *148C. ... When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial ~~statement~~ report user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Comparison with Prospective Financial Statements

- 148.1 **Where an entity has published general purpose prospective financial statements for the period of the 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.**
- 148.2 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.

148.3 Comparison of prospective financial statements with actual financial results is an essential element of accountability. In the case of FMC reporting entities ~~issues~~ a comparison of actual financial results against the originally published 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. PBE FRS 48 establishes requirements for comparisons of prospective and actual service performance information, where such comparisons are presented.

...

Other Disclosures

*149. **An entity shall disclose in the notes:**

- (a) **The amount of dividends, or similar distributions, proposed or declared before the financial statements were report was authorised for issue, but not recognised as a distribution to owners during the period, and the related amount per share; and**

...

*150. **An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements report:**

...

Statement of Service Performance

150.1–150.10 [Deleted.]

...

Effective Date

...

154.10 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended paragraphs 1–3, 7, 15–19, 21, 24.1, 25–28.2, 28.4, 29, 31–33, 35–36, 38–39, 41–45, 46A, 47, 53–54, 59–66, 68–69, 78, 83, 85, 87, 116.1, 127–129, 131–134, 137–138, 144, 148A, 148C, 148.3 and 149–150 and amended the headings above paragraphs 15, 19, 20.1, 61 and 148.1, added paragraphs 20.1, 46A.1–46A.2, 55.1 and 126.1 and a heading above that paragraph, deleted paragraphs 7.1 and 150.1–150.10 and the related heading, and withdrew Appendix C. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraph BC3 is amended and paragraph BC4 is deleted. New text is underlined and deleted text is struck through.

Service Performance Reporting

BC3. When PBE IPSAS 1 was first issued it ~~includes~~ included non-integral implementation guidance on service performance reporting (as Appendix C), pending the development of a standard on service performance reporting. The NZASB issued PBE FRS 48 *Service Performance Reporting* in November 2017 and, as a consequence, withdrew the previous non-integral implementation guidance in Appendix C. At that time, the NZASB also made a number of changes to PBE IPSAS 1, including changing the title of that Standard to reflect the fact that the general purpose financial reports of many PBEs include both financial statements and service performance information. The NZASB noted that the change in title of PBE IPSAS 1 was for consistency between PBE Standards and the *Public Benefit Entities' Conceptual Framework* and did not imply that entities should change the title of their general purpose financial report. This guidance is based on that previously set out in Technical Practice Aid 9 *Service Performance Reporting* (New Zealand Institute of Chartered Accountants, 2007) (TPA 9). The NZASB noted that although TPA 9 was previously published in the handbook of Applicable Financial Reporting Standards it did not have authoritative support.

- BC4. ~~[Deleted by NZASB] The NZASB agreed, as a short term measure pending activation of a new project on performance reporting, to include guidance based on TPA 9 as non integral implementation guidance accompanying PBE IPSAS 1. In developing guidance to be incorporated in a standard, the NZASB agreed that the guidance should be appropriate for application by both public sector and not for profit (NFPs) entities. TPA 9 was focused on central and local government. In giving effect to this decision, the Board agreed that the guidance should acknowledge that NFPs may be providing goods and services on behalf of others or in order to further their own objectives and that the circumstances will determine the nature of their accountability to external parties.~~

Appendix C is withdrawn.

Appendix C

Service Performance Reporting

~~[Deleted by NZASB]~~

The Comparison with IPSAS 1 is amended as shown. New text is underlined and deleted text is struck through.

Comparison with IPSAS 1

PBE IPSAS 1 *Presentation of Financial Reports ~~Statements~~* is drawn from IPSAS 1 *Presentation of Financial Statements*.

The significant differences between PBE IPSAS 1 and IPSAS 1 are:

- (a) The title of PBE IPSAS 1 reflects the fact that it establishes presentation requirements for both financial statements and service performance information.
- (~~b~~a) PBE IPSAS 1 reflects the New Zealand regulatory environment, including the requirements in the Financial Reporting Act 2013 regarding compliance with accounting standards. ~~It notes that an entity reporting in accordance with the Financial Reporting Act 1993 is not permitted to depart from the requirements of an accounting standard.~~
- (~~c~~b) PBE IPSAS 1 requires an assertion of compliance with PBE Standards rather than an assertion of compliance with IPSASs.
- (~~d~~e) PBE IPSAS 1 requires the following additional disclosures:
 - (i) The statutory base or other reporting framework, if any, under which the financial statements are prepared;
 - (ii) The fact that the entity is a public benefit entity;
 - (iii) The fact that the financial statements comply with PBE Standards;
 - (iv) Whether the entity has availed itself of any disclosure concessions; and
 - (v) Fees paid to each auditor or reviewer, including any network firm, for the audit or review of the financial statements and all other services performed during the reporting period; ~~and~~
 - (vi) ~~Where a statement of service performance is presented, a description and disclosure of the outputs of the entity and the outcome(s) to which the outputs are intended to contribute.~~
- (~~d~~) ~~PBE IPSAS 1 includes non integral implementation guidance on service performance reporting.~~
- (e) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.
- (f) PBE IPSAS 1 includes illustrative financial statements for a not-for-profit entity.

PBE IAS 34 *Interim Financial Reporting*

The Objective and paragraphs 4, 16A, 19, RDR 19.1, 23–25 and 25.2 are amended. Paragraphs 25.1 and 25.3 are shown to provide context.

Paragraphs 8A.1, 9.1–9.3, 21.1, 25.1A and 49.10 are added.

Headings are added above paragraphs 9.1 and 21.1.

New text is underlined and deleted text is struck through.

Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements and the requirements for presentation of service performance information for an interim period. Timely and faithfully representative interim financial reporting improves the ability of ~~users—investors, creditors, and others~~ to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity. Where interim service performance information is presented, it improves the ability of users to make decisions about funding and assess accountability for use of resources on an ongoing basis.

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

...

Interim financial report means a financial report for an interim period containing either the information required in a complete set of financial statements-report (as described in PBE IPSAS 1 *Presentation of Financial Reports Statements*) or a set of condensed financial report statements (as described in this Standard) for an interim period.

Minimum Components of an Interim Financial Report

...

8A.1 An interim financial report may, but is not required to, include condensed service performance information.

Form and Content of Interim Service Performance Information

9.1 If an entity publishes a complete set of service performance information in its interim financial report, the form and content of that information shall conform to the requirements of PBE FRS 48 *Service Performance Reporting*.

9.2 If an entity publishes condensed service performance information in its interim financial report, that information shall be presented in a manner consistent with the service performance information in the most recent annual financial report, or an explanation of the differences shall be provided.

9.3 Although the presentation of condensed service performance information will often involve the selection of a subset of service performance information, the performance measures and/or descriptions included in condensed service performance information should be as consistent as possible with those used in the annual financial report. Differences may occur due to changes in an entity's activities or an entity's decision to change the way in which it collects and reports information. This Standard requires disclosure of any differences.

...

Other Disclosures

16A. In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, in its service performance information, or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time,

the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.

- (a) A statement that the same accounting policies and methods of computation are followed in the interim financial statements and, where relevant, service performance information, as compared with the most recent annual financial statements or service performance information, or, if those policies or methods have been changed, a description of the nature and effect of the change.

...

- (h) Events after the interim period that have not been reflected in the financial statements or, where relevant, service performance information for the interim period.

Disclosure of Compliance

- *19. If an entity's interim financial report is in compliance with PBE IAS 34, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards.

RDR 19.1 If an entity's interim financial report is in compliance with this Standard as it applies to Tier 2 entities, that fact shall be disclosed. An interim financial report shall not be described as complying with PBE Standards Reduced Disclosure Regime (PBE Standards RDR) unless the financial statements and the service performance information, if included, in that report comply with all of the requirements of PBE Standards RDR.

...

Periods for which Interim Service Performance Information may be Presented

- 21.1 Interim reports that include interim service performance information shall include service performance information (condensed or complete) for the current interim period and cumulatively for the current financial year to date, with comparative information for the comparable interim periods (current and year-to-date) of the immediately preceding financial year.

...

Materiality

- 23. In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period ~~financial~~ data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual ~~financial~~ data.
- 24. PBE IPSAS 1 and PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as material if its omission or misstatement could influence the ~~economic~~ decisions or assessments of users of the financial statements or service performance information. PBE IPSAS 1 requires separate disclosure of material items, including (for example) discontinued operations, and PBE IPSAS 3 requires disclosure of changes in accounting estimates, errors and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.
- 25. While judgement is always required in assessing materiality, this Standard bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance, and where relevant, its service performance, during the interim period.

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.

25.1A An entity may be required by legislation, or may elect, to report comparative service performance information in respect of previously published prospective service performance information in its interim financial report. An entity shall report comparative information for all amounts reported in the interim financial period and, where relevant, for the narrative and descriptive information reported in the interim financial report. 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 FMC reporting entities 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.

Effective Date

...

49.10 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended the Objective, paragraphs 4, 16A, 19, RDR 19.1, 23–25, 25.2, added paragraphs 8A.1, 9.1–9.3, 21.1 and 25.1A, and added headings above paragraphs 9.1 and 21.1. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraph BC8 is added.

Service Performance Reporting

BC8. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB amended PBE IAS 34 *Interim Financial Reporting* to refer to both interim financial statements and interim service performance information. The NZASB left the decision as to whether to include service performance information in an interim financial report to the discretion of the entity. In doing so the NZASB acknowledged that there may be circumstances in which an entity is required to produce interim financial statements, and the users of that interim information may be interested solely in financial information.

PBE FRS 42 *Prospective Financial Statements*

Paragraph BC5 is added. New text is underlined.

Service Performance Reporting

BC5. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB amended a number of other standards and consulted on proposals to broaden the application of PBE FRS 42 to prospective service performance information. The NZASB decided not to proceed with those proposals at that time for two reasons. The NZASB decided that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered. The NZASB also noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

PBE FRS 43 *Summary Financial Statements*

Paragraphs 9, 11A, 11B, 12 and the preceding heading, and paragraph 16 are amended.

Paragraph 44.4 is added.

New text is underlined and deleted text is struck through.

9. Summary financial statements shall include a summary of each financial statement included in a full financial report. If the full financial report included service performance information, summary financial statements shall be accompanied by a summary of that service performance information. ~~If the full financial report is required to include non-financial statements such as a statement of service performance, the summary financial statements shall be accompanied by a summary of the non-financial statements required to be included in the full financial report.~~

...

Application of Materiality

- 11A. An entity shall disclose sufficient information in its summary financial statements and summary service performance information to enable a reader to obtain a broad understanding of the financial position and performance, and service performance, of the entity in a manner that is neither misleading nor biased.
- 11B. The disclosures required by this Standard are subject to the definition of materiality in PBE IPSAS 1 *Presentation of Financial Statements Reports*. They shall be disclosed separately if they are of such incidence and size, or of such nature, that their disclosure is necessary to explain the performance or financial position of the entity. A summary description of each material item, as included in the most recent full financial statements, shall be given to enable its nature to be understood. A summary description of items relating to other periods covered by the summary shall be given where this is required for an understanding of the summary financial statements, taken as a whole.

Consistency with Full Financial Report Statements

12. The information in the summary financial statements and summary service performance information shall be drawn from and be consistent with information presented in the full financial report statements for the relevant periods. Where information in the full financial report statements for periods included in the summary financial statements or summary service performance information has subsequently been restated or reclassified, the information in the summary financial statements or summary service performance information shall be drawn from, and be consistent with, that restated or reclassified information. No further restatement or reclassification is permitted.
16. Except as otherwise required by legislation, if the entity presenting the summary financial statements and summary service performance information is an economic entity ~~a group~~, the summary financial statements

shall be presented for the entire economic entity group. Controlling entity financial information is not required.

Effective Date

...

44.4 PBE FRS 48 *Service Performance Reporting*, issued in November 2017, amended paragraphs 9, 11A, 11B, 12 (and the preceding heading) and 16. An entity shall apply those amendments when it applies PBE FRS 48.

Paragraphs BC2–BC4 are added. New text is underlined.

Service Performance Reporting

BC2. PBE FRS 48 *Service Performance Reporting*, issued in November 2017, established requirements for public benefit entities to report service performance information. At that time the NZASB made some minor amendments to PBE FRS 43 *Summary Financial Statements* to refer to both summary financial statements and summary service performance information.

BC3. The NZASB agreed that if the full financial report included service performance information, summary financial statements should be accompanied by a summary of that service performance information. This was on the grounds that the summary should be a complete summary of the financial report. This differed from the NZASB's views on interim financial reporting where the NZASB acknowledged that there may be circumstances in which it is appropriate for an entity to produce interim financial statements but not necessarily interim service performance information.

BC4. The NZASB also considered whether the title of PBE FRS 43 should be changed to *Summary Financial Reports* to signal that the Standard contains requirements for both financial statements and service performance information. The NZASB decided not to change the title of PBE FRS 43 at this time as it did not anticipate that the 2017 amendments would change current practice regarding when summary service performance information is presented with summary financial statements. The NZASB noted that any change in title could be considered at a later time, possibly in the context of a general amending standard.

PBE IFRS 9 *Financial Instruments*

The amendments to PBE IPSAS 1, as set out in PBE IFRS 9, Appendix D Amendments to Other Standards, are amended.

The title of PBE IPSAS 1 is changed from *Presentation of Financial Statements* to *Presentation of Financial Reports*.

Paragraphs D1, 138 and 154.7 are amended.

New text is underlined. Deleted text is struck-through.

PBE IPSAS 1 *Presentation of Financial Reports Statements*

D1 In paragraph 7, the definition of 'other comprehensive revenue and expense' and paragraphs 79, 82, 99.1, 103.5, 103.7, 103.8 and 138 are amended and paragraph 154.7 is added:

...

138. In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial ~~statements~~ report. ...

...

154.7 PBE IFRS 9, issued in January 2017, amended paragraphs 7, 79, 82, 99.1, 103.5, 103.7, 103.8 and 138. An entity shall apply those amendments when it applies PBE IFRS 9.

XRB A1 Application of the Accounting Standards Framework

Appendix C is amended. New text is underlined.
--

APPENDIX C**TIER 1 PBE ACCOUNTING REQUIREMENTS AND TIER 2 PBE ACCOUNTING REQUIREMENTS TO BE APPLIED BY PUBLIC BENEFIT ENTITIES**

This appendix forms an integral part of XRB A1 Application of the Accounting Standards Framework.

This appendix lists the Accounting Standards and Authoritative Notice that contain the Tier 1 PBE Accounting Requirements for Tier 1 PBEs and the Tier 2 PBE Accounting Requirements for Tier 2 PBEs.

Accounting Standards

PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS*

PBE FRS 48 *Service Performance Reporting*

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE FRS 48 Service Performance Reporting.

Introduction

- BC1. This Basis for Conclusions summarises the NZASB's considerations in developing PBE FRS 48 *Service Performance Reporting*. Individual Board members gave greater weight to some factors than to others.
- BC2. The NZASB issued ED NZASB 2016-6 *Service Performance Reporting* in February 2016 (the 2016 ED). The NZASB received 18 comment letters and obtained additional feedback through outreach on the 2016 ED. Respondents were supportive of the project but highlighted that further work was required to develop a standard that could be applied by a range of public benefit entities (PBEs).
- BC3. The NZASB revised the proposals to develop a standard that could be more readily applied by entities using a range of performance frameworks. The NZASB sought feedback on aspects of the revised proposals in May 2017. It did this by notifying the respondents to the 2016 ED of the revised proposals, making contact with key constituent groups and making a limited scope review draft of the proposed standard available on its website for a period of two months.
- BC4. The NZASB issued PBE FRS 48 in November 2017.

Reasons for Issuing this Standard

- BC5. The NZASB issued this Standard to establish requirements for the reporting of service performance information in order to address a gap in the PBE Standards and to better meet the information needs of users of general purpose financial reports.
- BC6. When the NZASB first issued PBE Standards in 2013 it included non-integral guidance on service performance reporting in PBE IPSAS 1 *Presentation of Financial Statements*.² This non-integral guidance was based on Technical Practice Aid 9 *Service Performance Reporting* (as issued by the New Zealand Institute of Chartered Accountants in 2007) and was originally developed for application by public sector entities only. The material from TPA-9 was updated to take account of more recent developments in service performance reporting and modified to be appropriate for application by both public sector and not-for-profit (NFP) PBEs. The NZASB regarded the guidance in PBE IPSAS 1 as an interim step, pending the development of a financial reporting standard on service performance information, and subsequently added a project on service performance reporting to its agenda. This Standard is the result of that project.
- BC7. The NZASB considered the information needs of users of general purpose financial reports, as discussed in the *Public Benefits Entities' Conceptual Framework* (PBE Conceptual Framework). The NZASB noted that financial statements provide some, but not all, of the information that users of general purpose financial reports of PBEs require for accountability and decision making. The provision of service performance information, together with financial statements, provides users with a more complete set of information. The NZASB noted that it had already established service performance reporting requirements in the Tier 3 and Tier 4 PBE Accounting Requirements.
- BC8. The recent projects of other standard-setters were considered in developing this Standard. The International Public Sector Accounting Standards Board's (IPSASB's) Recommended Practice Guideline 3 *Reporting of Service Performance Information* (RPG 3) was issued in 2015. The NZASB considered the extent to which the guidance in RPG 3 was appropriate for PBEs in New Zealand. The Australian Accounting Standards Board (AASB) issued ED 270 *Reporting Service Performance Information* in August 2015. Although jurisdictional differences meant that the projects of the NZASB and AASB were conducted as separate projects, the Boards had similar objectives and monitored each other's projects.
- BC9. The remainder of this Basis for Conclusions is organised using the section headings in the Standard.

Scope

- BC10. In general, the requirements in a particular PBE Standard apply to public benefit entities in both the public sector and NFP sector. However, sometimes it is necessary to differentiate between the two sectors. In the

² Subsequently renamed *Presentation of Financial Reports*.

case of service performance information, the NZASB needed to consider existing legislative requirements that apply in the public sector.

- BC11. Although legislative requirements have evolved over time, many public sector PBEs such as government departments, crown entities and local governments, have been subject to performance reporting requirements for a number of years. Legislation has often required both ex ante and ex post service performance information. The NZASB was of the view that entities with existing legislative requirements to report service performance information would already have much of the information required by PBE FRS 48. In order to minimise the imposition of additional compliance costs on such entities for potentially little additional benefit, the NZASB had regard to current legislative requirements when it developed this Standard.
- BC12. The NZASB considered the implications of requiring all public sector PBEs, including those without legislative requirements to report service performance information, to comply with the Standard. The NZASB noted the following.
- (a) From a legislative perspective, there has already been an assessment for some of these entities that the costs of requiring service performance information would be greater than the benefits, that such reporting would be inappropriate, or an acknowledgement that related information is made available in other ways.
 - (b) Some entities (for example, schools) that do not have a legislative requirement to report service performance information nonetheless have a legislative requirement to report non-financial information that is complementary to the financial statements. In these circumstances imposing a different set of requirements would impose additional costs, but would not necessarily provide additional benefits commensurate with those costs.
- BC13. The concerns about conflicts with legislation were limited to the public sector. The NZASB noted that some NFP PBEs already provided service performance information in their general purpose financial reports. The NZASB was of the view that the general purpose financial report of an NFP entity should tell a story about what an NFP entity does, the resources used in doing it, and how well positioned the entity is to continue doing it. Service performance reporting is an essential component of that story. The NZASB acknowledged that complying with PBE FRS 48 could lead to increased costs for NFP entities as its requirements were unlikely to align perfectly with their current reporting. The NZASB opted for a high-level principles-based approach to provide sufficient flexibility for entities to ‘tell their story’ in a way that is meaningful for them and their users, to avoid some of the difficulties that could arise with a more prescriptive approach and to avoid imposing unnecessary costs. On balance, the NZASB considered that the benefits of improved and more comparable service performance reporting across the NFP sector would outweigh the costs of reporting in accordance with the Standard.
- BC14. The NZASB noted that PBE FRS 48 would not replace the detailed one-on-one reporting that occurs between entities and funders. Rather, it would provide an opportunity for funders to consider the extent to which the information required by the Standard could meet their needs.
- BC15. Taking all of these matters into consideration, the 2016 ED proposed that:
- (a) public sector PBEs with existing legislative requirements to report service performance information comply with the proposed standard;
 - (b) public sector PBEs without existing legislative requirements to report service performance information be encouraged, but not required, to comply with the proposed standard; and
 - (c) NFP PBEs comply with the proposed standard.
- BC16. The NZASB sought feedback on the costs and benefits of these scope proposals. Although some respondents considered that the requirements for all Tier 1 and Tier 2 PBEs should be the same, the majority of respondents supported the proposals.
- BC17. Based on feedback from respondents the NZASB refined the scope requirements for public sector PBEs to more closely link the scope with legislative requirements. For example, only some legislation requires service performance information in accordance with GAAP and legislation may require service performance information on only some of an entity’s activities. The NZASB also agreed that, in order to acknowledge the range of legislative requirements, the scope should refer to “information in respect of service performance” rather than “a statement of service performance (by whatever name called)”.

BC18. PBE FRS 48 establishes requirements for the reporting of service performance information in a general purpose financial report. It does not apply to service performance information prepared for groups of entities that are not a reporting entity for financial reporting purposes or for parts of an entity. Nor does it apply to service performance information presented in another context, such as a standalone report. The NZASB considered that establishing requirements for such varied forms of reporting would not only be difficult, but would be outside its mandate. The NZASB also acknowledged that PBEs may include other types of non-financial information such as environmental information and sustainability information in an annual report, but considered that such reporting was broader than service performance reporting.

Principles

BC19. PBE FRS 48 is based on the objectives of financial reporting and the qualitative characteristics of financial reporting in the PBE Conceptual Framework.

BC20. The 2016 ED proposed that service performance information satisfy, to the extent possible, the qualitative characteristics and appropriately balance the pervasive constraints on information in general purpose financial reports. The 2016 ED explained that this should result in service performance information that is appropriate and meaningful. The NZASB introduced the term ‘appropriate and meaningful’ because it wanted to establish a general term that entities could apply when making judgements about the application of the qualitative characteristics and constraints. The NZASB considered that a general term such as this could facilitate discussions between preparers, and between preparers and auditors regarding the appropriate selection of information and the overall volume of information presented. The NZASB received positive feedback about the use of this term and retained it in the Standard.

BC21. In response to feedback received on the proposals in the 2016 ED the NZASB:

- (a) clarified that the term appropriate and meaningful should be considered from the user’s point of view;
- (b) included a discussion, from the PBE Conceptual Framework, on the trade-off needed between the qualitative characteristics; and
- (c) emphasised the role of neutrality in faithful representation.

BC22. In response to feedback received on the limited scope review draft about the importance of some aspects of the qualitative characteristics and pervasive constraints, the NZASB expanded the discussion of relevance, faithful representation and verifiability. The NZASB noted that although these concepts are discussed in the PBE Conceptual Framework, not all those applying this Standard would necessarily be familiar with that document. The NZASB agreed that reiterating key messages about those concepts could facilitate discussions between preparers, and between preparers and auditors about the application of the qualitative characteristics and pervasive constraints to an entity’s service performance reporting.

Information to be Reported

BC23. The NZASB’s aim was to develop a standard that could be applied by a wide range of PBEs in reporting on their service performance. The 2016 ED aimed to establish best practice requirements, while acknowledging the difficulties that some entities might face in meeting the proposed requirements.

BC24. The requirements in the 2016 ED were based on the following three dimensions of service performance.

- (a) What did the entity do?
- (b) Why did the entity do it?
- (c) What impact did the entity have?

BC25. These dimensions were described using the terms outputs, outcomes and impacts. The 2016 ED defined outcomes as the impacts on society or segments of society as a result of the entity’s outputs and operations. The 2016 ED proposed that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity had on those outcomes. It acknowledged a number of factors that could make it difficult for some entities to report on impacts and suggested that reporting on what it referred to as intermediate outcomes could partly address these difficulties.

BC26. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. Comments from respondents centred around the following issues.

- (a) Entities may be subject to a range of other service performance reporting requirements, including legislative requirements. Entities should be able to comply with both the proposed standard and those other requirements without restating or duplicating information.
- (b) Legislative requirements continue to evolve. For example, the terms outputs and outcomes had recently been removed from some legislation.
- (c) Differing views about whether the term impacts should be used to describe what an entity is seeking to influence or ultimate outcomes. NFP entities and public sector entities indicated that they used the term impact in differing ways.
- (d) The difficulty of attributing changes to an entity's actions, particularly when a number of entities have been working together.
- (e) A lack of clarity about when an entity was required to report on impacts.

BC27. A number of respondents suggested changes to the proposals based on the performance frameworks which they were familiar with. These suggestions highlighted that there are a number of performance frameworks being used by PBEs. Common suggestions were to generalise language, use fewer defined terms and develop higher-level requirements.

BC28. The NZASB noted this feedback and agreed that in order to achieve its objective of developing a standard that could be applied by a wide range of entities it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms. The NZASB focused on identifying requirements that would provide useful information but which could be applied by any Tier 1 or Tier 2 PBE. This led the NZASB to require that an entity provide users with:

- (a) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- (b) information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a).

BC29. On the whole, respondents to the limited scope review draft acknowledged why the NZASB had decided to develop a more principles-based standard and expressed their support for the approach taken.

BC30. The Standard requires that, except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements. The NZASB added the reference to legislative requirements following comments from respondents that an entity may be subject to legislative requirements which specify the activities for which service performance information is required.

Presentation

BC31. PBE FRS 48 provides examples of presentation formats but does not prescribe the format of service performance information. After considering respondents' feedback on the 2016 ED the NZASB:

- (a) added a requirement that an entity clearly identify the service performance information presented in accordance with the Standard. This was in response to feedback that external parties, such as auditors, must be able to clearly identify the information that an entity has presented in order to meet the requirements of a standard; and
- (b) noted that an entity may find it helpful to present the information required by the Standard as answers to questions such as Who are we?, Why do we exist?, What did we do? and How did we perform? In the 2016 ED these questions were used to organise the information required in relation to the three dimensions of service performance. Although PBE FRS 48 no longer refers to three dimensions of performance, the NZASB considered that such questions could still be a useful way of organising information.

Comparative Information and Consistency of Reporting

- BC32. The ED required prior period comparative information for all amounts reported in the service performance information and for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information. The ED also noted that PBE IPSAS 1 (together with the proposed consequential amendments) required comparisons against prospective service performance information in some circumstances.
- BC33. These proposals reflected the NZASB's view that although the most meaningful comparison of an entity's service performance is whether it achieved what it set out to achieve (being actual versus prospective comparisons), it was not appropriate to require all PBEs to provide such comparisons. Public sector PBEs are often required to publicly report on planned activities and objectives but NFP PBEs are not. The proposals in the ED reflected this difference.
- BC34. Respondents commented on the difficulty of providing comparatives for narrative information. PBE FRS 48 acknowledges that judgement is required in deciding when to provide comparative narrative and descriptive information and requires that an entity considers whether such judgements should be disclosed.

Disclosure of Judgements

- BC35. PBE FRS 48 requires that an entity disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information made in reporting service performance information in accordance with this Standard that are relevant to an understanding of the entity's service performance information. This requirement was not in the 2016 ED, which proposed a more prescriptive approach to the information to be reported. After considering responses on the 2016 ED the NZASB agreed that the Standard should be more principles-based and, that entities should have a high level of discretion in selecting service performance information to be reported. As a consequence of changes to be less prescriptive around the information to be reported, and thereby provide more flexibility for entities to make judgements about how best to 'tell their story', the disclosure requirements provide a necessary counterbalance, so users can understand how those judgements were made.
- BC36. The Standard sets out factors to be considered in deciding if an entity is required to disclose judgements in accordance with the Standard. The NZASB considered that this approach was more appropriate than mandating the disclosure of judgements by all entities.
- BC37. Respondents to the limited scope review draft were very supportive of the proposed requirements to disclose judgements and noted the importance of such disclosures in the context of the revised proposals. Following consideration of respondents' comments on the limited scope review draft, the NZASB further refined these requirements. The issues raised by respondents and the NZASB's response are as follows.
- (a) In response to a concern that the use of the term 'critical judgements' in the limited scope review draft might be interpreted too narrowly the NZASB agreed not to use that term. The NZASB agreed to require disclosure of the 'judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported' and noted that this wording would better align with existing disclosure requirements in PBE IPSAS 1.
 - (b) In response to a comment that an entity may also need to consider methodological issues associated with performance measures the NZASB agreed to include an additional factor to consider in deciding which judgements to disclose.

Effective Date

- BC38. The 2016 ED proposed a two-year implementation period. Although the majority of respondents supported a two-year implementation period, others requested that the NZASB consider a longer period. Those who favoured a longer period were of the view that those responsible for governance in NFP entities would need time to understand the requirements and to embed service performance reporting into their planning and management processes. They also noted the time needed to develop systems to record service performance measures and the need to implement and test systems.
- BC39. The NZASB agreed that the Standard should have a three-year implementation period, with early adoption permitted.

Reduced Disclosure Regime Concessions

BC40. There are no reduced disclosure regime concessions in PBE FRS 48. Because the Standard establishes high-level requirements the NZASB did not consider that it was appropriate to provide any reduced disclosure regime concessions.

Amendments to PBE IPSAS 1

BC41. Consistent with its view that service performance information is an integral component of a general purpose financial report, the NZASB changed the title of PBE IPSAS 1 *Presentation of Financial Statements* to *Presentation of Financial Reports* and amended PBE IPSAS 1 to refer to both financial and service performance information where appropriate. The NZASB noted that this was a significant change to PBE IPSAS 1, but considered that the changes were consistent with the PBE Conceptual Framework and would make it easier for entities preparing service performance information to understand how PBE IPSAS 1 applies to service performance information. The NZASB also noted that this approach would allow for an audit opinion on the entire general purpose financial report.

BC42. The NZASB considered and rejected an alternative approach of making minimal changes to PBE IPSAS 1. This alternative approach would have left open the possibility of the NZASB making further changes to PBE IPSAS 1 at a later stage. The NZASB was of the view that this approach would have led to less clarity about the application of PBE IPSAS 1 to service performance information.

Amendments to PBE FRS 42

BC43. In the 2016 ED, and the limited scope review draft, the NZASB proposed to amend PBE FRS 42 *Prospective Financial Statements* to require application of its requirements, to both prospective financial statements and, to the extent appropriate, to prospective service performance information. Feedback on the limited scope review draft, together with the likelihood of future consultations on the scope of PBE FRS 42, prompted the Board to reconsider these proposals.

BC44. The Board's proposals to amend PBE FRS 42 had focussed on the extension of the requirements in PBE FRS 42 to general purpose prospective service performance information. Following consideration of concerns raised by a respondent about the implications of extending these requirements to prospective service performance information, the NZASB agreed that the development of requirements for reporting prospective service performance information would be better addressed as part of a separate project, so that more explicit consideration of the appropriateness of such requirements could be considered.

BC45. The NZASB noted that it was in the process of developing proposals to amend the scope of the equivalent for-profit standard, FRS 42 *Prospective Financial Statements*, with the intention of subsequently undertaking a similar project in respect of PBE FRS 42. The NZASB decided that it would be better to consider all issues associated with PBE FRS 42 as part of a single project.

History of Amendments

PBE FRS 48 *Service Performance Reporting* was issued in November 2017.

This table lists the pronouncements establishing and substantially amending PBE FRS 48.

Pronouncements	Date issued	Early operative date	Effective date (annual financial statements ... on or after ...)
PBE FRS 48 <i>Service Performance Reporting</i>	Nov 2017	Early application is permitted	1 Jan 2021



NZ ACCOUNTING
STANDARDS
BOARD

Memorandum

Date: 20 October 2017
To: NZASB Members
From: Lisa Kelsey and Joanne Scott
Subject: SPR Due Process

Action required

1. The Board is asked to AGREE that the applicable due process steps have been completed for PBE FRS 48 *Service Performance Reporting*.

Background

2. Normally we deal with due process in the general cover memo for an item. Because this is a significant domestic standard that has involved two external consultations we have prepared a separate memo. This memo outlines the relevant due process requirements for issuing a standard and the due process steps in this project. The Board is then asked to agree that the applicable due process steps have been completed.
3. The relevant due process requirements are:
 - (a) the due process requirements established by the XRB Board; and
 - (b) the requirements of section 22(2) of the Financial Reporting Act 2013.

Structure of this memo

4. The remaining sections in this memo are:
 - (a) XRB Board due process requirements;
 - (b) Financial Reporting Act 2013 requirements;
 - (c) Developing an exposure draft;
 - (d) 2016 ED;
 - (e) 2017 Limited scope review draft;
 - (f) Comments on 2017 limited scope review draft considered; and
 - (g) Recommendations.

XRB Board due process requirements

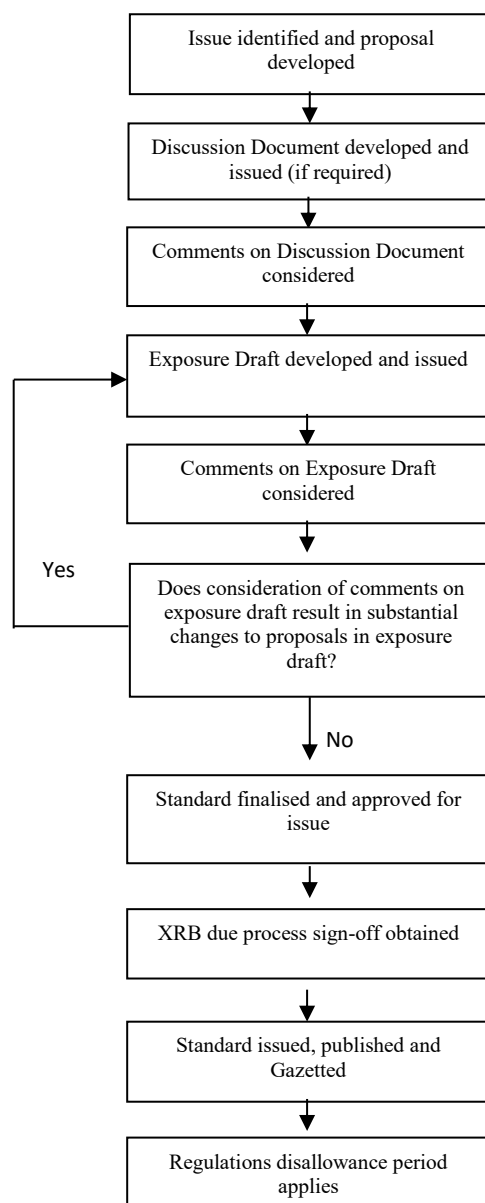
5. The NZASB has delegated authority to develop, consult on, approve and promulgate standards within the parameters established by the XRB Board. These parameters are set out in the

NZASB's Reference Manual (July 2014) which has a section on due process. Extracts from the due process section of the reference Manual are shown below.

Extracts from NZASB Reference Manual (July 2014) – Section 7 Due Process Guidelines

1. The default due process to be followed by the NZASB is as outlined in Figure 1.

Figure 1: General Process for Developing Accounting Standards



2. This process is reflective of the standard due process historically applied in New Zealand standard setting and is consistent with international best practice. Where appropriate consultation should be undertaken with the AASB prior to exposure of documents in New Zealand to ensure that a common approach is being proposed in both jurisdictions.
3. The final stages of the process should operate as follows:
 - Once the exposure period has been completed and comments considered by the NZASB, the NZASB should finalise the standard and approve it for issue.

- Before approving it for issue the NZASB should be required to specifically consider and satisfy itself (as a final check) that:
 - reasonable steps have been taken to consult with persons or organisations likely to be affected by the proposed standard, or representatives of such persons or organisations; and
 - the proposed standard is likely to achieve its objectives and that the advantages of the standard are sufficient to justify its issue.
 - The NZASB should then obtain a certificate signed by the XRB Board Chairperson, or in his or her absence another XRB Member so designated, authorising the standard be issued.
 - Following receipt of the certificate the NZASB may issue the standard. This is to be notified to the constituency by inclusion in the Gazette, and also by general communication.
4. In accordance with the provisions of the Act, all issued standards will be subject to the Parliamentary disallowance process of the Legislation Act 2012.

Financial Reporting Act requirements

6. The requirements in the Financial Reporting Act 2013 sections 22 and 23 are set out below. Section 24 is also relevant but, as the public notice requirements are built into our standard processes, we have not reproduced it in this memo.

Extracts from the Financial Reporting Act 2013

22 Consultation

- (1) The Board must not issue a standard, an authoritative notice, an amendment, or a revocation unless the Board has taken reasonable steps to consult the persons or representatives of persons who, in the opinion of the Board, would be substantially affected by the issue of the standard, notice, amendment, or revocation.
- (2) The Board must not issue a standard, an authoritative notice, or an amendment that is likely to require the disclosure of personal information unless the Board has consulted the Privacy Commissioner.
- (3) Any failure to comply with subsection (1) or (2) does not affect the validity of the standard, authoritative notice, amendment, or revocation.
- (4) This section does not limit section 16 or 17 of the Crown Entities Act 2004.

23 Disclosure required to comply with standards does not breach privacy principles

- (1) The disclosure of personal information is not a breach of principle 10 or 11 of the Privacy Act 1993 if the disclosure is required for compliance with a standard or an authoritative notice.
- (2) Subsection (1) does not apply to standards issued or approved before the commencement of the Financial Reporting Amendment Act 2001.

Developing an exposure draft

7. When the NZASB first developed the PBE Standards for Tier 1 and Tier 2 public benefit entities there was no domestic or international standard dealing with service performance reporting. There was some guidance in Technical Practice Aid 9 *Service Performance Reporting* (TPA-9), a document that was issued by the New Zealand Institute of Chartered Accountants in 2007.

The NZASB incorporated non-integral guidance, based on TPA-9, in PBE IPSAS 1 *Presentation of Financial Statements*. As reported in the Basis for Conclusions on PBE IPSAS 1, the NZASB regarded this as a short-term measure pending the activation of a new project on performance reporting.

8. A respondent on the 2012 consultation process for the initial set of public sector PBE Standards commented that the development of standards and guidance for the reporting of non-financial performance information is important and long overdue. Related points made by that respondent were:
 - (a) Non-financial performance information is a crucial part of the accountability of many public sector entities, and it needs to work in conjunction with financial statements to convey a coherent picture about performance of an entity.
 - (b) The requirements in PBE IPSAS 1 for a statement of service performance are outdated and constraining. This was noted as a significant matter that is potentially inappropriate in the New Zealand environment, due to current and emerging practice in service performance reporting, and due to impending legislative changes that would affect the Public Finance Act and the Crown Entities Act.¹
9. These comments highlighted the need for appropriate standards-level requirements on service performance reporting. The inclusion of requirements to report on an entity's activities in the Tier 3 and Tier 4 PBE Accounting Requirements also communicated the NZASB's view that PBEs should report both financial and non-financial information.
10. Work on developing a new standard for application by both Tier 1 and Tier 2 not-for-profit and public sector PBEs began towards the end of 2013. Although the due process flow chart in the NZASB's reference manual indicates that the NZASB can issue discussion papers this did not occur in this project. This was most likely because there was a general consensus that a standard was required and there was some existing guidance to draw upon.
11. Although the ED was developed by staff with input from the Board, staff and the Board also received feedback from, or considered the views of, other parties. Examples of such interactions or considerations follow.
 - (a) November 2013: Meeting between XRB staff and staff from the Treasury and the Office of the Controller and Auditor-General to discuss the types of entities that should be required to report comprehensively on outcomes and the criteria that could be used to distinguish such entities.
 - (b) April and July 2014: Meetings of the Service Performance Reporting Reference Group to provide feedback on a draft standard. This group included staff of central agencies and oversight bodies, academics, individuals working for or otherwise involved with not-for-profit entities, and staff of public sector entities.
 - (c) 2015: AASB staff and NZASB staff worked closely in the early stages of developing exposure drafts to align them as much as possible. Staff considered the extent to which

¹ These legislative changes have since occurred.

the guidance in IPSASB RPG 3 *Reporting Service Performance Information* could be incorporated in domestic standards. The AASB issued ED 270 *Reporting Service Performance Information* in August 2015.

- (d) 2015: NZASB sought feedback on scope issues from a range of public sector organisations.

2016 ED

12. The Board issued ED NZASB 2016-6 *Service Performance Reporting* in February 2016. The Board requested comments by 29 July 2016. The 2016 ED was accompanied by an *In Summary* document.
13. The aim of the 2016 ED was to develop a standard that could be applied by a wide range of PBEs in reporting on their service performance. The 2016 ED aimed to establish best practice requirements, while acknowledging the difficulties that some entities might face in meeting the proposed requirements.
14. The requirements in the 2016 ED were based on the following three dimensions of service performance.
 - (a) What did the entity do?
 - (b) Why did the entity do it?
 - (c) What impact did the entity have?
15. These dimensions were described using the terms outputs, outcomes and impacts. The 2016 ED defined outcomes as the impacts on society or segments of society as a result of the entity's outputs and operations. The 2016 ED proposed that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity had on those outcomes. The 2016 ED acknowledged a number of factors that could make it difficult for some entities to report on impacts and suggested that reporting on what it referred to as intermediate outcomes could partly address these difficulties.

Outreach on 2016 ED

16. We conducted the following outreach on the 2016 ED:
 - (a) discussion at the May 2016 XRAP meeting;
 - (b) public seminars in Auckland, Wellington and Christchurch;
 - (c) a webinar;
 - (d) presentations to Chartered Accountants Australia and New Zealand (CA ANZ) special interest groups in Auckland and Wellington; and
 - (e) a presentation to a public sector planning and performance network meeting in Wellington.

17. We wrote an article, *A new PBE Standard on Service Performance Reporting is on the horizon*, for the July 2016 CA ANZ perspectives series.
18. Other organisations, including Charities Services and some accounting firms, helped to raise awareness of the ED through newsletters.

Submissions received

19. We received 18 submissions on the 2016 ED, from a range of constituents including public sector entities, not-for-profit entities, accounting firms and academics. The NZASB also received feedback from the NZAuASB. A subset of members from both Boards met to discuss aspects of the ED on 26 August 2016.
20. The Board considered an analysis of submissions and the feedback from NZAuASB members at its September 2016 meeting.

Deliberations

21. The Board deliberated on the feedback received over the period September 2016 to May 2017.
22. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. Comments from respondents centred around the following issues.
 - (a) Entities may be subject to a range of other service performance reporting requirements, including legislative requirements. Entities should be able to comply with both the proposed standard and those other requirements without restating or duplicating information.
 - (b) Legislative requirements continue to evolve. For example, the terms outputs and outcomes have recently been removed from some legislation.
 - (c) Differing views about whether the term impacts should be used to describe what an entity is seeking to influence or ultimate outcomes. Not-for-profit entities and public sector entities indicated that they used the term impact in differing ways.
 - (d) The difficulty of attributing changes to an entity's actions, particularly when a number of entities have been working together.
 - (e) A lack of clarity about when an entity was required to report on impacts.
23. A number of respondents suggested changes to the proposals based on the performance frameworks which they were familiar with. These suggestions highlighted that there are a number of performance frameworks being used by PBEs. Common suggestions were to generalise language, use fewer defined terms and develop higher-level requirements.
24. The Board noted this feedback and agreed that, in order to achieve its objective of developing a standard that could be applied by a wide range of entities, it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms. The Board focused on identifying requirements that would provide useful

information but which could be applied by any Tier 1 or Tier 2 PBE. This led the Board to propose that an entity provide users with:

- (a) sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
 - (b) information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a).
25. Despite these changes the Board considered that the revised proposals were still consistent with the principles underlying the 2016 ED. The key change was to give entities more flexibility in how they report on their service performance.
26. In addition to redrafting the requirements on information to be reported, the Board proposed some other changes to the proposals in the 2016 ED. These included:
- (a) the addition of an introduction to the draft standard and the deletion of the section in the 2016 ED on accountability and decision making; and
 - (b) the addition of a new section on disclosure of judgements. This new section was a consequence of changes to be less prescriptive around the information to be reported, and thereby provide more flexibility for entities to make judgements about how best to 'tell their story'. The Board considered that the disclosure requirements would provide a necessary counterbalance, so users can understand how those judgements were made.

Due process considerations

27. Once the Board had completed its deliberations on feedback and had agreed that the draft standard was appropriate for the next due process phase, it considered the nature of the changes made and what would be appropriate in terms of due process. The Board considered these matters at its meeting in May 2017.
28. The Board noted that, if consideration of comments on an exposure draft results in substantial change, the default option is to re-expose the new proposals. However, the NZASB's Reference Manual does not provide any guidance about what constitutes substantial change, or any other factors that the Board should consider in assessing whether the changes warrant re-exposure. The Board noted the process used by the IPSASB and the IASB in deciding whether to re-expose and applied the IASB's criteria to this project.²
29. The Board noted the following due process options:
- (a) finalise the proposed standard without re-exposure;
 - (b) seek additional feedback by consulting with a range of interested groups, including all those that submitted on the original ED. The Financial Reporting Standards Board has previously used this option;

² The relevant international documents were the IPSASB's *Due Process and Working Procedures* (June 2016) and the IASB's *Due Process Handbook* (February 2013).

- (c) issue a fatal flaw draft of the proposed pronouncement. The Board noted that the AASB had recently done this in seeking feedback on *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*; or
 - (d) re-expose, with a normal comment period.
30. Staff invited the Board to consider the following questions.
- (a) Do the revised proposals include any fundamental changes?
 - (b) Will the Board learn anything new by re-exposing the proposals?
 - (c) Would additional consultation (see the next section of the memo) be sufficient to support a decision to finalise without re-exposure?
31. The staff's views were:
- (a) The changes to the information to be reported section were substantial, but they were in direct response to feedback received and in order to allow the draft standard to be applied by a wide range of public benefit entities.
 - (b) Respondents had already raised the main issues with the proposals in the exposure draft. Re-exposure would provide a check that there are no fundamental issues with the revised proposals.
 - (c) Additional consultation could be sufficient to support finalising a standard without full re-exposure. However, this decision would need to be taken in light of any additional feedback received.
32. The Board agreed to publish a draft standard and feedback statement on the website for a limited scope review process. The Board agreed that the communiqué should explain the reason for the changes and highlight that the Board is seeking views about the workability of the proposals and whether there would be any unintended consequences as a result of the changes. The Board agreed to write to all submitters on the 2016 ED and other interested parties.

Limited scope review draft

33. The Board issued the limited scope review draft in May 2017. The Board requested comments by 28 July 2017. The limited scope review draft was accompanied by a feedback statement which explained the key changes made to the 2016 ED and the reasons why. The draft standard also included a Table of Concordance which outlined the relationship between the paragraphs in the draft standard and those in the 2016 ED.

Outreach on the limited scope review draft

34. We did not conduct any public sessions on the limited scope review draft. However, we:
- (a) wrote to all of the submitters on the 2016 ED and ten other interested parties;
 - (b) wrote an article, *Limited scope consultation on service performance reporting*, which was issued in the June 2017 CA ANZ perspectives series; and

- (c) sought feedback from the NZASB's Technical Reference Group at its meeting on 23 June 2017.

Submissions received

- 35. We received 12 submissions on the limited scope review draft. They were from a range of constituents including public sector entities, accounting firms and academics. We did not receive direct feedback from not-for-profit entities, but a number of the respondents work in, or alongside, this sector and considered the not-for-profit environment in their responses. The NZASB also received feedback from members of the NZAuASB. A subset of members from both Boards met to discuss aspects of the ED on 5 September 2017.
- 36. The Board considered an analysis of submissions and the feedback from NZAuASB members at its September 2017 meeting.

Deliberations

- 37. The Board deliberated on the feedback received at its September 2017 meeting (and is expected to conclude its deliberations at this meeting). Most of the responses on the limited scope review draft were supportive, but respondents also suggested improvements and raised matters for consideration by the Board. Because of the nature of the question posed, and the fact that most of the submitters had previously submitted on the 2016 ED, some of the responses are fairly brief. On the whole respondents understood why the Board had developed a more principles-based standard and expressed their support for the approach taken by the Board.
- 38. The key changes being considered by the Board are in relation to:
 - (a) the qualitative characteristics – expanding the discussion of relevance (via a footnote about materiality), faithful representation and verifiability;
 - (b) reporting cost information – placing more emphasis on the importance of linking the financial statements and the non-financial information;
 - (c) the disclosures of judgements – make this section more robust; and
 - (d) the implications of the consequential amendments to PBE FRS 42 *Prospective Financial Statements* – to make sure there are no unintended consequences and if necessary, defer consideration of what PBE FRS 42 should require in respect of prospective service performance information to a future project.

Due process considerations

- 39. In our view the proposed changes being considered by the Board at this meeting (see agenda items 3.1 and 3.2) are refinements to the proposals in the limited scope review draft and, in the case of PBE FRS 42, consideration of a possible unintended consequence.

Recommendations

40. In our view the due process followed by the NZASB in this project has complied with the due process requirements established by the XRB Board and meets the requirements of section 22 of the Financial Reporting Act 2013. In accordance with section 22(2) of the Financial Reporting Act 2013 we have considered whether the standard is likely to require the disclosure of personal information. In our view the standard does not include requirements that would result in the disclosure of personal information, and therefore no consultation with the Privacy Commissioner is required.
41. We therefore recommend that the Board AGREES that the applicable due process steps have been completed for PBE FRS 48 *Service Performance Reporting*.



NZ ACCOUNTING
STANDARDS
BOARD

Memorandum

Date: 1 November 2017

To: Graeme Mitchell, External Reporting Board

From: Kimberley Crook, Chair NZASB

Subject: **PBE FRS 48 *Service Performance Reporting***

Introduction

1. In accordance with the protocols established by the XRB Board, the NZASB seeks your approval to issue PBE FRS 48 *Service Performance Reporting* (PBE FRS 48).
2. The NZASB has developed PBE FRS 48 to address a gap in the reporting requirements for Tier 1 and Tier 2 public benefit entities. The new PBE Standard will replace the limited requirements for service performance reporting currently in PBE IPSAS 1 *Presentation of Financial Statements* and the non-integral application guidance that currently accompanies PBE IPSAS 1.
3. The current requirements and guidance in PBE IPSAS 1 were developed some time ago. They are based on requirements and guidance that were initially developed with public sector entities in mind and that reflected previous legislative requirements for certain public sector entities. Service performance reporting requirements in the public sector have continued to evolve. We need service performance reporting requirements that acknowledge the current legislative requirements for a range of public sector entities, and the likelihood that both legislative requirements and practice will continue to evolve. We also need service performance reporting requirements that are appropriate for the Tier 1 and Tier 2 not-for-profit entities applying PBE Standards.
4. The NZASB has been working on this project since the issuance of the initial set of PBE Standards. The time taken to complete this project reflects the resources required to develop a domestic standard, as well as the difficulty of establishing appropriate requirements for a range of entities while still allowing for ongoing developments in this field of reporting.
5. The effective date of PBE FRS 48 is annual periods beginning on or after 1 January 2021. The implementation date for this standard is longer than usual. This is to allow sufficient time for entities to consider how they will report in accordance with the standard, trial new measures and establish appropriate systems for data collection.

Due process

6. There have been two formal consultations in this project, as well as a number of less formal interactions with interested parties. The two formal consultation documents were:
 - (a) ED NZASB 2016-6 *Service Performance Reporting* (2016 ED) which was issued in February 2016, with comments due by 29 July 2016. The 2016 ED was accompanied by an *In Summary* document.
 - (b) A limited scope review draft of PBE FRS XX *Service Performance Reporting* which was issued in May 2017 with comments due by 28 July 2017. The limited scope review draft was accompanied by a feedback statement which explained the key changes made to the 2016 ED and the reasons why.

2016 ED

7. The NZASB conducted the following outreach on the 2016 ED:
 - (a) discussion at the May 2016 XRAP meeting;
 - (b) public seminars in Auckland, Wellington and Christchurch;
 - (c) a webinar;
 - (d) presentations to Chartered Accountants Australia and New Zealand (CA ANZ) special interest groups in Auckland and Wellington; and
 - (e) a presentation to a public sector planning and performance network meeting in Wellington.
8. Awareness of the 2016 ED was assisted by an article, *A new PBE Standard on Service Performance Reporting is on the horizon*, in the July 2016 CA ANZ perspectives series and by the efforts of organisations such as Charities Services and some accounting firms which issue regular newsletters.
9. We received 18 submissions on the 2016 ED, from a range of constituents including public sector entities, not-for-profit entities, accounting firms and academics. The NZASB also received feedback from the NZAuASB. A subset of members from both Boards met to discuss aspects of the ED on 26 August 2016.
10. The NZASB considered an analysis of submissions and the feedback from NZAuASB members at its September 2016 meeting and deliberated on the feedback received over the period September 2016 to May 2017.
11. Although respondents supported the development of a standard on service performance reporting, the proposed requirements were regarded as too prescriptive and too difficult for a range of entities to apply. The NZASB noted this feedback and agreed that, in order to achieve its objective of developing a standard that could be applied by a wide range of entities, it needed to focus on high-level principles and express the requirements regarding the information to be reported in more general terms.

12. Once the NZASB had completed its deliberations on feedback and had agreed that the draft standard was appropriate for the next due process phase, it considered the nature of the changes made and what would be appropriate in terms of due process. The NZASB considered these matters at its meeting in May 2017.

Limited scope review draft

13. The NZASB agreed to issue a limited scope review draft to seek feedback on the changes to its 2016 proposals. The changes to the proposals in the 2016 ED were explained in the communicate that alerted constituents to this consultation process, the feedback statement, the Basis for Conclusions on the limited scope review draft and the Table of Concordance in the draft standard. The NZASB also wrote to all submitters on the 2016 ED and other interested parties to explain why it was issuing the limited scope review draft. The NZASB advised constituents that it was seeking views about the workability of the proposals and whether there would be any unintended consequences as a result of the changes.
14. Awareness of the 2017 limited scope review draft was assisted by an article, *Limited scope consultation on service performance reporting*, in the June 2017 CA ANZ perspectives series. The NZASB sought feedback on the limited scope review draft from the Technical Reference Group on 23 June 2017.
15. The NZASB received 12 submissions on the limited scope review draft. They were from a range of constituents including public sector entities, accounting firms and academics. The NZASB did not receive direct feedback from not-for-profit entities, but a number of the respondents work in, or alongside, this sector and considered the not-for-profit environment in their responses. The NZASB also received feedback from members of the NZAuASB.
16. The NZASB deliberated on the feedback received at its September and November 2017 meetings. Most of the responses on the limited scope review draft were supportive, but respondents also suggested improvements and raised matters for consideration by the NZASB. On the whole respondents understood why the NZASB had developed a more principles-based standard and expressed their support for the approach taken.
17. The NZASB refined some aspects of the standard in response to comments received. It noted that the proposed amendments to PBE FRS 42 *Prospective Financial Statements* could result in unforeseen consequences and agreed to defer consideration of these issues until a separate project on that standard is undertaken. Any significant matters are discussed in the Basis for Conclusions which accompanies the standard.
18. There are no reduced disclosure regime concessions in PBE FRS 48. Because the standard establishes high-level requirements the NZASB did not consider that it was appropriate to provide any reduced disclosure regime concessions.

Review of due process

19. The NZASB reviewed the due process steps for this project at its November 2017 meeting. The NZASB concluded that the applicable due process steps had been completed.

20. The due process followed by the NZASB complied with the due process requirements established by the XRB Board and, in the NZASB's view, meets the requirements of section 22 of the Financial Reporting Act 2013.
21. In accordance with section 22(2) of the Financial Reporting Act 2013 the NZASB has considered whether the standard is likely to require the disclosure of personal information. In the NZASB's view the standard does not include requirements that would result in the disclosure of personal information, and therefore no consultation with the Privacy Commissioner is required.

Consistency with XRB Financial Reporting Strategy

22. In implementing the Financial Reporting Strategy as set out in the Accounting Standards Framework the NZASB usually looks to international standards. In this case there was no equivalent international standard.
23. The IPSASB issued Recommended Practice Guide RPG 3 *Reporting Service Performance Information* in 2015. The NZASB considered the extent to which the guidance in RPG 3 was appropriate for PBEs in New Zealand. The fact that RPG 3 was focused on the public sector environment and was guidance, rather than a standard, limited its influence on this project.
24. The Australian Accounting Standards Board (AASB) issued ED 270 *Reporting Service Performance Information* in August 2015. Although jurisdictional differences led the NZASB and AASB to conduct separate projects, the Boards had similar objectives and monitored each other's proposals and progress. Staff also liaised closely during the early stages of the projects. The AASB has not yet issued a standard.
25. On a related note, the NZAuASB has recently issued ED NZAuASB 2017-2 *New Zealand Auditing Standard XX The Audit of Service Performance Information*.

Other matters

26. There are no other matters relating to the issue of this standard that the NZASB considers to be pertinent or that should be drawn to your attention.

Recommendation

27. The NZASB recommends that you sign the attached certificate of determination on behalf of the XRB Board.

Attachment

PBE FRS 48 *Service Performance Reporting*

Kimberley Crook
Chair NZASB