

2 November 2017

Mr Warren Allen
The Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington
6142

Dear Sir

Requests to comment on IPSASB Exposure Draft ED 62 – *Financial Instruments*

Thank you for the opportunity to comment on the above exposure draft.

We are making this submission to you to assist the New Zealand Accounting Standards Board (NZASB) with the above Consultation Paper. We are happy for you to publish our comments publically.

In responding we have addressed the specific questions for respondents in Appendix 1.

More information on BDO is provided in Appendix 2 to this letter.

We hope that our responses and comments are helpful. Should you wish to discuss any of the points we have raised please contact me (michael.rondel@bdo.co.nz) should you have any queries or require further information.

Yours faithfully,



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Appendix 1 - Response to questions

Specific Matter for Comment 1

Consistent with the relief provided in IFRS 9, the IPSASB has agreed in [draft] IPSAS [X] (ED 62) to allow an option for entities to continue to apply the IPSAS 29 hedging requirements. Do you agree with the IPSASB's proposal?

Yes, we agree that there should be consistency between the options provided in IFRS 9 with regards to applying IPSAS 29 hedging requirements.

We do, however, note that the vast majority of our clients in the not-for-profit sector are unlikely to ever be exposed to hedge accounting or have a requirement to apply hedge accounting, due to the nature of their operations.

Specific Matter for Comment 2

The IPSASB recognizes that transition to the new standard [draft] IPSAS [X] (ED 62) may present implementation challenges as a result of the number of significant changes proposed. Therefore, the IPSASB intends to provide a 3 year implementation period until [draft] IPSAS [X] (ED 62) is effective (early adoption will be permitted). Do you agree with the proposed 3-year implementation period before [draft] IPSAS [X] (ED 62) becomes mandatory? Please explain.

Yes, we agree that a three year implementation period is appropriate to ensure that all users have sufficient time to determine the impact of the standard on their entity, and to get policies and procedures in place to ensure to comply with the new standard.

In the New Zealand context, the XRB may also need to develop illustrative examples applicable to the not-for-profit sector for a number of areas contained in the new standard, as the extant IPSASB examples may not be easily understood by not-for-profit entities, due to these being public sector specific. A 3-year implementation period seems appropriate to ensure that sufficient education can be undertaken for the likely impact of these changes, especially for smaller Tier 2 not-for-profit entities that may not have extensive accounting resources.

Specific Matter for Comment 3

Do you agree with the proposed transition requirements in paragraphs 153-180, consistent with those provided in IFRS 9? If not, what specific changes do you recommend and why?

Yes, we agree that the transition requirements are appropriate and that they should be consistent with IFRS 9.

However, we do note that there may be instances in practice whereby an entity early adopted PBE IFRS 9 *Financial Instruments* and will in future have to adopt the ED 62

Financial Instruments Standard. Although we do not anticipate there being any material differences between PBE IFRS 9 and ED 62 or issues that would arise on transitioning to the ED 62 standard, we do recommend that the XRB include some transition guidance for entities in this scenario.

Appendix 2 - Information on BDO

1. BDO New Zealand is a network of eleven independently owned accounting practices, with fifteen offices located throughout New Zealand.
2. BDO firms in New Zealand offer a full range of accountancy services, including business advisory, audit, taxation, risk advisory, internal audit, corporate finance, forensic accounting and business recovery and insolvency.
3. BDO in New Zealand has 89 partners and over 800 staff.
4. BDO firms throughout New Zealand have a significant number of clients in the not-for-profit sector.
5. Five BDO firms in New Zealand (BDO Auckland, BDO Christchurch, BDO Northland, BDO Waikato and BDO Wellington) are registered audit firms and thirteen audit partners are licensed auditors.
6. Internationally, BDO is the fifth largest full-service audit, tax and advisory firm in the world, with over 67,700 people in 1,401 offices across over 158 countries and territories.