XRB | Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	NZASB Members
Meeting date:	6 August 2026
Subject:	**Review of the Accounting Standards Framework (ASF) – Tier 1 for-profit reporting framework review**
Date:	24 July 2026
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☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. This paper assesses the current Tier 1 for-profit reporting framework as part of the Accounting Standards Framework (**ASF**) review. It focuses on entities required to apply Tier 1 reporting requirements.

2. The paper considers how the current Tier 1 framework operates and compares it with selected alternative reporting framework options. It identifies key differences, trade-offs and practical implications for Tier 1 entities, and assesses whether the current framework remains suitable for this population against the objectives of the ASF.

3. The analysis applies the broader ASF review methodology to the Tier 1 for-profit population and should be read alongside the For-profit sector overview paper, which addresses matters relevant across both Tier 1 and Tier 2 for-profit entities.

Recommendations

4. We recommend the Board:

   (a) **NOTE** the analysis of the current Tier 1 for-profit reporting framework;

   (b) **NOTE** the key differences, trade-offs and practical implications of the reporting framework options considered;

   (c) PROVIDE **FEEDBACK** on whether the analysis appropriately reflects the characteristics, reporting needs and public accountability considerations relevant to Tier 1 for-profit entities to inform the next stage of the ASF review and public discussion paper; and

   (d) Provide **FEEDBACK** on the proposed information and questions for stakeholders to be included in the public discussion paper on this topic (outlined in blue text).

Scope of this paper

5. This paper focuses on Tier 1 for-profit entities that are required to apply Tier 1 reporting requirements under the ASF.

6. Unless otherwise stated, references in this paper to **Tier 1** mean Tier 1 for-profit entities. The paper does not consider entities that voluntarily opt in to apply Tier 1 for-profit reporting

standards, broader questions about legislative reporting thresholds, or the criteria used to allocate entities to tiers.

7. The paper assesses reporting framework options and their suitability for Tier 1 for-profit entities. It does not assess detailed amendments to individual accounting standards or propose changes to specific recognition, measurement, presentation or disclosure requirements. Any such changes would be considered separately and would be subject to public consultation before the NZASB considered amendments to the existing framework.

Relationship with the for-profit overview paper

8. This paper should be read together with the For-profit sector overview paper, which provides the common context for the for-profit reporting framework, including the development of the current framework, the legislative pathway, International Financial Reporting Standards (**IFRS**) convergence, jurisdiction-specific wording and licensing arrangements, the common assessment criteria, and cross-cutting matters relevant to for-profit entities.

9. This Tier 1 paper does not repeat that common context, but rather it applies that context to the Tier 1 for-profit population. For this assessment, the relevant starting point is the current Tier 1 for-profit reporting framework in New Zealand and the established IFRS-based approach for entities with public accountability and large for-profit public sector entities.

Content

Section in the tier papers	Purpose of the section
Background and context for Tier 1 entities	Provides the tier-specific context needed to understand the reporting population, current requirements and framework options considered in the paper.
Legislative and regulatory environment	Explains the legislative and regulatory settings that determine which entities prepare GAAP-compliant financial statements and how tier eligibility applies.
Characteristics of Tier 1 for-profit entities	Describes the nature, scale and diversity of entities within the relevant tier, including features that may affect the framework assessment.
Information needs of users and preparer considerations	Considers the information needs of users and the practical, audit and cost considerations for preparers applying the framework
International practice, alignment and comparability considerations	Considers approaches used in other jurisdictions and how international alignment affects comparability, recognisability and sustainability in New Zealand.
Practical challenges with the current Tier 1 framework	Explains how the current framework operates in practice, including identified benefits, challenges and implementation issues.
Reporting framework options considered	Identifies the framework options considered for the relevant tier, including the current framework and alternative options within the scope of the tier paper.

Background and context for Tier 1 entities

Current tier 1 for-profit reporting framework

10. Under the current ASF, Tier 1 for-profit entities apply New Zealand International Financial Reporting Standards (**NZ IFRS**), including the full recognition, measurement, presentation and disclosure requirements.

11. The current tiered ASF moved away from the previous sector-neutral approach by establishing separate for-profit and public benefit entity (**PBE**) reporting frameworks, while retaining an IFRS-based framework for Tier 1 for-profit entities.

Role of Tier 1 for-profits within the ASF

12. Within the ASF, Tier 1 is the full reporting tier for for-profit entities which contains those entities with public accountability and those that are large for-profit public sector entities. Its role is to provide a framework for entities where public accountability, regulatory significance or scale supports the application of more comprehensive reporting requirements.

13. For listed or internationally active entities, comparable and useful information may assist global investors and other users in making informed investment decisions and may support the efficient and effective functioning of international capital markets. User needs, preparer considerations and the specific characteristics of Tier 1 entities are considered in later sections of this paper.

14. This background context is relevant because the current Tier 1 assessment starts from an established NZ IFRS framework aligned with IFRS Accounting Standards, rather than a domestic framework developed independently from international standards.

Why the Tier 1 framework is being reviewed now

15. The purpose of the accounting standards framework review is to assess whether New Zealand's tiered, multi-standard, sector-based accounting standards framework remains fit-for-purpose, internationally aligned and locally relevant, and continues to support high-quality, decision-useful financial reporting in the public interest. The review is future-focused, evidence-based, and designed to explore viable options for the framework. It seeks to identify the key challenges, risks, opportunities and trade-offs that arise under different options. While we recognise that any changes to the framework will involve costs, the review will examine whether

the framework continues to meet user needs and whether it achieves an appropriate balance between the benefits of reporting and the costs imposed on preparers and others.

16. The Tier 1 for-profit framework is being considered as part of the broader ASF review to test whether the reporting framework remains suitable for entities required to apply the Tier 1 requirements and continues to meet the objectives of the ASF.

17. Since the IFRS framework was initially established in New Zealand, the reporting environment for Tier 1 entities has continued to evolve. Relevant developments include:

    - New and amended IFRS Accounting Standards, including significant changes and growing complexities in areas such as financial instruments, revenue, leases and insurance contracts;
    - Recent international proportionality mechanisms such as IFRS 19 and revisions to IFRS for SMEs;
    - Increased focus on disclosure effectiveness, comparability and digital reporting; and
    - Different jurisdictional approaches to adopting, endorsing, modifying or supplementing international standards.

18. For Tier 1 entities, the relevant matters considered in this paper include ongoing changes to international reporting requirements, the cost and complexity of applying full NZ IFRS, international and trans-Tasman comparability, and whether the framework remains operable within New Zealand's reporting ecosystem. These matters are considered in the sections that follow and inform the assessment of the framework options.

Matters identified through previous review work and stakeholder engagement

19. Previous review work, including the 2019 post-implementation review of the ASF and the targeted ASF review, provides relevant context for considering the Tier 1 for-profit framework.

20. That work indicated that the current Tier 1 for-profit framework is generally understood within New Zealand's financial reporting environment. It also identified matters for further testing from a Tier 1 perspective, including the practical effect of ongoing changes to NZ IFRS, the cost and complexity of applying full reporting requirements, and the importance of maintaining comparability, credibility and international recognition for entities with public accountability.

21. These matters do not, of themselves, indicate that changes to the Tier 1 framework are required. Rather, they identify issues to be explored through the Tier 1 reporting framework assessment.

Legislative and regulatory environment

Legislative reporting obligations and ASF tier allocation

22. Legislation determines which entities must prepare generally accepted accounting practice (**GAAP**) compliant financial statements. Once that reporting obligation exists, the ASF determines the applicable sector, tier and reporting requirements. This distinction is explained in the For-profit sector overview paper and the Definition of public accountability paper; this section focuses on how it affects entities required to apply Tier 1 for-profit reporting requirements.

23. Under the current ASF, Tier 1 applies to for-profit entities with public accountability and large for-profit public sector entities with expenses above $33 million.

24. For the Tier 1 population considered in this paper, the relevant tier allocation factors are public accountability, higher public accountability under the Financial Markets Conduct Act 2013, and

large for-profit public sector entity status. This paper does not reassess those allocation criteria; the Definition of public accountability paper explains the public accountability and higher public accountability concepts in more detail.

Implications for Tier 1 framework assessment

25. The framework assessment considers how reporting framework options would operate for entities already required to report in Tier 1. It does not consider which entities should be required by legislation to prepare financial statements, legislative reporting thresholds, or entities that voluntarily opt in to Tier 1.

26. These legislative settings are relevant to the framework assessment because Tier 1 reporting requirements apply to entities that may operate in regulated environments, including financial markets, banking, insurance, managed investment schemes and other sectors where external users may rely on financial statements alongside regulatory reporting, market disclosures or prudential information. The users, preparer and ecosystem implications are considered in later sections.

Characteristics of Tier 1 for-profit entities

Common characteristics of Tier 1 entities

27. Tier 1 for-profit entities comprise entities with public accountability and large for-profit public sector entities that are required to apply Tier 1 reporting requirements.

28. The Tier 1 population commonly includes:
    - listed issuers;
    - registered banks;
    - licensed insurers;
    - managed investment schemes;
    - other entities with public accountability; and
    - large for-profit public sector entities that are required to apply Tier 1 reporting requirements under the ASF.

29. Some Tier 1 entities are included in Tier 1 because they meet the accounting definition of public accountability, while others are deemed to have higher public accountability under the Financial Markets Conduct Act 2013. This includes entities such as registered banks, licensed insurers and managed investment schemes, which may have fiduciary responsibilities to depositors, policyholders, investors, scheme members or beneficiaries.

30. This paper does not reassess the public accountability or higher public accountability criteria. Public accountability is discussed in more detail in the Definition of public accountability paper. Appendix 1 provides supporting information on selected Financial Markets Conduct (**FMC**) reporting entities that are required to report in Tier 1 because they have higher public accountability.

31. The Tier 1 population is characterised by entities that commonly have public accountability, external users who rely on GPFS, fiduciary or stewardship responsibilities, economic significance, and complex or regulated activities. These characteristics provide context for applying the framework-level assessment criteria in this paper, including the level of technical robustness, comparability, operability and ecosystem support required.

32. These matters are considered in more detail in the following sections on the legislative and regulatory environment, user and preparer considerations, international practice, alignment and comparability considerations, and practical implementation matters.

33. Population information in Appendix 2 is intended to provide an indicative view of the composition, relative scale and public reliance characteristics of the Tier 1 population, rather than quantify the size of New Zealand's capital markets or the economy as a whole.

Information needs of users and preparer considerations

Users of Tier 1 financial statements

34. The Conceptual Framework explains that general purpose financial reports (**GPFR**), which includes general purpose financial statements (**GPFS**), are primarily prepared for existing and potential investors, lenders and other creditors who rely on financial information to make decisions about providing resources to an entity.

35. In practice, primary users of financial statements prepared by Tier 1 entities may include existing and potential investors, lenders, analysts, regulators, depositors, policyholders, scheme members and other stakeholders. They may use those financial statements to assess financial performance, financial position, cash flows, risk exposures, stewardship and compliance with contractual or regulatory requirements.

36. Many primary users of Tier 1 financial statements are external to the entity and cannot obtain information from the entity directly and therefore depend upon GPFR to access decision-useful information. GPFR and GPFS therefore provide a common, independently prepared source of information about the entity, supporting informed decision-making by enabling users to assess the financial position, performance, cash flows and stewardship of resources.

37. While GPFR provide a common source of information, users may focus on different aspects of that information depending on the nature of the entity and their role.

    - Investors and analysts may focus on performance, valuation and capital allocation;
    - Lenders may focus on cash flow, security and covenant compliance;
    - Regulators may use financial statements alongside other regulatory reporting; and
    - Depositors, policyholders or scheme members may be interested in stewardship and the management of resources held or managed on their behalf.

Preparers and operational considerations

38. Preparers of Tier 1 financial statements are required to maintain reporting processes, systems and expertise sufficient to support compliance with full reporting requirements. Applying those requirements may involve significant judgement, documentation, audit support, implementation effort and ongoing costs. Relevant operational considerations include accounting expertise, auditability, interactions with regulatory reporting requirements, and the resources required to implement and maintain reporting requirements over time.

Implications for framework assessment

39. These user and preparer considerations are relevant to the reporting framework assessment because they indicate the type of information Tier 1 users need and the practical conditions under which preparers must provide it. They help assess whether the reporting framework options support decision-useful, transparent, comparable, credible, and technically robust

reporting, while remaining operable and proportionate for entities required to report under Tier 1.

International practice, alignment and comparability considerations

Reporting approaches used in other jurisdictions for publicly accountable entities

40. New Zealand's Tier 1 for-profit entities operate within an economy that is closely connected and reliant on global trade and investment markets. International practices therefore provide reference points for how other jurisdictions structure reporting requirements for entities with public accountability, listed entities and other entities that operate in capital markets or regulated sectors. This is relevant to the Tier 1 assessment because Tier 1 entities may have users who compare financial information across entities, sectors and jurisdictions.

41. International comparisons are useful reference points, but they are not directly determinative for New Zealand. Each jurisdiction has its own legislative, regulatory and capital market environment, and may apply different criteria for determining which entities use certain reporting frameworks.

42. Appendix 3 provides a high-level comparison of reporting frameworks used by New Zealand's top trading partners and selected G20 jurisdictions. The comparison indicates that IFRS-based frameworks are widely used for listed or publicly accountable entities, although some jurisdictions use other comprehensive frameworks, domestic endorsement processes, convergence approaches or local modifications. The appendix is intended to identify broad reporting approaches relevant to the Tier 1 assessment, rather than provide a comprehensive legal analysis of each jurisdiction.

Trans-Tasman alignment and comparability

43. International recognition and trans-Tasman alignment may be relevant for Tier 1 entities where financial information is used by investors, lenders, analysts, regulators, parent entities or other users across jurisdictions. As noted in XRB A1 paragraph BC16, harmonisation with Australia was considered a particularly important factor in establishing the for-profit tier framework, given Government policy and the number of for-profit entities with trans-Tasman reporting obligations. Alignment may support comparability, group reporting, consolidation processes, audit and assurance processes, workforce mobility, and the use of existing systems, processes and expertise.

44. Trans-Tasman alignment sits within the broader Australia–New Zealand economic and regulatory ties, including Closer Economic Relations agreement, the Single Economic Market agenda, and cooperation on business law coordination. These policy settings support regulatory coordination and reduced barriers for businesses operating across both jurisdictions and provide context for considering trans-Tasman comparability in the Tier 1 framework assessment.

45. Australia provides a specific trans-Tasman comparator because New Zealand's Tier 1 framework is currently aligned with Australia's IFRS-based framework for publicly accountable entities. However, the assessment should still consider whether New Zealand-specific factors, including public accountability, user information needs, preparer and auditor capability, regulatory settings and the objectives of the ASF, indicate that a different approach would be more appropriate for Tier 1 reporting.

46. Appendix 4 identifies entities listed on both the ASX and NZX, indicating that a subset of Tier 1 entities operates in a trans-Tasman market context. The Appendix also indicates that dual-listed entities are not confined to a single sector. This supports considering trans-Tasman

comparability across different types of listed Tier 1 entities, rather than as a matter relevant only to a narrow subset of issuers.

47. The international comparison provides useful reference points, but the assessment of options also needs to reflect New Zealand's own Tier 1 population, legislative settings and ASF objectives. As a relatively small jurisdiction, New Zealand's framework decisions may have implications for the wider reporting ecosystem, including preparer and auditor capability, analysts and valuation professionals, prudential regulators, capital market participants, education and professional training, software and systems, guidance, implementation support and workforce mobility.

Practical challenges with the current Tier 1 framework

48. The current Tier 1 framework of NZ IFRS allows New Zealand to draw on the IASB's international standard-setting process, but it also means practical challenges can arise where requirements are complex, change over time, or do not align fully with New Zealand-specific circumstances.

49. The main practical challenges with the current framework are:

   - **Ongoing implementation effort –** Tier 1 entities need to monitor and implement new and amended NZ IFRS requirements, including related changes to systems, processes, controls, accounting policies, disclosures, audit evidence and staff training.
   - **Technical judgement and application consistency –** NZ IFRS are principles based and are designed to require judgement in applying requirements to complex or evolving transactions, with application depending on preparer, auditor and regulator capability and assessments of their individual facts and circumstances.
   - **Disclosure quality –** NZ IFRS can result in extensive disclosures. The practical challenge is ensuring that disclosures remain entity-specific, material and understandable, rather than lengthy or generic.
   - **Limited domestic flexibility –** Maintaining convergence with IFRS Accounting Standards limits New Zealand's ability to simplify recognition and measurement requirements or tailor requirements for domestic circumstances without affecting IFRS alignment.

50. These challenges do not, of themselves, indicate that the current Tier 1 framework should change, but they provide context for assessing whether retaining NZ IFRS remains fit-for-purpose, proportionate and operable for entities required to apply Tier 1 reporting requirements.

Reporting framework options considered

51. This paper considers selected reporting framework options that could apply to entities required to report under Tier 1. The options have been selected to illustrate different framework-level approaches to Tier 1 reporting including continuing with the current NZ IFRS framework, considering another comprehensive international framework, or considering a framework with greater New Zealand-specific modification.

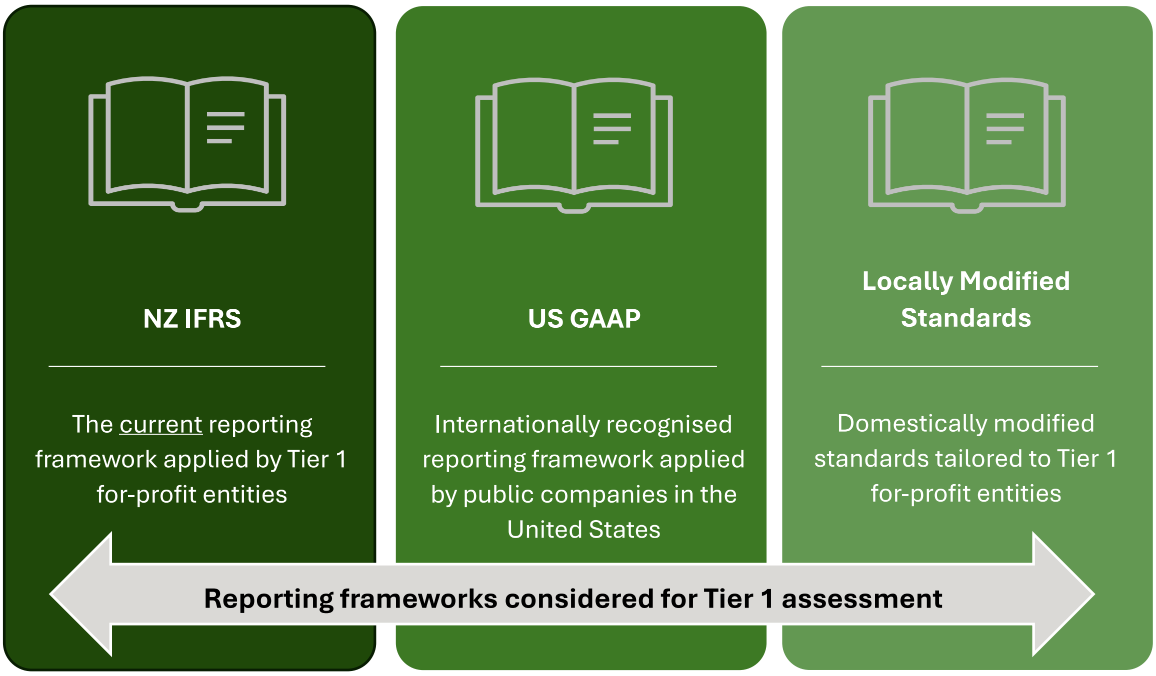
52. The selected options allow the assessment to consider different trade-offs, including international recognition, comparability, technical robustness, domestic flexibility, operability and implications for New Zealand's reporting ecosystem.

53. US GAAP has been included as a comparator because it represents one of the few comprehensive internationally recognised reporting frameworks used in a major capital market.

54. Many overseas jurisdictions use IFRS-based or IFRS-converged frameworks for listed or publicly accountable entities. Other jurisdiction-specific frameworks have not been included as standalone options because they are generally developed within another country's legal, regulatory, capital market and reporting environment.

55. However, elements of those frameworks may inform consideration of a locally modified New Zealand framework. Appendix 3 provides further information on the reporting approaches used in selected jurisdictions.

56. The reporting framework options selected for assessment are summarised in the visual below. Each framework option will be assessed against the established framework-level criteria as outlined in the For-profit sector overview paper.



57. Inclusion of a framework option in the assessment does not mean it is proposed to be carried forward for consultation. Rather, it reflects staff's consideration of whether any alternative frameworks may provide a suitable option to explore further in the public discussion paper.

Implementation considerations for options involving change

58. Any change from the current Tier 1 for-profit reporting framework would have implications for how the ASF operates for entities required to apply Tier 1 reporting requirements. The feasibility, timing and implementation pathway for any option involving change would require further consideration before any proposal could be developed.

59. This would include consideration of the extent to which any changes fall within the XRB's mandate, interactions with existing legislative and regulatory settings, whether consequential amendments to legislation, regulations or other instruments would be required, whether Ministerial approval would be required for particular changes, and appropriate transition arrangements for affected entities.

60. These implementation considerations have not been assessed in detail as part of the preliminary Tier 1 framework option analysis. They would form an important part of any future development work if the Board decides to explore an option involving change further.

Optionality and framework coherence considerations within Tier 1

61. A further design question considered as part of the assessment is whether Tier 1 for-profit entities should be permitted to use, or have financial statements accepted under, more than one reporting framework.

62. Optionality may provide flexibility for some Tier 1 entities and could reduce costs for some entities if they can report under another simpler framework. However, allowing more than one framework within Tier 1 may reduce comparability, affect global user understanding and increase audit, regulatory and capability requirements across the reporting ecosystem.

63. A consistent framework for all public accountable entities is a core principle which supports New Zealand's capital markets and capital flows, and trans-Tasman alignment. This is particularly significant for Tier 1 entities given the importance of internationally comparable reporting and the reliance of New Zealand financial markets on international capital flows. Allowing for optionality may introduce a level of scrutiny and scientism on the effectiveness of New Zealand's markets and the quality of New Zealand companies from global investors who expect, and are used to, consistent mandatory comprehensive reporting standards.

64. For these reasons, optionality is not assessed as a separate reporting framework option in this paper and is not proposed to be taken forward as a separate question in the public discussion paper at this stage for Tier 1 entities.

Analysis of framework options

The Tier 1 reporting framework assessment

65. The analysis that follows applies the framework-level assessment criteria outlined in the For-profit sector overview paper to NZ IFRS and the alternative reporting framework options considered in this paper. The criteria are applied considering the Tier 1 context discussed above, including legislative and regulatory settings, user and preparer needs, entity characteristics, international alignment and practical implementation considerations.

66. The criteria are intended to be applied collectively and do not have fixed weightings, with judgement to support a structured and balanced evaluation of each option. This section summarises the main observations from the assessment and assesses each reporting framework option, drawing on the Tier 1 considerations identified above. Appendix 8 provides the detailed criterion-by-criterion analysis based on our research and assessment.

67. We have considered and assessed three possible frameworks for Tier 1 for-profit entities as set out in Appendix 8. Below is the summary assessment across the framework-level assessment criteria used across the broader ASF review.

Tier 1 Options	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
A. IFRS	🟢	🔴	🟢	🟠	🟢	🟢	🟠
B. US GAAP	🟠	🔴	🟠	🔴	🔴	🔴	🟠
C. Locally modified standards	🟠	🟢	🔴	🟢	🔴	🔴	🟡

Legend:
🟢 Strong fit / low concern
🟠 Mixed fit / medium trade-off concerns
🔴 Significant trade-off concerns

Option A: IFRS

Reporting framework overview

68. As discussed earlier in the paper, IFRS is the current reporting framework issued in New Zealand and applied by Tier 1 for-profit entities. It is based on the IFRS Accounting Standards and provides the full recognition, measurement, presentation and disclosure requirements for for-profit entities with public accountability and large for-profit public sector entities. Further information about IFRS is provided in the IFRS factsheet in Appendix 5.

Implications for Tier 1 entities

69. Retaining IFRS would support continuity because it is already embedded within New Zealand's financial reporting environment. This is relevant for Tier 1 entities because of their public accountability, external user reliance and often complex or regulated activities.

70. IFRS provides a technically robust and internationally recognised framework. It supports comparability across reporting periods, entities and jurisdictions, including Trans-Tasman and broader IFRS-based comparability. This is important given the Government policy context for harmonisation with Australia and the number of for-profit entities with trans-Tasman reporting obligations, as noted in XRB A1 BC16. It is also relevant where Tier 1 financial statements are used for investment, lending, stewardship, regulatory and capital allocation decisions.

71. From a preparer and ecosystem perspective, IFRS is supported by existing systems, audit practices, guidance, education, training, regulatory processes and professional capability. Retaining IFRS would avoid transition disruption and the significant implementation costs that would arise from moving to a different framework.

72. The main trade-off is limited domestic flexibility within an IFRS-aligned framework, including the ongoing need to monitor and implement changes arising from international standard-setting.

Overall observations

73. Overall, retaining IFRS provides continuity with the current Tier 1 framework, maintains trans-Tasman alignment and remains supported by the reporting ecosystem already used by preparers, auditors, regulators, other users. The main trade-off is that New Zealand has limited ability to tailor IFRS requirements for domestic circumstances while maintaining IFRS alignment.

Option B: US GAAP

Reporting framework overview

74. US GAAP is a comprehensive reporting framework applied by public companies in the United States. It is supported by an extensive body of standards, guidance and implementation material and is widely used within the United States capital market. Further information about US GAAP is provided in the US GAAP factsheet in Appendix 6.

Implications for Tier 1 entities

75. Adopting US GAAP would represent a significant change from the current NZ IFRS-based framework. It may support comparability for users focused on the United States capital market but would reduce comparability with IFRS-based and IFRS-converged reporting jurisdictions, including Australia. These differences may affect how users interpret financial information, particularly where financial statements are used for investment, lending, stewardship, group reporting or regulatory purposes.

76. Adopting US GAAP would require changes to reporting systems, accounting policies, training, guidance, audit methodologies and regulatory processes and supporting capability. Preparers, auditors, regulators and users would also need to develop or access sufficient US GAAP capability to support consistent application in New Zealand.

Overall observations

77. Overall, US GAAP provides a useful non-IFRS comparator but adopting it would involve a major departure from New Zealand's current Tier 1 framework. It would have significant implications for comparability, capability, systems, audit and regulatory processes, and would provide limited opportunity for New Zealand-specific influence over standard-setting. This framework is still complex and therefore does not address the concern of complexity that exists in the current framework.

Option C: Locally modified standards

Reporting framework overview

78. The NZASB could explore locally developed standards across most of the ASF tiers as a possible option within the broader ASF review. We have considered the best approach and concluded that this would not mean developing standards from a blank page. Instead, New Zealand could use an established framework from another jurisdiction, such as United Kingdom, Australia, or another jurisdiction as a starting point and make targeted modifications where needed for the New Zealand context. Therefore, this will be referred to as locally modified standards.

79. Locally modified standards would involve adopting another reporting framework as a base and modifying that framework to reflect New Zealand-specific requirements, circumstances or policy objectives. The nature and extent of modifications could vary depending on the objectives of the framework and the underlying framework selected. Further information about locally modified standards indicative approach is provided in Appendix 7.

Implications for Tier 1 entities

80. A locally modified framework may provide greater flexibility to respond to New Zealand-specific considerations. Depending on the underlying framework and extent of modification, it may also provide more scope to simplify or adapt requirements for Tier 1 entities. The implications would depend on the design of the locally modified framework. Limited modifications to an existing international framework would have different effects from a more bespoke New Zealand framework.

81. If an IFRS-based framework were used as the source framework, copyright and licensing arrangements would need to be considered. Current IFRS licensing arrangements may constrain the extent to which New Zealand could selectively use, amend or combine IFRS Accounting Standards outside the permitted adoption model[1]. Other jurisdiction's standards may contain similar or more restrictive copyright limitations as well.

82. A significant question is how the potential benefits of greater local relevance should be weighed against the implications of moving further away from international alignment. The implications are likely to differ across tiers and sectors. For example, for Tier 1 for-profit entities, international credibility and comparability remain particularly important to support effective New Zealand capital markets and meet global users' needs. This may affect whether locally modified standards are appropriate for those entities and the viability of the option.

[1] IFRS Foundation, Licensing of IFRS Standards for adoption and jurisdictional use. This page outlines the IFRS Foundations adoption and copyright arrangements for jurisdictions using IFRS Accounting Standards.

83. A locally modified framework may affect international and trans-Tasman comparability, recognisability, auditability, systems, guidance and standard-setting capacity. The extent of these effects would depend on the source framework selected, the nature and extent of any modifications, and how readily users, auditors and regulators could understand and apply the resulting framework.

Overall observations

84. Overall, locally modified standards may provide greater domestic flexibility, but would require significant standard-setting resources and technical capability to develop, govern and maintain a coherent Tier 1 framework. Any such approach would also need to be legally and practically feasible, including from a copyright and licensing perspective. This would have implications for comparability, capability, transition, ecosystem readiness and ongoing maintenance. We also note that maintaining globally competitive capital markets is relevant to the Tier 1 framework assessment, particularly because most other jurisdictions use globally recognised standards for publicly accountable entities, as shown in Appendix 3.

Summary observations and framework options for consultation

85. The assessment indicates that each reporting framework option could provide a basis for Tier 1 reporting, but each would involve different implications for entities required to apply Tier 1 reporting requirements. The public discussion paper is intended to seek open feedback on which framework option would better balance comparability, operability and user information needs for Tier 1 reporters.

86. The assessment identified different benefits and trade-offs across the three options.

- **IFRS** is considered to be a high-quality internationally credible framework which is already embedded in New Zealand's reporting ecosystem, supports comparability with IFRS-based jurisdictions including Australia, avoids transition disruption, and provides a comprehensive framework for entities required to apply Tier 1 reporting requirements.
- **US GAAP** was considered as a comprehensive non-IFRS comparator but is not proposed to be carried forward for the consultation due to it representing a significant departure from New Zealand's current IFRS-based framework, and would require substantial transition, capability, systems and audit and regulatory changes which would be in significant conflict with the ASF's purpose to be internationally aligned and locally relevant.
- **Locally modified standards** may provide greater domestic flexibility, but they would have significant implications for international and trans-Tasman comparability, maintenance, transition requirements and the wider reporting ecosystem for Tier 1 entities (depending upon the extent of recognition and measurement changes made). Given the importance of international capital flows, globally recognised standards and trans-Tasman alignment for Tier 1 entities, we do not propose to explore locally modified standards further for Tier 1 at this stage.

87. As such, the framework option proposed to be tested further with stakeholders in the public discussion paper for Tier 1 for-profit entities is retaining IFRS. Inclusion of this option is intended to seek stakeholder feedback on whether the current framework remains appropriate, including whether it continues to balance international comparability, trans-Tasman alignment, operability and user information needs for Tier 1 reporters.

Questions for the Board

Q1. Does the Board have any **FEEDBACK** on the analysis presented, including whether it appropriately reflects the key characteristics, reporting needs, challenges, and public accountability considerations, as well as any other contextual information relevant to the Tier 1 for-profit entities?

Q2. What are the Board's **VIEWS** on the key trade-offs identified, including whether these appropriately capture the considerations relevant to assessing the Tier 1 for-profit framework?

Q3. Does the Board **IDENTIFY** any areas where further analysis or evidence is required to support the ASF discussion paper?

Extract of public discussion paper

88. We propose including the following blue extract in the public discussion paper to summarise the Tier 1 for-profit reporting framework analysis and test the proposed approach of retaining NZ IFRS with stakeholders, along with Appendices 5 and 8 below.

89. The paper will also summarise the considerations given to US GAAP as a comparator framework and to locally modified standards as an alternative framework option considered but not proposed to be explored further for Tier 1 at this stage.

Background for Tier 1 for-profit reporting
The ASF review considers whether International Financial Reporting Standards (**IFRS**) should continue to be the reporting framework for Tier 1 for-profit entities. Tier 1 for-profit entities include entities with public accountability and large for-profit public sector entities that are required to apply full reporting requirements under the ASF (as outlined in XRB A1 *Application of the Accounting Standards Framework*).

The review does not explore which entities are required by Acts of Parliament to prepare financial statements, as this is driven by the primary legislation itself and cannot be altered through changes to the ASF. The review also does not consider the underlying recognition, measurement, presentation, and disclosure requirements of the individual financial reporting standards. Instead, it focuses on whether the current Tier 1 reporting framework remains appropriate for entities already required to report in Tier 1 by Acts of Parliament.

Tier 1 entities commonly operate in regulated or capital market environments, hold or manage resources on behalf of others, or undertake complex transactions and have many external users who rely on general purpose financial statements (**GPFS**). Users may include investors, lenders, analysts, regulators, depositors, policyholders, scheme members and other stakeholders. Tier 1 preparers generally have greater reporting infrastructure than smaller entities, but applying full reporting requirements still involves judgement, systems capability, audit support, implementation effort and ongoing cost.

New Zealand's Tier 1 framework also operates in an international and trans-Tasman context. Many jurisdictions use IFRS-based frameworks for listed or publicly accountable entities (within additional local deeming criteria), and New Zealand's current approach supports comparability with IFRS-based jurisdictions, including Australia. This helps international investors make capital allocation decisions and is relevant where financial statements are used across jurisdictions for investment, lending, group reporting, audit, regulatory or other decision-making purposes.

Alternative frameworks explored for Tier 1 for-profit reporting

We considered the current IFRS framework alongside selected alternative framework options, including US GAAP and locally modified standards, to assess whether any alternative framework should be explored further for Tier 1 for-profit entities.

Through our analysis, we consider that retaining IFRS is the reporting framework option appropriate to test further with stakeholders for Tier 1 for-profit entities. US GAAP and locally modified standards were considered as alternative framework options but are not proposed to be explored further for Tier 1 at this stage. This reflects the importance of international comparability, trans-Tasman alignment, global recognition and ecosystem operability for Tier 1 entities.

Supporting material in this discussion paper includes the IFRS factsheet and the detailed Tier 1 framework options assessment.

US GAAP not considered viable for New Zealand

While the US GAAP framework was considered in our options assessment, we do not consider it to be a viable reporting framework for Tier 1 for-profit entities. Although US GAAP is a comprehensive, globally recognised framework designed for large listed corporate entities, and its more rules-based approach may support application in some areas, most Tier 1 for-profit entities and stakeholders in New Zealand are not set up to apply US GAAP reporting requirements.

We consider there would be significant implementation and transition challenges if US GAAP became the reporting framework for all Tier 1 entities which would outweigh and diminish any benefits created. We also note IFRS is used in more jurisdictions globally than US GAAP and much of New Zealand's international capital investment comes from a number of countries using IFRS reporting, rather than US GAAP reporting. As such, we do not consider US GAAP to be a viable option overall and is not proposed to be explored further.

Locally modified standards not proposed to be explored further for Tier 1 at this stage

While locally modified standards were considered in our options assessment, we do not propose to explore this approach further for Tier 1 for-profit entities at this stage. A locally modified framework could provide greater domestic flexibility, but it would also have implications for international comparability, trans-Tasman alignment, global recognition, auditability, standard-setting capacity, transition requirements and New Zealand's wider reporting ecosystem.

For Tier 1 entities, these implications are particularly important because many users rely on financial statements for investment, lending, stewardship, regulatory and capital allocation decisions. Maintaining alignment with globally recognised standards is also relevant to New Zealand's capital markets and to entities with trans-Tasman reporting obligations to ensure international users and stakeholders know that New Zealand entities are subject to the same level of reporting requirements as other jurisdictions entities. On balance, we consider that locally modified standards should not be explored further for Tier 1 at this stage, although relevant matters may continue to inform the broader ASF review.

Questions for stakeholders

- **Do you consider that NZ IFRS should be retained as the Tier 1 for-profit reporting framework? Why or why not?**
- **Are there any practical challenges arising from the current IFRS framework that should be considered for Tier 1 for-profit entities, users, preparers, auditors, regulators or New Zealand's reporting ecosystem?**
- **Do you have any other feedback on the Tier 1 for-profit reporting framework assessment, including whether there are matters relating to alternative frameworks that should inform a future stage of the ASF review?**

Questions for the Board

Q4. Does the Board have any **FEEDBACK** on the proposed text and questions for the public discussion paper, including the reasons for excluding US GAAP and locally modified standards, proposing to only include NZ IFRS as a consultation option for Tier 1 for-profit entities?

Appendix contents

The appendices provide supporting material for the analysis in the main paper and are for the Board's consideration. Appendices 5 and 8 (in blue text) are proposed to form part of the public discussion paper, subject to Board feedback. The table below summarises the purpose of each appendix.

Appendix	Title	What it contains	Proposed inclusion in public discussion paper
Appendix 1	FMC reporting entities — HLPA comparison	Summarises how FMC reporting entity status interacts with higher public accountability designations for selected entity types.	Board paper only
Appendix 2	Indicative composition of the Tier 1 for-profit population	Summarises the main types of entities within the Tier 1 for-profit population and the public accountability, higher public accountability or size factors that bring them into Tier 1.	Board paper only
Appendix 3	Financial reporting frameworks across New Zealand's top trading partners and selected G20 jurisdictions	Provides a high-level comparison of reporting frameworks used in selected jurisdictions and their relevance to the Tier 1 framework assessment.	Board paper only
Appendix 4	Entities listed across both NZX and ASX – dual listings	Lists entities dual listed on the ASX and NZX to support the Tier 1 population analysis and trans-Tasman comparability context.	Board paper only
Appendix 5	IFRS factsheet	Provides supporting information about NZ IFRS as the current Tier 1 for-profit reporting framework.	Include in Discussion Paper
Appendix 6	US GAAP factsheet	Provides supporting information about US GAAP as a comprehensive non-IFRS comparator framework.	Board paper only
Appendix 7	Locally modified standards indicative approach	Provides supporting information about a locally modified standards approach and its framework-level implications.	Board paper only
Appendix 8	Tier 1 For-Profit Entities: Framework Options Analysis	Provides the detailed assessment of each Tier 1 reporting framework option against the framework-level evaluation criteria.	Include in Discussion Paper

Appendix 1 – FMC reporting entities — HLPA comparison

Entity Type	FMC Reporting Entity	FMC Reporting Entity with HLPA[2]	Note
Issuer of regulated offer – equity securities only, <50 shareholders	✗	✗	*FMCA s452 carve-out*
Issuer of regulated offer – equity securities, ≥50 shareholders	✓	✓	
Issuer of regulated offer – debt securities	✓	✓	
Licensed Supervisor	✓	✗	
Manager of registered schemes — Manager level financial statements	✓	✗	*Not HLPA unless triggered otherwise*[3]
Registered schemes (incl. KiwiSaver schemes) — Scheme level financial statements	✓	✓	*HLPA applies at scheme level only – s461K(1)(b)*
Listed Issuer	✓	✓	
Operators of licensed markets	✓	✗	
Conduit issuer / recipient of money from conduit issuer	✓	✗	
Registered bank	✓	✓	
Licensed insurer	✓	✓	
Credit Union	✓	✓	
Building Society	✓	✓	
FMC reporting entity designated by notice from FMA	✓	**Depends**	

[2] Not all FMC reporting entities carry Higher Level Public Accountability obligations — the distinction depends on entity type and statutory triggers under the Financial Markets Conduct Act.
[3] For a manager of a registered scheme, higher public accountability applies only to the scheme or fund financial statements. The manager entity itself does not have HLPA unless it independently meets another statutory HLPA trigger, such as being a listed issuer or an issuer of regulated products in its own right.

Appendix 2 – Indicative composition of the Tier 1 for-profit population

Tier 1 For-Profit Population	Public accountability trigger	Size Metric	Size (approx.) [1,4]	Number of Entities (approx.) [4]
A. Public accountability – accounting definition				
NZX listed equity issuers (NZ-domiciled)[5]	Securities traded in public market	Market Capitalisation	$189.7b	~172
NZX listed debt issuers	Debt instruments traded in public market	Total Listed Debt	$54.6b	~46
NZX-ASX Dual listed entities (Australian entities) [2]	Securities traded in public market	Market Capitalisation	Included in NZSX market capitalisation	~53
Registered banks and licensed insurers	Fiduciary responsibility to a broad group of primary users	Total Assets	Material; sector-wide assets	~108
B. Public accountability – deemed under FMCA HLPA				
Registered Managed Investment Schemes (inc. KiwiSaver)	Statutory FMC reporting entity with HLPA designation	Assets Under Management (AUM)	$364.4b	Registered schemes vary; ~31 KiwiSaver providers
Other entities designated HLPA[3] (not otherwise captured above)	Statutory designation under s 461K / s 461L FMCA	Entity specific	Immaterial relative to above	Small number
C. Large for-profit public sector entities				
Large Government entities	Public sector control & size threshold	Operating expenses/total assets	>$33m expenses threshold	Small number

[1] Size metrics differ by category to reflect the nature of public accountability and are not intended to be aggregated. Market capitalisation, AUM, and total assets are presented to illustrate relative economic scale and public reliance rather than to measure the size of the New Zealand equity market.

[2] Dual-listed Australian entities are included for completeness but are not indicative of the size of New Zealand capital markets, as their market capitalisation also reflects their global operations.

[3]Other entities designated HLPA exclude entities already captured under the accounting public accountability limb.

[4] Population estimates were compiled by XRB staff using NZX issuer data (July 2026), the Reserve Bank of New Zealand register of licensed banks and licensed insurers, the Financial Markets Authority register of registered managed investment schemes, and other publicly available legislative and regulatory registers. The figures are intended to illustrate the relative size of the Tier 1 population and are not intended to represent an exhaustive or an exact static count.

[5] Figure includes listed equity issuers and listed funds.

Appendix 3 – Financial reporting frameworks across New Zealand's top trading partners and selected G20 jurisdictions

Country	Economic trade value (NZD billion)	Primary framework for listed entities or publicly accountable entities	Broad comparison with the NZ Tier 1 framework
New Zealand	Reference jurisdiction	NZ IFRS	Baseline for comparison.
	New Zealand top 10 trading partners*		
China	$43.02 total trade Exports $23.08; imports $19.94 Rank 1	Chinese Accounting Standards for Business Enterprises (CAS/ASBE)	Relevant as New Zealand's largest trading partner and a major non-IFRS jurisdiction. CAS/ASBE are substantially converged with IFRS Standards, and China has committed to adopt IFRS Standards for reporting by at least some domestic companies although there is no timetable for completion of the process. Chinese companies representing more than 30 per cent of the total market capitalisation of the domestic market produce IFRS-compliant financial statements as a result of their dual listings in Hong Kong and other international markets.
Australia	$36.40 total trade Exports $18.58; imports $17.82 Rank 2	Australian Accounting Standards (AASB) - IFRS based	Highly relevant as a close trans-Tasman comparator. Australia's IFRS-based framework supports comparability with NZ IFRS for publicly accountable entities, although domestic reporting tiers are not identical.

United States of America	$30.54 total trade Exports $17.71; imports $12.83 Rank 3	United States Generally Accepted Accounting Principles (US GAAP)	Relevant as a major trading partner and the main example of a comprehensive non-IFRS framework. US GAAP would represent a significant departure from NZ IFRS and from trans-Tasman alignment
Singapore	$11.00 total trade Exports $2.67; imports $8.33 Rank 4	Singapore Financial Reporting Standards International (SFRS(I))	Relevant as a significant trading partner that applies SFRS for listed entities, which are substantially converged with IFRS Standards. This supports international comparability with NZ IFRS, while domestic reporting tiers differ.
Japan	$9.38 total trade Exports $4.76; imports $4.62 Rank 5	Japanese Generally Accepted Accounting Principles (JGAAP); IFRS permitted; US GAAP	Relevant as a significant trading partner with multiple accepted frameworks. Japan illustrates a different approach from New Zealand, through optionality. .
Republic of Korea	$9.31 total trade Exports $3.26; imports $6.05 Rank 6	Korean International Financial Reporting Standards (K-IFRS)	Relevant as a significant trading partner that applies IFRS-based standards for listed entities. This supports broad comparability with NZ IFRS for Tier 1-style entities
United Kingdom	$7.73 total trade Exports $4.31; imports $3.42 Rank 7	United Kingdom-adopted IFRS (UK-IFRS)	Relevant as a significant trading partner and IFRS-based comparator. UK-adopted IFRS supports comparability for listed entities, although the wider UK reporting framework differs from New Zealand's tier structure.

Germany	$3.83 imports No export top 10 value shown Rank 8	EU-adopted IFRS for listed group consolidated financial statements	Relevant as an EU/G20 comparator and import partner. EU-adopted IFRS supports comparability for listed group reporting, while domestic statutory reporting differs from New Zealand.
Thailand	$3.16 imports No export top 10 value shown Rank 9	Thai Financial Reporting Standards (TFRS) for publicly accountable entities	Relevant as an import partner. Thailand illustrates an IFRS-based approach for publicly accountable entities, with separate requirements for other entities
Malaysia	$2.76 imports No export top 10 value shown Rank 10	Malaysian Financial Reporting Standards (MFRS), fully aligned with IFRS for entities within scope	Relevant as an import partner and IFRS-aligned comparator. Malaysia's framework supports comparability for entities within scope, while private-entity reporting differs from NZ Tier 1.
Selected G20 jurisdictions**			
Taiwan	$2.32 exports No import top 10 value shown Rank 11	Taiwan-IFRS for listed entities	Relevant as an export partner. Taiwan illustrates an IFRS-based listed-entity framework, with domestic adoption and endorsement features that differ from NZ IFRS.
Argentina	Not shown in top 10 trade data	IFRS Accounting Standards for listed entities	Different approach – IFRS used for listed entities, with local requirements for many non-listed entities.

Brazil	Not shown in top 10 trade data	Brazilian accounting standards converged with IFRS for listed entities	Different approach – IFRS-converged framework with local requirements for non-listed entities.
Canada	$2.15 exports No import top 10 value shown Rank 12	IFRS Accounting Standards for publicly accountable enterprises	Relevant as a G20 jurisdiction and export partner. Canada's use of IFRS for publicly accountable enterprises is broadly comparable with NZ IFRS for Tier 1-style entities.
France	Not shown in top 10 trade data	EU-adopted IFRS for listed group consolidated financial statements	Different approach – IFRS for listed group reporting, with domestic GAAP for many non-listed entities.
India	$2.09 exports No import top 10 value shown Rank 13	Indian Accounting Standards (Ind AS), which are IFRS-converged	Relevant as a G20 jurisdiction and export partner. Ind AS is IFRS-converged but locally modified, illustrating potential implications of using an IFRS-based framework with domestic modifications.
Indonesia	Not shown in top 10 trade data	Indonesian Financial Accounting Standards - Pernyataan Standar Akuntansi Keuangan (PSAK)	Different approach – multiple frameworks applied based on entity size and type.
Italy	Not shown in top 10 trade data	EU-adopted IFRS for listed group consolidated financial statements	Different approach – IFRS for listed group reporting, with domestic GAAP for many non-listed entities.
Mexico	Not shown in top 10 trade data	IFRS Accounting Standards for listed entities, except some regulated financial and insurance entities	Different approach – IFRS for listed entities, with domestic standards for many non-listed entities.

Russia	Not shown in top 10 trade data	IFRS Accounting Standards for listed companies, financial institutions and certain consolidated reporting	Different approach – IFRS-based reporting for some entities, with domestic standards for many standalone and non-listed entity accounts.
Saudi Arabia	Not shown in top 10 trade data	IFRS Accounting Standards as endorsed in Saudi Arabia for publicly accountable entities	Different approach – endorsed IFRS for publicly accountable entities and endorsed IFRS for SMEs for eligible non-listed entities.
South Africa	Not shown in top 10 trade data	IFRS Accounting Standards for listed entities and other entities within scope	Different approach – IFRS for entities within scope, with IFRS for SMEs available for eligible entities.
Turkey	Not shown in top 10 trade data	Turkish Financial Reporting Standards, aligned with IFRS for public interest entities and other entities within scope	Different approach – IFRS-aligned standards for public interest entities, with local frameworks for other entities.
European Union	Not shown in top 10 trade data	EU-adopted IFRS for consolidated financial statements of listed groups	Different approach – IFRS for listed group reporting, with national frameworks for many non-listed entities.

* Source: Stats NZ New Zealand international trade dashboard to year ending 31 March 2026. Date of source retrieval 22 June 2026. New Zealand's top trading partners are identified based on total trade in goods and services for the year ended 31 March 2026. This is derived by considering the top export destinations and top import origins. Countries appearing in both export and import lists are treated as significant trading partners due to their two-way trade flows. Additional countries are included based on their prominence within either exports or imports to complete the selected top 10 group. The order of presentation is for comparison purposes and should not be read as a precise ranking of total trade flows.
** G20 rows are included to illustrate broad international practice. The table is intended to provide a high-level comparison of selected approaches and is not a comprehensive legal analysis of each jurisdiction.

*** The G20 comprises 19 countries together with the European Union, and, since 2023, the African Union. For the purposes of this table, the G20 country rows include the 19 individual country members and the European Union, excluding countries already listed as New Zealand top 10 trading partners.

Appendix 4 – Entities listed across both NZX and ASX – dual listings

Dual listed entities ASX/NZX (as at January 2026)		
1. Australian Foundation Investment Company Limited	2. ikeGPS Group Limited	3. Summerset Group Holdings Limited
4. AFT Pharmaceuticals Limited	5. Kathmandu Holdings Limited	6. Turners Automotive Group Limited
7. Auckland International Airport Limited	8. Meridian Energy Limited	9. Smartpay Holdings Limited
10. Air New Zealand Limited	11. Minerals Exploration Limited	12. The a2 Milk Company Limited
13. ANZ Group Holdings Limited	14. Mercury NZ Limited	15. Truscreen Group Limited
16. Black Pearl Group Limited	17. Michael Hill International Limited	18. Trade Window Holdings Limited
19. Briscoe Group Australasia Limited	20. Move Logistics Group Limited	21. Tower Limited
22. Contact Energy Limited	23. Metro Performance Glass Limited	24. Tourism Holdings Limited
25. Chorus Limited	26. New Zealand King Salmon Investments Limited	27. Vista Group International Limited
28. Channel Infrastructure NZ Limited	29. NZME Limited	30. Ventia Services Group Limited
31. Downer EDI Limited	32. Oceania Healthcare Limited	33. Vulcan Steel Limited
34. EBOS Group Limited	35. Pacific Edge Limited	36. Westpac Banking Corporation
37. EROAD Limited	38. Restaurant Brands New Zealand Limited	39. Winton Land Limited
40. Fletcher Building Limited	41. Ryman Healthcare Limited	42. Spark New Zealand Limited
43. Fisher & Paykel Healthcare Corporation Limited	44. SkyCity Entertainment Group Limited	45. Santana Minerals Limited
46. Freightways Group Limited	47. Serko Limited	48. Synlait Milk Limited
49. Genesis Energy Limited	50. Sky Network Television Limited	51. Heartland Group Holdings Limited
52. Gentrack Group Limited	53. Infratil Limited	

Source: NZX and ASX listed issuer data, as at July 2026. The list identifies entities with securities listed on both NZX and ASX and is intended to support the trans-Tasman comparability analysis. It may not represent a complete or static count of all cross-listed entities, as listings can change over time.

International Financial Reporting Standards (IFRS) Fact Sheet

This fact sheet intends to provide an overview of the International Financial Reporting Standards Accounting Standards to support the analysis of the Accounting Standards Framework discussion paper.

Overview of the IFRS framework

What the IFRS framework is

International Financial Reporting Standards (**IFRS**) Accounting Standards are a globally recognised set of accounting requirements for general purpose financial statements. They are developed by the International Accounting Standards Board (**IASB**), within the IFRS Foundation. IFRS is designed to improve transparency, consistency and comparability of financial reporting across jurisdictions.

At a glance

IFRS provides a comprehensive framework for public accountability to international investors, where users rely on high-quality, globally comparable information for capital-allocation decisions, but comes with complexity and reporting costs.

Who IFRS is mainly designed for

IFRS is primarily designed for publicly accountable entities, especially listed entities and other entities whose financial statements are used by investors, lenders and other capital-market participants. In many jurisdictions, IFRS forms the main reporting framework for these entities.

IFRS is an international benchmark

IFRS is widely used internationally and is designed to support comparability across jurisdictions. The IFRS Foundation currently has complete profiles for 169 jurisdictions, of which 148 jurisdictions require IFRS Accounting Standards for all or most domestic publicly accountable entities, 12 permit their use for at least some domestic publicly accountable entities, and 161 have made a public commitment to IFRS Accounting Standards. As a result, IFRS is often used as an international benchmark for accounting.

Key characteristics of the IFRS framework

- Principles-based requirements rather than highly prescriptive rules-based accounting treatments.
- Strong focus on professional judgement and reflecting the economic substance of transactions and events.
- Accrual accounting, with financial statements reflecting transactions and events when they occur rather than only when cash is received or paid.
- A mixed measurement model using historical cost in some areas and current value or fair value in others.
- Extensive presentation and disclosure requirements intended to help users understand recognised amounts, risks, assumptions, estimates and significant judgements

How IFRS works in practice

IFRS sets requirements for recognition, measurement, presentation and disclosure.

Recognition requirements determine what items are reported

Recognition determines when assets, liabilities, income and expenses are included in the financial statements, while measurement determines the amounts at which they are reported. Recognition depends on whether the item provides useful information that faithfully represents the economic substance of the transaction.

Measurement requirements determine how reported items are valued

Measurement determines the amounts at which assets, liabilities, income and expenses are reported. IFRS uses a mixed measurement model most appropriate to the nature of the item, meaning some items are measured using historical cost while others use current value measures such as fair value, amortised cost, recoverable amount, or the lower of cost and net realisable value. Specific measurement requirements are specified for each type of asset and liability which an entity may hold and these vary based on what users would consider to be relevant information for that type of asset or liability.

Presentation and disclosure requirements help communicate items to users

IFRS includes presentation and disclosure requirements intended to help users understand financial performance, position, risks, assumptions and significant judgements. Presentation requirements determine how information is organised and displayed within the financial statements by setting out requirements for how assets, liabilities, income and expenses are classified, grouped and presented to support understandability and comparability.

Disclosure requirements provide additional information about recognised and unrecognised items, supplementary information, risks, assumptions, estimates, judgements and methods used in preparing the financial statements.

New Zealand reduced-disclosure context

In New Zealand, Tier 2 for-profit entities apply NZ IFRS with Reduced Disclosure Requirements (**NZ IFRS RDR**), which retains the same recognition and measurement requirements as full NZ IFRS but with fewer disclosures.

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, a voluntary IFRS standard, provides alternative reduced disclosures for eligible subsidiaries without public accountability where the parent prepares publicly available consolidated financial statements.

IFRS is not a single accounting standard

IFRS is not a single accounting standard – It is a broader reporting framework made up of several components that work together to support consistent and comparable financial reporting. The IFRS framework includes:

- **IFRS Accounting Standards** – Standards issued by the IASB after its establishment in 2001, such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*).
- **International Accounting Standards (IAS Standards)** – Earlier standards issued before the IFRS Foundation was rebranded, many of which remain in force today, such as IAS 38 *Intangible Assets*.
- **IFRIC and SIC Interpretations** – Interpretative guidance issued to clarify the application of IFRS requirements in specific situations.
- **The Conceptual Framework** – Overarching concepts that support the development and application of IFRS, including principles relating to recognition, measurement and presentation.
- **Supporting guidance and educational material** – Additional non-mandatory material published by the IFRS Foundation and IASB to support consistent application and understanding of the standards.

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United States Generally Accepted Accounting Principles (**US GAAP**)

Fact Sheet

This fact sheet provides a high-level overview of United States Generally Accepted Accounting Principles to support discussion as part of the Accounting Standards Framework review.

Overview of the US GAAP framework

At a glance

US GAAP provides a highly detailed and enforceable financial reporting framework for entities accessing US capital markets — but at the cost of complexity, rigid rules, and high compliance and implementation effort.

What US GAAP is

The United States Generally Accepted Accounting Principles (**US GAAP**) is a financial reporting framework used mainly in the United States to prepare financial statements. US GAAP is developed and maintained by the Financial Accounting Standards Board (**FASB**), which operates under the oversight of the Financial Accounting Foundation (**FAF**).

US GAAP is designed to support consistency, transparency and comparability in financial reporting, particularly for entities participating in US capital markets. The framework includes detailed accounting, presentation and disclosure requirements across many industries and transaction types.

Who US GAAP is mainly designed for

US GAAP is primarily designed for for-profit entities operating within the United States financial reporting environment, including companies listed on US stock exchanges and privately owned companies. The framework is designed to provide useful financial information to investors, lenders, regulators and other users of financial statements.

US GAAP as an international benchmark

US GAAP is one of the world's most established and widely recognised financial reporting frameworks and is strongly associated with the United States capital markets. It is commonly used by entities listed in the United States and has historically been influential in the development of financial reporting practices internationally.

Although IFRS Accounting Standards are more widely adopted globally, US GAAP remains an important international benchmark because of the size and significance of the United States capital markets. The framework is often used in international investment analysis, multinational group reporting, and comparisons between major international accounting frameworks.

Key characteristics of the US GAAP reporting framework

Key characteristics of the US GAAP reporting framework include:

- Detailed accounting requirements across many industries and transaction types.
- Extensive disclosure requirements to provide required information on balances and risks.
- Strong US investor and capital market focus to support accountability and decision-making.
- Use of both historical cost and fair value measurement approaches depending upon the item's nature.
- Close interaction with regulator reporting requirements for public companies.

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How US GAAP works in practice

US GAAP is organised within the FASB's Accounting Standards Codification (**ASC**), which groups accounting requirements by topic into a single codified framework. When accounting requirements are added or changed, FASB issues Accounting Standards Updates (**ASUs**), which amend the ASC. In developing or updating requirements, FASB follows a formal due process that includes stakeholder engagement, public consultation and Exposure Drafts.

High-level comparison of US GAAP and IFRS reporting frameworks

Area	US GAAP	IFRS Accounting Standards
Approach	Often considered to be more detailed and prescriptive rules-based to minimise litigation risks	Often considered to be more principles-based to allow for faithful representation of transactions
International use	Strongly associated with functioning of US capital markets	Widely adopted internationally across other jurisdictional capital markets
Industry-specific guidance	Generally more extensive requirements for certain industries	Generally less industry-specific and focused on broad principles
Global comparability	Important within US markets and multinational reporting	Designed to support international comparability

Illustrative approaches for measurement:

Asset/liability	US GAAP	IFRS Accounting Standards
Property, plant and equipment (e.g. land and buildings)	Generally measured using a historical cost model with depreciation and impairment requirements. Revaluation generally not permitted.	Generally measured using either a historical cost model or a revaluation model. Impairment assessments required in certain situations.
Inventories	Generally measured at the lower of cost or market/value. LIFO is permitted and inventory write-down reversals are generally prohibited.	Measured at the lower of cost and net realisable value. LIFO is prohibited and reversals of inventory write-downs may be permitted.
Intangible assets	Generally measured at historical cost less amortisation and impairment. Revaluation generally not permitted.	Generally measured at historical cost less amortisation and impairment. Revaluation permitted only where an active market exists.
Goodwill	Generally not amortised and tested annually for impairment. Some private entities may elect to amortise instead.	Amortisation is prohibited and tests for impairment must be performed at least annually.
Financial Instruments	Measured at amortised cost or fair value depending on classification. Certain assets are subject to expected credit loss requirements.	Measured using amortised cost, fair value through OCI or profit/loss depending on classification. Certain assets are subject to expected credit loss requirements.
Leases (For lessees)	For most leases, entities recognise a right-of-use asset and lease liability. Retains distinction between finance and operating leases.	For most leases, entities recognise a right-of-use asset and lease liability. No finance and operating lease distinction and single accounting model required for all leases.

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Appendix 7 – Locally modified standards – Indicative approach

Consider locally modified standards

Locally modified standards could improve relevance for some New Zealand entities by allowing requirements to be adapted to domestic legal, regulatory and reporting settings. These possible benefits would need to be considered alongside the benefits of international alignment, including comparability, shared standard-setting infrastructure, and access to international guidance and implementation support.

For a small jurisdiction such as New Zealand, one possible approach could be to start with an established international or foreign framework and then consider targeted modifications where needed for New Zealand conditions. This appendix outlines, in broad terms, what that could involve.

Understanding the purpose of locally modified standards

The purpose of locally modified standards would be to adapt an established set of requirements, so they reflect New Zealand user needs and the local legal, regulatory and reporting environment. Depending on the design of the framework, modifications could affect recognition, measurement, presentation and disclosure requirements.

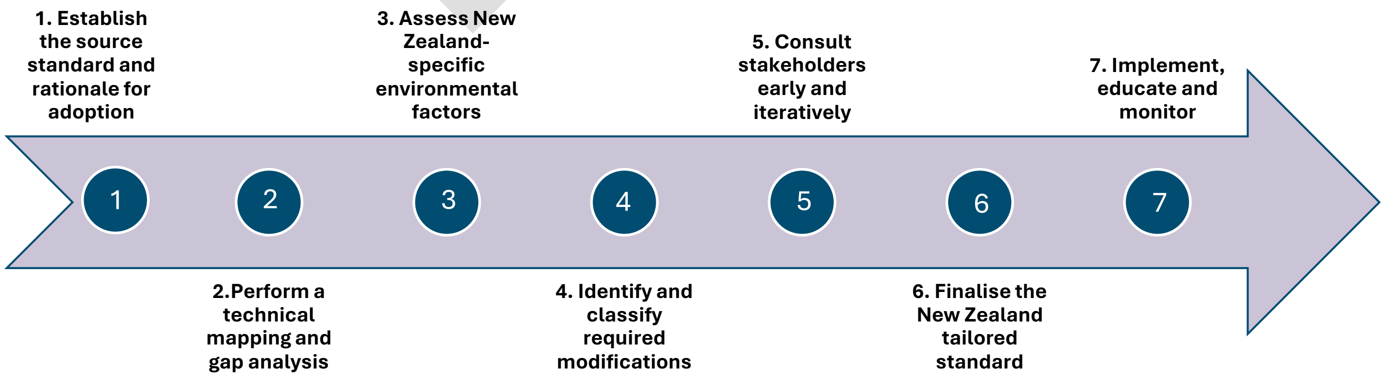
The importance of international comparability may differ across tiers. Locally modified standards may be more relevant where international capital market comparability is less central, but any move away from international standards could reduce comparability and access to international guidance and practice.

Outline of the possible process

This appendix outlines an indicative process that could be used if New Zealand were to develop accounting standards using another jurisdiction's requirements as a starting point and then consider whether modifications are needed for the New Zealand context.

It is included to help stakeholders understand what a locally modified approach could involve. Any such approach would need to balance domestic relevance and operability with comparability, timeliness, and the ability to rely on international due process, guidance and implementation experience.

Indicative steps to follow when developing this framework



1. Establish the source standard and rationale for adoption

Based on an established understanding of the New Zealand environment and user needs, an initial step is to identify the standard/framework that would serve as the starting point and to explain why it is considered the most appropriate base. The source standard could be a general-purpose or special-purpose reporting framework and could differ depending on the sector or type of transaction, and would need to consider other potential implications with the source standard, such as copyright and maintenance processes.

Relevant considerations might include:

- Alignment with New Zealand's environmental factors and its size, scale and complexity;
- The maturity, credibility, and stability of the source jurisdiction's standard;
- Global best practices and developments;
- Whether the source standard addresses the reporting issue more comprehensively than existing NZ standards; i.e. simplified standards and easier recognition and measurement principles;
- Whether there are any copyright, development, maintenance, comparability and transition challenges.

2. Perform a technical mapping and gap analysis

A further step would be to understand the content of the source standard and identify where modification may be needed for New Zealand. This could be analysed through a gap analysis. Activities might include:

- Mapping each section of the source standard to existing NZ standards or frameworks;
- Identifying conceptual differences with the objective of the NZ Accounting Standards Framework;
- Assessing terminology differences (e.g., references to foreign regulators, legal constructs, or sector structures); and
- Identifying areas where the source standard presumes institutional arrangements which do not exist in New Zealand.

3. Assess New Zealand-specific environmental factors

The next step would be to consider which aspects of the New Zealand environment may warrant tailoring. Indicative factors might include:

- **Legal and regulatory context:** Companies Act, Financial Markets Conduct Act, Charities Act, Crown Entities Act.
- **Public sector structure:** Distinctive features of the Crown, local government, Māori entities, and mixed-ownership models.
- **Economic characteristics:** Size of capital markets, prevalence of small-to-medium sized enterprises, cooperative structures, iwi organisations.
- **User needs:** Investors, donors, funders, public accountability requirements.
- **Existing NZ reporting tiers:** Whether the standard must be adapted for multi-tier reporting.

4. Identify and classify required modifications

The nature and extent of any changes to the source standard would then need to be considered. Possible categories of modification could include:

- **Editorial changes:** Terminology, references to NZ law, definitions.
- **Scope adjustments:** Applicability to NZ reporting tiers and sectors or to allow for more cost-effective reporting.
- **Recognition and measurement changes:** Necessary to allow for simplification, maintain relevance or coherence with other NZ reporting frameworks or to allow for more cost-effective reporting.
- **Disclosure modifications:** Additional or reduced disclosures to reflect NZ user needs or to allow for more cost-effective reporting.

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- **Transitional provisions:** Tailored effective dates or reliefs for NZ entities or to allow for more cost-effective reporting.

Any modifications would need to be supported by a clear rationale, including why a change is considered necessary to maintain relevance, coherence or operability in New Zealand. A key consideration would be whether any change improves cost-effectiveness without undermining the decision-usefulness of information for users of financial statements. These modifications will also keep simplification in mind.

Focus on key considerations

In considering whether a source standard should be modified for New Zealand, the main questions are likely to be whether the requirements fit New Zealand law and institutions, reflect the needs of New Zealand users, are proportionate to the size and complexity of affected entities, and remain sufficiently aligned with international practice where comparability is important.

These considerations could apply across recognition, measurement, presentation and disclosure. They could also include whether the requirements are practical to apply in New Zealand, whether suitable data and systems are available, and whether any change would improve cost-effectiveness without reducing the usefulness of the information provided.

Overarching assessment principles
The following indicative New Zealand specific considerations could be asked to assess whether any requirements should be modified:

- ***User-needs alignment*** *– Does the requirement provide information that primary users of NZ financial statements need? Are the information needs of NZ users (investors, creditors, iwi/Māori entities, public sector stakeholders, NFP donors) different from those assumed in the foreign standard?*
- ***Cost–benefit proportionality*** *– Are compliance costs reasonable relative to the benefits for NZ users? Do the requirements suit the size and nature of small and medium entities within NZ, or would smaller entities face disproportionate burdens?*
- ***Domestic legal and regulatory fit*** *– Does the requirement align with NZ legislation, or are there conflicts with NZ-specific regulatory definitions (e.g., public accountability, large entity thresholds)?*
- ***International harmonisation*** *– Would modifying the requirement undermine comparability with international entities where this is considered valuable for those users of financial statements? Is the modification necessary despite reduced comparability?*
- ***Climate-related and non-financial reporting integration –*** *Does the requirements create any conflicts with other NZ reporting frameworks (climate-related disclosure framework)?*

Criteria for modifying *Recognition* requirements
Recognition criteria determine **whether** an item appears in the financial statements. The following indicative questions could be asked to assess whether recognition requirements should be modified:

- ***Economic substance in NZ Context*** *– Does the recognition requirements reflect NZ economic conditions (e.g., prevalence of small entities, Māori land trusts, cooperatives)? Are NZ-specific transactions sufficiently captured?*
- ***Materiality and Practicality*** *– Would recognition rules create immaterial or misleading results for NZ entities? Is the recognition test too complex for smaller entities?*
- ***Faithful Representation*** *– Would applying the recognition requirements distort NZ-specific arrangements (e.g., revenue recognition for NFP grants)?*

Criteria for modifying *Measurement* requirements

Measurement requirements determine how items are valued. The following indicative questions could be asked to assess whether measurement requirements should be modified:

- ***Availability of Reliable NZ-Specific Inputs*** *– Are inputs readily available in NZ markets to allow for the measurement requirements to be practical? Do thin or illiquid NZ markets make measurement models impractical?*
- ***Cost Burden*** *– Does the measurement basis impose excessive valuation costs (e.g., annual revaluations for small entities)?*
- ***Relevance to NZ Users*** *– Would a simpler measurement basis (e.g., cost instead of fair value) still meet user needs?*

Criteria for modifying *<u>Presentation</u>* requirements
Presentation determines how information is structured and displayed. The following indicative questions could be asked to assess whether presentation requirements should be modified:

- ***Compatibility with NZ reporting practices*** *– Does the presentation requirements impose additional costs to NZ entities?*
- ***Understandability for NZ users*** *– Would NZ users find the presentation requirements intuitive and useful?*
- ***New Zealand applicability*** *– Do presentation requirements designed for for-profit capital markets make sense for New Zealand entities to report?*

Criteria for modifying *<u>Disclosure</u>* requirements
Disclosure requirements provide additional supplementary information to support users' decision-making. The following indicative questions could be asked to assess whether disclosure requirements should be modified:

- ***User relevance in NZ*** *– Do NZ users need the level of granularity required by the disclosure requirements?*
- ***Avoiding boilerplate overload*** *– Would the disclosure requirement lead to generic, low-value statements?*
- ***New Zealand specific considerations*** *– Should disclosures reflect NZ's context (e.g., stewardship of taonga assets, tikanga-based governance)?*

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5. Consult stakeholders early and iteratively

Stakeholder input would be an important part of any locally modified approach. For example, a domestic exposure draft of proposed requirements could be developed and tested with groups such as:

- Relevant preparers (corporates, small-to-medium enterprises, public sector entities, not-for-profit entities);
- Auditors and professional bodies;
- Investors, analysts, and public sector users;
- Sector-specific groups; and
- Regulators and other stakeholders (Financial Markets Authority, Treasury, Department of Internal Affairs, The Audit Office).

6. Finalise the New Zealand-tailored standard

Following consultation, the standard could then be finalised in a way that remains faithful to the source framework while being operable in New Zealand. This could involve steps such as:

- Incorporating stakeholder feedback;
- Ensure internal consistency with the New Zealand Accounting Standards Framework;

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- Conduct a final legal and technical review;
- Prepare 'Basis for Conclusions' explaining why the source standard was chosen, what modifications were made and why and how NZ-specific factors were addressed; and
- Approve through the NZASB's formal due-process steps.

7. Implement, educate and monitor

If a locally modified standard were introduced, implementation support and ongoing monitoring would also be important. Depending on the nature of the standard and the range of affected entities, this might include:

- Publish implementation guidance, FAQs, and illustrative examples;
- Conduct outreach sessions and webinars;
- Monitor early application issues; and
- Establish a post-implementation review timeline (typically 3-5 years after the effective date of the requirements).

Consider the potential advantages

Better flexibility to domestic user needs	A locally modified approach could allow greater flexibility to respond to New Zealand user needs, including where targeted simplifications or additional disclosures are considered appropriate.
Tailored to New Zealand's economic characteristics	Locally modified standards could better reflect the size, structure and reporting context of New Zealand entities, including small and medium-sized entities, cooperatives and public benefit entities, which could lower overall costs within in the system.
Stronger alignment with New Zealand's legal and institutional environment	Locally modified standards could be aligned more closely with New Zealand legislation and institutional arrangements. This may reduce ambiguity where source standards refer to legal or regulatory concepts that do not apply in New Zealand.
Enhanced sovereignty and public trust	Local development could increase stakeholder input into standard-setting and may support confidence that standards reflect New Zealand circumstances and priorities.

Consider the potential disadvantages

Reduced international comparability	Locally modified standards may reduce comparability with entities applying international frameworks. This may matter more where users place weight on international comparability, credibility or access to international guidance and practice.
Higher development and maintenance costs	Developing and maintaining locally modified standards would require technical analysis, consultation, drafting and ongoing review. Compared with direct adoption of international standards, this would increase demands on standard-setting resources. It may also take longer to consider, adapt and issue updated requirements in New Zealand.
System and infrastructure challenges	If local requirements diverge from widely used international frameworks, entities and service providers may need additional guidance, training or system changes. Divergence may also reduce the ability to use common international tools or practices without adaptation.

Slower adoption of global best practice	International standard setters undertake research, consultation, due process and post-implementation activity across multiple jurisdictions. A locally modified approach may reduce the extent to which New Zealand can rely directly on that infrastructure.
Risk of over-tailoring	Tailoring can improve local fit, but additional modifications can also increase complexity and make standards harder to maintain over time.

Appendix 8 – Tier 1 For-Profit Entities: Framework Options Analysis

Note:
Refer to the overview slides for this paper on the next page which contains the detailed framework option analysis.

Tier 1 for-profit framework analysis against key criteria

For-profit sector

Overview

This paper assesses the current Tier 1 for-profit reporting framework (NZ IFRS) as part of the ASF review, and should be read alongside the For-profit sector overview paper.

Understanding Tier 1 for-profit entities

Tier 1 for-profit entities are:

- **Economically significant;**
- **Publicly accountable organisations**
- **Their activities expose a broad range of stakeholders to risk.**

Strong expectations for **high-quality, transparent, and internationally aligned** financial reporting to support market confidence and public trust.

A for profit entity That has *public accountability****	**Or**	**A *large for-profit* *public sector** entity* with total expenses > $33mil**
Examples include • Listed equities and funds (~180 instruments on NZX Main Board) • Listed debt issuers (~144 instruments on the NZX Debt Market) • Registered banks (~27 banks) • Licensed insurers (~ 84 insurers) • Registered managed investment schemes etc.		Small number of entities in this category

Information needs of users and preparers

General purpose financial statements (**GPFS**) are the primary way external users access decision-useful information about Tier 1 entities. The reporting framework needs to meet those user needs while remaining operable and proportionate for preparers.

Who the users are

- Investors, lenders, analysts, regulators, depositors, policyholders and scheme members.
- Many are external and cannot obtain information directly, so they rely on general purpose financial statements.

What they use it for

- Investors and analysts focus on performance, valuation and capital allocation; lenders on cash flow, security and covenants.
- Regulators, depositors and policyholders focus on oversight and stewardship of resources.

Preparer considerations

- Maintaining the systems, processes and expertise to apply full reporting requirements.
- Significant judgement, documentation, audit support, implementation effort and ongoing cost.

Why it matters

- Frames the information Tier 1 users need and the conditions preparers work under.
- Helps assess whether options are decision-useful, comparable and credible while remaining operable.

Key challenges with the current Tier 1 framework

The current Tier 1 framework lets New Zealand draw on the IASB's international standard-setting process. However, practical challenges can arise where requirements are complex, change over time, or do not fully align with New Zealand-specific circumstances. These challenges do not, of themselves, indicate that Tier 1 should change, but they provide context for assessing whether retaining NZ IFRS remains fit-for-purpose, proportionate and operable.

1. Ongoing implementation effort

- Entities must continually monitor and implement new and amended IFRS requirements.
- This drives related changes to systems, processes, controls, policies, disclosures, audit evidence and training.

2. Technical judgement and application consistency

- IFRS Accounting Standards are principles-based and require judgement for complex or evolving transactions.
- Consistent application depends on preparer, auditor and regulator capability and their assessment of the facts.

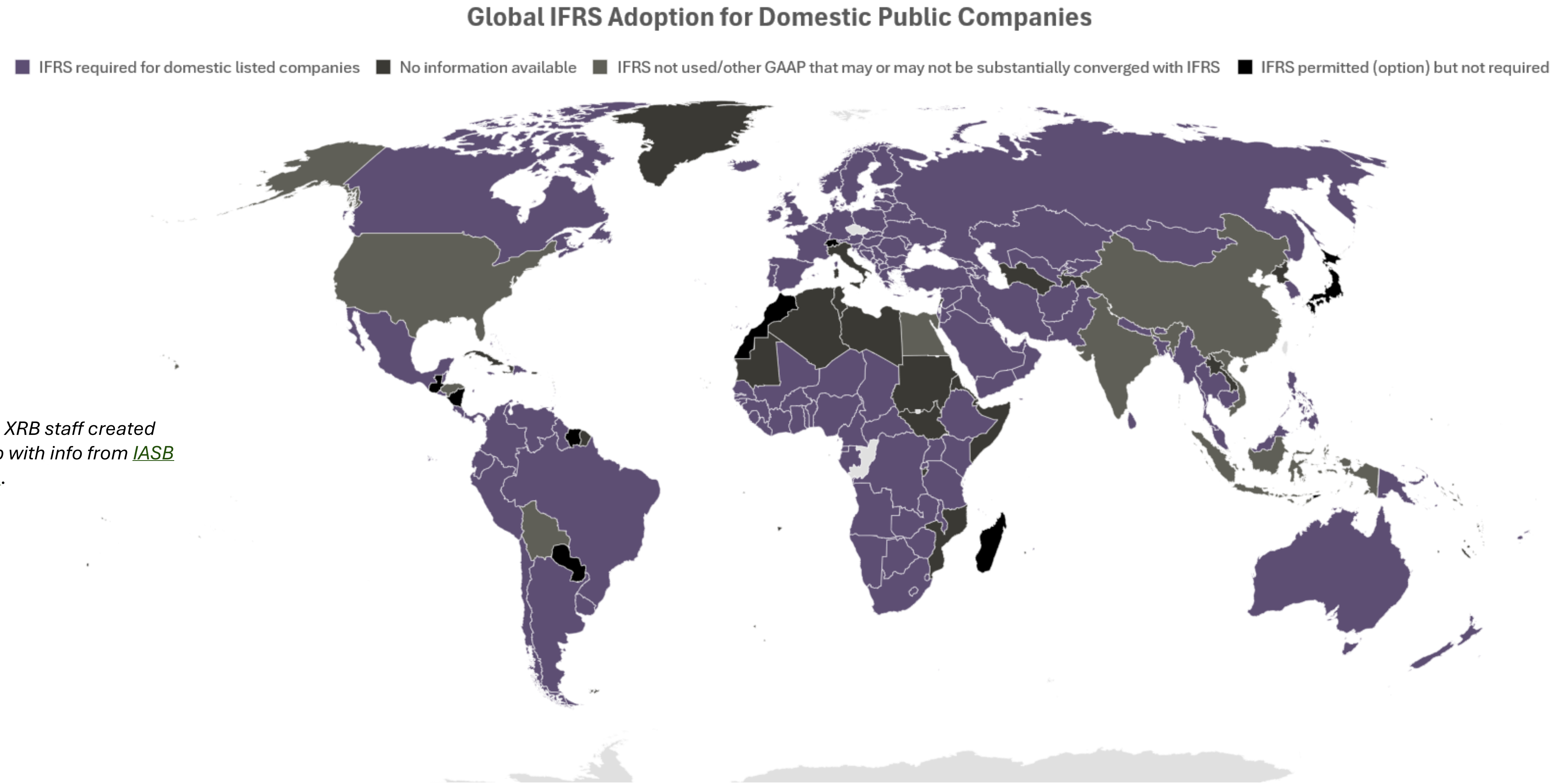
3. Disclosure quality

- IFRS can result in extensive disclosures.
- The challenge is keeping them entity-specific, material and understandable, rather than lengthy or generic.

4. Limited domestic flexibility

- Maintaining convergence with IFRS limits scope to simplify recognition and measurement.
- Requirements cannot easily be tailored to domestic circumstances without affecting IFRS alignment.

Global IFRS adoption overview



Source: XRB staff created the map with info from [IASB website](#).

New Zealand's top 10 trading partners

Countries	Requirements for domestic public companies
China	China's national standards which are substantially converged with IFRS. (> 30 % of the total market cap = IFRS-compliant financial statements. China has committed to adopt IFRS).
Australia	IFRS
United States of America	US GAAP
Singapore	Singapore Financial Reporting Standards which are aligned with IFRS
Japan	IFRS, Japanese GAAP and US GAAP permitted (>40% of the total market cap = IFRS compliant financial statements).
South Korea	IFRS
United Kingdom	IFRS
Germany	IFRS
Thailand	IFRS
Malaysia	IFRS

Source: Stats NZ and IASB website.

Out of the top 10 trading partners > *7 require IFRS, 1 is substantially converged, 1 permits IFRS and only 1 has a different framework* (US GAAP - considered as an alternative option below).

Foundation and copyright of IFRS Accounting Standards

IFRS Foundation's mission statement - *Our mission is to develop high-quality IFRS Standards that bring transparency, accountability and efficiency to capital markets around the world.*

Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

Compliance with IFRS provides users with confidence that:

a. **recognition and measurement are consistent**, and

b. **comparability exists across jurisdictions**.

To protect this global comparability, the IFRS Foundation:

- does **not permit partial adoption** of recognition and measurement requirements;
- **requires full compliance** if IFRS is stated.

New Zealand's follows this same global principle. In order to state compliance with IFRS, all standards needs to be adopted.

Optionality and framework coherence

A further design question is whether Tier 1 for-profit entities should be permitted to use, or have financial statements accepted under, more than one reporting framework.

The question

- Whether to allow more than one reporting framework within Tier 1, rather than a single consistent framework.

Potential benefit

- Flexibility for some entities and possible cost savings if they could report under a simpler framework.

Trade-offs

- May reduce comparability and affect global user understanding.
- Increases audit, regulatory and capability requirements across the reporting ecosystem.

Conclusion

- A consistent framework for all publicly accountable entities supports capital markets and trans-Tasman alignment.
- Optionality is not assessed as a separate option and is not proposed for the discussion paper at this stage.

Tier 1 For-profit reporting framework options analysis

Tier 1 for-profit reporting framework options:

A: NZ IFRS - currently in use

B: US GAAP

C: Locally modified standards

Tier 1 For-profit reporting framework options explored

Process followed:

- Staff prepared the options analysis of the alternative frameworks that were considered viable to this tier.
- Each viable framework option was evaluated by considering its pros and cons and assessing it against a set of key criteria (outlined below).
- A point to highlight is that we discussed whether IFRS for SMEs should be considered as an option for Tier 1 for-profit entities. IFRS for SMEs is designed for entities without public accountability and does not seek to meet the information needs of users in public capital markets. Accordingly, IFRS for SMEs has not been included as an option for Tier 1 but remains under consideration for Tier 2 entities.
- We also prepared a separate paper considering public accountability and the impact of locally modified standards.

Key criteria	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
This means:	Technical fitness; coherent suite capable of handling complex transactions developed with user needs in mind (preparer and user focus)	Simplification options (addressing preparers' concern about complexity)	Internationally aligned Internationally recognised and comparable - including Australia	Ability to make local modifications and/or influence internationally to enable local relevance	Ecosystem and workforce considerations (the market)	Cost of change (transition costs for preparer and ecosystem)	Ongoing costs incl maintenance the standards (i.e. how often are changes expected) (preparer focus)

Tier 1 For-profit entities framework options assessment

Summary assessment across key criteria

Tier 1 Options	Technical fitness	Simplification	International alignment	Local relevance	Ecosystem	Transition costs	Ongoing costs
A. IFRS	🟢	🔴	🟢	🟠	🟢	🟢	🟠
B. US GAAP	🟠	🔴	🟠	🔴	🔴	🔴	🟠
C. Locally modified standards	🟠	🟢	🔴	🟢	🔴	🔴	🟡

🟢 Strong fit / low concern
🟠 Mixed fit / medium trade-off concerns
🔴 Significant trade-off concerns

Tier 1 Option	Recommendation	Key drivers of the assessment		
A. IFRS	Recommended	1. Internationally credible	2. Harmonised with Aus	3. Copyright agreements limits simplification
B. US GAAP	Not recommended	1. Only used primarily in one jurisdiction	2. High transition costs	3. Loss of Aus harmonisation
C. Locally modified standards	Not proposed for DP	1. Simplification possible	2. Loss of international credibility	3. High transition and maintenance costs

Appendix 2 - Legislative requirements to apply XRB accounting standards

Primary legislation determines 'who' is in scope and required to apply the ASF and XRB accounting standards. Below are the legislative requirements to apply XRB accounting standards and the relevant parameters (this list is not exhaustive):

Primary legislation	Legislative requirements
Financial Reporting Act 2013 (FRA) - Section 9,12 & 45	• Obligation to comply with GAAP when another Act requires financial reporting – this section ensures that where the Companies Act or FMC Act (applicable to Tier 1 entities) requires financial statements, they must follow XRB standards (Section 9) • XRB mandate to issue financial reporting standards (Section 12) • Defines 'large' (over $66m assets or $33m revenue, for last two accounting period), and, defines 'large overseas company' (over $22m assets or $11m revenue for last 2 accounting periods) (Section 45)
Companies Act(Co Act) 1993 - Sections 200-202	The following types of companies are required to comply with GAAP: (a) large company; (b) public entity; (c) large overseas company; (d) company with 10 or more shareholders unless opted out of compliance with the provision; and (e) company with fewer than 10 shareholders but opted into compliance with the provision.
Other legislation requiring GAAP compliant financial reporting	We note that several other Acts also impose GAAP reporting obligations, for example – Building Societies Act 1965, Energy Companies Act 1992, Incorporated Societies Act 2022, Māori Community Development Act 1962, etc. (this list is not exhaustive).

Tier 1 For-profit

Detail supporting the options assessment

Option A - IFRS analysis

Pros	• International comparability to unlock access to capital markets • Harmonisation with Australia • Ability to provide NZ views and influence • Credibility and investor confidence • High-quality, principles-based framework • Extensive guidance and support • Future-proofing • Established domestic workforce capability and global talent pool • Globally informed standard-setting process • Access to IFRS-ready accounting systems • No transition costs and market disruptions
Cons	• Possible concerns about high cost per entity and complexity of compliance. • Potential overload of disclosures. • Limited tailoring to NZ circumstances • Copyright restrictions – mandatory full-suite adoption (recognition and measurement requirements must be followed) • Resource strain during change

Option A - IFRS

Criteria	Analysis
Technical fitness	Fulsome framework with 43 NZ IFRS standards providing clear principles for accounting of most complex transactions. Development of these standards takes into account global users and best practices.
Simplification	Simplification option limited: under existing IFRS copyright agreement there is a mandatory full-suite adoption and recognition and measurement requirements needs to be aligned. Reduced disclosures could remain an option.
International alignment	Internationally recognised - used in 161 jurisdictions (required or permitted for publicly accountable entities). This is a well established framework recognised internationally. Australia: aligned
Local relevance	While the XRB cannot directly tailor international standards, New Zealand credentials and potential to influence is well established internationally which may allow local inputs into the development of the global standards.
Ecosystem	Well-established IFRS focused ecosystem supported by workforce, auditors and technology. Ongoing training through accounting firms, standard setters and educational institution. Access to global talent pool ensures work force mobility and sustained capability.
Transition costs	No change is required, so no additional costs would arise. Existing software and systems already support the current IFRS-aligned environment.
Ongoing costs	With transactions evolving globally, accounting standards evolve which results in regular changes.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option B – US GAAP

Pros	• Alignment with the world's largest capital market • More prescriptive (rule-based) standards with detailed guidance • Reduced judgement risk for preparers
Cons	• Change would impose extensive transition costs and severe organisational disruption, including comprehensive workforce retraining and large-scale system redevelopment • Loss of international comparability outside the US • Not developed for NZ capital market entities • Equal or more ongoing compliance costs resulting from prescriptive accounting requirements • New Zealand is unable to influence developments • Loss of harmonisation with Aus

Option B – US GAAP

Criteria	Analysis
Technical fitness	Over 90 Accounting Standard Codifications that are rule based and capable of dealing with most complex transactions.
Simplification	Simplification option: expected to have similar limitations like IFRS
International alignment	US GAAP is internationally recognised but used in only one primary jurisdiction (the US), though it may be permitted for SEC issuers in some other jurisdictions. It provides access to the world's largest capital market. Australia: not aligned
Local relevance	New Zealand would have no ability to influence the standard-setting process within the US, this means there will be no local inputs into the development of these standards.
Ecosystem	US GAAP adoption would significantly disrupt the current ecosystem, requiring major retraining of auditors and practitioners and system changes (technology). It would limit workforce mobility given the current talent pipeline is aligned with IFRS.
Transition costs	Significant cost and changes will be required. Existing software and systems implemented do not support the US GAAP environment. XRB and wider NZ workforce does not currently have sufficient US GAAP experience to support adoption.
Ongoing costs	With transactions evolving, accounting standards evolve which results in regular changes.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

Option C – Locally modified NZ Standards

Pros	• Full control over standard-setting • Tailoring to NZ circumstances • Greater responsiveness to local issues • Alignment with NZ regulatory and policy settings
Cons	• Limited XRB capacity and lack of global technical reach would impede the development of credible, internationally relevant local standards • Change would impose extensive transition costs and severe organisational disruption, including comprehensive workforce retraining and large-scale system redevelopment • Risk of unintended consequences such as lack of coherence and complexity within the suite • Loss of international comparability and credibility, likely to result in loss of capital investment • High development and maintenance costs • Workforce capability and mobility risk • Loss of harmonisation with Aus • Absence of readily available IT software

Option C – Locally modified NZ Standards

Criteria	Analysis
Technical fitness	Significant time and resource requirement to create a coherent suite of standards that is capable of dealing with most complex transactions. Standards could be tailored to New Zealand users, but this may not meet the needs of international investors or other global users.
Simplification	Simplification: there are other jurisdictional frameworks we can leverage from, and tailor requirements to reduce complexity in the standards.
International alignment	Would not be recognised internationally and unlikely to be used outside New Zealand, limiting comparability and potentially restricting access to global capital markets. Australia: not aligned
Local relevance	Standards could be tailored to New Zealand users, but this may not meet the needs of international investors or other global users.
Ecosystem	Adoption would significantly disrupt the current ecosystem, requiring major retraining of auditors and practitioners and system changes (technology). It would limit workforce mobility given the current talent pipeline is aligned with IFRS.
Transition costs	Significant cost and changes will be required. Existing software and systems implemented do not support the bespoke standard. XRB and wider NZ workforce capability implications due to risk unintended consequences.
Ongoing costs	Changes to locally modified standards can be contained. There is a risk that evolving arrangements are not timeously addressed in standard setting.

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns