Mixed Groups

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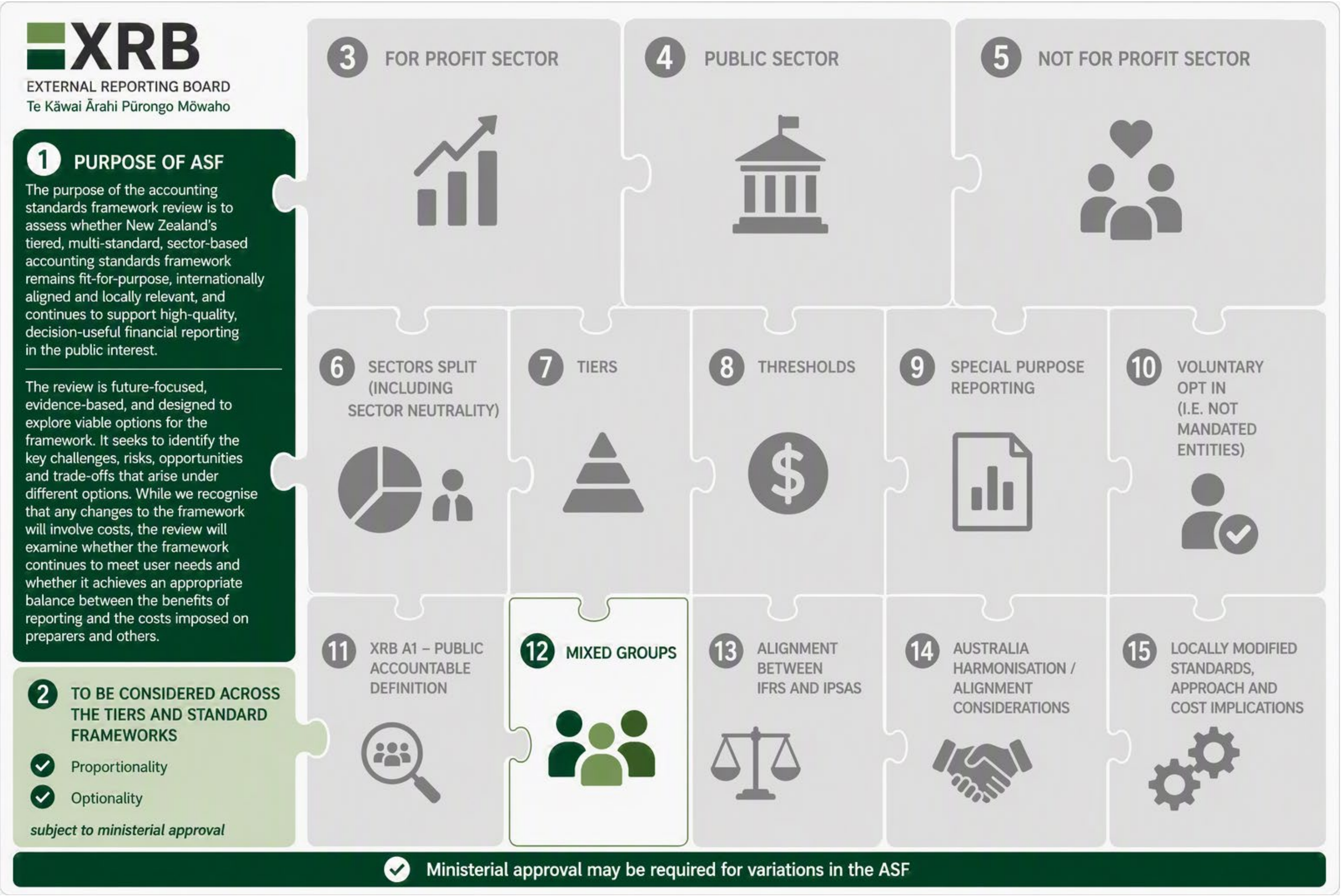

What are mixed groups?

Reporting groups that contain entities subject to different reporting requirements under the Accounting Standards Framework (ASF).

1

What they are

A mixed group is when a parent and its controlled entities do not apply the same reporting requirements.
A single reporting group may contain entities with different sector classifications (for-profit and PBE) and/or different reporting tiers, or with other reporting regimes, meaning different reporting requirements apply within the one group.

2

Why they arise

The ASF classifies reporting entities individually, based on their own characteristics and circumstances.
This means entities within the same group may be subject to different reporting requirements. Mixed groups can also arise because of differing statutory reporting obligations and overseas reporting requirements.

- Different entity objectives
- Different sectors
- Different reporting tiers
- Different statutory or overseas requirements

3

Examples in New Zealand

Mixed groups are not unusual in New Zealand's reporting environment.
For example:

- Councils with CCOs
- Charities with trading arms
- For-profit entities & charitable subsidiaries
- NZ Crown group & SOEs
- Iwi commercial + charitable

As reporting requirements are determined at the entity level, a single reporting group may contain entities subject to different reporting requirements

Challenges created by mixed groups

The practical issue is not that entities reporting differ, but that those differences must be reconciled for reporting, assurance and users.

1 Consolidation and financial reporting

Information prepared under different sector or tier requirements may need to be aligned before it is included in group financial statements.

- Recognition and Measurement
- Accounting policies and disclosures
- Additional group information

2 Audit and assurance

Conversion adjustments and group-level processes may require additional evidence, documentation and review procedures.

- Controls over consolidation
- Conversion journals & adjustments
- Management judgement

3 Users and reporting outcomes

Users may need to understand why similar transactions might be reported differently across entities and at group level, and how those differences affect interpretation of financial information.

- Entity-level accountability
- Group-level comparability
- Usefulness of the overall report

Mixed-group issues affect preparation, assurance and interpretation of consolidated financial statements.

Why does this matter for ASF design?

Mixed-group issues are influenced by several aspects of ASF design, including:

1. **Sectors, tiers and boundaries** — their number and nature, and the boundaries between them.
2. **Determining classification** — how sector classifications are determined.
3. **Reporting frameworks** — those applied to each sector and tier.
4. **Alignment across a group** — how far reporting requirements can be aligned across a reporting group.

Weighing the options

The paper considers a range of sector options — from the current two-sector model to a sector-neutral model to a three-sector model.

For each, we consider how those design choices would shape the incidence and complexity of mixed groups.

Mixed groups demonstrate how the benefits of tailored reporting requirements can sometimes create additional complexity for reporting groups.

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Have your say

We welcome your feedback as we develop our thinking on the future of New Zealand's Accounting Standards Framework.

Let us know if our analysis is complete and whether there are additional challenges, opportunities, or perspectives we should consider.

Your input will help inform the development of the Discussion Paper.

Scan the QR code

Provide feedback on this topic and help inform the development of the Discussion Paper.

Mixed Groups Reporting