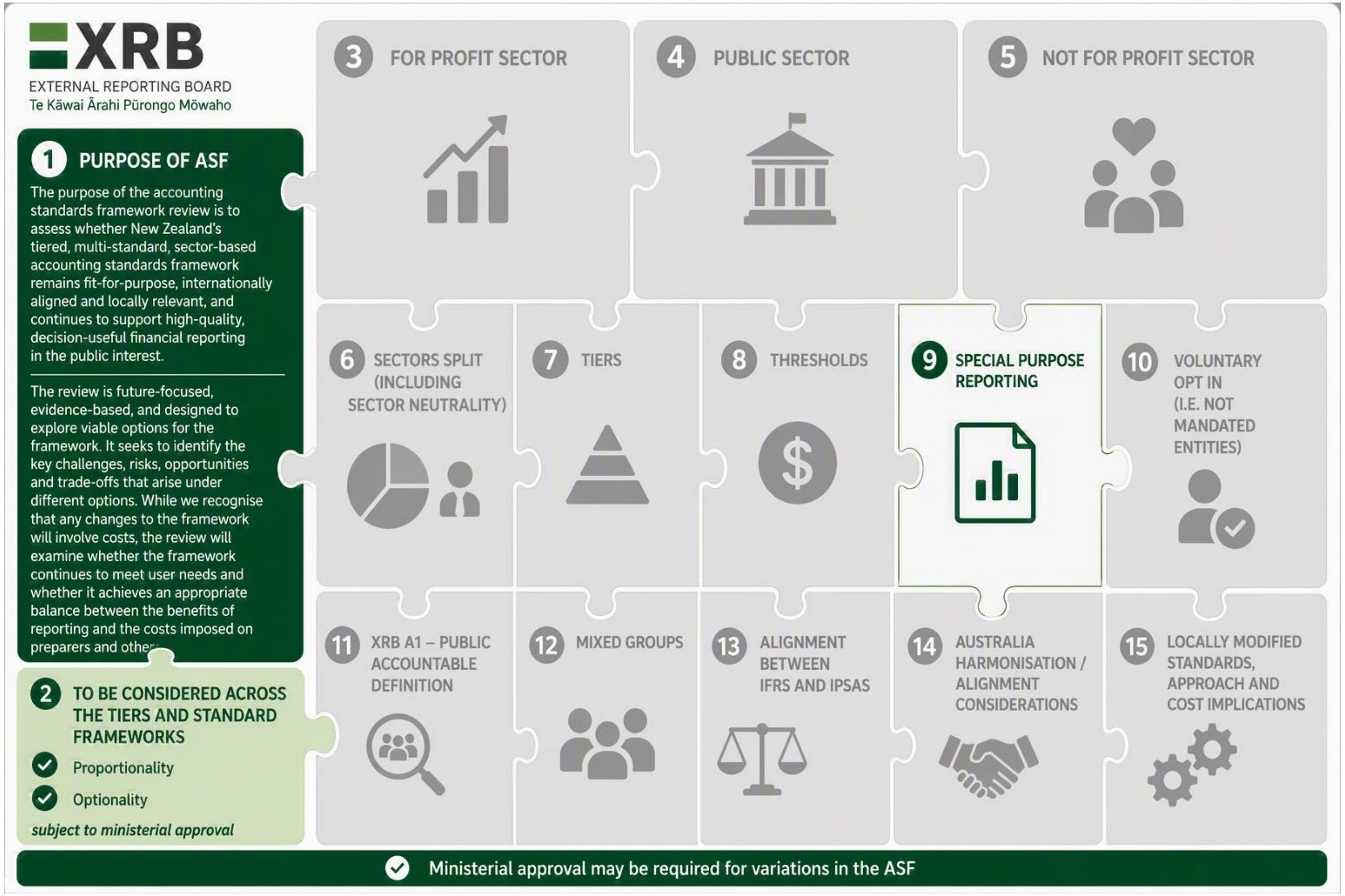
Accounting Standards Framework review:

Special purpose financial reporting

Special purpose financial reporting



General purpose vs special purpose financial reporting

General purpose financial reports (GPFR)

- Provide information about an entity to a **range of users** with **diverse** interests, for **accountability and/or decision-making purposes**

- Users are generally **not in a position to require reporting tailored to their information needs**

XRB issues accounting standards for GPFR

Special purpose financial reports (SPFR)

- Provide information about an entity to **users** who **have the power to specify the information** to be included in financial reports

Should we explore XRB-developed SPFR requirements as part of the ASF review?

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OUR PURPOSE
Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance.

OUR STRATEGY
Internationally aligned, locally relevant.

The New Zealand External Reporting Environment

Where does the ASF fit within the broader New Zealand external reporting environment?

General Purpose Financial Report (GPFR)
and climate reporting prepared in accordance with standards issued by the XRB

THE GOVERNMENT
Who reports?

Statutory Reporting Framework

- Financial statement preparation / Generally Accepted Accounting Practice (GAAP)
- Filing and publication requirements
- Audit and assurance requirements

Legislation

- Financial Reporting Act 2013
- Companies Act 1993
- Financial Markets Conduct Act 2013
- Public Finance Act 1989
- Charities Act 2005
- Other sector legislation

Future Legislative Reform

The XRB considers whether legislative changes require amendments to reporting and assurance frameworks.

THE XRB

WHAT TO REPORT

1 Accounting Standards Framework (ASF)

The XRB's strategic approach to setting accounting standards through the application of XRB A1.

- Multi-sector approach
- Tiered approach
- Uses IFRS Accounting Standards and IPSAS as the basis for NZ standards
- Develop local standards

2 Accounting Standards

Establishes the specific requirements for the preparation of GPFR, including standards for different sectors and tiers.

3 Climate Reporting Standards

Requirements for climate-related disclosures.

- New Zealand Climate Standards (NZ CS)
- Climate-related risks and opportunities
- Decision-useful climate information

HOW TO AUDIT OR REVIEW

4 Auditing and Assurance Standards Framework

The XRB's strategic approach to setting auditing and assurance standards.

5 Auditing and Assurance Standards

Requirements for:

- Financial statement audits
- Assurance engagements
- Climate-related assurance engagements

6 Quality Management and Ethical Standards for Assurance Practitioners

Support quality, integrity and professional ethics in assurance engagements.

OTHER REPORTING OBLIGATIONS

Other reporting

Established through legislation, regulations or by other means for other information reported in the annual report and/or other external reports.

- Information disclosures
- Annual reports
- Integrated reporting etc.

Special Purpose Financial Statements

Entities who have no statutory requirements to prepare GPFR may still need to prepare financial statements for tax, governance, etc.

OUR STRATEGIC PRIORITIES

Fit for purpose
Ensure our reporting is fit for purpose

Supporting adoption and implementation
Support effective adoption and implementation

Integrated reporting
Continue the focus on integrated reporting

Public benefit entities
Contribute to the public interest

Please note: this diagram is a high-level overview of the NZ reporting environment and is not intended to be comprehensive.

GPFR requirements

Statutory requirement to prepare **GPFR** in accordance with **GAAP/non-GAAP standard** generally applies to entities that have **broad and/or diverse user groups** who…

Rely on financial information about the entity for **accountability and/or decision-making purposes**

Cannot demand specific reporting from the entity

For example:

- investors in large/listed company
- taxpayers and ratepayers and their representatives (re: public sector entities)
- members of the public donating to charities

XRB's current standards for preparing **GPFR** (e.g. NZ IFRS, PBE Standards, etc.) aim to address these users' diverse information needs

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SPFR – key considerations

SPFR are **tailored to the needs of specific users** who have **power to require an entity to report specific information**

If the XRB developed SPFR requirements (instead of standards supporting preparation of GPFR)...

Benefits:

- **Specific users** receive information **more tailored to their needs**
- **Reduced preparation costs** for entity

Risks:

- Risk that the **needs of the broad and diverse user groups currently served by GPFR would not be met**.
- **Reduced comparability** across entities and increased **variability in accounting treatments for similar transactions**
- May mean **less clarity on what constitutes compliance with a reporting framework** - potential challenges for audit and regulatory oversight

SPFR not considered a viable option to explore in ASF review

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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.

Special Purpose Reporting