Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Amendments to PBE Standards: Specific IFRIC Interpretations

Proposed amendments to PBE IPSAS 19, PBE IPSAS 10 and PBE IPSAS 39

Exposure Draft

Submissions close 1 December 2025

September 2025

NZASB EXPOSURE DRAFT 2025-9

Amendments to PBE Standards: Specific IFRIC Interpretations

([Proposed] Amendments to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies* and PBE IPSAS 39 *Employee Benefits*)

Issued [date]

As a result of amendments arising from *Amendments to IPSAS Standards: Specific IFRIC Interpretations,* this [draft] Standard:

- Amends certain application guidance in PBE IPSAS 19, namely Appendix A *Changes in existing Decommissioning, Restoration and Similar Liabilities* and Appendix B *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;*
- Adds Appendix A *Applying the Restatement Approach under PBE IPSAS 10 Financial Reporting in Hyperinflationary Economies* to PBE IPSAS 10; and
- Adds Appendix AA *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* to PBE IPSAS 39.

In finalising this [draft] Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This [draft][1] amending Standard was issued on [date] by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The [draft] amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The [draft] amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

Commencement and application

The [draft] amending Standard has a mandatory date of 1 January 2027, meaning it must be applied by Tier 1 and Tier 2 public benefit entities (PBEs) for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this [draft] amending Standard takes effect – refer to paragraphs 112.12 – 112.12.3 in Part C, paragraphs 39.4 – 39.4.3 in Part D and paragraphs 177.3 – 177.3.3 in Part E of this [draft] amending Standard.

[1] References to "this amending Standard" throughout this Exposure Draft should be read as referring to "this [draft] amending Standard".

ISBN: [XXX]

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Part A – Introduction

This Standard includes:

- Amendments to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*. Those amendments clarify the accounting for decommissioning, restoration and similar liabilities in Appendix A, as well as the scope of Appendix B, which relates to decommissioning, restoration and environmental rehabilitation funds.
- Amendments to PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*. Those amendments clarify how an entity restates its financial statements in the first year of hyperinflation.
- Amendments to PBE IPSAS 39 *Employee Benefits*. Those amendments clarify how an entity should consider limits on the defined benefit asset and minimum funding requirements when accounting for its post-employment defined benefits.

The amendments align the Appendices A and B of PBE IPSAS 19, Appendix A of PBE IPSAS 10 and Appendix AA of PBE IPSAS 39 with certain aspects of *Amendments to IPSAS Standards: Specific IFRIC Interpretations*.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 public benefit entities.

Tier 2 public benefit entities are required to comply with all the requirements in this Standard.

Part C – Amendments to PBE IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 112.12 – 112.12.3 are added. In Appendix A, paragraphs A4 – A6 and heading before paragraph A4 are amended. In Appendix B, paragraphs B1-B4 and the related heading are added and paragraphs B1–B8 are renumbered as paragraphs B5–B12. Heading before the new paragraph B6 is amended. New text is underlined and deleted text is struck through.

Commencement and Application

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Amendments to PBE Standards: Specific IFRIC Interpretations

112.12 The amending Standard *Amendments to PBE Standards: Specific IFRIC Interpretations*, issued in [month year] amended paragraphs A4 and A5 in Appendix A and amended Appendix B by adding paragraphs B1 – B4. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs 112.12.1 – 112.12.3. An entity that applies these amendments to an 'early adoption accounting period' shall disclose that fact.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

112.12.1 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019.[2]

Accounting period in relation to which the amending Standard commences to apply (section 28 Financial Reporting Act 2013)

112.12.2 The accounting periods in relation to which this amending Standard commences to apply are:

(a) For an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.

[2] The amending Standard was published on [date] and takes effect on [date].

(b) For any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

112.12.3 In paragraph 112.12.2:

Early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period.

Early adoption accounting period means an accounting period of the early adopter:

(a) That begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) For which the early adopter:

  (i) First applies this amending Standard in preparing its financial report; and

  (ii) Discloses in its financial report for that accounting period that this amending Standard has been applied for that period.

Mandatory date means 1 January 2027.

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Appendix A

Application Guidance *Changes in Existing Decommissioning, Restoration and Similar Liabilities*

This Appendix is an integral part of PBE IPSAS 19.

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~~Consensus~~ Application of PBE IPSAS 19 to Changes in Existing Decommissioning, Restoration and Similar Liabilities

A4. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with paragraphs ~~A3–A5~~ A5–A7 below.

A5. If the related asset is measured using the cost model:

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(c) If the adjustment results in an addition to the cost of an asset, the entity shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss, in accordance with PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* ~~and~~ or PBE IPSAS 26 *Impairment of Cash-Generating Assets.*

A6. If the related asset is measured using the revaluation model:

(a) Changes in the liability alter the revaluation surplus or deficit previously recognised on that class of assets.

  (i) ~~If the carrying amount of a class of assets is increased as a result of changes in the liability, the increase~~ A decrease in the liability shall (subject to (b)) be recognised in other comprehensive revenue and expense and accumulated in net assets/equity under the heading of revaluation surplus. However, the ~~increase~~ decrease in the liability shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus or deficit

  (ii) ~~If the carrying amount of a class of assets is decreased as a result of changes in the liability, the decrease~~ An increase in the liability shall be recognised in surplus or deficit. However, the ~~decrease~~ increase in the liability shall be recognised in other comprehensive revenue and expense to the extent of any credit balance existing in the revaluation surplus in respect of that class of assets.

(b) …

(c) A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at ~~the end of the reporting period~~ the reporting date. Any such revaluation shall be taken into account in determining the amounts to be recognised in surplus or deficit or in other comprehensive revenue and expense under (a). If a revaluation is necessary, all assets of that class shall be revalued.

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Appendix B

Application Guidance *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

This Appendix is an integral part of PBE IPSAS 19.

Introduction

B1. The purpose of decommissioning, restoration and environmental rehabilitation funds, hereafter referred to as ‘decommissioning funds’ or ‘funds’, is to segregate assets to fund some or all of the costs of decommissioning plant (such as a power plant) or certain equipment (such as cars), or in undertaking environmental rehabilitation (such as rectifying pollution of water or restoring mined land), together referred to as ‘decommissioning’.

B2. Contributions to these funds may be voluntary or required by regulation or law. The funds may have one of the following structures:

(a) Funds that are established by a single contributor to fund its own decommissioning obligations, whether for a particular site, or for a number of geographically dispersed sites.

(b) Funds that are established with multiple contributors to fund their individual or joint decommissioning obligations, when contributors are entitled to reimbursement for decommissioning expenses to the extent of their contributions plus any actual earnings on those contributions less their share of the costs of administering the fund. Contributors may have an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor.

(c) Funds that are established with multiple contributors to fund their individual or joint decommissioning obligations when the required level of contributions is based on the current activity of a contributor and the benefit obtained by that contributor is based on its past activity. In such cases there is a potential mismatch in the amount of contributions made by a contributor (based on current activity) and the value realisable from the fund (based on past activity).

B3. Such funds generally have the following features:

(a) The fund is separately administered by independent trustees.

(b) Entities (contributors) make contributions to the fund, which are invested in a range of assets that may include both debt and equity investments, and are available to help pay the contributors’ decommissioning costs. The trustees determine how contributions are invested, within the constraints set by the fund’s governing documents and any applicable legislation or other regulations.

(c) The contributors retain the obligation to pay decommissioning costs. However, contributors are able to obtain reimbursement of decommissioning costs from the fund up to the lower of the decommissioning costs incurred and the contributor’s share of assets of the fund.

(d) The contributors may have restricted access or no access to any surplus of assets of the fund over those used to meet eligible decommissioning costs.

Scope

B4. This Appendix applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds that have both of the following features:

(a) The assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity); and

(b) A contributor's right to access the assets is restricted.

Issues

B~~1~~5. The issues addressed in this Appendix are:

(a) How should a contributor account for its interest in a fund?

(b) When a contributor has an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor, how should that obligation be accounted for?

~~Consensus~~ Application of PBE IPSAS 19 to Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Accounting for an Interest in a Fund

B~~2~~6. The contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay.

B~~3~~7. The contributor shall determine whether it has control, joint control or significant influence over the fund by reference to PBE IPSAS 35 *Consolidated Financial Statements,* PBE IPSAS 36 *Investments in Associates and Joint Ventures,* and PBE IPSAS 37 *Joint Arrangements*. If it does, the contributor shall account for its interest in the fund in accordance with those Standards.

B~~4~~8. If a contributor does not have control, joint control or significant influence over the fund, the contributor shall recognise the right to receive reimbursement from the fund as a reimbursement in accordance with this Standard. This reimbursement shall be measured at the lower of:

(a) The amount of the decommissioning obligation recognised; and

(b) The contributor's share of the fair value of the net assets of the fund attributable to contributors.

Changes in the carrying value of the right to receive reimbursement other than contributions to and payments from the fund shall be recognised in surplus or deficit in the period in which these changes occur.

Accounting for Obligations to make Additional Contributions

B~~5~~9. When a contributor has an obligation to make potential additional contributions, for example, in the event of the bankruptcy of another contributor or if the value of the investment assets held by the fund decreases to an extent that they are insufficient to fulfil the fund's reimbursement obligations, this obligation is a contingent liability that is within the scope of this Standard. The contributor shall recognise a liability only if it is probable that additional contributions will be made.

Disclosure

B~~6~~10. A contributor shall disclose the nature of its interest in a fund and any restrictions on access to the assets in the fund.

B~~7~~11. When a contributor has an obligation to make potential additional contributions that is not recognised as a liability (see paragraph 5), it shall make the disclosures required by paragraph 100 of this Standard.

B~~8~~12. When a contributor accounts for its interest in the fund in accordance with paragraph 4, it shall make the disclosures required by paragraph 98(c) of this Standard.

Paragraphs BC8 – BC10 and the related heading are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 19.

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Amendments to PBE Standards: Specific IFRIC Interpretations

BC8. In November 2024 the IPSASB issued *Amendments to IPSAS Standards: Specific IFRIC Interpretations* which amended IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets.* The amendments incorporate into IPSAS 19:

(a) IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, first issued by the IASB in 2004, and

(b) IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds,* first issued by the IASB in 2004.

BC9. Those amendments clarify how an entity should account for specific changes in estimates of existing liabilities to dismantle, remove and restore a property, plant and equipment asset and how an entity that is a contributor to a decommissioning fund should account for its obligation to pay decommissioning costs and its related interest in that fund.

BC10. As noted in paragraph BC5, the NZASB had already included the requirements of NZ IFRIC 1 and NZ IFRIC 5 in PBE IPSAS 19 when it issued PBE IPSAS 19. However, following the issuance of the abovementioned IPSASBs' pronouncement, the NZASB decided to:

(a) amend Appendix A *Changes in Existing Decommissioning, Restoration and Similar Liabilities* to clarify that when there is a change in a decommissioning, restoration or similar liability and the entity measures the related asset using the revaluation model, the entity accounts for the increase or decrease in the liability (through other comprehensive revenue and expense or surplus or deficit, as required by paragraph A6), rather than an increase or decrease in the carrying amount of a class of assets related to the liability;

(b) introduce two examples illustrating application of Appendix A; and

(c) amend Appendix B *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* to clarify that the Appendix applies to decommissioning funds that are administered separately and where a contributor's right to access the assets is restricted.

Paragraphs IE3 – IE14 and the related heading are added. Paragraph IE1 is amended. New text is underlined and deleted text is struck through.

Illustrative Examples

~~This example accompanies~~ These examples accompany, but ~~is~~ are not part of, PBE IPSAS 19.

Present Value of a Provision

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IE1. The expected value of a provision at the end of year 5 is 2000 ~~currency units~~ CU[3]. This expected value has not been risk-adjusted. An appropriate discount rate that takes account of the risk associated with this cash flow has been estimated at 12%.

[3] In these examples, monetary amounts are denominated in 'currency units (CU)'.

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Changes in Existing Decommissioning, Restoration and Similar Liabilities

IE3. Examples 2 and 3 illustrate how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities, as presented in Appendix A of PBE IPSAS 19, using the following common facts:

An entity has a geothermal power plant and a related decommissioning liability. The power plant started operating on 1 January 20X0. The plant has a useful life of 40 years. Its initial cost was CU120,000; this included an amount for decommissioning costs of CU10,000, which represented CU70,400 in estimated cash flows payable in 40 years discounted at a risk-adjusted rate of 5 per cent. The entity's financial year ends on 31 December.

Example 2: Cost Model

IE4. On 31 December 20X9, the plant is 10 years old. Accumulated depreciation is CU30,000 (CU120,000 × 10/40 years). Because of the unwinding of discount (5 per cent) over the 10 years, the decommissioning liability has grown from CU10,000 to CU16,300.

IE5. On 31 December 20X9, the discount rate has not changed. However, the entity estimates that, as a result of technological advances, the net present value of the decommissioning liability has decreased by CU8,000. Accordingly, the entity adjusts the decommissioning liability from CU16,300 to CU8,300. On this date, the entity makes the following journal entry to reflect the change:

	CU	CU
Dr Decommissioning liability	8,000	
Cr Asset (cost model)		8,000

IE6. Following this adjustment, the carrying amount of the asset is CU82,000 (CU120,000 – CU8,000 – CU30,000), which will be depreciated over the remaining 30 years of the asset's life, giving a depreciation expense for the next year of CU2,733 (CU82,000 ÷ 30). The next year's finance cost for the unwinding of the discount will be CU415 (CU8,300 × 5 per cent).

IE7. If the change in the liability had resulted from a change in the discount rate, instead of a change in the estimated cash flows, the accounting for the change would have been the same but the next year's finance cost would have reflected the new discount rate.

Example 3: Revaluation Model

IE8. The entity adopts the revaluation model in PBE IPSAS 17 whereby the plant is revalued with sufficient regularity that the carrying amount does not differ materially from fair value. The plant is the only asset in its class. The entity's policy is to eliminate accumulated depreciation at the revaluation date against the gross carrying amount of the asset, in accordance with paragraph 50 of PBE IPSAS 17.

IE9. When accounting for revalued assets to which decommissioning liabilities attach, it is important to understand the basis of the valuation obtained. For example:

(a) If an asset is valued using discounted cash flows, some valuers may value the asset without deducting any allowance for decommissioning costs (a 'gross' valuation), whereas others may value the asset after deducting an allowance for decommissioning costs (a 'net' valuation), because an entity acquiring the asset will generally also assume the decommissioning obligation. For financial reporting purposes, the decommissioning obligation is recognised as a separate liability, and is not deducted from the asset. Accordingly, if the asset is valued on a net basis, it is necessary to adjust the valuation obtained by adding back the allowance for the liability, so that the liability is not counted twice.

(b) If an asset is valued using depreciated replacement cost, the valuation obtained may not include an amount for the decommissioning component of the asset. If it does not, an appropriate amount will need to be added to the valuation to reflect the depreciated replacement cost of that component.

IE10. Assume that a market-based discounted cash flow valuation of CU115,000 is obtained at 31 December 20X2. It includes an allowance of CU11,600 for decommissioning costs, which represents no change to the original estimate, after the unwinding of three years' discount. The amounts included in the statement of financial position at 31 December 20X2 are therefore:

	CU
Asset (revaluation model) (1)	126,600
Accumulated depreciation	nil
Decommissioning liability	(11,600)
Net assets	115,000
Accumulated comprehensive revenue and expense (2)	(10,600)
Revaluation surplus (3)	15,600

Notes:

1. Valuation obtained of CU115,000 plus decommissioning costs of CU11,600, allowed for in the valuation but recognised as a separate liability = CU126,600.

2. Three years' depreciation on original cost CU120,000 × 3/40 = CU9,000 plus cumulative discount on CU10,000 at 5 per cent compound = CU1,600; total CU10,600.

3. Revalued amount CU126,600 less previous net book value of CU111,000 (cost CU120,000 less accumulated depreciation CU9,000).

IE11. The depreciation expense for 20X3 is therefore CU3,420 (CU126,600 × 1/37) and the discount expense for 20X3 is CU600 (5 per cent of CU11,600). On 31 December 20X3, the decommissioning liability (before any adjustment) is CU12,200 and the discount rate has not changed. However, on that date, the entity estimates that, as a result of technological advances, the present value of the decommissioning liability has decreased by CU5,000. Accordingly, the entity adjusts the decommissioning liability from CU12,200 to CU7,200.

IE12. The whole of this adjustment is taken to revaluation surplus, because it does not exceed the carrying amount that would have been recognised had the asset been carried under the cost model. If it had done, the excess would have been taken to surplus or deficit in accordance with paragraph A6(a) of Appendix A of PBE IPSAS 19. The entity makes the following journal entry to reflect the change:

	CU	CU
Dr Decommissioning liability	5,000	
Cr Revaluation surplus[4]		5,000

IE13. The entity decides that a full valuation of the asset is needed at 31 December 20X3, in order to ensure that the carrying amount does not differ materially from fair value. Suppose that the asset is now valued at CU107,000, which is net of an allowance of CU7,200 for the reduced decommissioning obligation that should be recognised as a separate liability. The valuation of the asset for financial reporting purposes, before deducting this allowance, is therefore CU114,200. The following additional journal entry is needed:

	CU	CU
Dr Accumulated depreciation (1)	3,420	
Cr Asset (revaluation model)		3,420
Dr Revaluation surplus (2)	8,980	
Cr Asset (revaluation model) (3)		8,980

[4] Throughout this example, changes to the revaluation surplus are recognised through other comprehensive revenue and expense.

Notes:

1. Eliminating accumulated depreciation of CU3,420 in accordance with the entity's accounting policy.
2. The debit is to revaluation surplus because the deficit arising on the revaluation does not exceed the credit balance existing in the revaluation surplus in respect of the asset.
3. Previous valuation (before allowance for decommissioning costs) CU126,600, less cumulative depreciation of CU3,420, less new valuation (before allowance for decommissioning costs) CU114,200.

IE14. Following this valuation, the amounts included in the statement of financial position are:

	CU
Asset (revaluation model)	114,200
Accumulated depreciation	nil
Decommissioning liability	(7,200)
Net assets	107,000
Accumulated comprehensive revenue and expense (1)	(14,620)
Revaluation surplus (2)	11,620

Notes:

1. CU10,600 at 31 December 20X2 plus 20X3's depreciation expense of CU3,420 and discount expense of CU600 = CU14,620.

2. CU15,600 at 31 December 20X2, plus CU5,000 arising on the decrease in the liability, less CU8,980 deficit on revaluation = CU11,620.

Part D – Amendments to PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*

Paragraphs 39.4 – 39.4.3 and Appendix A (paragraphs A1 – A4) and the related heading are added. Heading above paragraph 39.4 is amended. New text is underlined and deleted text is struck through.

~~Effective date~~ Commencement and Application

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Amendments to PBE Standards: Specific IFRIC Interpretations

39.4 The amending Standard *Amendments to PBE Standards: Specific IFRIC Interpretations*, issued in [month year] added Appendix A (paragraphs A1 – A4). An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs 39.4.1 – 39.4.3. An entity that applies these amendments to an 'early adoption accounting period' shall disclose that fact.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

39.4.1 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019.[5]

[5] The amending Standard was published on [date] and takes effect on [date].

Accounting period in relation to which the amending Standard commences to apply (section 28 Financial Reporting Act 2013)

39.4.2 The accounting periods in relation to which this amending Standard commences to apply are:

(a) For an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.

(b) For any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

39.4.3 In paragraph 39.4.2:

Early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period.

Early adoption accounting period means an accounting period of the early adopter:

(a) That begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) For which the early adopter:

(i) First applies this amending Standard in preparing its financial report; and

(ii) Discloses in its financial report for that accounting period that this amending Standard has been applied for that period.

Mandatory date means 1 January 2027.

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Appendix A

Applying the Restatement Approach under PBE IPSAS 10 *Financial Reporting in Hyperinflationary Economies*

This Appendix is an integral part of PBE IPSAS 10.

A1. This Appendix provides guidance on how to apply the requirements of this Standard in a reporting period in which an entity identifies, using the criteria in paragraph 5, the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with this Standard. Specifically, this Appendix addresses:

(a) How should the requirement "... stated in terms of the measuring unit current at the reporting date" in paragraph 11 be interpreted when an entity applies the Standard?

(b) How should an entity account for opening deferred tax items in its restated financial statements?

A2. In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of this Standard as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effect of inflation from the date the assets were acquired, and the liabilities were incurred or assumed until the reporting date. For non-monetary items carried in the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the reporting date.

A3. At the reporting date, deferred tax items are recognised and measured in accordance with PBE IAS 12 *Income Taxes*. However, the deferred tax figures in the opening statement of financial position for the reporting period shall be determined as follows:

(a) the entity remeasures the deferred tax items in accordance with PBE IAS 12 after it has restated the nominal carrying amounts of its non-monetary items at the date of the opening statement of financial position of the reporting period by applying the measuring unit at that date.

(b) the deferred tax items remeasured in accordance with (a) are restated for the change in the measuring unit from the date of the opening statement of financial position of the reporting period to the end of that reporting period.

The entity applies the approach in (a) and (b) in restating the deferred tax items in the opening statement of financial position of any comparative periods presented in the restated financial statements for the reporting period in which the entity applies this Standards.

A4. After an entity has restated its financial statements, all corresponding figures in the financial statements for a subsequent reporting period, including deferred tax items, are restated by applying the change in the measuring unit for that subsequent reporting period only to the restated financial statements for the previous reporting period.

Paragraphs BC3 – BC5 and the related heading are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 10.

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Amendments to PBE Standards: Specific IFRIC Interpretations

BC3. IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*, issued by the IASB in November 2005, clarifies how an entity restates its financial statements in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency. The IPSASB subsequently incorporated this Interpretation into IPSAS 10, *Financial Reporting in Hyperinflationary Economies*, by issuing *Amendments to IPSAS Standards: Specific IFRIC Interpretations* in January 2025.

BC4. The NZASB considered this guidance is appropriate for application by public benefit entities and amended PBE IPSAS 10 by issuing *Amendments to PBE Standards: Specific IFRIC Interpretations* in [month, year]. Those amendments are equivalent to the IPSASB pronouncement, except that more detailed guidance to the restatement of deferred tax items is provided. This guidance reflects PBE IAS 12 *Income Taxes* requirements and is aligned with NZ IFRIC 7 *Applying the Restatement Approach under NZ IAS 29 Financial Reporting in Hyperinflationary Economies*.

BC5. Illustrative example on the application of IFRIC 7 to the restatement of deferred tax items is available in the additional material for NZ IFRIC 7 on the XRB website.

Part E – Amendments to PBE IPSAS 39 *Employee Benefits*

Paragraphs 175.1, 177.3 – 177.3.3 and Appendix AA (paragraphs AA1 – AA23) and the related heading are added. Heading above paragraph 177.3 is amended. New text is underlined and deleted text is struck through.

Transitional Provisions

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175.1 The amending Standard *Amendments to PBE Standards: Specific IFRIC Interpretations*, issued in [month year] added Appendix AA. An entity shall apply Appendix AA from the beginning of the first period presented in the first financial statements to which the Appendix applies. An entity shall recognise any initial adjustment arising from the application of Appendix AA in accumulated comprehensive revenue and expense at the beginning of that period.

~~Effective date~~ Commencement and Application

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Amendments to PBE Standards: Specific IFRIC Interpretations

177.3 The amending Standard *Amendments to PBE Standards: Specific IFRIC Interpretations*, issued in [month year] added Appendix AA (paragraphs AA1 – AA23). An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs 177.3.1 – 177.3.3. An entity that applies these amendments to an 'early adoption accounting period' shall disclose that fact.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

177.3.1 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019.[6]

Accounting period in relation to which the amending Standard commences to apply (section 28 Financial Reporting Act 2013)

177.3.2 The accounting periods in relation to which this amending Standard commences to apply are:

(a) For an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.

(b) For any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

177.3.3 In paragraph 177.3.2:

Early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period.

Early adoption accounting period means an accounting period of the early adopter:

(a) That begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) For which the early adopter:

(i) First applies this amending Standard in preparing its financial report; and

(ii) Discloses in its financial report for that accounting period that this amending Standard has been applied for that period.

Mandatory date means 1 January 2027.

...

[6] The amending Standard was published on [date] and takes effect on [date].

Appendix AA

The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Appendix is an integral part of PBE IPSAS 39.

Introduction

AA1. Paragraph 66 of this Standard limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. Paragraph 8 defines the asset ceiling as '*the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan*'. Identifying when refunds or reductions in future contributions should be regarded as available, particularly when a minimum funding requirement exists, can be challenging.

AA2. Minimum funding requirements exist in many countries to improve the security of the post-employment benefit promise made to members of an employee benefit plan. Such requirements normally stipulate a minimum amount or level of contributions that must be made to a plan over a given period. Therefore, a minimum funding requirement may limit the ability of the entity to reduce future contributions.

AA3. Further, the limit on the measurement of a defined benefit asset may cause a minimum funding requirement to be onerous. Normally, a requirement to make contributions to a plan would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, will become plan assets and so the additional net liability is nil. However, a minimum funding requirement may give rise to a liability if the required contributions will not be available to the entity once they have been paid.

AA4. This Appendix applies to all post-employment defined benefits and other long-term employee defined benefits, and addresses:

(a) When refunds or reductions in future contributions should be regarded as available in accordance with the definition of the asset ceiling in paragraph 8;

(b) How a minimum funding requirement might affect the availability of reductions in future contributions; and

(c) When a minimum funding requirement might give rise to a liability.

AA5. For the purpose of this Appendix, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan.

Application of PBE IPSAS 39 to The Limit on a Defined Benefit Asset and Minimum Funding Requirements

Availability of a Refund or Reduction in Future Contributions

AA6. An entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan.

AA7. An economic benefit, in the form of a refund or a reduction in future contributions, is available if the entity can realise it at some point during the life of the plan or when the plan liabilities are settled. In particular, such an economic benefit may be available even if it is not realisable immediately at the reporting date.

AA8. The economic benefit available does not depend on how the entity intends to use the surplus. An entity shall determine the maximum economic benefit that is available from refunds, reductions in future contributions or a combination of both. An entity shall not recognise economic benefits from a combination of refunds and reductions in future contributions based on assumptions that are mutually exclusive.

AA9. In accordance with PBE IPSAS 1 *Presentation of Financial Reports*, the entity shall disclose information about the key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. This might include disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available.

The Economic Benefit Available as a Refund

The Right to a Refund

AA10. A refund is available to an entity only if the entity has an unconditional right to a refund:

(a) During the life of the plan, without assuming that the plan liabilities must be settled in order to obtain the refund (e.g., in some jurisdictions, the entity may have a right to a refund during the life of the plan, irrespective of whether the plan liabilities are settled); or

(b) Assuming the gradual settlement of the plan liabilities over time until all members have left the plan; or

(c) Assuming the full settlement of the plan liabilities in a single event (i.e., as a plan wind-up).

An unconditional right to a refund can exist whatever the funding level of a plan at the reporting date.

AA11. If the entity's right to a refund of a surplus depends on the occurrence or non-occurrence of one or more uncertain future events not wholly within its control, the entity does not have an unconditional right and shall not recognise an asset.

Measurement of the Economic Benefit

AA12. An entity shall measure the economic benefit available as a refund as the amount of the surplus at the reporting date (being the fair value of the plan assets less the present value of the defined benefit obligation) that the entity has a right to receive as a refund, less any associated costs.

AA13. In measuring the amount of a refund available when the plan is wound up (paragraph AA10(c)), an entity shall include the costs to the plan of settling the plan liabilities and making the refund. For example, an entity shall deduct professional fees if these are paid by the plan rather than the entity, and the costs of any insurance premiums that may be required to secure the liability on wind-up.

AA14. If the amount of a refund is determined as the full amount or a proportion of the surplus, rather than a fixed amount, an entity shall make no adjustment for the time value of money, even if the refund is realisable only at a future date.

The Economic Benefit Available as a Contribution Reduction

AA15. If there is no minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions is the future service cost to the entity for each period over the shorter of the expected life of the plan and the expected life of the entity. The future service cost to the entity excludes amounts that will be borne by employees.

AA16. An entity shall determine the future service costs using assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the reporting date as determined by this Standard. Therefore, an entity shall assume no change to the benefits to be provided by a plan in the future until the plan is amended and shall assume a stable workforce in the future unless the entity makes a reduction in the number of employees covered by the plan. In the latter case, the assumption about the future workforce shall include the reduction.

The Effect of a Minimum Funding Requirement on the Economic Benefit Available as a Reduction in Future Contributions

AA17. An entity shall analyse any minimum funding requirement at a given date into contributions that are required to cover (a) any existing shortfall for past service on the minimum funding basis and (b) future service.

AA18. Contributions to cover any existing shortfall on the minimum funding basis in respect of services already received do not affect future contributions for future service. They may give rise to a liability in accordance with paragraphs AA22–AA23.

AA19. If there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions is the sum of:

(a) Any amount that reduces future minimum funding requirement contributions for future service because the entity made a prepayment (i.e., paid the amount before being required to do so); and

(b) The estimated future service cost in each period in accordance with paragraphs AA15-AA16, less the estimated minimum funding requirement contributions that would be required for future service in those periods if there were no prepayment as described in (a).

AA20. An entity shall estimate the future minimum funding requirement contributions for future service taking into account the effect of any existing surplus determined using the minimum funding basis but excluding the prepayment described in paragraph AA19(a). An entity shall use assumptions consistent with the minimum funding basis and, for any factors not specified by that basis, assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the reporting date as determined by this Standard. The estimate shall include any changes expected as a result of the entity paying the minimum contributions when they are due. However, the estimate shall not include the effect of expected changes in the terms and conditions of the minimum funding basis that are not substantively enacted or contractually agreed at the reporting date.

AA21. When an entity determines the amount described in paragraph AA19(b), if the future minimum funding requirement contributions for future service exceed the future service cost in any given period, that excess reduces the amount of the economic benefit available as a reduction in future contributions. However, the amount described in paragraph AA19(b) can never be less than zero.

When a Minimum Funding Requirement May Give Rise to a Liability

AA22. If an entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding basis in respect of services already received, the entity shall determine whether the contributions payable will be available as a refund or reduction in future contributions after they are paid into the plan.

AA23. To the extent that the contributions payable will not be available after they are paid into the plan, the entity shall recognise a liability when the obligation arises. The liability shall reduce the net defined benefit asset or increase the net defined benefit liability so that no gain or loss is expected to result from applying paragraph 66 of this Standard when the contributions are paid.

Paragraphs BC5 – BC6 and the related heading are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 39.

…

Amendments to PBE Standards: Specific IFRIC Interpretations

BC5. IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, issued by the IASB in July 2007, clarifies how employer entities should account for their involvement in defined benefit plans, specifically:

(a) How certain aspects of the "asset ceiling" definition should be interpreted;

(b) How a minimum funding requirement might affect the availability of reductions in future contributions in respect of the "asset ceiling" definition; and

(c) When a minimum funding requirement might give rise to a liability.

The IPSASB subsequently incorporated this Interpretation into IPSAS 39, *Employee Benefits*, by issuing *Amendments to IPSAS Standards: Specific IFRIC Interpretations* in January 2025.

BC6. The NZASB considered this guidance is appropriate for application by public benefit entities and amended PBE IPSAS 39 by issuing *Amendments to PBE Standards: Specific IFRIC Interpretations* in [month, year]. Those amendments are equivalent to the IPSASB pronouncement.

Paragraphs IE1 – IE26 and the related heading are added. New text is underlined.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 39

The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Example 1: Effect of the Minimum Funding Requirement when there is a Surplus and the Minimum Funding Contributions Payable are Fully Refundable to the Entity

IE1. An entity has a funding level on the minimum funding requirement basis (which is measured on a different basis from that required under PBE IPSAS 39) of 82 per cent in Plan A. Under the minimum funding requirements, the entity is required to increase the funding level to 95 per cent immediately. As a result, the entity has a statutory obligation at the reporting date to contribute CU200 to Plan A immediately. The plan rules permit a full refund of any surplus to the entity at the end of the life of the plan. The year-end valuations for Plan A are set out below.

	CU
Fair value of assets	1,200
Present value of defined benefit obligation under PBE IPSAS 39	(1,100)
Surplus	100

IE2. Paragraph AA23 of Appendix AA of PBE IPSAS 39 clarifies that the entity is required to recognise a liability to the extent that the contributions payable are not fully available. Payment of the contributions of CU200 will increase the surplus from CU100 to CU300. Under the rules of the plan this amount will be fully refundable to the entity with no associated costs. Therefore, no liability is recognised for the obligation to pay the contributions and the net defined benefit asset is CU100.

Example 2: Effect of a Minimum Funding Requirement when there is a Deficit and the Minimum Funding Contributions Payable would not be Fully Available

IE3. An entity has a funding level on the minimum funding requirement basis (which is measured on a different basis from that required under PBE IPSAS 39) of 77 per cent in Plan B. Under the minimum funding requirements, the entity is required to increase the funding level to 100 per cent immediately. As a result, the entity has a statutory obligation at the reporting date to pay additional contributions of CU300 to Plan B. The plan rules permit a maximum refund of 60 per cent of the surplus to the entity and the entity is not permitted to reduce its contributions below a specified level which happens to equal the service cost. The year-end valuations for Plan B are set out below.

	CU
Fair value of assets	1,000
Present value of defined benefit obligation under PBE IPSAS 39	(1,100)
Deficit	(100)

IE4. The payment of CU300 would change the deficit of CU100 to a surplus of CU200. Of this CU200, 60 per cent (CU120) is refundable.

IE5. Therefore, of the contributions of CU300, CU100 eliminates the deficit and CU120 (60 per cent of CU200) is available as an economic benefit. The remaining CU80 (40 per cent of CU200) of the contributions paid is not available to the entity.

IE6. Paragraph AA23 of Appendix AA of PBE IPSAS 39 clarifies that the entity is required to recognise a liability to the extent that the additional contributions payable are not available to it.

IE7. Therefore, the net defined benefit liability is CU180, comprising the deficit of CU100 plus the additional liability of CU80 resulting from the requirements in Paragraph AA23 of Appendix AA of PBE IPSAS 39. No other liability is recognised in respect of the statutory obligation to pay contributions of CU300.

	CU
Fair value of assets	1,000
Present value of defined benefit obligation under PBE IPSAS 39	(1,100)
Deficit	(100)
Effect of the asset ceiling	(80)
Net defined benefit liability	(180)

IE8. When the contributions of CU300 are paid, the net defined benefit asset will be CU120.

Example 3: Effect of a Minimum Funding Requirement when the Contributions Payable would not be Fully Available and the Effect on the Economic Benefit Available as a Future Contribution Reduction

IE9. An entity has a funding level on the minimum funding basis (which it measures on a different basis from that required by PBE IPSAS 39) of 95 per cent in Plan C. The minimum funding requirements require the entity to pay contributions to increase the funding level to 100 per cent over the next three years. The contributions are required to make good the deficit on the minimum funding basis (shortfall) and to cover future service.

IE10. Plan C also has a surplus at the reporting date of CU50, which cannot be refunded to the entity under any circumstances.

IE11. The nominal amounts of contributions required to satisfy the minimum funding requirements in respect of the shortfall and the future service for the next three years are set out below.

Year	**Total contributions for minimum funding requirement (CU)**	**Contributions required to make good the shortfall (CU)**	**Contributions required to cover future service (CU)**
1	135	120	15
2	125	112	13
3	115	104	11

IE12. The entity's present obligation in respect of services already received includes the contributions required to make good the shortfall but does not include the contributions required to cover future service.

IE13. The present value of the entity's obligation, assuming a discount rate of 6 per cent per year, is approximately CU300, calculated as follows:

$[CU120/(1.06) + CU112/(1.06)^2 + CU104/(1.06)^3]$

IE14. When these contributions are paid into the plan, the surplus (i.e., the fair value of assets less the present value of the defined benefit obligation) would, other things being equal, increase from CU50 to CU350 (CU300 + CU50).

IE15. However, the surplus is not refundable although an asset may be available as a future contribution reduction.

IE16. In applying paragraph AA19 of Appendix AA of PBE IPSAS 39, the entity determines that there is no prepayment as described in paragraph AA19(a). The amounts available as a reduction in future contributions when applying paragraph AA19(b) of Appendix AA of PBE IPSAS 39 are set out below.

Year	**Service cost (CU)**	**Minimum contributions required to cover future service (CU)**	**Amount available as contribution reduction (CU)**
1	13	15	(2)

2	13	13	0
3	13	11	2
4+	13	9	4

IE17. Assuming a discount rate of 6 per cent, the present value of the economic benefit available as a future contribution reduction is therefore equal to:

$(CU2)/(1.06) + CU0/(1.06)^2 + CU2/(1.06)^3 + CU4/(1.06)^4 ... = CU56$

IE18. Paragraph AA23 of Appendix AA of PBE IPSAS 39 clarifies that the entity is to recognise a liability to the extent that the additional contributions payable will not be fully available. Therefore, the effect of the asset ceiling is CU294 (CU50 + CU300 – CU56).

IE19. The entity recognises a net defined benefit liability of CU244 in the statement of financial position. No other liability is recognised in respect of the obligation to make contributions to fund the minimum funding shortfall.

	CU
Surplus	50
Net defined benefit asset (before consideration of the minimum funding requirement)	50
Effect of the asset ceiling	(294)
Net defined benefit liability	(244)

IE20. When the contributions of CU300 are paid into the plan, the net defined benefit asset will become CU56 (CU300 – CU244).

Example 4: Effect of a Prepayment when a Minimum Funding Requirement Exceeds the Expected Future Service Charge

IE21. An entity is required to fund Plan D so that no deficit arises on the minimum funding basis. The entity is required to pay minimum funding requirement contributions to cover the service cost in each period determined on the minimum funding basis.

IE22. Plan D has a surplus of CU35 at the beginning of 20X1. This example assumes that the discount rate and expected return on assets are 0 per cent, and that the plan cannot refund the surplus to the entity under any circumstances but can use the surplus for reductions of future contributions.

IE23. The minimum contributions required to cover future service are CU15 for each of the next five years. The expected service cost is CU10 in each year.

IE24. The entity makes a prepayment of CU30 at the beginning of 20X1 in respect of years 20X1 and 20X2, increasing its surplus at the beginning of 20X1 to CU65. That prepayment reduces the future contributions it expects to make in the following two years, as follows:

Year	**Service cost (CU)**	**Minimum funding requirement contribution before prepayment (CU)**	**Minimum funding requirement contribution after prepayment (CU)**
20X1	10	15	0
20X2	10	15	0
20X3	10	15	15

20X4	10	15	15
20X5	10	15	15
Total	**50**	**75**	**45**

IE25. In accordance with paragraphs AA19 and AA21 of Appendix AA of PBE IPSAS 39, at the beginning of 20X1, the economic benefit available as a reduction in future contributions is the sum of:

(a) CU30, being the prepayment of the minimum funding requirement contributions; and

(b) Nil. The estimated minimum funding requirement contributions required for future service would be CU75 if there was no prepayment. Those contributions exceed the estimated future service cost (CU50); therefore, the entity cannot use any part of the surplus of CU35 noted in paragraph IE22 (see paragraph AA21 of Appendix AA of PBE IPSAS 39).

IE26. Assuming a discount rate of 0 per cent, the present value of the economic benefit available as a reduction in future contributions is equal to CU30. Thus, in accordance with paragraph 66 of PBE IPSAS 39, the entity recognises a net defined benefit asset of CU30 (because this is lower than the surplus of CU65).