



At a glance

# Incorporated Societies

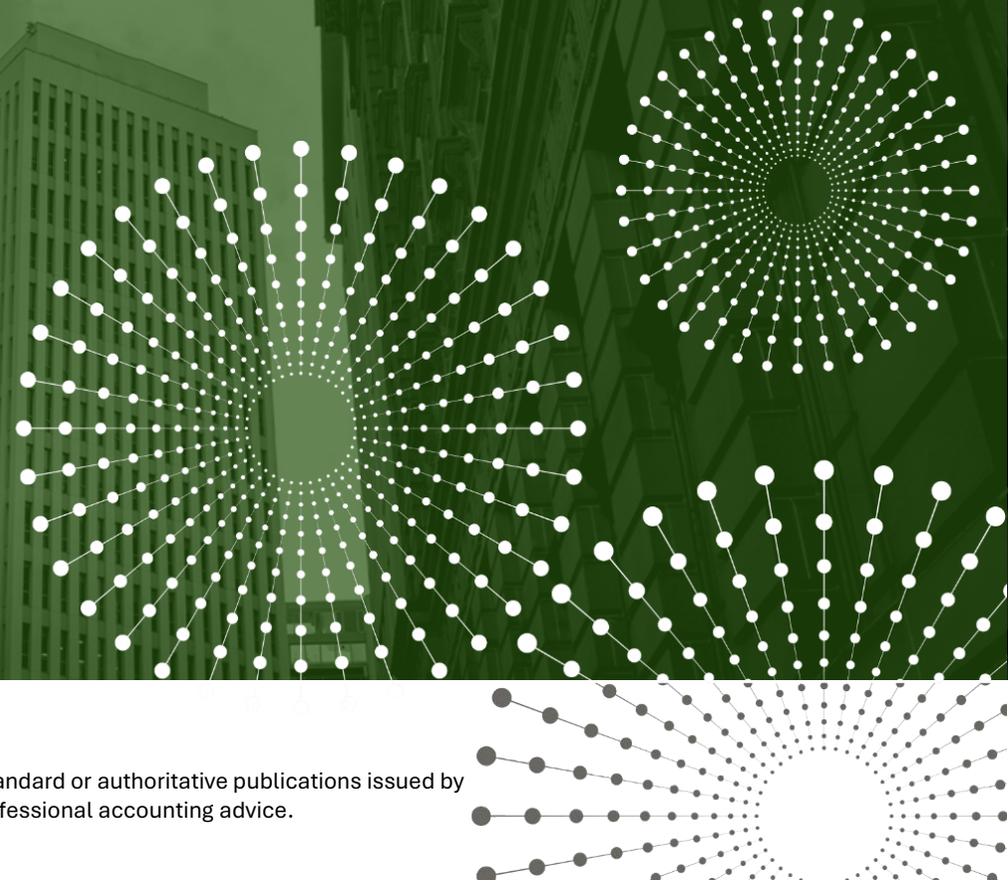
Applying the Tier 3 Not-for-Profit (NFP)  
Standard

Assets and Liabilities Guide

February 2026

## Disclaimer

This guidance has been prepared by staff of the External Reporting Board (XRB). It does not form part of any Standard or authoritative publications issued by the XRB. It should not be used as a substitute for reading the Tier 3 (NFP) Standard, nor is it a substitute for professional accounting advice.





# Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Below are examples of common assets and liabilities and what you would consider when recording these at financial year end. You may find this helpful to give you an indication of what to consider for these types of assets and liabilities on adoption.

You will also need to organise your assets into current and non-current assets ([Paragraph A118](#)), and your liabilities into current and non-current liabilities ([Paragraph A162](#)).

- **Current assets and liabilities are expected to be used, or sold, or paid within 12 months**
- **Non-current assets and liabilities are expected to last beyond 12 months**

Assets	Adoption considerations <a href="#">see Paragraph A121 and Table 3 for more information</a>
<b>Cash and short term deposits (<a href="#">A109</a>)</b>	Check your bank balances recorded tie to your bank statements (as reconciled).
<b>Debtors (invoices owing to you/accounts receivable – <a href="#">A110</a>)</b>	<p>If you have not previously recorded debtors you will need to record the amount receivable from invoices issued prior to your financial year end where payment was not received at financial year end.</p> <p>You are also required to assess whether any of the debtors balance is likely to not be received (<a href="#">Paragraph A124</a>). If it were known at your financial year end that any part of the balance was a bad debt then this amount should be written off as an expense.</p>
<b>Prepayments (expenses paid in advance of the financial year they relate to – <a href="#">A111</a>)</b>	<p>Consider if anything <b>significant</b> has been prepaid in advance of the actual financial year they relate to.</p> <p>A common expense to watch out for is insurance, along with any subscription-based expenditure (especially when paid annually).</p>
<b>Inventory (<a href="#">A112</a>)</b>	<p>The Tier 3 NFP Standard requires you to hold your inventory at the lower of cost or net realisable value (current value it could be sold for).</p> <p>You will need to assess the balance of inventory, and if the current value it could be sold for is lower than its cost you must record an expense to reduce the balance. This assessment should be made based on information as at financial year end without the benefit of hindsight!</p>



## Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Assets	Adoption considerations <u>see Paragraph A121 and Table 3 for more information</u>
<b>Investments (<a href="#">A114</a> and <a href="#">A145-A151</a>)</b>	<p>Investments can be recorded at cost. However, if you have publicly traded investments, you may elect to record at a current market value.</p> <p>If you have interest bearing investments - interest that is earned up to your financial year end but has not been paid should be recorded (if it is significant). You may decide to record this amount onto the balance of your investment or as an other receivable. If you receive dividends - any dividends that are declared but not yet paid should also be accrued (if they are significant). Again, you may decide to record this onto the balance of your investment or as an other receivable.</p>
<b>Property, plant and equipment (fixed assets – <a href="#">A113</a> and <a href="#">A129-A142</a>)</b>	<p>If you have property, plant and equipment then there are several things to consider upon adoption:</p> <ul style="list-style-type: none"><li>• Recognition and valuation of significant assets</li><li>• Depreciation</li><li>• Investment property</li></ul> <p><b>Recognition and valuation of significant assets</b></p> <p>Have you recorded all significant items of property, plant and equipment? If not, the Tier 3 NFP Standard allows you to record these items at a readily obtainable current amount (such as rateable value or government valuation). You can also elect to revalue classes of property, plant and equipment to a current market value (should you wish).</p> <p><b>Depreciation</b></p> <p>Depreciation is the allocation of the cost of the asset over its useful life using a structured method such as straight line or diminishing value.</p> <p>Depreciation must be recorded based on an estimate of the useful life of the item of property, plant and equipment. If you have applied depreciation previously (e.g. in line with Inland Revenue depreciation rates), you must consider whether the rates used align with the estimated useful life of the asset. If there are significant differences, you will need to change your depreciation rates to align with the estimated useful life.</p> <p><u>For example</u>, if a society applied the Tier 3 Standard from 1 April 2025 and reviewed five laptops bought on 1 April 2024 for \$1,500 each, it may decide they will be used for four years. If this results in a significant change for the society, the depreciation rate would be updated going forward from 50% diminishing value to 25% straight-line. At 1 April 2025, each laptop would have a carrying amount of \$750, which would then be depreciated evenly over the remaining three years (\$250 per year).</p> <p><b>Investment property (<a href="#">A143-A144</a>)</b></p> <p>You can classify items of property, plant and equipment as investment property if they are held primarily to generate rental income or for capital gains. This description may better match your use of the asset.</p>



## Applying the Tier 3 NFP Standard: Assets and Liabilities Guide

Liabilities	Adoption considerations <u>See Paragraph A166 and Table 4 for more information</u>
<b>Creditors and accrued expenses (A155-A156)</b>	<p>If you have not previously recorded transactions on an accrual basis, you will need to determine your creditors and accrued expenses balance at your financial year end.</p> <ol style="list-style-type: none"><li>1. Record as creditors the amounts of any invoices dated prior to financial year end but that are not yet paid at financial year end; and</li><li>2. Record any significant expenses that were incurred in the financial year but not paid until after financial year end.</li></ol>
<b>Employee costs payable (A157)</b>	<p>If you have not recorded salaries and wages payable or a holiday pay provision or any other relevant employee costs payable previously, then we suggest determining whether the balances would be significant at your financial year end.</p> <p>If they are significant then the appropriate balances owing should be recorded as employee costs payable.</p>
<b>Deferred revenue</b>	<p>A review of the types of revenue your society generates, and the required accounting policy for recording these, should help you determine whether you are required to record deferred revenue at financial year end.</p>
<b>Loans (A158)</b>	<p>Ensure you go back to your loan statements to check the correct principal balance at your financial year end.</p> <p>If accrued interest is <b>significant</b> and has not been recorded, we suggest recording this within the loan balance.</p>

Note: All links in this document are to the XRB Standard Navigator and provide a simple way to access the Tier 3 NFP Standard.



You can find more information and all of our resources on our [Incorporated Societies webpage](#)