Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

At a glance

Incorporated Societies

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

Watch out for...

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: Watch out for...

When applying the Tier 3 Not-For-Profit (NFP) Accounting Standard, you may encounter situations where more complex requirements apply. Where the Tier 3 Standard does not provide guidance on accounting for a specific type of transaction or event, you may need to refer to the requirements or guidance in the Tier 2 Standards. Common examples of more complex requirements include accounting for interests in other entities or accounting for transactions where you are acting as an agent for another entity, and these topics are explained in the sections that follow.

To view other common questions or areas to watch out for when applying the Tier 3 Standard, we recommend accessing our FAQ webpage.

Watch out for these requirements when applying the Tier 3 Standard

Accounting for interests in other entities

When applying the Tier 3 Standard, you are required to identify your interests (control and ownership rights) in other entities and assess whether any of those interests result in you needing to consolidate or account for an investment in an associate or a joint arrangement.

If you have these interests, you will need to use the relevant Tier 2 Standards.

- ***Consolidation (where you control other entities) –*** Consolidation is the process of combining financial information across all entities within a group to present a single set of financial statements. Your society will be required to consolidate if it 'controls' any other entities. Refer to the applicable accounting standard (PBE IPSAS 35).

- ***Joint arrangements –*** A joint arrangement is an arrangement of which two or more parties have "joint control". Refer to the applicable accounting standard (PBE IPSAS 37).

- ***Investments in Associates –*** An associate is an entity you have significant influence over by way of your investment. Refer to the applicable accounting standard (PBE IPSAS 36).

For further information on joint arrangements, investments in associates and consolidation, we recommend viewing:

- **Explanatory Guide A8** – helps you identify all parts of your organisation that must be reported together as a group (such as whether you have control over branches or other organisations, and may need to consolidate financial information); and

- **Explanatory Guide A9** – helps you identify any relationships with other organisations that must be reported (such as a joint arrangement or an investment in an associate).

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

Applying the Tier 3 NFP Standard: Watch out for... (continued)

Watch out for these requirements when applying the Tier 3 Standard

Principal vs Agent transactions

If your society collects revenue and incurs expenses on behalf of another party, you must consider whether you are acting as the principal or as an agent in the transaction.

- The **principal** is the organisation that is responsible for providing or purchasing the goods or services. They own the product or service and take the main risk in fulfilling the agreement with the other party in the transaction.
- The **agent** is the organisation that helps arrange the sale or purchase of the goods or services on behalf of the principal. They don't own the goods or services and usually earn a fee or commission for helping.

Example:
If a sports club sells uniforms:

- If the club buys the uniforms and sells them, they would be considered the principal.
- If the club takes orders for uniforms and passes the order on to a supplier to provide, earning a small fee, they would be considered the agent for the supplier.

If you are acting as an agent, you should not record the amounts collected or incurred in your Statement of Financial Performance or Cash Flows, as they should offset.

- Any amount not yet returned to the other party should be recorded in the Statement of Financial Position as a payable.
- If you earn a margin while acting as an agent, the margin earned should be recorded as a single item in revenue.
- The same approach should be taken in the Statement of Cash Flows.

For further information, see sections Paragraphs A101-104 in section 5 and Paragraph A230 in section 9 of the Tier 3 Standard.

You can find more information and all of our resources on our Incorporated Societies webpage