

## Memorandum

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**To:** NZASB Members

**Meeting date:** 12 October 2026

**Subject:** **Alignment between IPSAS and IFRS Accounting Standards**

**Date:** 1 October 2026

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☐ **Action Required**

☒ **For Information Purposes Only**

### Purpose<sup>1</sup>

1. As part of the review of the New Zealand Accounting Standards Framework (ASF), different framework options are being considered for Tier 1 and Tier 2 public benefit entities (PBEs). One of the possible framework options is to base standards for such entities on IFRS Accounting Standards, rather than IPSAS – i.e. to move to a ‘sector neutral’ approach.
2. The purpose of this paper is to inform the consideration of the option above, by providing a comparison between:
  - (a) new IPSAS Standards that are yet to be incorporated into PBE Standards; and
  - (b) IFRS Accounting Standards (if any) covering similar topics.
3. The analysis in the main body of this paper takes a future-focused perspective. That is, we have considered upcoming changes to New Zealand PBE Standards to align with new IPSAS Standards, and whether PBEs would be faced with similar changes and similar complexity if we move to a sector-neutral framework where Tier 1 and Tier 2 PBEs are required to report in accordance with requirements in IFRS Accounting Standards. Our comparison also considered differences between these new IPSAS and IFRS Accounting Standards, and the implications of these differences for a sector-neutral framework, bearing in mind the differences between PBEs and for-profit entities in terms of their purpose, transaction types and user needs.
4. Additionally, we also included [Appendix 2](#), which provides a comparison between the full suite of IPSAS against IFRS Accounting Standards. This comparison has been included for completeness and to provide broader context on how the two frameworks align and differ. It also assists in identifying potential gaps that may arise under a sector-neutral approach and any areas where additional standards, guidance, or support materials may be required.

### Recommendations

5. We recommend that the Board **NOTES** the content of this memo for purposes of the discussion on the framework options for Tier 1 and Tier 2 public sector and not-for-profit entities.

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<sup>1</sup> This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

## Structure of this memo

6. This memo includes the following sections:
- (a) [Background](#)
  - (b) [Overview: PBE Standards vs NZ IFRS](#)
  - (c) [Analysis: Alignment between key IPSAS that are ‘on the horizon’ in NZ with IFRS Accounting Standards](#)
  - (d) [Observations](#)
  - (e) [Appendix 1: Further detail – comparison of IPSAS that are ‘on the horizon’ domestically vs IFRS Accounting Standards](#)
  - (f) [Appendix 2: Comparison between IPSAS and IFRS Accounting Standards \(excluding recently-issued IPSAS covered in Appendix 1\)](#)

## Background

### *The current ASF’s multi-sector approach*

7. A key element of the New Zealand ASF is its multi-sector, multi-standards approach. That is:
- (a) There are different suites of accounting standards for two distinct sectors: for-profit entities and public benefit entities (PBEs).
  - (b) Standards for for-profit entities are based on IFRS Accounting Standards – whereby the requirements in IFRS Accounting Standards are not modified, other than by providing disclosure concessions or by adding New Zealand-specific disclosures.
  - (c) Standards for PBEs in Tier 1 and Tier 2 are primarily based on IPSAS, with some modifications for enhanced local relevance in New Zealand, e.g. adding guidance or making changes to enhance the clarity of the requirements (to support consistent application by New Zealand PBEs), and adding guidance for application by not-for-profit PBEs (considering that IPSAS are developed for the public sector).
8. This multi-sector, multi-standards approach reflects a key objective of the ASF, which is to meet user needs. The [ASF document](#) refers to “A user-needs approach that recognises the different users and user-needs in the for-profit entity and the public benefit entity sectors”.
9. Before the current ASF was introduced in 2012, a sector-neutral approach was taken to standard setting in New Zealand. This meant that for all reporting entities, other than those eligible to report in accordance with ‘old GAAP’, accounting standards were based on IFRS Accounting Standards (then called ‘IFRS’), with PBE modifications being included within NZ IFRSs as deemed necessary.
10. In the years leading up to the development of the current ASF, concerns were arising in relation to the sector-neutral approach.
- (a) In 2009, the Accounting Standards Review Board (ASRB) – the XRB’s predecessor – issued the Discussion Paper [Proposed Application of Accounting and Assurance Standards under the Proposed New Statutory Framework for Financial Reporting](#). That Discussion Paper mentioned IFRS’ predominant focus on the for-profit sector, and noted that “there is a growing consensus that NZ IFRS is not well suited to deal with the information needs of non-capital market users, especially those in the PBE sectors”.
  - (b) In 2009, the Auditor-General at the time had expressed concerns about the suitability of IFRS for the public sector, given IFRS’s focus on for-profit entities and capital markets,

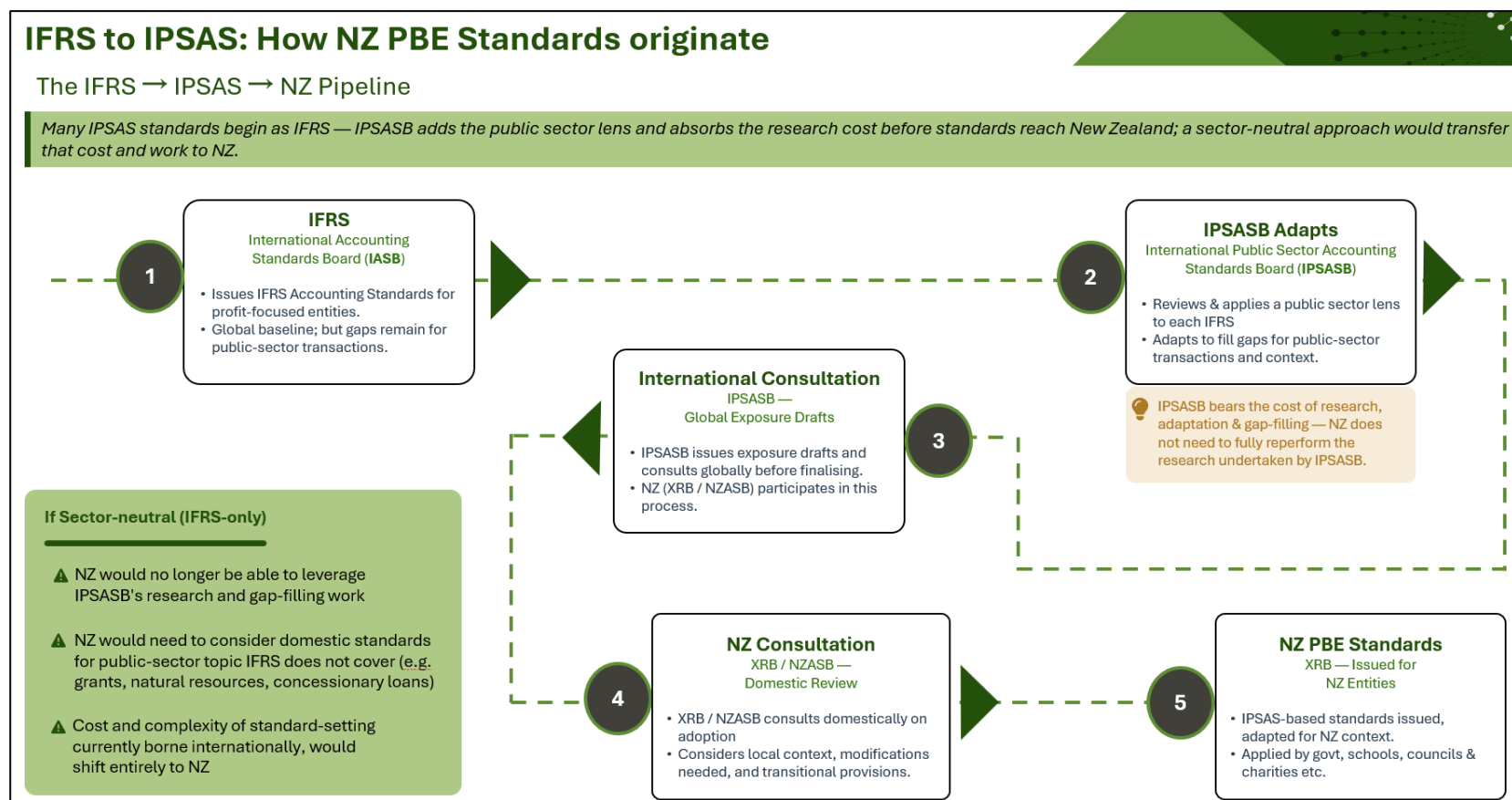
and lack of focus on public sector-specific matters (see the publication [\*The Auditor General's views on setting financial reporting standards for the public sector\*](#)).

11. Considering these concerns, the introduction of the current ASF in 2012 involved a shift away from the abovementioned sector-neutral suite of standards. The new multi-sector approach required selecting a basis, other than IFRS Accounting Standards, for developing standards for PBEs in the public and not-for-profit sectors. IPSAS was selected for this purpose.

***Why and how are IPSAS currently used in developing PBE Standards***

12. When the current ASF was developed, the only suite of international accounting standards other than IFRS Accounting Standards was IPSAS – and today, IPSAS remain the only suite of international standards developed specifically for the public sector. The [\*New Zealand ASF document\*](#) says that: “*The XRB [...] considers that IPSAS is a credible set of standards*”. The IPSASB follows due process in developing IPSAS, has a Conceptual Framework to underpin the development of standards, and is subject to independent governance by the Public Interest Committee (PIC).
13. While many IPSAS are based on IFRS Accounting Standards, the IPSASB modifies requirements in IFRS Accounting Standards for the public sector context. The IPSASB also develops requirements on topics that are not comprehensively addressed, or not addressed at all, in IFRS Accounting Standards. For example:
  - (a) IPSAS 41 *Financial Instruments*, which is closely based on IFRS 9 *Financial Instruments*, includes additional IPSASB-developed requirements for concessionary loans, which are more common in the public sector space, while not being common in the for-profit space.
  - (b) There is no equivalent in IFRS Accounting Standards to IPSAS 23 *Revenue from Non-Exchange Transactions*. Non-exchange transactions are common in the PBE space. While IPSAS 23 will be superseded by IPSAS 47 *Revenue*, IPSAS 47 includes not only requirements based on IFRS 15 *Revenue from Contracts with Customers*, for arrangements similar to contracts, but also requirements for revenue from other types of arrangements that are common in the public sector.
14. In developing an IPSAS based on an IFRS Accounting Standard, the IPSASB carefully considers whether modifications are needed for the public sector context. Sometimes these considerations result in very few differences between the IPSAS Standard and the related IFRS Accounting Standard, and other times there are more extensive modifications. However, the work to consider the need for modification would have occurred in both cases. The IPSASB’s considerations – and the international input that the IPSASB receives to confirm its conclusions – mean that we do not need to ‘re-perform’ these considerations when developing PBE Standards based on IPSAS under the ASF.
15. In the current ASF, IPSAS-based PBE Standards apply to both public sector PBEs and not-for-profit PBEs. Both types of PBEs have a primary objective of providing goods and services for community or social benefit, rather than aiming to generate a financial return to equity holders – which differentiates both types of PBE from for-profit entities, and implies different user needs.
16. As noted above, the NZASB can and does modify the requirements in IPSAS when developing PBE Standards based on IPSAS, to improve local relevance. In relatively rare cases, a new or amended IPSAS is not incorporated into PBE Standards, either because the requirements are seen as not appropriate or not relevant in New Zealand, or because the costs of adoption are expected to exceed the benefits. These considerations are set out in the [\*Policy Approach for Developing the Suite of PBE Standards\*](#), known as the ‘PBE Policy Approach’.

17. The NZASB consults with New Zealand stakeholders on IPSASB proposals to amend IPSAS and makes submissions to the IPSASB on significant projects. Once the IPSASB issues the final IPSAS or amendments to IPSAS, the NZASB applies the PBE Policy Approach – where there is a rebuttable presumption that a new or amended IPSAS will be incorporated into PBE Standards – and consults with New Zealand stakeholders on proposals to amend PBE Standards based on the new or amended IPSAS, potentially with modifications for the NZ context (see above).
18. In 2016, the Auditor-General at the time commented on the move to a multi-sector ASF and to PBE Standards in the publication *Improving financial reporting in the public sector*. While acknowledging some implementation challenges, the Auditor General noted that overall “these changes better position the public sector to report more meaningfully in the future”, and “overall, the transition to the new PBE accounting standards represents a positive step”.
19. The process of developing PBE Standards based on IPSAS is illustrated in the diagram below.



## Review of the ASF

20. The review of the ASF involves, among other matters, reviewing different framework options for developing accounting standards for PBEs. This includes considering the option of going back to a ‘sector-neutral’ approach, whereby standards for PBEs (or a specific PBE sector, e.g. public sector PBEs) are directly based on IFRS Accounting Standards, rather than on IPSAS. This paper aims to inform the considerations on this topic.

## Overview: PBE Standards vs NZ IFRS

21. The table below illustrates the differences between PBE Standards, which are primarily based on IPSAS, and NZ IFRS, which are directly based on IFRS Accounting Standards – including the different contexts in which they apply. Understanding these differences is important for considering the option of a ‘sector-neutral’ approach to developing standards for PBEs.

**Table 1: PBE Standards vs NZ IFRS\***

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| Area                                                            | PBE Standards                                                                                                                                                                                                                                                                                                                  | NZ IFRS                                                                                                                                                                                       |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Primary focus</b>                                            | <b>Public benefit entities</b> delivering goods and services for community or social benefit.<br><br>Primary users of financial reports: service recipients, resource providers and their representatives (e.g. taxpayers, ratepayers, donors, lender, creditors, etc.).                                                       | <b>For-profit entities</b> focused on generating returns for investors and capital market participants.<br><br>Primary users of financial statements: investors, lenders and other creditors. |
| <b>Standard-setting base</b>                                    | Primarily based on <b>International Public Sector Accounting Standards (IPSAS)</b> , with New Zealand modifications where needed.                                                                                                                                                                                              | Based directly on <b>IFRS Accounting Standards</b> , with limited New Zealand-specific disclosures or concessions and additional disclosures.                                                 |
| <b>Transactions covered</b>                                     | Captures public sector and not-for-profit transactions such as non-exchange revenue and concessionary arrangements – in addition to more ‘commercial’ transactions such as financial instruments, sale of goods and services, etc.                                                                                             | Focus on commercial transactions such as contracts with customers, financial instruments and investor-focused reporting matters.                                                              |
| <b>Measurement approach</b><br>(in addition to historical cost) | Includes public sector-specific approaches where needed, such as guidance for the revaluation of specialised assets and impairment of non-cash-generating assets (Note: IPSAS have specific measurement requirements for assets held for operational capacity, this is yet to be incorporated into New Zealand PBE Standards). | Relies on market-based concepts such as fair value and assumptions of market participants.                                                                                                    |

22. **Observation:** The table above shows that IPSAS-based PBE Standards are designed for public benefit objectives and public sector-style transactions, whereas IFRS Accounting Standards on which NZ IFRS are directly based are designed for investor-focused, for-profit reporting. Moving PBEs to NZ IFRS would therefore create ‘gaps’ (i.e. areas where PBE transactions or user needs are not sufficiently addressed by IFRS), which the NZASB would need to consider addressing through domestic standard-setting. Some such gaps are highlighted in the next section.

## Analysis: Alignment between key IPSAS that are ‘on the horizon’ in NZ with IFRS Accounting Standards

23. During the exploratory part of the ASF review project, some stakeholders have expressed concerns about the extent of upcoming changes to Tier 1 and Tier 2 PBE Standards arising from new IPSAS developments. In response, we have compared the new IPSAS Standards that are not yet incorporated into New Zealand PBE Standards against the IFRS Accounting Standards covering the same topics, if there are any. In our analysis, we considered whether similar requirements, changes, and implementation challenges would arise for PBEs under a sector-neutral approach, where standards for PBEs are based directly on IFRS Accounting Standards. We also considered whether the new IPSAS contain public sector-specific requirements that are different to IFRS Accounting Standards or cover topics not addressed by IFRS Accounting Standards, and the implications of such differences/gaps for a sector-neutral approach. This provides a future-focused assessment of the implications of retaining the current PBE Standards framework compared with adopting a sector-neutral model.
24. Our analysis is summarised in the table below. A more detailed version of this table is included in the [Appendix 1](#) to this memo.
25. Please note: The table excludes IPSAS Standards that the NZASB already decided not to incorporate into PBE Standards, e.g. IPSAS 42 *Social Benefits* and IPSAS 49 *Retirement Benefit Plans*.

**Table 2: IPSAS that are ‘on the horizon’ in NZ – alignment with IFRS Accounting Standards\***

\*AI generated, checked and edited by staff

| Topic covered in IPSAS                                                                        | Alignment with IFRS                                                                         | Key difference                                                                                                                                | Implication for a sector-neutral approach                                                                                                      |
|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue (IPSAS 47)</b>                                                                     |  Partial | Broadly aligns with <b>IFRS 15</b> for binding arrangements, but also covers revenue from non-binding arrangements, e.g. tax revenue, grants. | PBEs will be subject to similar requirements under IFRS – but IFRS would need to be extended or supplemented to address public sector matters. |
| <b>Transfer expenses (IPSAS 48)</b>                                                           |  Gap     | No specific IFRS requirements for transfer expenses (e.g. grants, funding and donations paid).                                                | We would need to consider developing requirements domestically.                                                                                |
| <b>Natural resources (IPSAS 51)</b>                                                           |  Gap     | No specific IFRS guidance for resources held for conservation.                                                                                | We would need to consider developing or adding guidance domestically.                                                                          |
| <b>Leases (IPSAS 43) – excluding IPSASB requirements for concessionary leases<sup>2</sup></b> |  Aligned | Broadly aligned with <b>IFRS 16</b> with limited differences.                                                                                 | PBEs will be subject to similar requirements under IFRS.                                                                                       |

<sup>2</sup> In December 2024, the NZASB considered the application of the PBE Policy Approach to the IPSASB pronouncement *Concessionary Leases and Other Arrangements Conveying Rights over Assets* (Amendments to IPSAS 43, IPSAS 47, and IPSAS 48). This IPSASB pronouncement requires lessees to recognise a right-of-use asset in a concessionary lease by measuring it based on market terms. The NZASB agreed not to commence a project to develop a PBE Standard using the IPSASB pronouncement as a starting point.

| Topic covered in IPSAS | Alignment with IFRS                                                                       | Key difference                                                                                                                                                       | Implication for a sector-neutral approach                                                                    |
|------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Measurement (IPSAS 46) |  Partial | Aligns with IFRS fair value requirements per <b>IFRS 13</b> , but introduces current operational value (COV) for public sector assets held for operational capacity. | We would need to consider domestically the accounting requirements for assets held for operational capacity. |

26. The analysis in Table 2 is focused on IPSAS Standards that are ‘on the horizon’ in New Zealand because these are the most immediate source of potential change for Tier 1 and Tier 2 PBEs under the current PBE Standards framework. However, Appendix 2 provides a broader comparison across the full suite of IPSAS and IFRS Accounting Standards. That broader comparison shows a similar pattern: while many IPSAS are aligned or partially aligned with IFRS Accounting Standards, there are also recurring public sector- and PBE-specific differences, particularly in relation to non-exchange transactions, service potential, non-cash-generating assets, budget information, consolidation/control considerations and public sector combinations. This broader context reinforces that a sector-neutral approach would not simply involve replacing IPSAS-based requirements with IFRS Accounting Standards; it would also require the NZASB to consider where domestic PBE-specific modifications, guidance or exemptions may be needed, so that accounting standards result in appropriate reporting outcomes and to assist PBEs in applying accounting standards consistently.

## Observations

27. Table 2 above, together with the broader comparison in Appendix 2, demonstrates that if we adopt a ‘sector-neutral’ approach where standards for PBEs are directly based on IFRS Accounting Standards, this would mean the following:
- (a) In some cases, PBEs will be subject to similar requirements as they would have been under our current multi-sector approach (because many IPSAS are aligned with IFRS Accounting Standards). This is evident both in the ‘on the horizon’ IPSAS analysed in Table 2 and in the broader comparison in Appendix 2.
  - (b) In other cases, including several matters identified in Appendix 2, the NZASB would need to undertake domestic projects to consider and develop PBE-specific modifications to NZ IFRS – taking into account that IFRS Accounting Standards are developed for for-profit entities operating in capital markets, who tend not to engage in certain transactions that are common for PBEs and whose financial statements have primary users that are different to those of PBEs. While not every difference between PBEs and for-profit entities and not every public sector-specific IPSAS requirement would necessarily result in developing PBE-specific requirements and modifications to NZ IFRS under a ‘sector neutral’ approach, it would still be necessary to *consider the need* for such modifications. Otherwise, there is a risk that PBEs could face significant challenges and costs in applying unmodified NZ IFRS.<sup>3</sup>
28. By contrast, using IPSAS as a basis for developing PBE Standards has the following advantages:
- (a) IPSAS Standards are aligned with IFRS Accounting Standard to the extent appropriate;

<sup>3</sup> Such as the challenges noted in 2009 by the OAG at the time – see [The Auditor General's views on setting financial reporting standards for the public sector](#).

- (b) At the same time, IPSAS Standards reflect the IPSASB's consideration of public sector-specific matters – including additional guidance for the public sector, different requirements for public sector-specific transactions and/or requirements for public sector-specific transactions that are not covered in IFRS Accounting Standards – meaning that the NZASB does not need to discuss such considerations 'from scratch' and can rely on the international due process that IPSASB amendments were subject to (notwithstanding that the NZASB still needs to consider whether further amendments may be needed for the New Zealand context).

## Appendix 1: Further detail – comparison of IPSAS that are ‘on the horizon’ domestically vs IFRS Accounting Standards

The table below lists IPSAS Standards that are ‘on the horizon’ from a New Zealand perspective (i.e. currently not included in the New Zealand suite of PBE Standards for Tier 1 and Tier 2 PBEs) – as well as the IFRS Accounting Standard that covers the same topic, if there is one. The table also includes comments on the implications of moving to a sector-neutral approach, which in this case relates to using IFRS Accounting Standards directly as the base for standards for PBEs.

Please note: The table excludes IPSAS Standards that the NZASB already decided not to include in PBE Standards, e.g. IPSAS 42 *Social Benefits* and IPSAS 49 *Retirement Benefit Plans*. It also excludes IPSAS 50 *Exploration for and Evaluation of Mineral Resources*, as PBE IPSAS 50 was already approved by the NZASB, pending gazetting.

| IPSAS not currently in PBE Standards (i.e. on the horizon domestically)                                                                                                                                      | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Implications for moving to a ‘sector neutral’ approach, all IFRS based                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>IPSAS 47 Revenue</b></p> <p>Sets out the recognition, measurement, presentation and disclosure requirements for revenue transactions.</p> <p>[NZ status: PBE Standard currently under development]</p> | <p><b>Partially:</b></p> <ul style="list-style-type: none"> <li>For revenue arising from binding arrangements, the five-step revenue recognition model in IPSAS 47 is aligned with <b>IFRS 15 Revenue from Contracts with Customers</b>. However, the IFRS 15 requirements were modified for the public sector context. For example, the concept of ‘compliance obligation’ in IPSAS 47 is broader than ‘performance obligation’ in IFRS 15, and includes not only promises to transfer distinct goods or services to another party, but also promises to use resources internally for distinct goods or services.</li> <li>IPSAS 47 also covers revenue from transactions without binding arrangements – which are not covered by IFRS 15. The requirements for such arrangements are more simplified compared to binding arrangements.</li> </ul> | <p>If we were to move to a sector-neutral approach, we would in any case need to bring the IFRS 15 requirements into PBE Standards.</p> <p>We would then need to consider whether to mandate the same requirements for revenue from transactions that do not arise from contracts or binding arrangements, noting that IFRS 15 was not developed with such transactions in mind – or to domestically develop requirements for such revenue transactions.</p> |

| IPSAS not currently in PBE Standards (i.e. on the horizon domestically)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Implications for moving to a 'sector neutral' approach, all IFRS based                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>IPSAS 48 <i>Transfer Expenses</i></b></p> <p>Sets out the recognition, measurement, presentation and disclosure requirements for 'transfer expenses'. These are expenses arising from transactions, other than taxes, in which an entity provides a good, service, or other asset to another entity or individual, without directly receiving any good, service, or other asset in return.</p> <p>[NZ status: PBE Standard currently under development]</p>                                                                                                                                                                                                                            | <p><b>No</b> – there is no IFRS Accounting Standard that deals specifically with transfer expenses. Transfer expenses, such as grants, funding and donations provided by a reporting entity to others, are common in the public sector. The IPSASB issued IPSAS 48 to close the gap that existed in IPSAS literature with respect to these transactions.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>If we move to a sector-neutral approach, we would need to consider developing domestic requirements to close the gap that the IPSASB identified in its literature.</p>                                                                                                                                            |
| <p><b>IPSAS 51 <i>Tangible Natural Resources Held for Conservation</i></b></p> <p>Sets out recognition, measurement, presentation and disclosure requirements for tangible natural resources that meet the definition and recognition criteria of an asset and are primarily held for conservation. The accounting requirements are aligned with those in IPSAS 45 for PP&amp;E, but assets in the scope of IPSAS 51 need to be presented separately from PP&amp;E and additional disclosure requirements apply.</p> <p>[NZ status: NZASB to decide whether to develop PBE Standard – staff recommend incorporating certain parts into PBE Standards as part of the Measurement project]</p> | <p><b>No</b> – there is no specific IFRS Accounting Standard for natural resources held for conservation.</p> <p>The IPSASB sees IPSAS 51 as filling a gap in its literature, noting that many natural resources are not considered for financial reporting purposes, even though some of them meet the definition of an asset.</p> <p>However: At the Exposure Draft stage of IPSAS 51, the NZASB's comment letter to the IPSASB did not support a separate standard for tangible natural resources. Our comment letter noted the understanding that in New Zealand, land held for conservation is already accounted for as PP&amp;E, and expressed the concerns that the costs of 'splitting out' land between PP&amp;E standard and IPSAS 51 would not be justified by benefits.</p> <p>Nevertheless, we (staff) consider that there may be benefit in bringing certain guidance from IPSAS 51 into the new PP&amp;E standard that is to be developed as part of the Measurement project (see above).</p> | <p>If we moved to a sector-neutral approach, the NZASB may still need to consider whether guidance on tangible natural resources held for conservation may be beneficial to add into the NZ IFRS on PP&amp;E (NZ IAS 16 <i>Property, Plant and Equipment</i>) to assist in the accounting for natural resources.</p> |

| IPSAS not currently in PBE Standards (i.e. on the horizon domestically)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Implications for moving to a 'sector neutral' approach, all IFRS based                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>IPSAS 43 Leases</b></p> <p>Requires the right-of-use (ROU) lessee accounting model for most leases – whereby a lessee recognise a ROU asset and a lease liability in the statement of financial position.</p> <p>[NZ status: PBE Standard project is paused, estimated recommencement in late 2026]</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p><b>Yes</b> – aligned with <b>IFRS 16 Leases</b></p> <p><i>(Except for IPSASB requirements to measure concessionary leases using market rentals, but the NZASB agreed not to introduce these requirements into PBE Standards.)</i></p>                                                                                                                                                                                                                                                                                                                                                                 | <p>If we move to a sector-neutral approach, PBEs would still be required to apply the right-of-use model under IFRS 16.</p> <p>We would need to develop domestically any PBE modifications if needed.</p>                                                                                                    |
| <p><b>IPSAS 46 Measurement and related pronouncements (e.g. IPSAS 45 Property, Plant and Equipment, IPSAS 44 Non-Current Assets Held for Sale and Discontinued Operations)</b></p> <p>IPSAS 46 aligns the definition of 'fair value' in IPSAS with IFRS Accounting Standards, and introduces a new public sector-specific current value measurement basis: current operational value (COV). COV is an entry price that is entity-specific and based on the asset's existing use – whereas fair value is an exit price based on market participants' assumptions and the asset's highest and best use.</p> <p>IPSAS 45 requires revalued property, plant and equipment (PP&amp;E) to be measured at COV if it is held for operational capacity (i.e. to delivery services, rather than to generate a financial return), or at fair value if it is held for financial capacity. COV has also been introduced into certain other IPSAS.</p> <p>[NZ status: NZASB agreed to develop PBE Standards – project estimated to commence in 2027]</p> | <p><b>Partially:</b></p> <ul style="list-style-type: none"> <li>• The fair value requirements in IPSAS 46 are aligned with <b>IFRS 13 Fair Value Measurement</b>.</li> <li>• However: There is no equivalent to COV in IFRS Accounting Standards. COV was introduced due to concerns that the IFRS-aligned fair value requirements, with their focus on market participants' assumptions and the asset's highest and best use, would be challenging to apply to many public sector assets that are held for operational capacity, and may not result in useful information about such assets.</li> </ul> | <p>If we moved to a sector-neutral approach, the IFRS fair value requirements would in any case be introduced into PBE Standards.</p> <p>We would also need to consider the fair value-related concerns that led the IPSASB to develop COV, and to address these through domestic standard-setting work.</p> |

## Appendix 2: Comparison between IPSAS and IFRS Accounting Standards (excluding recently-issued IPSAS covered in Appendix 1)

In reading this appendix, please note the following:

- In New Zealand, PBE Standards for Tier 1 and Tier 2 PBEs in the public and not-for-profit sectors are primarily based on IPSAS.
- The table in this appendix summarises, at a high level, the differences between IPSAS and IFRS Accounting Standards – and the implications of these differences for New Zealand PBEs and for the NZASB if we were to move to a sector-neutral approach where both for-profit entities and PBEs report in accordance with requirements in IFRS Accounting Standards.
- There are some differences between PBE Standards and IPSAS, but these are not mentioned in this table, except in cases where the NZASB decided not to incorporate an IPSAS into PBE Standards.
- As explained in the main body of this document, PBEs in the public sector (and not-for-profit sector) generally have a different purpose, different primary users and some differences in common transactions compared to for-profit entities. These differences are reflected in IPSAS, through the IPSASB's process of developing IPSAS based on IFRS Accounting Standards (albeit the IPSASB does not consider not-for-profit entities).
- The following general differences between IPSAS and IFRS Accounting Standards are not specifically mentioned in the table:
  - In IPSAS, recognition and measurement requirements for assets, liabilities, revenue and expenses are based on consideration of economic benefit *and/or service potential*. In IFRS Accounting Standards, the focus is on economic benefits.
  - IPSAS sometimes use different terminology to IFRS Accounting Standards.
- The table in this appendix does not include the IPSAS Standards listed below, as they were superseded by newer standards issued by the IPSASB, and we have taken a future-focused approach in our analysis in this paper. However, as the newer IPSAS Standards are yet to be incorporated into PBE Standards, the standards listed below continue to form the basis of certain PBE Standards in New Zealand.
  - **IPSAS 17** *Property, Plant and Equipment* – superseded by IPSAS 45 *Property, Plant and Equipment* in the IPSAS suite, but PBE IPSAS 17 is still part of the PBE Standards suite in New Zealand. The fair value measurement requirements in IPSAS 17 differ to IFRS Accounting Standards.
  - **IPSAS 9** *Revenue from Exchange Transactions*, **IPSAS 11** *Construction Contracts*, **IPSAS 23** *Revenue from Non-Exchange Transactions* – superseded by IPSAS 47 *Revenue* in the IPSAS suite, but PBE IPSAS 9, 11 and 23 are still part of the PBE Standards suite in New Zealand. IPSAS 9 and 11 are based on superseded versions of IFRS Accounting Standards on revenue (pre-IFRS 15), and as such they are not aligned with current IFRS Accounting Standards. There is no direct equivalent to IPSAS 23 in IFRS Accounting Standards.
  - **IPSAS 13** *Leases* – superseded by IPSAS 43 *Leases* in the IPSAS suite, but PBE IPSAS 13 is still part of the PBE Standards suite in New Zealand. This standard is based on an older version of an IFRS Accounting Standard (pre-IFRS 16), and as such it is not aligned with current IFRS Accounting Standards.

An overview of the information in the table is provided below:

■ Aligned – minimal change needed    
 ■ Partial – IFRS covers some but not all PBE activities/context    
 ■ Gap – no IFRS equivalent; NZ to consider own PBE sector solutions

| Alignment                            | Number of standards | Standards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <span style="color: green;">■</span> | 13                  | IPSAS 2 <i>Cash Flow Statements</i> ; IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> ; IPSAS 4 <i>The Effects of Changes in Foreign Exchange Rates</i> ; IPSAS 10 <i>Financial Reporting in Hyperinflationary Economies</i> ; IPSAS 14 <i>Events After the Reporting Date</i> ; IPSAS 16 <i>Investment Property</i> ; IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i> ; IPSAS 30 <i>Financial Instruments: Disclosures</i> ; IPSAS 31 <i>Intangible Assets</i> ; IPSAS 41 <i>Financial Instruments</i> ; IPSAS 43 <i>Leases</i> ; IPSAS 44 <i>Non-current Assets Held for Sale and Discontinued Operations</i> ; IPSAS 50 <i>Exploration for and Evaluation of Mineral Resources</i>                                 |
| <span style="color: gold;">■</span>  | 17                  | IPSAS 5 <i>Borrowing Costs</i> ; IPSAS 12 <i>Inventories</i> ; IPSAS 20 <i>Related Party Disclosures</i> ; IPSAS 26 <i>Impairment of Cash-Generating Assets</i> ; IPSAS 27 <i>Agriculture</i> ; IPSAS 28 <i>Financial Instruments: Presentation</i> ; IPSAS 33 <i>First-time Adoption of Accrual Basis IPSAS</i> ; IPSAS 34 <i>Separate Financial Statements</i> ; IPSAS 35 <i>Consolidated Financial Statements</i> ; IPSAS 36 <i>Investments in Associates and Joint Ventures</i> ; IPSAS 37 <i>Joint Arrangements</i> ; IPSAS 38 <i>Disclosure of Interests in Other Entities</i> ; IPSAS 39 <i>Employee Benefits</i> ; IPSAS 40 <i>Public Sector Combinations</i> ; IPSAS 45 <i>Property, Plant and Equipment</i> ; IPSAS 46 <i>Measurement</i> ; IPSAS 47 <i>Revenue</i> |
| <span style="color: red;">■</span>   | 8                   | IPSAS 1 <i>Presentation of Financial Statements</i> ; IPSAS 18 <i>Segment Reporting</i> ; IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> ; IPSAS 24 <i>Presentation of Budget Information in Financial Statements</i> ; IPSAS 32 <i>Service Concession Arrangements: Grantor</i> ; IPSAS 42 <i>Social Benefits</i> ; IPSAS 48 <i>Transfer Expenses</i> ; IPSAS 51 <i>Tangible Natural Resources Held for Conservation</i>                                                                                                                                                                                                                                                                                                                                           |

Please note: IPSAS 22 *Disclosure of Financial Information About the General Government Sector* is not currently applied in NZ, therefore not included in above considerations

| IPSAS                                                                    | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| IPSAS 1,<br>Presentation of<br>Financial Statements                      | <p><b>Currently not aligned, but the IPSASB proposes alignment</b></p> <p>IPSAS 1 is aligned with IAS 1 <i>Presentation of Financial Statements</i>, which was superseded by IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>. Unlike IFRS 18, IPSAS 1 does not require specific categories or subtotals in the statement of financial performance, does not include the enhanced guidance on the grouping of information that is in IFRS 18, and does not require disclosures on 'management-defined performance measures' (MPMs).</p> <p>However, the IPSASB is consulting on proposals to replace IPSAS 1 with a new standard based on IFRS 18, with modifications for the public sector context. The proposals include IFRS 18-based categories in the statement of financial performance and enhanced guidance on grouping of information in the primary financial statements and notes. However, the IPSASB proposes not to introduce MPM disclosure requirements into IPSAS.</p> | <p>If we moved to a sector-neutral approach, PBEs will need to consider the specific presentation and disclosure requirements introduced by IFRS 18, and some PBEs will need to change the presentation of their financial statements. Considering that IFRS 18 was developed for the private for-profit sector in mind, implementation could be challenging for PBEs.</p> <p>If the IPSASB proceeds with its proposals in the Consultation Paper <i>Presentation of Financial Statements</i>, PBEs would need to apply some of the IFRS 18-based requirements even under the current ASF's sector-based approach. However, in this case the requirements would be modified for the public sector context and be supported by public sector-specific guidance to be developed by the IPSASB through their international due process and through considerations from a public sector perspective. Under a sector neutral approach, the NZASB would need to consider developing public sector/PBE modifications domestically.</p> |
| IPSAS 2, Cash Flow Statements                                            | <b>Mostly aligned</b> with IAS 7 <i>Cash Flow Statements</i> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Minimal impact – PBEs would apply similar requirements to what they currently apply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors | <b>Mostly aligned</b> with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Minimal impact – PBEs would apply similar requirements to what they currently apply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| IPSAS 4, The Effects of Changes in Foreign Exchange Rates                | <b>Mostly aligned</b> with IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Minimal impact – PBEs would apply similar requirements to what they currently apply                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

| IPSAS                                                        | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| IPSAS 5, Borrowing Costs                                     | <p><b>Partially aligned</b> with IAS 23 <i>Borrowing Costs</i>.</p> <p>IAS 23 requires borrowing costs that are directly attributable to the acquisition, construction or production of a 'qualifying asset' to be <u>capitalised</u> as part of the asset's cost.</p> <p>By contrast, IPSAS 5 permits such costs to be <u>either capitalised or expensed</u> when incurred.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>PBEs would need to capitalise borrowing costs that they would have previously expensed – noting that attribution of borrowing costs to specific assets can be challenging in the public sector. Alternatively, the NZASB would need to introduce the accounting policy choice that PBEs have under PBE IPAS 5 into NZ IAS 23. The IPSASB developed non-authoritative guidance to support entities that choose capitalise borrowing costs, but this guidance is not included in IFRS, so the NZASB would need to consider developing such guidance.</p>                                                                                                                                                                                                                                                                                                                                                                                                          |
| IPSAS 10, Financial Reporting in Hyperinflationary Economies | <p><b>Mostly aligned</b> with IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> – some guidance in IAS 29 is not in IPSAS 10, but IPSAS 10 contains additional illustrative examples that are not in IAS 29.</p> <p><i>Did not provide detail as PBE IPSAS 10 has limited impact in NZ</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Minimal impact as New Zealand is not affected by hyperinflation</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| IPSAS 12, Inventories                                        | <p><b>Partially aligned</b> with IAS 2 <i>Inventories</i>.</p> <p>IPSAS 12 contains specific requirements to:</p> <ul style="list-style-type: none"> <li>Initially measure inventories acquired in a non-exchange transaction (e.g. donated inventory) at fair value or current operational value (public sector-specific measurement basis), depending on the purpose for which the inventory is held; and</li> <li>Measure inventories held for distribution at no charge/for a nominal charge (or to be used in providing service at no charge/for a nominal charge) at the lower of cost or current operational value.</li> </ul> <p>By contrast, IAS 12 requires all inventory to be measured at the lower of cost and net realisable value. There are no specific initial measurement requirements for inventory received in non-exchange transactions, except that government grants may be initially recognised either at fair value or at a 'nominal amount'.</p> | <p>Under IAS 2, PBEs would be required to measure inventories held for distribution or provision of services at no charge/for a nominal charge at the lower of cost and net realisable value. This would cause such inventories to be measured at nil value or a very low amount, which would not faithfully reflect the inventory's service potential and would likely not result in useful information.</p> <p>To address this, the NZASB would need to consider developing accounting requirements for inventories held for distribution at no charge or a nominal charge, which is a common situation for PBEs.</p> <p>The NZASB would also need to consider developing requirements for inventories received in a non-exchange transaction, noting that while such transactions are not common in the for-profit sector, they common for some PBEs – and the lack of specific guidance for such situations and/or the flexibility to recognise government</p> |

| IPSAS                                     | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                         |
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|                                           | As mentioned above, should the measurement project include all the suggested IPSASB changes, this will further depart from IFRS.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | grants at a 'nominal amount' under IFRS Accounting Standards may not result in appropriate reporting outcomes for PBEs.                                                                                                                                                                                                                                                                                                                              |
| IPSAS 14, Events After the Reporting Date | <b>Mostly aligned</b> with IAS 10 <i>Events After the Reporting Period</i> . IPSAS 14 contains a specific requirement to exercise judgement when considering impacts on assets and liabilities in situations where the going concern assumption is no longer appropriate after the reporting period. No similar specific requirement in IAS 10.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Minimal impact – PBEs would apply similar requirements to what they currently apply                                                                                                                                                                                                                                                                                                                                                                  |
| IPSAS 16, Investment Property             | <b>Mostly aligned</b> with IAS 40 <i>Investment Property</i> . IPSAS 16 specifically requires investment properties received in a non-exchange transaction to be measured at fair value on initial recognition. No similar requirement in IAS 40.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | The NZASB would need to consider adding requirements to recognise investment properties received in a non-exchange transaction. Such transactions are more common in the PBE sector compared to the for-profit sector – and the lack of specific guidance for such situations and/or the flexibility to recognise government grants at a 'nominal amount' under IFRS Accounting Standards may not result in appropriate reporting outcomes for PBEs. |
| IPSAS 18, Segment Reporting               | <p><b>NZ PBE requirements not aligned with IFRS (IPSAS-IFRS comparison not relevant from NZ perspective)</b></p> <p>IPSAS 18 is based on the old IASB standard IAS 14 <i>Segment Reporting</i> – which had been superseded by IFRS 8 <i>Segment Reporting</i>.</p> <p>When PBE Standards were first introduced in NZ, the NZASB decided not to incorporate IPSAS 18 into PBE Standards. Therefore, a comparison between IPSAS 18 and IFRS 8 is not relevant for this paper. However, it is worth noting that:</p> <ul style="list-style-type: none"> <li>• The requirements in IFRS 8 in the IFRS Accounting Standards suite are not aligned with current requirements in PBE Standards, where there are no segment reporting requirements.</li> <li>• The NZASB decided not to incorporate IPSAS 18 into PBE Standards because for some public sector entities, requirements in primary</li> </ul> | PBEs would need to report segment information in accordance with IFRS 8, which is likely to raise similar cost/benefit concerns to those that resulted in IPSAS 18 being currently excluded from the PBE Standards suite. The NZASB would need to consider an exemption from IFRS 8, at least for public sector PBEs.                                                                                                                                |

| IPSAS                                                              | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                           |
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|                                                                    | legislation already cover similar topics to IPSAS 18, but there are differences between the two sets of requirements – and the cost of complying with IPSAS 18 in addition to the legislative requirements was not expected to be sufficiently justified by benefits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets | <b>Mostly aligned</b> with IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> . There are terminology differences, and the Implementation Guidance and Illustrative Examples accompanying IPSAS 19 have been modified for the public sector context.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Minimal changes – although the NZASB would need to consider developing public sector/PBE Implementation Guidance and Illustrative Examples, to assessing PBEs in applying the requirements consistently.                                                                                                                                                                                                                                                                                                                               |
| IPSAS 20, Related Party Disclosures                                | <p><b>Partially aligned</b> with IAS 24 <i>Related Party Disclosures</i>. IPSAS 20 exempts public sector entities from providing disclosures about related party transactions that would have occurred in a normal supplier or client/recipient relationship at 'arm's length' terms.</p> <p>This exemption recognises that public sector entities that are related parties, e.g. different government agencies within central government, may transact extensively with each other to achieve common objectives. Requiring all such transactions to be disclosed even when they are at 'arm's length' terms would lead to voluminous disclosures, and the costs to public sector entities are likely to outweigh the benefits to users.</p> <p>By contrast, NZ IAS 24 requires for-profit 'government-related entities' to disclose the nature and amount of individually significant related party transactions, and a quantitative or qualitative indication of the extent of related party transactions that are collectively significant.</p> | <p>Public sector PBEs will need to spend more effort on preparing related party disclosures, and for some public sector PBEs the volume of disclosures would increase. The additional costs may not be sufficiently justified by benefits to users from seeing voluminous disclosures about arm's length transactions between government agencies or other related parties within the government consolidated group.</p> <p>Alternatively, the NZASB would need to develop an exemption similar to the one in IPSAS/PBE Standards.</p> |
| IPSAS 21, Impairment of Non-Cash-Generating Assets                 | <p><b>Not aligned</b> with IAS 36 <i>Impairment of Assets</i>, for public sector-specific reasons.</p> <p>Non-cash-generating assets are assets not held to generate a commercial return. Such assets are not common in the for-profit sector, but are common among public sector PBEs.</p> <p>In IFRS Accounting Standards, IAS 36 <i>Impairment of Assets</i> does not distinguish between cash-generating and non-cash generating assets,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Non-cash-generating assets are common in the PBE sector. If a PBE charges the public a minimal fee or no fee for services provided using the asset, and if the asset is specialised so that it can only be sold for a low price on the market, then the asset would be significantly impaired under the impairment requirements in IFRS Accounting Standards. The asset's carrying amount would not                                                                                                                                    |

| IPSAS                                                                                                                                                                | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Implications for moving to a 'sector neutral' approach (standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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|                                                                                                                                                                      | <p>noting that the latter type of asset is not common in the for-profit sector. Impairment testing for all assets in the standard's scope requires considering the <u>discounted future cash flows</u> to be generated from using the asset and/or the asset's fair value less costs to sell.</p> <p>By contrast, impairment testing in IPSAS 21 for non-cash-generating assets requires considering the asset's <u>current operational value</u> (i.e. the amount the entity would pay to acquire or produce the asset in its current condition, etc.), and/or the asset's fair value less costs to sell.</p>                           | <p>faithfully represent its service potential and would likely not result in useful information for users.</p> <p>The NZASB would need to consider developing impairment requirements for non-cash-generating assets held by PBEs.</p>                                                                                                                                                                                                                                                                                                                                           |
| IPSAS 22, Disclosure of Financial Information About the General Government Sector                                                                                    | <p><b>Not aligned</b> – there is no directly similar IFRS Accounting Standard. IPSAS 22 sets out disclosure requirements for those governments that <u>elect</u> to include information about the 'general government sector' – a concept used in statistical reporting – in their consolidated financial statements.</p> <p>Such requirements are not relevant for for-profit entities and do not form part of IFRS Accounting Standards.</p> <p><i>Note: PBE IPSAS 22 forms part of NZ PBE Standards, but the NZ Government does not make the election mentioned above, therefore the standard is currently not applied in NZ.</i></p> | <p>No impact, unless the NZ Government decides to include information on the 'general government sector' in the whole-of-government financial statements, in which case the NZASB would need to consider developing disclosure requirements in this area.</p>                                                                                                                                                                                                                                                                                                                    |
| IPSAS 24, Presentation of Budget Information in Financial Statements<br><i>[Note: In NZ, requirements to present actual vs budget comparison are in PBE IPSAS 1]</i> | <p><b>Not aligned</b> – there is no directly similar IFRS Accounting Standard.</p> <p>In the public sector, entities are often required by legislation to publish their budgets, for which they are held accountable. IPSAS 24 requires public sector entities to include 'actual vs budget' comparisons in the financial statements, and to disclose explanation of material variances to budget.</p> <p><u>Note:</u> IPSAS 24 itself is <u>not</u> incorporated into NZ PBE Standards, but PBE IPSAS 1 requires NZ PBEs that have published a budget to present a comparison of 'actual vs budget' and explain material variances.</p> | <p>Budgets and 'budget vs actual' comparisons are a key accountability mechanism in the PBE sector, particularly for public sector PBEs – and accountability is linked to the purpose of PBE general purpose financial reporting.</p> <p>Given the lack of requirements on this topic in IFRS Accounting Standards, the NZASB would need to consider developing requirements for presenting and disclosing comparisons against budgets in public sector PBEs' financial statements – so that this information would continue to be provided to users in a consistent manner.</p> |

| IPSAS                                             | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| IPSAS 26,<br>Impairment of Cash-Generating Assets | <p><b>Partially aligned</b> with IAS 36 <i>Impairment of Assets</i>.</p> <p>Unlike IAS 36, IPSAS 26 does not have a market capitalisation-related indicator of impairment.</p> <p>IPSAS 26 amends the definition of 'cash generating unit' in IAS 36 to specifically refer to generating a commercial return (as assets that are not held to generate a commercial return, i.e. non-cash-generating assets, are accounted for under a different standard).</p> <p>IPSAS 26 includes requirements for situations where a non-cash-generating asset contribute to cash-generating units, and for re-designating assets from cash-generating to non-cash-generating.</p>                                                                                                                                                                                                                                                       | <p>The NZASB would need to consider modifying the impairment requirements in IFRS Accounting Standards, to take into account that 'non-cash-generating assets' are common in the PBE sector (see above) – and to consider the interaction with the accounting for 'cash generating assets'.</p>                                                                                                                                                                                                                                                                                                                                                                                             |
| IPSAS 27, Agriculture                             | <p><b>Partially aligned</b> with IAS 41 <i>Agriculture</i>.</p> <p>Both IAS 41 and IPSAS 27 set out accounting requirements for biological assets and agricultural produce relating to agricultural activity. However, the term 'agricultural activity' in IPSAS 27 is broader than in IAS 41 – so that IPSAS 27 also cover biological assets held for non-commercial purposes, i.e. biological assets held for distribution at no charge or for a nominal charge, or for conversion into agricultural produce to be distributed at no charge or for a nominal charge.</p> <p>Also, IPSAS 27 requires biological assets received in a non-exchange transaction (e.g. donated biological assets) to be measured at fair value on initial recognition. There is no similar requirement in IAS 41, except that IAS 21 requires government grants to be initially recognised either at fair value or at a 'nominal amount'.</p> | <p>The NZASB would need to consider developing requirements for the initial measurement of biological assets received in non-exchange transaction, and expanding the scope of NZ IAS 41 to include biological assets held for distribution at no/nominal charge and/or for conversion into agricultural produce to be distributed at no/nominal charge. These situations are likely to be more common in the PBE sector compared to the for-profit sector, and the lack of specific guidance for such situations and/or the flexibility to recognise government grants at a 'nominal amount' under IFRS Accounting Standards may not result in appropriate reporting outcomes for PBEs.</p> |
| IPSAS 28, Financial Instruments: Presentation     | <p><b>Partially aligned</b> with IAS 32 <i>Financial Instruments: Presentation</i>.</p> <p>IPSAS 28 contains additional authoritative application guidance to help public sector entities identify:</p> <ul style="list-style-type: none"> <li>• When an arrangement is, in substance, a contract (which is necessary for meeting the definition of a financial instrument); and</li> <li>• When assets and liabilities arising from non-exchange transactions constitute financial assets and financial liabilities.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                            | <p>The NZASB would need to consider developing application guidance for PBEs on identifying arrangements that are in substance contracts and when do assets and liabilities arising from exchange transactions constitute financial assets/liabilities – noting that PBE arrangements (particularly in the public sector) may take different legal form to those in the private for-profit sector, and that non-exchange arrangements are</p>                                                                                                                                                                                                                                               |

| IPSAS                                              | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                    |
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|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | more common in the PBE sector compared to the for-profit sector. Otherwise, PBEs are likely to experience challenges when applying NZ IAS 31.                                                                                                                                                                                                                                                                                                                                                   |
| IPSAS 30, Financial Instruments: Disclosures       | <b>Mostly aligned</b> with IFRS 7 <i>Financial Instruments: Disclosures</i> .<br>IPSAS 30 contains additional disclosure requirements for concessionary loans (i.e. loans lent or borrowed at below market terms).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | The NZASB would need to consider developing disclosure requirements for concessionary loans, noting that while such loans are not common in the for-profit sector, they are more common in the PBE sector, and information about such loans is likely to be useful to users.                                                                                                                                                                                                                    |
| IPSAS 31, Intangible Assets                        | <b>Mostly aligned</b> with IAS 38 <i>Intangible Assets</i> .<br>IPSAS 31 requires intangible assets received in a non-exchange transaction (e.g. donated intangible assets) to be measured at fair value on initial recognition. By contrast, IAS 38 says that if an intangible asset was received through a government grant, the entity may choose to recognize the asset either at fair value or at a 'nominal amount'.                                                                                                                                                                                                                                                                                                                                                                                                                                      | The NZASB would need to consider developing fair value measurement requirements on initial recognition for intangible assets received in a non-exchange transaction – a situation that is more common in the PBE sector while being uncommon in the for-profit sector. The lack of specific guidance for such situations and/or the flexibility to recognise government grants at a 'nominal amount' under IFRS Accounting Standards may not result in appropriate reporting outcomes for PBEs. |
| IPSAS 32, Service Concession Arrangements: Grantor | <b>Not aligned</b> – there is no directly similar IFRS Accounting Standard.<br>In a service concession arrangement (SCA), an 'operator' uses its existing asset, or constructs/acquires an asset and uses it, to provide a public service on behalf of the 'grantor' for a specified period of time. The operator is compensated for these services.<br>Examples of SCAs include 'private public partnerships' – for example, where a government (grantor) enters into an agreement with a private sector entity (operator) to construct and maintain a public road for a number of years, and the government either directly compensates the grantor, or allows the grantor to generate revenue from road tolls.<br>In the IFRS Accounting Standards suite, IFRIC 12 <i>Service Concession Arrangements</i> sets out accounting requirements for SCAs from the | The NZASB would need to consider developing accounting requirements for PBEs that are grantors in a service concession arrangement (SCA) – noting that public sector PBEs that enter into SCAs such as private-public partnerships tend to be the grantor in the SCA. Lack of specific requirements and guidance in this area would mean that PBEs would need to incur costs and effort in determining an appropriate accounting treatment, and may lead to inconsistent accounting practice.   |

| IPSAS                                                                                                                                                                                           | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                      |
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|                                                                                                                                                                                                 | <p>perspective of the 'operator' entity. However, IFRS Accounting Standards do not specify accounting requirements for the 'grantor'.</p> <p>As public sector entities that enter into service concession arrangements are often the 'grantor', IPSAS 32 provides accounting requirements for grantors in service concession arrangements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                   |
| <p>IPSAS 33, First-time Adoption of Accrual Basis IPSAS</p> <p><i>[Not incorporated into PBE Standards – rather, PBE Standards include PBE FRS 47 First-time Adoption of PBE Standards]</i></p> | <p><b>NZ PBE requirements partially aligned with IFRS (IPSAS-IFRS comparison not relevant from NZ perspective).</b></p> <p>When PBE Standards were first introduced in New Zealand, the NZASB decided not to incorporate IPSAS 33 into PBE Standards. Instead, the PBE Standards suite contains the domestic standard PBE FRS 47 <i>First-time Adoption of PBE Standards</i>.</p> <p>Therefore, a comparison between IPSAS 33 and IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> is not relevant for this paper.</p> <p>However, it is worth noting that PBE FRS 47 is based on the for-profit standard NZ IFRS 1 <i>First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards</i>, which is in turn based on IFRS 1. PBE FRS 47 contains additional PBE-specific transitional requirements relating to revenue from non-exchange transactions (e.g. appropriations, grants, donations) and to service concession arrangements from the grantor's perspective (see IPSAS 32 above) – which are not included in IFRS 1.</p> | <p>The NZASB would need to consider developing first-time adoption requirements for PBE-specific transactions not covered in IFRS Accounting Standards, e.g. revenue from non-exchange transactions and service concessions arrangements from the perspective of the grantor.</p> |

| IPSAS                                                                                                                                                                                                                                                          | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <p>IPSAS 34, Separate Financial Statements</p> <p>IPSAS 35, Consolidated Financial Statements</p> <p>IPSAS 36, Investments in Associates and Joint Ventures</p> <p>IPSAS 37, Joint Arrangements</p> <p>IPSAS 38, Disclosure of Interests in Other Entities</p> | <p><b>Partially aligned</b> with the IFRS Accounting Standards on interests in other entities, i.e. IAS 27 <i>Separate Financial Statements</i>, IFRS 10 <i>Consolidated Financial Statements</i>, IAS 28 <i>Investments in Associates and Joint Ventures</i>, IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>.</p> <p>Both IPSAS 35 and IFRS 10 define 'control' and require an entity to prepare consolidated financial statements that include all controlled entities (subsidiaries). However, the definition of 'control' in IFRS 10 refers to the power to affect <i>returns</i> from involvement with the other entity, whereas IPSAS 35 refers more broadly to the power to affect <i>financial and/or non-financial benefits</i> from involvement with the other entity. This reflects that in the public sector, control relationships can arise without financial investment, and the benefits to the controlling entity are often non-financial. IPSAS 35 also includes public sector guidance and examples on control in IPSAS 35, which is not in IFRS 10. This discussion is also relevant to IPSAS 34 and 36–38 and the related IFRS Accounting Standards mentioned above, which refer to the concept of control.</p> <p>In addition, IPSAS 34–38 refer to 'binding arrangements', which is broader than the term 'contractual arrangements' in the related IFRS Accounting Standards, considering that public sector entities may not always be able to enter into contracts.</p> | <p>Under the consolidation requirements in IFRS Accounting Standards, PBEs may need to change the way that they prepare consolidated financial statements and/or account for arrangements where they have joint control. For example, the IFRS requirements may result in some PBEs no longer consolidating certain entities that do not generate a financial return for the PBE, but where the PBE has the power to affect non-financial benefits arising from involvement with another entity, e.g. the power to direct the other entity to provide services that contribute towards achieving the PBE's public benefit objectives. Not treating such entities as controlled entities may not result in appropriate reporting outcomes.</p> <p>Also, the lack of public sector guidance could make it more challenging for PBEs to determine whether they have control, joint control or significant influence over another entity, which could lead to costs and inconsistent accounting practice.</p> <p>To address the above challenges, the NZASB would need to consider developing PBE modifications to the IFRS Accounting Standards on interests in other entities.</p> |
| <p>IPSAS 39, Employee Benefits</p>                                                                                                                                                                                                                             | <p><b>Partially aligned</b> with IAS 19 <i>Employee Benefits</i>.</p> <ul style="list-style-type: none"> <li>• IPSAS 39 contains additional guidance for public sector bonus plans, which is not in IAS 19.</li> <li>• IAS 19 requires discounting post-employment benefit obligations using market yields on high-quality corporate bonds, whereas IPSAS 39 refers more broadly to reflecting the time value of money.</li> <li>• Under IPSAS 39, for some public sector entities, the accounting requirements for long-term disability payments are more comprehensive and complex than the requirements in IAS 19 for</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>The NZASB would need to consider modifying NZ IAS 19 to reflect the IPSASB's public sector modifications mentioned on the left, to appropriately reflect differences between the circumstances of public sector PBEs vs for-profit entities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| IPSAS                                | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors)                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                      | such payments. This reflects that in the public sector, in certain areas of service provision such as the military, long-term disability benefits may be financially highly significant and the related actuarial gains or losses may be volatile.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| IPSAS 40, Public Sector Combinations | <p><b>Partially aligned</b> with IFRS 3 <i>Business Combinations</i>.</p> <p>IPSAS 40 sets out accounting requirements for two types of public sector combinations: acquisitions (where an entity gains control over an operation) and amalgamations (in which no party gains control, or there are other indicators that the combination is an amalgamation). The requirements for acquisitions in IPSAS 40 are aligned with IFRS 3, i.e. the acquirer recognises the acquiree's assets and liabilities generally at fair value, and the difference between the fair value of the net assets acquired and the consideration paid is recognised as goodwill.</p> <p>By contrast, IPSAS 40 requires amalgamations to be accounted for using the 'modified pooling of interest' method, i.e. combining the carrying amounts of the assets and liabilities of the amalgamating entities (under consistent accounting policies), and goodwill is not recognised. This reflects the difference in nature between acquisitions and amalgamations – including the fact that it may not be possible to identify an 'acquirer' in an amalgamation. Amalgamations are relatively more common in the public sector than the private for-profit sector. There is no specific guidance on amalgamations in IFRS Accounting Standards.</p> | <p>In a sector-neutral model based on IFRS Accounting Standards, PBEs' accounting for combinations that are acquisition would remain similar – but there would be no specific requirements or guidance for them to refer to when accounting for amalgamations, which are relatively more common in the PBE sector than the for-profit sector. To assist PBEs in accounting for amalgamations consistently, the NZASB would need to consider developing accounting requirements for amalgamations.</p> |
| IPSAS 41, Financial Instruments      | <p><b>Mostly aligned</b> with IFRS 9 <i>Financial Instruments</i>.</p> <p>IPSAS 41 includes additional specific requirements and guidance for concessionary loans (i.e. loans lent or borrowed at below market terms).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>The NZASB would need to consider the development of requirements and guidance for concessionary loans, which are more prevalent in the public and not-for-profit sectors compared to the for-profit sector – to assist PBEs in applying the standards and avoid the risk of inconsistent accounting practice.</p>                                                                                                                                                                                  |

| IPSAS                                                                  | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors) |
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| IPSAS 42, Social Benefits                                              | <p><b>Not aligned</b> – no equivalent IFRS Accounting Standard.</p> <p>IPSAS 42 sets out accounting and disclosure requirements for expenses and liabilities relating to 'social benefits', i.e. cash transfers provided to specific individuals and/or households that meet eligibility criteria to mitigate the effect of social risks, which address the needs of society as a whole.</p> <p>Note: The NZASB agreed not to incorporate IPSAS 42 into PBE Standards, and instead proposed that social benefits be accounted for as transfer expenses, per the requirements in IPSAS 48 <i>Transfer Expenses</i>.</p> <p>See Appendix 1 – Transfer Expenses.</p> | See Appendix 1 – Transfer Expenses                                                                           |
| IPSAS 43, Leases                                                       | <b>Mostly aligned</b> with IFRS 16 Leases (excluding the requirements in IPSAS 43 relating to concessionary leases) – see Appendix 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | See Appendix 1                                                                                               |
| IPSAS 44, Non-current Assets Held for Sale and Discontinued Operations | <b>Mostly aligned</b> with IFRS 5 <i>Non-current assets Held for Sale and Discontinued Operations</i> . Additional fair value disclosure requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                              |
| IPSAS 45, Property, Plant, and Equipment                               | <b>Partially aligned</b> – revalued PP&E assets held for financial capacity (i.e. to generate a financial return) are measured at fair value as aligned with IFRS Accounting Standards – but revalued PP&E assets held for operational capacity (i.e. primarily to provide services) are measured at current operational value. See Appendix 1 (Measurement)                                                                                                                                                                                                                                                                                                      | See Appendix 1                                                                                               |
| IPSAS 46, Measurement                                                  | <b>Partially aligned</b> with IFRS 13 <i>Fair Value Measurement</i> – fair value requirements are aligned, but IPSAS 46 also includes 'current operational value' as a public sector specific current value measurement basis - See Appendix 1                                                                                                                                                                                                                                                                                                                                                                                                                    | See Appendix 1                                                                                               |
| IPSAS 47, Revenue                                                      | <b>Partially aligned</b> with IFRS 15 <i>Revenue from Contracts with Customers</i> , but covers a broader range of revenue transactions,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | See Appendix 1                                                                                               |

| IPSAS                                                         | Aligned with an IFRS Accounting Standard?                                                                                                                                                                                                                 | Implications for moving to a 'sector neutral' approach<br>(standards directly based on IFRS for all sectors) |
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|                                                               | including non-binding arrangements with entities and individuals that are not 'customers' – See Appendix 1                                                                                                                                                |                                                                                                              |
| IPSAS 48, Transfer Expenses                                   | <b>Not aligned</b> – See Appendix 1                                                                                                                                                                                                                       | See Appendix 1                                                                                               |
| IPSAS 49, Retirement Benefit Plans                            | <i>Comparison not relevant – we understand that retirement benefit plans are generally classified as for-profit entities for financial reporting purposes and already apply NZ IFRS. The NZASB decided not to incorporate IPSAS 49 into PBE Standards</i> | N/A                                                                                                          |
| IPSAS 50, Exploration for and Evaluation of Mineral Resources | <b>Mostly aligned</b> with IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> .                                                                                                                                                            | Minimal impact – PBEs would apply similar requirements to what they currently apply.                         |
| IPSAS 51, Tangible Natural Resources Held for Conservation    | <b>Not aligned</b> – See Appendix 1                                                                                                                                                                                                                       | See Appendix 1                                                                                               |